



Policy Memo	
KDHE-DHCF POLICY NO: 2021-07-01	From: Erin Kelley, Senior Manager
Date: July 12, 2021	Medical KEESM/KFMAM Reference:
RE: July 2021 KEES Release	Program(s): All Medical Programs

This memo implements changes to the Medical Assistance programs implemented with the KEES Release on July 10, 2021. Unless otherwise indicated, the following implementation instructions are applicable to all eligibility actions, including system actions, taken on or after this KEES Release. Additional information related to the implementation of these changes is available through training material released to eligibility staff, KEES Release Notes, and the KEES User Manual.

Applicable to all Medical Programs:

- New Applications
- Submitter Enhancement Customizations
- Access My Benefits
- Pre-tax and Federal Deductions
- Forgiven Student Loan Debt

Applicable to Family Medical Programs only:

- PE Portal Customizations

This memo supersedes PM2018-10-02 and PM2020-11-02 where applicable.

I. CHANGES IMPACTING ALL MEDICAL PROGRAMS

A. NEW APPLICATIONS

New versions of the following application forms as well as the Spanish versions have been developed for implementation with the release of this memo:

- KC-1100 Application for Medical Assistance for Families with Children (Family Medical)
- KC-1500 Application for Medical Assistance for the Elderly and Persons with Disabilities (Elderly & Disabled)
- KC-1105 E&D Supplement to the KC-1100

- Pre-populated and Passive Review Forms (KC-1200, KC-1300, KC-1600, and KC-1700)
- SSP Online Application

These documents have been reformatted to increase readability, some questions have been reworded for clarity, and additional questions have been included to align with federal requirements for Medicaid applications which are addressed further in the memo. Corresponding changes have also been made to the Self-Service Portal (SSP) application.

1. CHANGES TO THE PAPER APPLICATION FORMS

The changes made to the content of the KC-1100 and KC-1500 were based on specific feedback from the Centers for Medicare & Medicaid Services (CMS). Some of these changes which may be particularly noticeable to staff and/or relevant to eligibility processing are as follows:

1. The options regarding marital status has been reduced from the previous six selections to two – “married” and “not married” with the previous options of separated, common law, divorced, and widowed included in parentheses under each accordingly.
2. An optional response of ‘no’ is no longer available for the question relating to qualifying immigration status as applicants are not required to report this. The applicant may answer ‘yes’ or leave the answer blank.
3. Fields have been included in the new applications as well as review forms to allow applicants to attest to pre-tax and federal deductions necessary to determine MAGI program eligibility (see section D. Income Deductions for additional information). In this case, MAGI programs include E&D programs that use Reasonable Compatibility including Medically Needy spenddown, PMDT Tier 1 with a spenddown, and MSP. (This would not be applicable to LTC programs, Working Healthy, SSI, PMG, MediKan, or PMDT Tier 1 SSI Presumptive.)
4. The language surrounding information that may be needed from the consumer to complete the determination has been modified to make it clear that the applicant does not need to send any verifications up front and that we will only contact them for information if we are unable to obtain it through our sources.
5. The MCO choice section has been revised to allow the consumer to make person-specific selections as opposed to one selection for the household. MCO selection has also been added to the KC-1200 and KC-1300 pre-populated review forms.

Additional changes not outlined here were made to these forms as well, mainly consisting of clarifications to existing language for improved consumer understanding.

The previous versions of these forms will no longer be available via the KanCare website or Clearinghouse; however, they will continue to be accepted. When an old version of the application form is received after the new application implementation date, it will be necessary to obtain additional information from the consumer either by phone or by supplemental form. Details for the additional information required is included in section D. Income Deductions.

2. SSP APPLICATION UPDATES

Changes have also been made to the SSP application to align with CMS guidelines. Some of these changes echoed those made on the application forms, and some were based on additional requirements due to the electronic nature of the questions and responses. For the most part, the changes made will not be noticeable to staff as they applied to the consumer-facing application portal; however, in some instances there may be information relevant or helpful to those processing. Some of these changes are highlighted below:

1. If the consumer is 65 or older based on the date of birth, or answers yes to the disabled, blind, or requesting LTC services, they will receive the Health Coverage Qualification screen which asks “Would you like to answer some additional questions that may help you qualify for additional health care services?” If they answer yes, the Elderly and Disabled supplemental questions such as resources will be asked.
2. Questions are dynamically displayed. For example, the Job Detail record asks “Do you have pre-tax withholdings?” If answered yes, the additional fields to collect pre-tax withholdings details will be displayed.
3. Similarly, the consumer will be asked several questions on one screen such as Does anyone have income from a job? Is anyone Self-Employed? Is anyone getting unemployment benefits? Additional screens will be displayed to collect details for the items they answered yes to. If they answered no to all of these, the online application will move to the next section instead of showing all the screens to collect details about the job, self-employment, or unemployment income. All questions that are asked to the consumer will show on the PDF and/or e-Summary.

