

**DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF DIRECTOR**

ACTION REFERRAL

TO <i>Jacobs</i>	DATE <i>7-11-07</i>
---------------------	------------------------

DIRECTOR'S USE ONLY	ACTION REQUESTED
1. LOC NUMBER 000015	<input type="checkbox"/> Prepare reply for the Director's signature DATE DUE _____
2. DATE SIGNED BY DIRECTOR <i>Cleaved 7/16/07, letter attached.</i>	<input checked="" type="checkbox"/> Prepare reply for appropriate signature DATE DUE <i>7-20-07</i>
	<input type="checkbox"/> FOIA DATE DUE _____
	<input type="checkbox"/> Necessary Action

	APPROVALS (Only when prepared for director's signature)	APPROVE	* DISAPPROVE (Note reason for disapproval and return to preparer.)	COMMENT
1.				
2.				
3.				
4.				

RECEIVED

JUL 11 2007

Department of Health & Human Services
OFFICE OF THE DIRECTOR

Kerry Harrah
2461 Hunters Trl
Myrtle Beach, SC 29588
(843)236-9590

July 8, 2007

RE: Cancelling of my children's Medicaid eligibility

Dear Alicia Jacobs – Deputy Director of DHHS,

My name is Kerry Harrah- I am a resident of Horry County and a voting constituent of this county. I have pretty much have grown up in Horry County and now raising my own family. I am active in my community. I serve as chairperson for the Foster Care Review Board and a member of the Board of Directors for Shoreline Drug and Alcohol.

I play many roles in my community, but the most important role that I play is mother to three young boys: Chance- 10, Pierce- 5 and Brayden-3. I worked for over 10 years providing therapeutic foster care services to severely abused children. I resigned in 2004 due to the rising cost of daycare, which between that and healthcare consumed a large portion of my paycheck. There were also times when the children that I had worked with were taking precedents over my own children. My own children were always placed on the backburner and they needed me just as much as the foster children that I worked with needed me. As a result of putting my children first I sacrificed my access to affordable healthcare benefits.

Besides being a fulltime mother, my husband and I are business owners – Stucco Supply Inc, which retails stucco materials and CPB Enterprises Inc, which applicates stucco materials. We started these businesses with no money in the bank. The building industry is constantly fluctuating and as most people know has slowed down greatly in the past year. I have seen building permits for Horry County drop 50% over the last couple of months. This affects our business greatly. We struggle almost weekly to pay both company and personal bills. Many times many bills get unpaid and this places a great deal of stress on the family. There are times when I am told that there is no money for me to pay for our basic necessities and I have to do what I can to juggle things around. My husband works 50-60 hours weeks just to barely make it. He is the last to pay himself and if there is no money he doesn't get paid.

To add to the stresses of a struggling business and a family trying to survive, I recently learned from the Medicaid office that my children's Medicaid through the Children's Healthy Partners will be cancelled as of August 2008. This is my children's only access to medical care. I was told that we made too much money in 2006. I am unsure of how they determined this, but I don't have too much money in the bank accounts yet not enough to pay the bills. They do not take into account current situations, my children's healthcare concerns and that my children are going to pay the price for it. I don't feel that current bills such as mortgages and student loans are taken into account. We had tried to get healthcare coverage once I had resigned; however,

Alicia Jacobs
app. dir

the monthly premium of \$1,100 was becoming difficult to make. The insurance company cancelled our policy due to failure to pay. We are not rich and it is not evident by the things that we have. We just try to survive and provide our children with the things that they need. We can't afford/don't have the funds to pay for medical bills, prescriptions and other medical bills that arises on emergency basis. I worry about what will happen when one of my sons gets very sick and I don't have the money to take him to the doctor.

To understand this more let me tell you about my boys. My oldest son Chance is diagnosed with ADHD and is a classic textbook ADHD child. He is currently taking Concerta, which he responds very well too. A 30 day supply of this medication from Sam's is \$134.00. He could not function in society/ school without this medication. If he is taken off this medication he would be labeled as dysfunction child in school and he would be unsuccessful both educationally and socially. He also suffers for severe allergies and asthma. He is on medications that keep him stable. His medications cost around \$500.00 per month and that doesn't include the medical visits. I struggle to buy groceries, yet alone to purchase medications that keep my child stable. Can you imagine how much insurance would charge as a premium for him if they do decide to insure him? I worry about choosing between food, medications and doctor's visits. This is the situation that I and my children have been placed in by the Department of Health and Human Services. My husband and I are trying to be contributing members of society and this is how we are treated. If my son doesn't get his medications we, as a society, are placing his life at risk.

