CENTERS FOR MEDICARE & MEDICAID SERVICES

Moderator: Sarah deLone
September 15, 2011
1:00 p.m. ET

Sarah deLone: Hi. Thanks, everybody, thanks (Alicia). Hi this is Sarah deLone if you actually ask any questions please call me Sarah, I always think somebody's, you know, I was talking to my mother when they call me Ms. deLone

So, anyway, this is Sarah deLone and Stephanie Kaminsky also is here with me, for those of you may been at the eligibility conference, we were the presenters then and this is sort of a repeat, back by popular demand to go through at a sort of high medium and then to a certain extent dig down deeper into the world of MAGI. As (Alicia) said, we're going to try and reserve about 15, 20 minutes at the end for questions and answers, but we also recognize that there's a, you know, there's a learning curve and it takes some time to really sort of grapple with and understand this issue and the different aspect of MAGI.

So, we're also planning on doing some follow-up after this call to be able to answer your questions and answers. We're not – we're deciding which is – what will be the best form for that, we're considering either just another call, to sort of to go through for everybody questions and answers and – or to have people sign up for smaller group calls that would probably involved more about 8 to 10 people from States at a time.

What we're going ask that you do after this call and over the course of the next couple of days is send your questions in to a general mail box but unfortunately, the I.T. people haven't been able to set up quite yet, but it will be set up in the next couple of days and we will send out an e-mail to everybody to give you that address. So you could send in your questions and when we get a sense of the breadth and variety and types of questions, we'll be able to make a better judgment as to what the best form for follow up is.

So, questions and answers will be limited time for that today, but know that there will be an opportunity for more either next week or the following week.

So, the other thing I want to let folks know is that this call is being recorded and it will not be available for a couple of weeks, but if there's – if anybody wants to hear it again or there's members of your staff or there may be states who weren't able to listen in today, it will be available in a couple of weeks, and again we will send out a notice of course with the link for that with the call-in number to get that recording.

So, without any further sort of general introductory stuff, let's jump in to the substance of today's call which is the new world of MAGI.

So, for those of you who were at the conference, this maybe a little bit of a repeat but we understand that wasn't a sort of you'll hear the same things but we understand that's actually a part of what's desired so just to be alert this is going to be somewhat repetitive of what we went through at the conference.

There are three sort of overarching goals, that are important to keep in mind that were established in the Affordable Care Act in terms of the transition to MAGI, to modify – to basing eligibility on Modify Adjusted Gross Income.

The first general goal is to align the financial eligibility rules across all insurance affordability programs, so across the Exchanges, Medicaid, CHIP and for any States that establish a basic health program also to be used in the same financial methodologies there.

So, alignment with a critical goal. The purpose of such alignment leads to the second over arching goal, which is that the ACA envisions and we feel, you know, it's – we're required to set out the federal parameters to facilitate on the creation of a seamless and coordinated system of eligibility and enrollment across all insurance affordability programs.

And then the third principle which sometimes is at odds with the first two, is that the ACA also directs us to retain some of the current Medicaid eligibility rules in order to protect the eligibility of low income populations who are able to take advantage of the program today.

So we have alignment, seamless and coordinated system, and protection of low income beneficiaries as our sort of three goals that we're trying to balance and achieve here.

To give a little bit of statutory grounding and for those of you who are looking at the slides I'm now on to the third slide, the second not included in the cover slide. The alignment, this is sort of the key statutory provisions for alignment is found in a new section of a statute that was created by Section 2002 of the ACA, and at Section 1902(e)(14)(A).

And it basically directs States to you know, as of January 1st 2014, to use Modified Adjusted Gross Income and Household Income as they are defined in the tax code in determining financial eligibility for Medicaid. In a separate section of the Title 21 which created – which direct States to use the same, you know, same rules base income eligibility for CHIP also on Modified Adjusted Gross Income and Household Income as defined in the tax code.

So, flipping to the next slide, the fundamental statutory provision for the creation of a seamless and coordinated eligibility system is found in the ACA sections 1413 and also 2201 is creates a new section of Social Security Act in section 1943 which in turn requires compliance with the provisions in section 1413 of the ACA.