Note: As noted in the first section, programs using MAGI budgeting as defined here are those that use the tiered verification process including Reasonable Compatibility (RC). In addition to Family Medical programs, E&D programs including PMDT Tier 1 with a

spenddown will also budget pre-tax and federal deductions when applicable with the exceptions of LTC Nursing Facility, HCBS, PACE, PMDT Tier 1 SSI Presumptive, PMDT Tier 2, PMG, SSI, and Working Healthy which use actual amounts.

B. SUBMITTER ENHANCEMENT CUSTOMIZATIONS

Changes have been made within the SSP that allow “Submitters” to submit an application on behalf of an applicant. Submitters will be required to enter their name, organization name, and organization type. This information will be displayed on the e-Application Summary and PDF for staff to review. Staff must research the authority of the person submitting the application and apply policy per Medical KEESM 1411.2(6).

The Organization Types for Medical are:

- Community Health Clinic
- Other Type of Organization
- Clearinghouse Telephone App Help (Used for all telephonic apps including Call Center)
- Clearinghouse Walk-In Help App (Used for Walk-Ins at KanCare offices)
- KanCare Outstation Worker/Intake Manager

Note: The application source will show as “Telephone App” when Clearinghouse Telephone App Help is used. All other applications from the SSP will show as an SSP application.

Submitters will be presented with hyperlinks to the Medical Representative and Facilitator forms. When the KanCare Outstation Worker/Intake Manager or Clearinghouse Walk-In Help App types are selected, a link to the M-6 Medicaid Application Signature Page will also be included so that staff can print it out, have the applicant sign, and upload it with the application in order for the application to be valid.

Note: Per existing policy, if the SSP application is filled out by a medical representative but we don’t receive the Medical Representative Form with the application, it may impact the application date per Medical KEESM 1411.2.

C. ACCESS MY BENEFITS

This change turns on Report a Change and Reviews functionality in the Self-Service Portal (SSP) for Medical.

1. REVIEWS

If a user is logged into the SSP within 45 days of the review due date and a Pre-Populated review was mailed out, they will have a “KanCare Review” option under the Access My Benefits section of the SSP. Users may select which program to complete a review for or select to close the program. Report a Change will not be available to consumers when the review is due.

Tasks will generate to alert staff of the review being submitted. Similar to the e-Application Summary, staff must use information in the e-Review Summary and PDF to view the information that the consumer reported. Unlike applications, there will not be any data acceptance as the information will not be mapped into KEES records.

Cases that have a passive review will not see the “KanCare Review” option. They will be able to instead use the Report A Change option. See section 2 below.

2. REPORT A CHANGE

If a consumer has an SSP account linked to a case, they will have a “Report a Change” option under Access My Benefits. This will allow consumers to edit, add or delete the following information:

- Change in income
- Change in household
- Change in contact information
- Change in expense
- Change to an Authorized Representative (See section 4 below.)
- Other Changes

Tasks will generate to alert staff that a change was submitted. Staff must use the e-Change Summary and the PDF to view the changes. Just like Reviews, the Report a Change information will not map into KEES so staff will not have data acceptance.

3. KEES INFORMATION MAPPING TO SSP

Most information that is in KEES such as income, resources, and expenses will map into SSP for consumers to view in Report a Change and Reviews. For example, if a consumer reports a change in their job, they will see the job information pulled from the record in KEES.

There are a few exceptions to this general rule. In the SSP, consumers may view a screen to enter information on a previous hospital or facility stay. It collects the person, start, and end date. A different screen will allow the consumer to report a current stay in a facility which includes the type of facility, name of facility, date entered, and date

expected to leave. However, the previous stay and current LTC placement will not show in SSP. Consumers will be able to report a new stay but not end or change an existing one. Staff must review the e-Summary and PDF and compare it to the KEES case to determine if it is intended to be a new report or a change.