My son Pierce has been fairly healthy except for a recent concern of being possibly borderline diabetic. This is to be monitored; however, if I lose his Medicaid then I personally cannot afford his medical appointments and lab work. He also has a visual impairment, which is monitored by Storm Eye Clinic at MUSC. He also has a speech impediment and receives services for this. However, it is being investigated of whether he may have a communication disability in the brain. I can't afford the testing on this personally. He is due for his 5 year old checkup and I don't have the money to pay for this checkup- my question is What do I do?

My son Brayden has been healthy; however, his pediatrician feels that he may be asthmatic and would like to have him tested. He also has dental issues. Several months ago he fell and did damage to his two front teeth. These teeth are dead; however, the dentist is waiting as long as possible before having to pull these teeth due to his age. These teeth are being monitored for infections.

I, myself, suffer from Hypert thyroidism – over active thyroid. This often affects my heart if not monitored. I pay Conway Hospital \$150.00 monthly for the next three years due to a hospital stay. I also pay close to \$100.00 per month in medications for myself. I am scheduled to see the doctor every three months - \$300.00 including lab work. I can't afford my medical visits, so I go when I need additional refills on my medications.

I love my children and now I am placed in a situation where I don't know what to do. Many pharmacies and doctor's office negotiate with insurance companies for lower rates, but they don't negotiate with the normal person just trying to survive. My family is stuck in the middle. We struggle to pay the basic bills and struggle to stay out of the welfare, but yet we don't make enough money to be able to affordable healthcare

coverage. I have seen many just sit at home and live off the welfare system – their children get medical coverage, but yet I ride the borderline and my children pay the price. I don't want to put my children's lives at risk.

As a resident of Horry County and an active member of my community I am asking for your assistance with this matter. I have asked for an Appealing Hearing for my children's case. I was told that I can have an attorney to represent me; however if I could afford an attorney I would not be asking for Medicaid for my children. I will be presenting my case in front of a Hearing officer sometime in the next couple of weeks. I am asking for some assistance in advocating to get my children's state provided healthcare coverage reinstated. I understand that you are busy, but I am asking that my case be further explored. I believe that ALL children should have same access to the same medical care. It is like you have to be either very poor or wealthy to get the same access to healthcare. My children are important to me, but what do you do when you have \$75.00 in the bank and your child has 103 degree fever? It cost at least \$65.00 to go to the doctor and you need bread/milk as well. How do you choose? My children/our children are our future – they are future legislators- future voting constituents. I need help to make sure that my children have to same opportunity for a future as every other child.

I am willing to discuss my need for your help with you in person. Please feel free to contact me at (843) 236-9590.

Sincerely,



Kerry Harrah



0015
✓

State of South Carolina
Department of Health and Human Services

Mark Sanford
Governor

Susan B. Bowling
Acting Director

July 16, 2007

Ms. Kerry Harrah
2461 Hunters Trail
Myrtle Beach, South Carolina 29588

Dear Ms. Harrah:

Thank you for writing our agency regarding your family's healthcare needs and financial concerns. We appreciate the opportunity to be of assistance.

As you are aware, your children's coverage under the Partners for Healthy Children Medicaid program will end on August 1, 2007 because your family's income exceeds the allowable limit. You have requested to appeal this closure decision and the hearing officer will be in contact with you regarding your hearing date. If you have questions regarding the appeal process, please call Mr. Vastine Crouch, Director, Division of Appeals and Hearings, at (803) 898-2661, as he will be happy to assist you.

Unfortunately, Medicaid policy does not allow income exclusions for rent, utility bills or other living expenses. For assistance with these bills, you may wish to contact the Waccamaw Economic Opportunity Council, Inc. at (843) 234-4100. We have also enclosed materials on other programs and organizations that can assist residents in South Carolina with their healthcare services, prescription medications, inpatient hospitalization and daily living needs. We hope this information will be helpful.

Sincerely,

A handwritten signature in cursive script that reads "Alicia Jacobs".