And those provisions basically require, that a system be established which uses a single streamlined application for all of the insurance affordability programs, so one application that can be use for the Exchanges, for Medicaid, CHIP and the basic health program, that ensures enrollment in Medicaid, in Medicaid and CHIP with – by – individuals who are determined eligible for Medicaid or let me back up, I'm sorry, I got a little mixed up with my own words. It requires that when the Exchange accepts an application and makes a finding of Medicaid or CHIP eligibility, the Act requires that those individuals be automatically enrolled in Medicaid or CHIP without a further eligibility determination on the part of the State Medicaid or CHIP agency.

And finally, the ACA and these – provisions of the ACA require that the sort of the general concept that there'll be no wrong door. That people can take this application, they can file it with Medicaid, with the Exchange, with CHIP, they can file it online, they can send it in, they can call on the phone, they can show up in person, it doesn't matter how they arrive at some door of one of these programs, they need to be treated the same and their application needs to be evaluated and they need to be put into the right program without having to file another application or jump through some other set of hoops.

So, flipping to the next slide now, the statutory basis for the last fundamental sort of principle and goal that we're trying to balance here, and achieve in the development of the proposed rules is the notion that we need to -- as we're moving to Modify Adjusted Gross Income -- we need to protect the low income populations that historically have been eligible for Medicaid.

And there's two provisions that we look to, one is within the new section 1902(e)(14) and it's sub-paragraph (H). There's a very explicit directive to continue to follow Medicaid rules regarding point-in-time income and sources of countable income, and that really feels, you know, in some senses directly at odds with the provision earlier at section 1902(e)(14) and subparagraph (A), which says, use MAGI to determine income eligibility and subparagraph (H) says, let's continue to use Medicaid rules.

And so, a lot of the rule and a lot of the thought process that went into developing the rules was how to reconcile those two provisions and we look to the other overarching goals, one of which was to create the seamless, coordinated system with aligned rules. And the other was various provisions added – created by the ACA, which make it clear that Congress envisioned that in the transition to MAGI that individuals eligible prior to the passage of the Affordable Care Act, don't lose coverage, especially kids, there's some very specific language in the statute around protecting the eligibility of children.

So, flipping now to the next slide, we have four broad areas, we're calling the 4 continents in the world of MAGI that we want to talk about today. We want to talk about the new MAGI based methodologies, how income is counted, and who is included in a household and whose income is counted when you're determining somebody's eligibility.

We want to talk about something that we're calling the budget period -- are you looking at annual income, the way the tax code does, or are you looking at current monthly income, the way Medicaid and we think for the most for CHIP does today. We want to talk about a separate requirement in the statute, we refer to as the Income Standard Conversion which is basically recognizes that given the new methodology that's going to be used to calculate income -- MAGI -- which will no longer take into account disregards of income, so in order to keep eligibility levels roughly the same as they are today, there's going to have to be – a new income standard going to have to be calculated.

So, somebody who's eligible with an income standard of 100 percent of the federal poverty level today, using the MAGI methodologies with no income disregards, a 100 percent, you wouldn't – you would end up with many people losing coverage because of the lack of disregards. The Income Standard Conversion is something that States – all States are going to have to do.

And finally, we want to talk about something that we refer to as the MAGI screen, which is basically a sort of new simplified way that we include in the proposed rule to put everybody through a test for eligibility based on MAGI before looking at other bases of eligibility such as disability.

Before jumping, and this is new for those of you who were at our breakout session at the conference. A couple of missed, sort of very fundamental – misconceptions is the only word that I can think of to use to characterize it but that feels a little bit too strong, so but for lack of a better word, misconceptions that people have about MAGI and very understandable ones frankly because we also had a sort of wrestled with whether or not what I'm calling here myths, were actually the reality, when we first started digging into this.

So, in fairness to everybody who has this misconception, Stephanie and I and others of our colleagues also wrestled with this – these same sort of fundamental concepts.

But the first myth is that MAGI is the number on a tax return. On a certain level, of course, it is, which is what is – which is why there is a sort of myth.