D. INCOME DEDUCTIONS

Beginning January 1, 2014 with the Affordable Care Act (ACA) it was federally mandated that the financial eligibility for Medicaid and CHIP programs follow basic principles of the IRS tax code or Modified Adjusted Gross Income (MAGI) methodologies with a few exceptions. This policy will align with federal regulations to require pre-tax and federal deductions to be considered when determining total countable income for CHIP and Medicaid programs.

Note: Deductions and adjustments used for MAGI purposes do not include the standard deduction, itemized deductions, or the child tax credit so these cannot be allowed as pre-tax or federal tax deductions.

1. *PRE-TAX INCOME DEDUCTIONS*

Pre-tax income deductions are amounts deducted or withheld from a person's wages prior to taxes being applied. These deductions are not included in the amount of taxable earnings reported to the IRS by the employer. Income that is allowed as a deduction is subtracted from the gross earned income when determining the countable amount for MAGI-based determinations. A section has been added to the new application and review forms to capture these amounts, and they can also typically be found on a person's paycheck. Some common pre-tax income deductions are as follows:

- Health, vision, and/or dental insurance
- Long Term Care insurance
- Accident/disability insurance
- Health Savings Account (HSA)
- Flexible Spending Account (FSA)
- Dependent care assistance
- Life insurance
- Adoption assistance
- Cafeteria plan insurance
- Per diem/Travel/Reimbursement
- Retirement plan (457b, 403b, 401k, etc.)
- Other pre-tax deductions/withholdings

Note: This list is subject to change according to tax law. When it is unclear if a reported deduction is allowable or not, further research may be needed.

2. FEDERAL INCOME DEDUCTIONS

Similar to the above, federal income deductions (i.e. IRS deductions) are another type of income excluded from the overall gross amount. Federal tax deductions reduce the amount of income subject to taxation by federal and state governments and are typically reported as a yearly amount when filing taxes. Below is a list of common deductions of this type. As noted in the previous section, this list is subject to tax law, and existing information sources should be utilized when it is unclear if an expense reported is an allowable exclusion prior to requesting verification.

- Alimony Paid
- Business Expenses
- Domestic Production Activity
- Educator Expenses
- Health Savings Account (HSA)
- IRA Deduction
- Moving Expenses
- Penalty on Early Withdrawal of Savings
- Self Employed SEP, SIMPLE and Qualified plans
- Self-employed Health Insurance
- Student Loan Interest
- Tax Deductible Portion of the Self-Employment Tax

Some federal tax deductions have a maximum amount allowed based on the tax law. The maximum limits and types of allowable deductions may change yearly. The amount allowed in the determination should not exceed the amount the tax law allows for any given tax deduction. For example, if the yearly limit for a specific federal tax deduction type is \$3,600, then no more than \$300 will be allowed each month for that item. The federal tax deduction limits for common deductions will be documented in the F-8 Kansas Medical Standards chart. KEES will only allow the maximum monthly amount to be used in the determination for common federal tax deductions. For allowable deductions that are less common, staff are responsible for ensuring that no more than the maximum amount allowed by tax law is used in the determination.

3. APPLICATION OF DEDUCTIONS

Some items may qualify as both a pre-tax deduction and a federal deduction, such as Health Savings Plan (HSA). For eligibility determinations, it will be important to only count these once, as either a pre-tax deduction or a federal deduction. Likewise, any

reported Self-Employment (SE) expenses are included in SE income budgeting and would not be counted as an additional pre-tax expense.

Some deductions may also be an allowable medical expense such as health insurance premiums. For programs that allow expenses such as medically needy spenddowns, items such as health insurance premiums will be used as an expense over a deduction as long as proof of the expense is received. If proof of the expense is not received and the deductions are \$300 or less, only then will they be used as a deduction. For programs that do not allow expenses such as MSP, the premium will be allowed as a deduction. For cases that have multiple programs impacted by the same earned income, the item is applied as a deduction due to it impacting both programs.

When pre-tax and/or federal deductions are reported on the application, displayed on a paycheck, or reported in some other way, the amount will need to be verified per section D.4 below and excluded from the gross income amount used in the determination.

If a program change occurs during case maintenance such as adding MSP to existing coverage or changing from LTC to a Medically Needy Spenddown, staff are expected to review the case file for verification of deductions from the last eligibility determination. If deductions were reported and verified within the review period, the worker will include them in the determination. If deductions are not found, deductions will be followed up on at next review.

Deductions will be applied to retroactive or prior medical determinations unless there is reason to believe there was a change.

See the scenarios released separately with this memo for examples of how this policy applies to cases.

