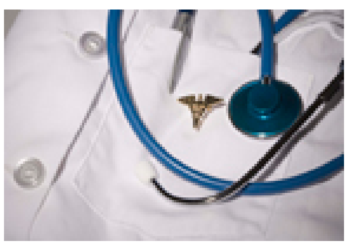
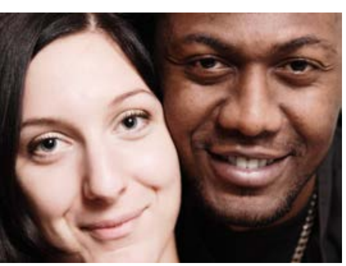
Medicaid and CHIP in 2014:
A Seamless Path to Affordable Coverage





The New World of
Modified Adjusted Gross Income (MAGI)

Final Rule:
Seamless and Affordable Coverage

- Expands access to affordable coverage
- Simplifies Medicaid & CHIP
- Ensures a seamless system of coverage

MAGI-Based Methodologies Overarching Goals

- Align financial eligibility rules across all insurance affordability programs
- Seamless and coordinated system of eligibility and enrollment
- Maintain eligibility of low-income populations, especially children

Alignment of Financial Eligibility Rules in 2014 Based on MAGI

- Eligibility for premium tax credits and cost sharing reductions for coverage through the Exchange is based on:
  - Modified adjusted gross income
  - Household income
  - These terms are defined in the tax code
- MAGI-based rules will be used for most individuals who apply for Medicaid and CHIP eligibility

What is MAGI?

- MAGI is a methodology for how income is counted and how household composition and family size are determined
- MAGI is not a number on a tax return
- MAGI is based on federal tax rules for determining adjusted gross income (with some modification)
- No asset test or disregards (except across-the-board 5% disregard, bringing income standard for adults to 138%)

Whose Eligibility is Based on MAGI?

MAGI	MAGI-Excepted
Adults	Anyone for whom agency not required to make income determination (e.g., SSI, federal foster care or adoption assistance recipients)
Parents	Individuals eligible on the basis of being aged, blind or disabled
Children	Individuals with long-term care needs
Pregnant women	Individuals eligible as medically needy
	Eligibility for Medicare cost sharing assistance

Tax Definitions of MAGI

- MAGI = Adjusted Gross Income (AGI) plus
  - Any foreign earned income excluded from taxes;
  - Tax-exempt interest; and
  - Tax-exempt Social Security income
- Family = Taxpayer (includes married taxpayers filing jointly) and all claimed tax dependents.
- Family size = Number of individuals in the family
- Household income = The sum of the taxpayer’s MAGI plus the MAGI of tax dependents in the family if required to file.

MAGI in Medicaid and CHIP Definitions of Income

- General rule: Same as tax definitions
  - Taxable income counted for Medicaid and CHIP purposes; non-taxable income not counted
  - Same adjustments to AGI
- Key differences compared to current Medicaid methods:
  - Child support income received is not counted
  - Self-employment and farm income after depreciation and deduction of capital losses counted

Taxable Income Not Counted or Counted Differently in Medicaid and CHIP MAGI

- Scholarships, fellowship grants and awards used for education purposes
- American Indian and Alaska Native (AI/AN) income derived from distributions, payments, ownership interests , and real property usage rights
- Lump sum

MAGI in Medicaid and CHIP: Household Composition

- Taxpayers and tax dependents use tax household with limited exceptions
  - This means that in vast majority of cases, household is determined by principles of tax dependency
- Parents, children and siblings are included in same household
  - Stepparents and parents treated the same
  - Children and siblings with or without income included in same household as rest of family
  - Older children included in family if claimed as tax dependent by parents
  - Child income does not count if child not required to file a tax return

MAGI in Medicaid and CHIP: Differences in Household Composition

- Extended family – Family members and unrelated individuals claimed as a tax dependent by a taxpayer other than a parent or spouse (e.g., grandchild, niece, taxpayer’s parent)
- Children of non-custodial parents – Children claimed as tax dependent by non-custodial parent
- Children of unmarried parents – If living together with child.

Rules for Non-Filers

- Mirror rules for tax filers to maximum extent
- Spouses, parents, stepparents and children living together included in same household.
- “Child” defined as under age 19. State option to also include individuals age 19 and 20 who are full time students.
- Rules for non-filers also apply to tax dependents excepted from general rule to use tax definition of household.

MAGI Budget Period
(“Point in Time”)

- Premium tax credit and cost sharing reductions for coverage through Exchange based on annual income.
- Medicaid and CHIP base determination on current monthly income, with State option to consider predictable changes in income at initial determination.
- State option to use projected annual income for remainder of year for ongoing eligibility of beneficiaries.