You can – well MAGI isn't a number but the adjusted gross income is a number on a tax return. Any of us who file tax returns, which I suspect is everybody on this phone call, you have an adjusted gross income and modified adjusted gross income is just your adjusted gross income with a few adjustments, which don't actually apply to most of us.

And so, the idea is that, the thought is, well that's what MAGI is and therefore, I, the State agency, can go to the IRS and I can get that number from the IRS, and then I'll know whether I'll just compare that to my income standard and I'll know whether that person is eligible for Medicaid or not. That myth in terms of Medicaid and CHIP eligibility is sort of perpetuated by the reality that in many senses and for many individuals that will be true for the Exchange.

There are individuals for whom that the MAGI number available from the IRS will actually be what's used to determine their eligibility for premium tax credit. There are others who have experienced a significant change in income or they – or a change in their household situation like they've gotten married or divorced or had a child, for whom that number on the tax return cannot be use or will not have to be used. But in many – for many people that's actually what will be used.

But the reality from Medicaid and for CHIP because one of the things that I actually meant to say at the very beginning is that, new for CHIP so if there are any separate CHIP program people on the call, CHIP will be using the same, under the proposed rule, CHIP will be using the same methodology as Medicaid, there will no longer be the flexibility of States to either use their own gross income tax or something else or you know, follow Medicaid rules, Medicaid and CHIP will both be subject to the same set of financial methodology rules.

So, the reality for Medicaid and CHIP is that, MAGI is a methodology, it's a way of aggregating income, it's a determination of whose income counts in determining somebody else's eligibility and the different kinds of income? What counts as income, what doesn't count as income? Who's in the household, so we know whose income counts when we look at total household income for somebody's eligibility? It's a methodology; it's not just a number that you can pull off of a tax return.

So, Stephanie wants to add something in there.

Stephanie Kaminsky: And that is an important concept and ties back a little bit to what Sarah said a few moments ago about retaining point-in-time approach, if you will, to determining Medicaid eligibility.

The point-in-time is a funny semantics, funny words that Congress chose but we believed that what they meant was that, when Medicaid is determined today, people use current income to figure out whether or not somebody is eligible, and that's because we believe, you know, in part that the population that we're dealing with has a very volatile income situation and so using a number from a tax return two years ago, doesn't really work or you know, however long ago it is, it's – we want to use the same concept of adding income and deducting certain income in order to come up with Adjusted Gross Income and the Modified Adjusted Gross Income but we're using today's income, we're plugging today's income into that methodology to retain the point-in-time approach to determining eligibility.

Sarah deLone: Thanks, and we'll come back again and talk a little bit more about that concept later in the call.

The second myth, so flipping to the next slide. The second myth to just or sort of basic concepts to try and make sure everybody is clear about, is that there seems to be significant confusion about who MAGI applies to and who doesn't – it doesn't apply to. And there's a sense, I think amongst a lot of people that the new MAGI rules affect the financial eligibility determinations for everybody and that's not the case.

MAGI, the methodology of MAGI will be used to determine the financial eligibility for the new adult group that's been created by the ACA. So the group for adults under individuals, under age 65. And it will also be used to determine the eligibility, or determine the income, the financial eligibility, if you will, of children, pregnant women, parents and caretaker relatives, when they're – when they're being evaluated for eligibility as a child or as a parent or as a pregnant women.

There will be many disabled individuals who will be eligible under the new adult group, just as there are, you know, disabled children, who are eligible as a low income child today and will continue to be eligible as a low income child or a disabled woman who becomes pregnant and can be evaluated for eligibility as a pregnant woman. There will be many more such individuals, disabled individuals who will become eligible under the new adult group. They're – the fact that they are disabled doesn't have anything to do with their – whether they are eligible or not under that group.

So, for them, the new MAGI rules in evaluating their eligibility, for that new adult group or evaluating the eligibility of a disabled child for the group – general group for children, for low income children, MAGI methodologies will be used.

But when you're evaluating a person's eligibility on the basis of disability, so a group that's specifically set up for disabled individuals or for blind individuals and for the elderly, SSI methodologies, or current methodologies, which typically are based on the SSI program will continue to be used.