PC2022-06-2 [FFM Applications – Pre-Tax and Federal Deductions](#) was issued 06/20/22 on this topic

4. IDENTIFICATION AND VERIFICATION

As previously mentioned, there are multiple ways that income and tax deductions might become known to the agency. The new application and review forms include fields for the consumer to report this information, and it can also be found on documents such as paystubs or a tax return. Once identified, these amounts must be addressed as part of a MAGI-income based determination and must be verified accordingly. Though this policy is effective with the KEES release, these deductions are also applied to prior medical months when reported or identified as appropriate.

For requesting verification of deductions, an approach similar to tiered income verification will be used with some modification due to the nature of these amounts, see additional information below:

a) INITIAL HARD COPY

This income verification includes any hard copy documents provided at initial application or review, and this would also apply to deductions found on a tax return or paystubs. Any documentation provided initially would be taken as full verification and the amount(s) entered into KEES. If information was missing such as frequency, it may be necessary to reach out to the consumer. Note: For Tier 1 income verification, we require a full thirty (30) days' income in order to use hard copy prior to Tier 2 Reasonable Compatibility; however, for pre-tax deductions, we could potentially use the amount provided on one paystub, as pre-tax deductions would not typically differ from paycheck to paycheck. It would be possible for this reason to use the pre-tax deduction amount from a paycheck provided, while using Tier 2, Self-Attestation/Reasonable Compatibility for earnings.

b) SELF-ATTESTATION

For deductions, we do not currently have a data source by which to verify a consumer's self-attestation of deductions; however, it is acceptable to take self-attestation of deductions if certain criteria are met. A threshold of \$300.00 in total reported deductions for the household has been established for determining whether additional verification of pre-tax deductions will be required when deductions are attested on an application or updated at review.

\$300 or less – If the total amount of reported deductions is \$300.00 or less, self-attestation will be accepted as verified. The deductions will be entered into the system as reported, and no further verification will be required.

More than \$300 – For reported deductions totaling higher than \$300.00, verification is needed in order to allow the deductions in the determination.

c) CASE FILE

Prior to requesting verification from the consumer, workers should research the case file or relevant DCF documents, i.e. Food Assistance case information, paystub(s) received in the last three months, or a recent tax return on file. If there is an available TALX record in KEES that shows pre-tax deductions (i.e. "withholdings") separately from gross and net pay, these may also be used to verify corresponding income deductions as appropriate. It is also acceptable to make collateral contact with an employer, though not required.

d) REQUESTING INFORMATION FROM THE CONSUMER

This must be completed when deductions are reported over \$300.00 and there is no hard copy verification already on file. The case will need to be placed on hold and a request sent to the consumer requesting verification of whichever type of deduction was reported. For hard-copy verification (i.e. Tier 3 or 4), the following documents would serve as verification:

- Pre-tax Income Deductions – paystubs received in the last thirty days or a statement from the employer
- Federal Deductions – Most recently filed tax return or other tax document (Self-Attestation may be used if the Federal Tax Deduction was not claimed on last year’s tax return but is reported to be claimed for the current tax year.)

If the requested verification is not provided, the deductions will not be used in the determination. However, there may be situations where Federal Tax Deductions will be claimed on the current year’s taxes but have not been filed yet but are being reported and should be verified using the tiered process then applied prospectively. Coverage should be determined without them. The notice sent requesting the verification should be clear that coverage is not contingent upon receipt of the information. Specialized fragments have been created to request proof of reported pre-tax and/or federal deductions which can be found on the Standard Copy and Paste (SCP).

Note: No change is being made to the way that reported income is verified. If a consumer’s self-attestation of income is determined Reasonably Compatible (RC), the SA will be used for the determination, regardless of whether or not we receive paystubs requested to verify the reported deductions.

In some situations, it may appear that the amount of deductions will not make a difference to the determination; however, it is still necessary to allow the consumer to have these deductions applied to their determination. Verification should still be requested if the reported amount exceeds \$300.00 in order to ensure we are using a correct and verified amount in the final determination. The consumer should also be advised that if the verification is not provided, the deduction will not be (or was not) used. Once the determination is completed, the consumer may still provide proof of verifications at any time to have a new determination completed using the adjusted amount, with any (positive) changes in eligibility effective the month following the month of report/verification. The determination NOA should be appended with the verbiage from the SCP when the deductions were reported but not used.