Preventing Potential Coverage Gaps in the Final Rule

- If differences between Medicaid and tax definition of MAGI results in coverage gap, tax definitions are used without exceptions.
- Ensures that regardless of differences in income counting, household composition and point-in-time methodologies, coverage is maintained.

Establishing Filing Requirements and Tax Dependency Relationships

- Filing requirements and tax dependency based on reasonable expectations at time of determination.
- If taxpayer cannot reasonably establish tax dependency relationship, inclusion of tax dependent in household determined in accordance with non-filer rules.

What's New in the Final Rule

Some changes in final rule:

- Treatment of non-taxable Social Security Income
- Accounting for uncertainty in tax rules
- Preventing potential coverage gaps
- Technical corrections

Scenario 1 – Jones Family
The General Rule Applied

- John and Joan Jones are a married couple. They file jointly and claim Joan's son by a first marriage, JP, age 17, as a tax dependent
- John and Joan together currently earn $2,300 per month, with projected annual income of $27,600.
- Joan's ex-husband pays $500 per month in child support
- JP works 4 hours every Saturday, earning roughly $135 per month
- Medicaid income standard = 133% FPL for adults and children ages 6 to 18; CHIP income standard = 200% FPL

Scenario 1 – Jones Family

- Tax and Medicaid Household = John, Joan and JP
- Child support income does not count JP's income does not count (< filing threshold for dependents)
- Household income = 149% FPL for a household size of 3.*

* Medicaid/CHIP household income after applying the across-the-board 5% FPL disregard = 144% FPL.

Scenario 1 – Jones Family

- Joan and Joan are eligible for premium tax credits and cost sharing reductions through Exchange.
- JP is eligible for CHIP

Scenario 2 – John Doe
Differences in Treatment of Income

- John is a single parent with 2 children, ages 6 and 10, whom he claims as tax dependents.
- John earns $3,000 per month, with projected annual income of $36,000.
- John also receives $1,800/year ($150/mo) in taxable AI/AN income which is not counted for Medicaid/CHIP purposes.
- Medicaid income standard = 133% FPL for adults and children ages 6 to 18; CHIP income standard = 200% FPL

Scenario 2 – John Doe

- Tax household = John and 2 children
- Medicaid/CHIP household = Same
- Projected annual income for Exchange purposes = $36,000 + $1,800 = $37,800 = 204% FPL for household size of 3.
- Current monthly income for Medicaid/CHIP = $3,000 per month = 194% FPL for household size of 3 minus 5% FPL = 189% FPL.

Scenario 2 – John Doe

- John is eligible for premium tax credits and cost sharing reductions based on income = 204% FPL.
- Both children are eligible for CHIP.

Scenario 3 – Lewis Family
Differences in Household Composition

- Mary Lewis is a working grandmother who claims her daughter (Samantha), age 20 and a full-time student, and granddaughter (Joy), age 2, as tax dependents.
- Mary earns $4,500/month ($54,000/year)
- Samantha earns $300/month ($3,600/year)
- Medicaid income standard = 133% FPL

Scenario 3 – Lewis Family

- Tax household = Mary, Samantha and Joy
- Medicaid/CHIP households
  - Mary = Same as tax household = Mary, Samantha and Joy
  - Samantha = Same Mary's household = Mary, Samantha and Joy
  - Joy = Samantha and Joy (exception: non-filer rules apply)

Scenario 3 – Lewis Family

- Projected annual income for tax household = Mary's income (Samantha not required to file) = $54,000 per year = 291% FPL for household size of 3.
- Medicaid household income (current monthly)
  - Mary = Same as tax household = $4,500/mo = 291% minus 5% = 287% FPL for household size of 3
  - Samantha = Same Mary's income = 287% FPL
  - Joy = Samantha and Joy (exception – non-filer rules apply) = $600/mo. = 49% FPL for household size of 2 minus 5% FPL = 44% FPL

Scenario 3 – Lewis Family

- Mary and Samantha are eligible for enrollment in the Exchange
- Joy is eligible for Medicaid

More Information

For more information on the final rule:

http://www.medicaid.gov/AffordableCareAct/Provisions/Eligibility.html

Webinar information:

- April 5, 3:00 p.m. EST
- Coordination Across Medicaid, CHIP and Affordable Insurance Exchanges

http://www.medicaid.gov/State-Resource-Center/Eligibility-Enrollment-Final-Rule/Eligibility-and-Enrollment-Final-Rule-Webinars.html