Alicia Jacobs
Interim Deputy Director

AJ/od

Enclosures

LEGISLATIVE LOG #	0015
LEGISLATOR/INQUIRER	
CONSTITUENT	Kerry Hannah
SSN	
BC ASSIGNED LOG	Jacobs
DATE REC'D BY AGENCY	
DATE DRAFT DUE GR	7/11/2007
LOG LETTER DUE DATE	7/20/2007
DATE REFERRED TO BC	7/12/2007

Brief Description of Issue/Problem	Date	Staff Person	Phone #	Action Taken
Children's PHC case closed due to income from self employment.	7/12/2007	Jenny	8-3965	In my box.
	7/12/2007	Jenny	8-3965	We also received a letter that was addressed to Carolyn which we were handling as a Gold Log.
	7/10/2007	Jenny	8-3965	I checked MEDS and it was denied due to income from self employment. I went down and talked to Jean and she pulled the case. They were working on the appeal summary. She said it's because they can't deduct depreciation or net losses from previous periods. This is causing them to be over the income. This is from MPPM 201.
	7/11/2007	Jenny	8-3965	Jean said the appeal was sent to Appeals this morning. She said she requested that it be expedited and let them know she had written the agency as well. I called the mother and explained everything to her. Talked with her about other resources. Told her we would be mailing her our resource packet.
	7/13/2007	Jenny	8-3965	Drafted letters and to Mark for his review on Monday.
	7/16/2007	Jenny	8-3965	To Jennifer to take to Jan.

CHECKLIST

Family Size	
Income/Resources	
Other Resources:	
Communicare	
FQHCs	
Free Medical Clinics	
Medicare	
MIAP	
Prescription Drug Programs	
Social Security	
Together Rx	

Programs:

ABD	(32)	
Foster Children	(31,60)	
General Hospital	(14)	
HCBS	(15)	
LIF	(59)	
MBCCP	(71)	
Nursing Home	(10)	
OSS	(85,86)	
PHC	(88)	
Pregnant Women & Infants	(12,87)	
QMB	(90)	
SILVERxCARD	(92)	
SLMB	(48,52)	
SSI	(80)	
TEFRA	(57)	
Transitional	(11)	
Working Disabled	(40)	

From: Jennifer Dabbs
To: Vastine Crouch
Subject: Appeal for Kerry J. Harrah (PHC case)

Jean Richardson with CEP sent this appeal summary to your area yesterday. Ms. Harrah has written two letters to this agency and we must respond in writing. She is appealing based on income from self employment. Her husband owns his own company.

Could you take a look at this and see what the next step will be? If I remember correctly, when they appeal based on income, they are required to state why they think DHHS made a mistake in the budgeting. I appreciate any information you can offer. Thanks!

From: Jean M Richardson
To: Jennifer Dabbs
Date: 7/12/2007 1:57 PM
Subject: Re: appeal case

I believe it is 6-28-07 by fax.

Jean M. Richardson
Program Coordinator II
Central Eligibility Processing
SC DHHS
P.O. Box 100101
Columbia, SC 29202
803-898-3008 Office
803-255-8223 Fax

>>> Jennifer Dabbs 7/12/2007 1:37 PM >>>
For that Harran case, what is the date CEP received her request for a hearing? I may include that in the letter. Thanks.

Jennifer Dabbs
Supervisor, Division of Constituent Services
Bureau of Eligibility Policy & Oversight
Department of Health and Human Services
(803) 898-3965
(803) 255-8350 FAX
lynchjen@scdhhs.gov

MEDELDD01 P S.C. DEPARTMENT OF HEALTH AND HUMAN SERVICES DATE: 07/10/07
 MEDSPROD MEDICAID ELIGIBILITY DECISION ACTION: _____