And that's the thing – and to think it's a little bit hard for some than others but to wrap our mind around that and hopefully we'll have time at the end to go, to sort of walk through a scenario with the – that's not on your slides but a household where you have both a disabled, and a nondisabled person in the same household and how would it work?

But it's important to just remember always that the new rules, the new MAGI methodologies do not apply to certain populations. And those generally are, when you're determining eligibility on the basis of being aged, blind or disabled or needing long term care services.

Stephanie Kaminsky: I would just add that I think that – I don't if it's maybe outside the purview of our presentation today but I think that Congress clearly was making a statement about retaining assets and retaining disregards for the ABD population that this would be impacting.

Sarah deLone: Yes, no definitely. So that concern about whether or not, I think a myth, questions about both of things, whether or not asset tests will continue to apply and whether or not the ability of State to adopt disregards of income in order to raise the effective income eligibility standards of, for example; a buy-in group, for working disabled individuals, those – that flexibility and those rules remain.

So, going to the next slide, we just want to give you what we call – sort of a very high level view, the aerial view if you will, of the MAGI methodologies then we'll go to our other continents, and then we'll return to our MAGI methodologies to try and go into sort of into a little bit more into the weeds.

So, do you want to do the aerial view for the types of income, Stephanie?

Stephanie Kaminsky: Surely. So, the rule today is that all income or money received from whatever source minus mandatory and optional disregards and exclusions is counted as income. That's how Medicaid looks at income today and as you'll see later, we'll look very closely at a lot of income types to confirm all of these, that is the general rule of thumb today as most of you are already well aware.

The MAGI based income, the MAGI based methodology approach to income is that the tax rules generally apply, that's how we get to Modified Adjusted Gross Income with certain exceptions which we'll talk about when we get into the (weeds). We proposed a 435.603(E) to retain Medicaid rules for certain types of income but actually only a few.

Their – but as – we also said a moment ago, part of the MAGI based methodology, part of the MAGI way of doing business is that there were no asset tests, or income disregards except for a 5 percent federal poverty level income disregard for all eligibility groups.

So, generally, asset tests are gone, income disregards are gone, it's a, sort of supposed to be an easier, more simple way to determine eligibility and hopefully by the time you're done listening to this presentation, you'll believe to that that's the case.

Sarah deLone: OK, going to the next slide, so the high level aerial view for the other component of financial methodologies, so are sort of, there are two branches of financial methodology that we think of are how you count income and how you determine household composition.

Household composition has a function for two main reasons, one is, in order to translate the income standard which is typically expressed as a percentage of the set of federal property level, so for example; 133 percent of federal property level, in order to translate that into a dollar value you need to know family size. 100 percent (FP) – 133 percent of (FPL) is higher for family of five that it is for a family of two.

And the other reason you need to know household composition, it's because you need to know whose income you're adding into the pot of total family income, I'm sorry if you all can hear the phone ringing, it's my phone ringing, we're on a general speaker phone and hopefully it will stop soon. Let me just pause so that the ringing stop. It stopped, thank you.

So, the rule today and when I'm talking about the rule today, I'm talking about the rule for what we refer to as the AFDC-related groups. So again, this is not the household rule for groups that are for which we use as SSI methodologies, determination of eligibility based on being aged, blind or disabled.

But for the families and children's groups today -- children, pregnant women, eligibility for families under 1931 -- we start with the AFDC rules and then we lay on top of that a Title 19 rule which we refer to as prohibited deeming. And you end up with this sort of, you know, when you sort of, you know, the sausage comes out of the sausage machine, what you come out with at the other end is basically a rule that's grounded in legal responsibility of spouses for each other and parents for their children but you're not allowed to under Medicaid rules today, this is a prohibited deeming part, you're not allowed to count the income of a child in determining the eligibility of a parent or another sibling, and you can't count the income of anybody other than their own income or their parents' income in determining their Medicaid eligibility.

So, if you've got a grandparent who's in the household, they can't be, you know, their income can't count in determining the eligibility of a child.

So you end up today with a pretty complex patchwork and there's been a lot of tort litigation, many of you probably are more intimately familiar with than I am, sort of about slicing and dicing the household up to try and comply with these different rules.

