

November 14, 2000

Dear State Health Official:

I am writing to you as part of an interagency effort to assure that the policies applied under Federal needs-based programs do not negatively affect Individual Development Accounts (IDAs) funded under the Assets for Independence Act (AFIA), Public Law 105-285. The purpose of these IDAs is to improve the economic independence and stability of individuals and families and to promote and support the transition to economic self-sufficiency.

Individual Development Accounts under AFIA provide Federal funds to match the amount of earnings that low-income working individuals and families put into savings for a first home, post-secondary education, or to start a new business. There are currently 65 grantees under the AFIA demonstration project in 33 States.

Section 415 of the AFIA statute permits States to count any funds deposited by eligible individuals into IDAs (including interest accruing on those funds) for purposes of determining eligibility for any Federal or federally assisted program based on need such as Medicaid and State Children's Health Insurance Program (SCHIP). However, matching funds deposited into AFIA established IDAs (including interest accruing on these matching funds) must be disregarded. Therefore, funds deposited into an IDA by a sponsoring nonprofit organization or State or local government cannot be counted as income when determining eligibility for Medicaid and SCHIP and if retained, cannot be counted as resources. Absent a State plan provision to the contrary, income received by an individual (e.g., earnings) and deposited into an IDA is still counted as income and as a resource if retained in that IDA. In addition, interest earned on the funds deposited by the individual into an IDA is countable income.

We encourage you to take advantage of the flexibility offered under Medicaid and SCHIP to enable individuals and families to take full advantage of IDAs. States have the option under title XXI to disregard income deposited into an IDA and all interest earned on an IDA for purposes of SCHIP eligibility. Using the authority in sections 1931 and 1902(r)(2) of the Social Security Act to adopt less restrictive methodologies, States may also disregard this income under many Medicaid eligibility groups described in title XIX. States need only file an amendment to their Medicaid and/or SCHIP State plan; no waiver is required. States may use the State Medicaid and/or SCHIP plan template page that accompanies this letter, indicating the State's desire to disregard this income for eligibility purposes, and return the page(s) to your Health Care Financing Administration (HCFA) Regional Office.

Please note that this letter primarily relates to IDAs funded under AFIA. There are also IDAs authorized by section 404(h) title IV of the Social Security Act which are related to Temporary Assistance for Needy Families (TANF). Funds retained in these TANF-related IDAs must be disregarded as resources, and interest earned on these IDAs must be disregarded as income, when determining eligibility under both Medicaid and SCHIP. There is no mandatory disregard of earned income that is deposited in a TANF-related IDA. Again, we encourage States to use the flexibility in Medicaid and SCHIP to disregard earned income that is deposited in a TANF-related IDA for eligibility purposes and has included the required information on the attached template pages. We believe that it will simplify administration of your program if the treatment of IDAs under AFIA and title IV is the same.

The Food and Nutrition Service and the Administration for Children and Families are preparing guidance on how States might disregard IDA funds under the Food Stamp and TANF programs.

If you have any questions, please contact the following staff of HCFA's Center for Medicaid and State Operations: for questions about Medicaid, Judy Rhoades at (410) 786-4462 and for questions about SCHIP, Jennifer Ryan at (410) 786-1304.

Sincerely,

/s/

Timothy M. Westmoreland Director

Enclosures

cc: All HHS Regional Directors All HCFA Regional Administrators All HCFA Associate Regional Administrators for Medicaid and State Operations Lee Partridge, Director, Health Policy Unit - American Public Human Services Association Joy Wilson, Director, Health Committee - National Conference of State Legislatures Matt Salo, Director of Health Legislation - National Governors' Association Brett Ewig, Association of State and Territorial Health officials

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Supplement 8a to Attachment
2.6-A ADDENDUM

State Plan Under Title XIX of the Social Security Act

State: _____

**LESS RESTRICTIVE METHODS OF TREATING INCOME UNDER SECTION 1902(r)(2)
OF THE ACT**

____ For all eligibility groups subject to 1902(r)(2) and not subject to the limitations on payment explained in 1903(f) of the Act: All otherwise countable income deposited in an IDA account funded under the Assets for Independence Act is excluded.

____ For all eligibility groups subject to 1902(r)(2) and not subject to the limitations on payment explained in 1903(f) of the Act: All otherwise countable income deposited in an IDA account authorized under section 404 is excluded.

____ For all eligibility groups subject to 1902(r)(2) and not subject to the limitations on payment explained in 1903(f) of the Act: All interest earned on an IDA account funded under the Assets for Independence Act is excluded.

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Supplement 8b to
Attachment 2.6-A
ADDENDUM

State Plan Under Title XIX of the Social Security Act

State: _____

LESS RESTRICTIVE METHODS OF TREATING RESOURCES UNDER SECTION 1902(r)(2) OF THE ACT

____ For all eligibility groups subject to 1902(r)(2) of the Act: all funds in IDA accounts funded under the Assets for Independence Act are excluded.

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Supplement 12 to
Attachment 2.6-A
ADDENDUM

State Plan Under Title XIX of the Social Security Act

State: _____ **ELIGIBILITY UNDER SECTION 1931 OF THE ACT**

____ The agency uses less restrictive income and/or resource methodologies than those in effect

as of July 16, 1996, as follows:

____ All otherwise countable income deposited in an IDA account funded under the Assets for Independence Act is excluded from income. ____ All interest earned on an IDA account funded under the Assets for Independence Act is excluded from income.

____ All funds in IDA accounts funded under the Assets for Independence Act are excluded from resources. ____ All otherwise countable income deposited in an IDA account funded under section 404 of the Social Security Act is excluded from income.

DRAFT - ADDENDUM TO SECTION 4

STATE CHILDREN'S HEALTH INSURANCE PROGRAM STATE PLAN TEMPLATE

Section 4. Eligibility Standards and Methodology (section 2102(b))

4.1.3 ____ Income:

____ All otherwise countable income deposited in an IDA account funded under the Assets for Independence Act is excluded from income.

____ All interest earned on an IDA account funded under the Assets for Independence Act is excluded from income.

____ All funds in IDA accounts funded under the Assets for Independence Act are excluded from resources.

____ All otherwise countable income deposited in an IDA account authorized under section 404 of the Social Security Act is excluded from income.