DATES-FROM: 04 / 2007 THRU: ___ / ___ PAGE: 2 OF 3

HH NAME: KERRY J HARRAH HH NUMBER: 101053489

BG NUMBER: 98635157 CATEGORY: PHC ACTION TYPE: MAINTENANC

BG: C BGP: C WKR: RVAZQ RUTH VAZQUEZ ACTION DATE: 06/22/07

COUNTABLE BG MEMBERS: 5

COUNTABLE INCOME: 5432.60 COUNTABLE RESOURCES: 200.00

INCOME LIMIT: 3016.00 RESOURCE LIMIT: 30000.00

POV-LVL: +2.70 % HLTH INS PREM: 0.00

RECURRING INC: 0.00 TOTAL ALLOC: 0.00 OSS AWARD: 0.00

MEETS NON-FINANCIAL? (Y/N) : Y ACT ON DECISION COMPLETE? (Y/N) : Y

MEETS INCOME? (Y/N) : N DECISION ACCEPTED DATE: 06/22/07

MEETS RESOURCES? (Y/N) : Y NEXT REVIEW DATE: 06/23/08

MEETS OTHER CONDITIONS? (Y/N) : Y ANTICIPATED CLOSURE DATE: _____

REASON(S) FOR DENIAL/CLOSURE/CHANGE:

051 Your income is more than policy allows.

ELIGIBILITY DECISION APPEALED? (Y/N) _ CONTINUE BENEFITS? (Y/N) : _

APPEAL REQUEST DATE: _____ COUNTY DECISION UPHELD? (Y/N) : _

UPDATED: USER ID: RVAZQ DATE: 06/22/07 SYSTEM ID: ELD3000 DATE: 06/22/07

ME900115 BUDGET GROUP PERIOD INFORMATION FOUND

PF1 ->HELP PF3 ->NEXT SCR PF6 ->RETURN PF10 ->MENU PF13 ->FIELD HELP

PF15 ->MAKE DECISION PF16 ->BG DET PF21 ->HIST- PF22 ->HIST+ PF24 ->ACT ON DECISION

SOUTH CAROLINA DEPARTMENT OF HEALTH AND HUMAN SERVICES
MEDICAID POLICY AND PROCEDURES MANUAL

CHAPTER 201 – Income – Family Independence (FI) Related Categories

Page 19

Example #13: Mr. Gardner repaired Ms. Rast's car in August. Ms. Rast and Mr. Gardner agreed that payment would not be made in cash. Instead, Ms. Rast would give Mr. Gardner a potbelly stove that they agreed was worth the \$150. Mr. Gardner would usually charge for this kind of work. Mr. Gardner could take the stove immediately but he decided not to take it until winter. The \$150 payment in-kind must be counted as earned income in August.

Business Expense Deductions

Some examples of allowable business deductions are:

- Identifiable costs of labor (i.e., salaries, etc.)
- Car and truck expenses;
- Utilities (electricity, telephone, etc.);
- Advertising;
- Rent or lease of property, machinery, vehicles, or equipment;
- Interest paid to purchase income-producing property
- Insurance (other than health);
- Business taxes and licenses.
- Stock, materials, seed, feed, etc.
- Cost of feed for livestock

Some expenses the client may claim as business expenses are not allowed as deductions. They include:

- ✓ ~~\$10,000~~ **Depreciation**, (loss of value, as because of wear)
- Entertainment expenses;
- The cost of purchasing income-producing real estate and capital assets such as equipment, machinery and other durable goods, including payments on the principal of a loan to purchase capital goods;
- ✓ Expenses and net losses from previous periods; - ~~130,000~~
- Family expenses
- Federal, state and local income taxes;
- Any expenses covered by the earned income deduction
- Money set aside for the individual's retirement and other work-related personal expenses such as transportation to and from work or personal entertainment expenses;
- Repayment on the principal of a bank loan;
- Debts from a previous business, including bankruptcy payments; and
- Personal debts

SOUTH CAROLINA DEPARTMENT OF HEALTH AND HUMAN SERVICES
MEDICAID POLICY AND PROCEDURES MANUAL

CHAPTER 201 – Income – Family Independence (FI) Related Categories

Page 20

201.02.13 Net Earnings from Self-Employment (NESE) (Eff. 05/01/06)

NESE is the gross income from any trade or business, less allowable deductions for that trade or business. NESE also includes any profit or loss in a partnership. NESE is determined on an annual basis.

201.02.14 Third-Party Payments Table of Contents
(Eff. 05/01/06)

Third-party payments are money payments that are not paid directly to the budget group, but are paid to a third party for a budget group expense. All third-party payments are excluded as income except for the following situations:

- Wages earned by a budget group member that are garnished or diverted by an employer and paid to a third party for the budget group's expenses are counted as income.
- Trust funds paid to a third party on behalf of the budget group are counted as unearned income if the budget group can receive the funds directly, but requests that the payments be made to the third party.