The high level view for what the household will look like under MAGI is couple of things just to say at this point and later again we'll get into a sort of more of the weeds is that for the most part, the Medicaid household and the tax household will look the same. And that we will be using, the tax household rules as our basis as we are with the income counting methods but that certain exceptions will apply.

There's obviously no tax rule to use for households in which the family – no family members file a tax return but we've designed our rules to try and pretty much come out so it's the same, you have the same family household composition whether or not you're in a tax filing family or non-filing family.

And when it all comes out of the wash, what we really end up for the most part with is the Medicaid household and the tax household are for the most part parents and kids living together. That's certainly what it end ups, there's more exceptions to that general principle on the tax side for the Exchanges than there is for Medicaid, for Medicaid household that's really who you end up with, parents and kids living together.

The next slide, we go back to the issue that Stephanie raised earlier about the point-in-time income, and as Stephanie sort of alluded to our rule today for Medicaid and it's again it's grounded in the old AFDC rules but also it's the true for based on the SSI rule, so for the SSI related populations.

But today Medicaid eligibility is based on current monthly income, and there's a statutory basis for that, that's what the old AFDC statute said but as

Stephanie sort of indicated there's also a strong policy rational behind that which is that it doesn't really matter if you made 400 percent of the poverty level last year or the year before, this year you don't have a job or this year you have a very well paying job or you only work in intermittently, whatever, and today, this month, now, you don't have enough money to provide yourself with health coverage and that's – and the Medicaid program was designed to address that more immediate need.

The statutory directive to retain point-in-time income, was one that we felt like really compelled us, combined with the requirement to look at ways and make sure that we're not adversely impacting in a significant way, the populations that are covered by Medicaid today, to retain that rule for new applicants or new enrollees to the Medicaid program.

So either somebody who's filing an application for the first time, looking for coverage in either the Exchange, Medicaid, or CHIP, you know, they don't know where maybe where they're going to land but they're filing that new application and we're adjudicating where is it that, that they – what program do they belong in or somebody maybe who's been in the Exchange, who experiences a loss in income such that they – it's now appropriate to reevaluate and see whether they should be transitioned into the Medicaid program.

So, we are – we propose in our – in the NPRM, that for new applicants and people new to the Medicaid program that financial eligibility, income eligibility will continue to be based on current monthly income.

We codify in the proposed rule, flexibility that states currently have today to take into account predictable increases or decreases in income in future months. So, for example, if you have somebody who is a – example that's most frequently cited is a school cafeteria worker, who works 10 months out of the year and gets paid for those 10 months but doesn't get a paycheck for July and August.

States has flexibility today to do it one of two ways, if somebody comes and applies for coverage in July, the states can say, "OK, your income's zero, you're in", and we reevaluate your eligibility in September when you're, you know, when you're getting your paycheck again or States cans say, we know you're going to be employed in September and you're going to have a steady paycheck, and we're going to – we're going to take that into account, maybe it's through a pro ration method. We're going to take into account the fact that we know with certainty, you have a signed contract, you're going to be employed, we're going to use that, we're going to take that into account in adjudicating your eligibility in July.

Similarly, if somebody has a known, you know, what we're proposing to codify in the rule, if somebody has a predictable drop in income, you can also take that into account in determining what current monthly income is, so that can be part of the methodology. It has to be predictable, it can't be like well, I've always worked, I know I'm going to get a job, I'm looking for work, and I'm sure I'm going to get something, that's not predictable, it's really got to be with a fair degree of certainty but we would certainly welcome comments back as to whether or not we get that balance right in the proposed rule.

A new proposal in the rule has to do with what budget period will be used for beneficiaries after they have been determined eligible for Medicaid and they're actually on the Medicaid eligibility roll, so they're receiving Medicaid coverage.

And what we propose here is to give states the flexibility to either continue to base ongoing eligibility on monthly income, as is the case today or to switch over and once somebody is receiving Medicaid to start looking – to look at their annual income, that will be then in alignment with the income – the budget period that's used by the Exchanges which is based on annual income also.