The exception to this is if the verified income will result in a denial due to excess income with or without the deductions excluded. In this case the deductions, even if in excess of \$300.00, do not need to be verified further since based on the self-attestation the applicant will be over the income guidelines.

Additionally, it is an operational discretion to make an exception for cases that are considered urgent or critical in nature based on agency standards. Since proof of pre-tax/federal deductions is not a condition of eligibility, it would be acceptable on such cases where an applicant was eligible both with or without the deductions to approve coverage without them, still letting the consumer know that they were not used in the determination and that they may still be provided.

e) PROCESSING IN KEES

Effective with the October 2018 KEES release, see [PM2018-10-02](#), a field was added to the Income Amount Detail screen in KEES to capture Pre-tax Withholdings that were either reported by the consumer or verified through paystub/employer-provided information. Information provided by the consumer on an SSP application will map into KEES accordingly. Amounts reported on the paper application will go through the standard data entry process.

Note: The amount entered into the Pre-tax Withholdings field will not be calculated as part of the wages showing on the Income Detail.

Federal deductions will be entered on the Expense screen. Staff will use an Expense Category of MAGI Deductions.

In either case, these amounts will not be considered by the Reasonable Compatibility Determination (RCD), which only compares the high-dated gross wage amount on the Income Detail screen to data sources. The calculation to subtract the amount of deductions will occur when EDBC is run. The budgeting section links in the EDBC results will allow users to view the calculations made.

Note: On cases that have an RMT that does not allow pre-tax and federal deductions such as LTC, a workaround is used to apply the deductions to the MSP program if the deduction causes a change such as LMB to QMB. If the deduction will not change the outcome such as an individual already on QMB, the deduction will need to be clearly documented including why the workaround was not applied. The records are still added in KEES so that the deductions will reflect correctly on the next review.

If more information is needed relating to how to create records for pre-tax/federal deductions, workers may refer to the KEES User Manual.

f) SUPPLEMENTAL FORM AND NOTIFICATIONS

The updated review forms and the new applications request pre-tax and federal deduction information. There may be a period of time before the old application form is entirely phased out, and there will be a need to obtain pre-tax and federal deduction information from the consumer as they were not given the opportunity to report it on the application. This may be done by contacting the consumer over the phone or the KC-4530 Pre-tax and Federal Deductions – Information Request form may be sent.

If the form is not returned, staff will continue processing the application with the assumption that no pre-tax or federal deductions are reported.

E. FORGIVEN STUDENT LOAN DEBT

Student loan debt that has been forgiven, discharged, or cancelled was previously considered taxable income and countable for MAGI determinations unless it was discharged due to death or disability, see [PM2020-11-02](#). With new legislation enacted March 11, 2021, all student loan debt discharged, cancelled, or forgiven after December 31, 2020 is no longer considered as part of taxable, gross income and should not be included in a MAGI-budgeted determination. This legislation is effective through December 31, 2025, unless extended by federal law.

With the November 2020 release, two new income types were added to KEES to differentiate between forgiven student loan that was countable and that which was exempt (due to death or disability), listed under the Medical Income Category of 'Education.' A section was also added to the new KC1100 and SSP application to capture information from the consumer regarding forgiven student loan debt. Based on the new legislation, any forgiven student loan debt, regardless of reason for discharge, should be recorded with an income type of 'Discharged, Forgiven, or Cancelled Student Loan Debt – Not Countable,' and the amount fully excluded from the determination. The update will also be made to the KC-7004 Countable Exempt Income Chart.

II. CHANGES IMPACTING FAMILY MEDICAL

A. PE PORTAL CUSTOMIZATIONS

Some customizations have been made to the Presumptive Eligibility (PE) Portal that will allow users to complete a full application at the time of the PE decision effective July 1, 2021. To this end, questions have been added to determine if only the PE tool is needed or if a full medical application is needed. Additional questions were added to align with the KEES streamlined application for those who elect to complete a full application as well as a signature page.

In addition, the Qualified Entities (QE's) eligible to complete PE determinations for the adult population are expanding. Previously, only hospitals have been allowed to complete PE requests for adults, former Foster Care recipients, and Breast and Cervical Cancer (BCC) recipients. With this release, all clinics and hospitals will have the authority to determine PE for all populations.

III. QUESTIONS

For questions or concerns related to this document, please contact the KDHE Medical Policy Staff at kdhe.medicaideligibilitypolicy@ks.gov

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Questions regarding any KEES issues are directed to the KEES Help Desk at KEES.HelpDesk@ks.gov