201.02.15 Medicare Buy-In (Eff. 05/01/06)

Medicare pays the Medicare Part B Premium for every person who is both Medicare and Medicaid eligible. The Social Security Administration assumes responsibility for determining and establishing Buy-In Part B coverage for Supplemental Security Income (SSI) eligibles. Buy-In coverage for non-SSI eligibles is established through a combined automated and manual process.

201.02.16 Cafeteria Benefit Plans (Eff. 05/01/06)

A cafeteria plan is a written benefit plan offered by employers in which all employees have the opportunity to participate, have a choice or benefits from which to select, and have a salary-reduction agreement whereby the employee accepts a lower salary in order to participate. These plans are defined under provisions of Section 125 of the Internal Revenue Code or Internal Revenue Service (IRS) regulations. An example of a cafeteria plan is MoneyPlus offered to state employees where health insurance and other benefits are purchased by the employee with pre-tax dollars. The gross income is reduced by the cost of these benefits, and Federal, State, FICA and Medicare taxes are computed based on the reduced amount. The reduced Gross amount is used to determine eligibility for Medicaid programs.

SOUTH CAROLINA DEPARTMENT OF HEALTH AND HUMAN SERVICES
MEDICAID POLICY AND PROCEDURES MANUAL

CHAPTER 201 – Income – Family Independence (FI) Related Categories

Page 12

Excluded reimbursements include but are not limited to:

- Reimbursements for job or related expenses;
- Reimbursement for out of pocket expenses of volunteers incurred in the course of their work;
- Medical or dependent care reimbursements;
- Non-federal reimbursements to students for specific educational expenses; and
- Reimbursements received to pay for services provided by Title XX of the Social Security Act.

201.02.11 Different Forms of Business

(Eff. 05/01/06)

Income received by an individual from a business may be considered as self-employment income, wages as an employee, or unearned income depending upon the form of business and the individual's relationship to the business. The following policy explains the different forms of business.

1. Sole Proprietorship

A sole proprietorship is an unincorporated business owned by one individual. The owner has sole control and responsibility of the business, receives all the profits, and is legally liable for all the debts of the business. The owner of a sole proprietorship is self-employed. (Refer to MPPM 201.02.13 for information on how to determine countable income.)

2. Partnerships

A partnership is an association of two or more people. A partnership can be created by a verbal or written contract between the individuals. There are three types of partnerships, a General Partnership, a Limited Partnership, and a Limited Liability Partnership. The income received from a partnership is either self-employment or unearned income depending on whether the individual is a general partner or a limited partner. The income tax form, Schedule K-1 (Partner's Share of Income, Credits, Deductions, etc.) that the partner receives from the partnership will show whether the individual is a general partner or a limited partner.

- A. **General Partnership:** Each partner jointly owns the business, shares in the profits and losses, and is personally liable for all the debts of the business. There may or may not be a written Partnership Agreement. The income a general partner receives from the partnership is self-employment income. (Refer to MPPM 201.02.13 for information on how to determine countable income.)

SOUTH CAROLINA DEPARTMENT OF HEALTH AND HUMAN SERVICES
MEDICAID POLICY AND PROCEDURES MANUAL

CHAPTER 201 – Income – Family Independence (FI) Related Categories

Page 13

B. Limited Partnership: A business that is owned by at least one or more general partners who manage the business and one or more limited partners. The general partner or partners are responsible for the management of the company and are personally liable for all the debts of the business. The income a general partner receives from the partnership is self-employment income. (Refer to MPPM 201.02.13 for information on how to determine countable income.)

The limited partner or partners have no personal liability for the debts of the business. The income a limited partner receives from a partnership is unearned income and must be reported on his or her individual income tax return. To determine the countable unearned income, request a copy of the Schedule K-1 (Partner's Share of Income, Credits, Deductions, etc.) from the partnership and the individual's Schedule E (Supplemental Income and Loss), which is filed with his or her personal income tax return. The amount from line 31 of the Schedule E is counted as unearned income.