And the reason that we did this, was in recognition of the fact that, income in a low income population is extremely volatile, as Stephanie was saying earlier and this is a mechanism, we looked at, let me back up a little, we looked at and a lot of people asked us, are you going to allow us to do continuous eligibility for adults? Flat out, the way we do for children, which is an express option in the statute. So that we can just ignore fluctuations of income and once an adult is on the Medicaid rolls, we can just ignore changes in income for that part of the year and then reevaluate at the end of the year.

And we look, you know, up and down the statute, inside out and looked at any different ways we could possibly interpret it, we worked with our general council and we ended up with the conclusion that no we can't. There's an express statutory option given to State with respect to children, there's actually a requirement for pregnant women for continuous eligibility throughout the duration of the pregnancy and the post partum period but for individuals in this new adult group, we couldn't see a way, we could just expressly put out that option.

But we did have the flexibility was to allow, we think, to allow States to have the option of shifting to an annual budget period once somebody's on the Medicaid rolls and that can help to smooth out fluctuations in income, if somebody's income maybe bounces up and down over the course of the year, as long as, you know, it looks like the projected annual income would remain below, the income standard, 133 percent for adults, then the State has the flexibility to allow them to remain on a Medicaid rolls and not have to churn back and forth and go between Medicaid coverage Exchange coverage.

OK, going to the next slide, which hopefully I think is Stephanie.

Stephanie Kaminsky: It is, it is, take a drink of water. OK, so the next continent, if you will, is this Income Standard Conversion concept, and as we said a couple of times now, and as most people know, in Medicaid today, we are using a Net Income Standard, and that's after the application of numerous types of disregards but also as lots of folks know, those disregards are not applied uniformly, they are, I analogize them all the time to income tax deductions, they only apply if they apply to you.

So, different people within an eligibility group will have different disregards that will be applicable.

There was the concern that if we are moving to a Modified Adjusted Gross Income and there are certain income standards that are set by statute in the Social Security Act that there will be people who would lose eligibility coverage unless something was done. In other words, folks would no longer have their income disregards but the statute would be kind of putting a ceiling on where the Income Standard needed to be and that wouldn't really make sense anymore if it was not a Net Income Standard.

So, based on those concerns, the statute, Affordable Care Act, requires States to convert their current Net Income Standards to new equivalent Gross Income Standards so that individuals don't lose coverage. They require, I don't know that language exactly, but the – the equivalent test is an aggregate test, when States are setting their new equivalent Income Standard test, we have interpreted that to be, to mean in the aggregate, not at the individual level.

We think that in order to ensure that absolutely nobody loses coverage at the individual level, States would have to raise their income levels much higher than what was what we think intended by the Affordable Care Act expansion that already exists.

The Affordable Care Act obviously wants to expand eligibility but we didn't think that this Income Conversion was meant to raise income level so high that absolutely nobody wants coverage. But for the most part, where the intention is that generally folks should not lose coverage.

So, we are working internally to figure out how that would get a effectuated, we have a number of models in minds, they are not in the NPRM, we are working to award a contract right now because we would like a contractor to help us evaluate these various models. And we will be putting some of this information on our Web site soon so that we can get State and other reactions to the various models, it's just technically a tricky business to figure out how to distribute these various disregards across an entire eligibility group or across an entire population in a way that reflects how they would have been applied on an individual basis.

Many different mathematical ways to compute that and so we're trying to figure out based on what data states have in their systems and, you know, kind of how these mathematical formulas or computations or models play out when you try them and compare who has eligibility now with net disregards versus who would have eligibility under with the gross with the MAGI test, you know, which of these models will work the best.

The big message on Income Conversion is that even though and probably it will be tricky to nail down which of these models or if you want to use multiple models are the best one, we are doing more footwork on our end on this and we intend to provide quite a bit of guidance and technical assistance to States as they embark on this process.

So, I guess the various messages here are Income Standard is required, States will have to submit Income Standards Conversion plans to us by a certain date, and I'm trying to remember in the statute what it says, it may be by a year before, no may not be that long. I'm not sure that we have a statutory date for that. I think that we are coming up with a policy date for when that would be and I don't, and I'm not sure it's nailed yet.

But there would be a requirement to submit Income Conversion Plans to us, which means that States are going to need to figure out how they're going to do their Income Conversions before 2014 but that we will also be giving more guidance on these as we move forward in order to make these as easy as possible.