C. Limited Liability Partnership (LLP): A business that is set up like a general partnership except that the partners are granted limited liability. Usually, individuals who are in professions such as law, medicine, and accounting set up a Limited Liability Partnership. The partners are not personally liable for the malpractice or debts of the other partners or for the debts of the LLP. Filing an application for Limited Liability Partnership with the South Carolina Office of the Secretary of State forms an LLP. The income a general partner in an LLP receives from the partnership is self-employment income. The income a limited partner receives from a partnership is unearned income and must be reported on his or her individual income tax return. Refer to MPPM 201.02.13 for information on how to determine countable income.)

Table of Contents

3. Limited Liability Company (LLC)
Filing Articles of Organization with the South Carolina Office of the Secretary of State forms a Limited Liability Company. The individual members of a Limited Liability Company are not personally liable for the debts of the company.

Profits of a Limited Liability Company are either taxed to each member similar to those of a partnership or are taxed as a corporation. The Articles of Organization, the Operating Agreement, or their income tax forms will provide this information. If the LLC is being taxed as a partnership, the policy for partnership income should be followed. If the company is being taxed as a corporation, the income is received in the form of dividends and is countable unearned income.

4. Corporations

A corporation is formed by a transfer of money, property, or both by prospective shareholders in exchange for capital stock in the corporation. If money is exchanged for

Version Month: April 2007

SOUTH CAROLINA DEPARTMENT OF HEALTH AND HUMAN SERVICES
MEDICAID POLICY AND PROCEDURES MANUAL

CHAPTER 201 – Income – Family Independence (FI) Related Categories

Page 14

stock, the shareholder or corporation realizes no gain or loss. The stock received by the shareholder has a basis equal to the money transferred to the corporation by the shareholder. All corporations are divided into two groups: S Corporations which have elected Subchapter S treatment, and C Corporations which encompass all other corporations.

A. S Corporation: A small business corporation formed and operated under a State's general corporation law. It is like any other corporation, except that it is treated like a sole proprietorship or a partnership for Federal Income Tax purposes. The S Corporation files an "information" tax return to report its income and expenses, but it is not separately taxed. Instead the income and expenses of the corporation are divided among its shareholders, based upon the percentage of stock of the corporation that they own, who then report them on their own income tax returns: (Schedule E, Supplemental Income and Loss.) An individual may also receive a salary from the business, and this should be counted as wages.

If the individual is actively engaged in the business, the income is self-employment income. (Refer to MPPM 201.02.13 for information on how to determine countable income.)

Note: The information reported on their Schedule E, Supplemental Income and Loss, should be checked to determine whether the individual is actively engaged in the business. If the income is listed as Non-passive Income (#27 k), the individual is actively engaged in the business. If it is listed as Passive Income (#27 h), he or she is not actively engaged in the business.

If the individual is not actively engaged in the business, the income received is countable unearned income. The individual will receive a Schedule K-1 from the S Corporation he may then use to complete Schedule E to file with his personal income tax return. The amount from line 31 on the form Schedule E is counted as unearned income.

B. C Corporation: C corporations are treated by law as a legal entity. The owners of a corporation are the stockholders or shareholders. The C Corporation reports its income and expenses on a corporation income tax return and is taxed on its profits at corporation income tax rates. Dividends when paid are taxed to stockholders who report them as income. Dividends paid to a stockholder are countable unearned income when they are received.

A stockholder of a corporation may also be an employee of the corporation. If the stockholder is an employee, the wages are counted as earned income when they are received.

SOUTH CAROLINA DEPARTMENT OF HEALTH AND HUMAN SERVICES
MEDICAID POLICY AND PROCEDURES MANUAL

CHAPTER 201 – Income – Family Independence (FI) Related Categories

Page 15

201.02.12 Self-Employment Income

(EF: 05/01/06)

A self-employed individual actively earns income directly from his/her own business, trade, or profession, rather than as salary or wages from an employer. A self-employed individual may be the sole owner of a business; a general partner in a partnership; a partner in a Limited Liability Partnership; a member of a Limited Liability Company being taxed as a partnership; or a shareholder in an S Corporation who is actively engaged in the operation of the business.

A self-employed farmer actively earns income from operating a farm for profit as either the owner or tenant. A farm includes stock, dairy, poultry, fish, bee, fruit, or truck farms. It also includes plantations, ranches, nurseries, or orchards.

An individual is not self-employed if the business is incorporated; if the individual is a limited partner in a Limited Partnership or in a Limited Liability Partnership; or if the individual is a member (owner) of a Limited Liability Company that files federal income taxes as a corporation. In these situations, any earned income actually received by the individual as an employee of the business is countable wages. Dividends or the share of income reported by the individual on his/her individual income tax is countable unearned income.

Self-employment income is different from rental income because rental income is not always earned. An individual who does not do anything except collect the rent is not self-employed.

Budgeting Profits from Self-Employment

[Table of Contents](#)

In general, self-employment income must be annualized. This means the total profits expected in receipt for a full year must be averaged to determine the monthly countable self-employment income.

- If a 12-month period of self-employment income history is available, and it is representative of the current circumstances, this information may be used to determine the monthly countable self-employment income.
- If a 12-month period of self-employment income history is not available, or if the self-employment history is not representative of the current circumstances, whatever current information is available to establish a best estimate of the countable self-employment income may be used. A shorter review period may need to be set until enough information has been gathered to establish an accurate best estimate for longer periods.

SOUTH CAROLINA DEPARTMENT OF HEALTH AND HUMAN SERVICES
MEDICAID POLICY AND PROCEDURES MANUAL

CHAPTER 201 – Income – Family Independence (FI) Related Categories

Page 16

- If the self-employment income is not intended to be the household's annual support, and the household anticipates income from another source to be its support for the other part of the year, the self-employment income over the number of months it is intended to cover must be pro rated and that amount must be used as the monthly countable income from self-employment in those months.
- If the self-employment income is intended to be part of the household's annual support, and other income is received that is part of the annual support, the self-employment income must be annualized, even if the business is only conducted during part of the year.

Example #1: Mr. Lean is a teacher who operates a small business to support himself during the summer months. He relies upon this small business for support only for the summer and relies upon his income from teaching for the rest of the year. He receives income from his 9-month contract-teaching job **only** during the school year. Last year, Mr. Lean's business made \$6,000 in profit during the 3-month school vacation. He expects his profits to be about the same this year. Count $\$2,000$ self-employment income for the three months the income is intended to cover (June, July and August). Count the teaching income in the months it is received. During June, July and August, Mr. Lean's countable income will be only the self-employment income and, in the other months, his countable income will be only the income from teaching.

Example #2: Ms. Cross is a teacher who operates a small business during the summer. She relies upon this business to supplement her income from teaching; she considers both incomes part of her annual support. This is the first year of business for Ms. Cross. She expects to have \$6,000 in profit from the three summer months. This money, added to the money from her teaching contract, must be divided by 12. ($\$6,000$ self-employment + $\$30,000$ teaching = $\$36,000$. $\$36,000 \div 12 = \$3,000$. Count $\$3,000$ for each month.)

Example #3: Mr. Hire is a self-employed plumber who has only been in business for two months. He has not received any money from the business yet, but has paid \$500 in business expenses. He expects to average about 20 jobs with approximate earnings of \$50 from each job. Using his anticipated income of \$1,000 per month (20 jobs x \$50 per job) and deducting his actual business expenses of \$500, you can determine that his countable monthly income is \$500. Review the case within a few months to see if your best estimate is still valid.

Example #4: Ms. Small is a Certified Public Accountant. She works only for three months of the year--the three months preceding the income tax deadline. This is the only income she earns all year. She uses the earnings to supplement her annual unearned income. Ms. Small earned \$10,000 last year and had \$1,000 business expenses. Her annual profit from self-employment was \$9,000. Ms. Small has "a hunch" her profit for this year will be less. She cannot give us a logical reason why this would be so. ($\$9,000 \div 12 = \750 . Count $\$750$ as her earned income each month.)

SOUTH CAROLINA DEPARTMENT OF HEALTH AND HUMAN SERVICES
MEDICAID POLICY AND PROCEDURES MANUAL

CHAPTER 201 – Income – Family Independence (FI) Related Categories

Page 17

Countable Self-Employment Income

An individual's countable self-employment income from a business depends on the type of business and the individual's relationship to the business.

- **Sole Proprietor** – If the individual is the sole owner of the business, the individual's countable self-employment income is the total profit from a business or farm. Profit is the total gross earnings minus allowable business expenses.
- **General Partner** – If the individual is a general partner, the individual's countable self-employment income is his share of the total profit from the partnership. The eligibility worker must read the Partnership Agreement to determine the share of the profits and divide the profits according to the agreement. If no Partnership Agreement exists, the profits must be divided equally among all general partners.

Example #5: Mr. Jones is one of three general partners in "Us Guys and Sons." The total profit of the business is \$2,500 per month. The business has a written Partnership Agreement that says Mr. Jones is entitled to 75% of the profits. Mr. Jones's countable self-employment income is \$1,875. ($75\% \text{ of } \$2,500 = \$1,875$)

Example #6: Mr. Miller is one of four partners in Miller's Ski Shack, a business with a total monthly profit of \$1,600. The business does not have a Partnership Agreement. Mr. Miller's countable self-employment income is \$400. ($\text{One-fourth of } \$1,600 = \400)

- **Shareholder in an S Corporation** – If the individual is a shareholder in an S Corporation and is actively engaged in the business, the individual's self-employment income is his/her share of the profits. An individual who is a shareholder in an S Corporation but is not actively engaged in the business is not self-employed. His share of the profits is countable unearned income.

Table of Contents

Example #7: Mr. Smith is one of 12 shareholders in John's Cleaning Service, an S Corporation with a monthly profit of \$12,000. Mr. Smith formed the corporation, is responsible for its management, and cleans several of the businesses that have contracted with the corporation for services. Mr. Smith's countable self-employment income is \$1,000. ($\$12,000 \text{ divided by } 12 = \$1,000$)

Example #8: Mr. Manning is one of 10 shareholders in Mike's Investigations, an S Corporation with a monthly profit of \$11,000. Mr. Manning does not perform any services for the corporation. His share of the monthly profits is \$1,100 and is countable unearned income. ($\$11,000 \text{ divided by } 10 = \$1,100$)

SOUTH CAROLINA DEPARTMENT OF HEALTH AND HUMAN SERVICES
MEDICAID POLICY AND PROCEDURES MANUAL

CHAPTER 201 – Income – Family Independence (FI) Related Categories

Page 18

- **Member of a Limited Liability Company (LLC) Filing Federal Taxes as a Partnership** – If the individual is a member of a Limited Liability Company which files federal income taxes as a partnership, and the individual is a general partner, the individual's self-employment income is his/her share of the profits.

If the individual is a limited partner, he/she is not self-employed. Any income he/she receives for services he/she performs is countable wages. Any dividends paid to him/her from the LLC are countable unearned income.

Example #9: Ms. Mitchell is one of three members of Styles & Files, a LLC with monthly profits of \$900. The company's Operating Agreement says the income of the LLC is taxed as a partnership with each member receiving an equal share of the profits. Ms. Mitchell's countable self-employment income is \$300.

Example #10: Mr. John Deere and his son have formed a LLC and are the only two members of John's Tractor Service. The company's Articles of Organization state that the income of the LLC will be taxed as a partnership, that Mr. Deere is a limited partner, and that he is responsible for the management of the LLC. Even though the profits of the LLC are taxed as a partnership, because he is a limited partner, he is not self-employed. Any money he receives as payment for his management duties is countable wages.

Determining Countable Self-Employment Income

The individual's most recent tax return is used to determine the countable profits from self-employment or farming, if the income information on the tax return is representative of the current self-employment income and circumstances.

If a tax return is not available, or if the income reported on the most recent tax return is not representative of current income, the countable self-employment income must be determined by using the gross income received or available to the applicant/beneficiary in the past four weeks and deducting any allowable business or farm expenses. Money earned and not received is not included.

Table of Contents

Example #11: Mr. Taylor sold \$1,200 worth of merchandise to Ms. Jackson on January 31. Since Ms. Jackson is a steady customer, Mr. Taylor let her have the merchandise that day and agreed to send her an itemized bill as soon as possible. Ms. Jackson did not pay for the merchandise until March 3. The money received from Ms. Jackson must be counted as income received in March. It cannot be counted as income any earlier than March.

Example #12: Mr. Martin repaired Mr. Hill's roof in June. He finished the work June 30 and was told he could pick up the check that day at Mr. Hill's office. He did not pick up the check until July 5. The check must be counted as income received in July.