Sarah deLone: Yes, I was just checking (inaudible). There is a requirement that States submit their new threshold, their new income eligibility threshold and that's in the new 1902(e)(14) subparagraph(E), created by Section 2002 of ACA, but there's no date provided in the statute.

Stephanie Kaminsky: Yes, I misspoke, sorry about that.

So, we'll come up with a reasonable date and in fact as we solicit feedback as we post some of these models on our Web site we'll be asking folks for some input about what that date should be based on, you know, what it will take to do these conversions, to figure out what to do with conversions and then do the conversions themselves.

Sarah deLone: OK, thanks. So, moving then onto the next slide, so that what we're calling – referring to as the MAGI screen, and I'm going to try not to spend a lot of time on this. It's fairly straightforward, and it came about the idea, sort of came about and actually we were asked about it by whether States could do this, and a number of State said, you know, can we just put everybody through an income test and we sort of thought 'hmm'– yes actually, we think probably you can, as we thought about it.

So, it comes out of the fact that come 2014 everybody under age 65, so it's not actually everybody but everybody under age 65, who meet the non financial requirements, you know, who are either a citizen or in a satisfactory immigration status, who are residents of some State, you know, that if their income meet those non financial requirements, if their income is below, based on MAGI, is below 133 percent of the federal poverty level, they're eligible for Medicaid.

And so, that's a much simpler determination than looking at eligibility factors that, you know, require looking at disability or whether somebody's blind or you know, needs long term care services or you know, other factors.

So, we sort of responded to the feedback that we were getting from States, so we propose in 435.911 that states do sort of send everybody through in determining eligibility through a – first an income tax.

So, check this, you know, as long as they meet the non-financial requirements, check to see if their income if they're eligible based on MAGI, and if they are, put them into the program, if they're not, then of course, people need to be evaluated for potential eligibility on other bases.

So, you would have to still look at if somebody is disabled and they're not eligible under the new adult group for example based on MAGI, you need to look and see are they eligible under one of the optional groups for disabled individuals. If you have somebody's on Medicare and they also would be excluded from the new adult group, you'd want to look and see if they're eligible for the Medicare savings program or if they may be eligible for another eligibility group, for which, you know, their Medicare status doesn't, you know, doesn't render them ineligible for coverage.

There also if somebody is eligible for Medicaid based on MAGI, there may be other stuff that the State has to do, so you may have different benefits package that may be available to people. So there may, it's – there may be sort of some behind the scenes work that the state has to do but the idea is, that the first thing you do is test somebody's income for – based on – test somebody's eligibility based on income.

It's not – we established something in this (435.911), we called the applicable MAGI income standard or the applicable MAGI standard. In recognition of the fact that while 133 percent of the federal poverty level creates the minimum level, sort of for everybody under 65 across the board and many, if not, most States, the income standard for children and often for pregnant women also is actually higher than that and will continue to be higher than that.

There's a very small number of States which actually cover parent and caretaker relative to income standards, above a 133 percent of the federal poverty level today. So in those states also, if they retain that coverage, they would have a higher applicable MAGI standard for parent and caretaker relative than 133.

So, it basically, sends out a process, you look at the person, are they a child, are they an adult, are they a pregnant women, what's the applicable income standard for them, what's their income base on MAGI, are they above or below? If they're below, they're in the program and then you make sure that they get the right benefit package, the issues around the appropriate claiming of FMAP, which we'll talk a little bit – do we talk about this? No, we don't talk about this here.

We'll be – as we talked about at the conference and what we talked about in other context, in other calls, et cetera.

And the other thing to just mention in terms of – part of the purpose of the MAGI screen is that it sets out a process for the Medicaid agency to evaluate applications, that is parallel to the process that's been proposed for the Exchanges. So, that the Exchanges in the – in that NPRM are essentially doing the same thing.

They're evaluating somebody from Medicaid eligibility based on MAGI, they'll be using the same applicable MAGI standards which States will have to certify and the State Medicaid agency would certify for them and if the person is eligible for Medicaid on that basis, they get sent over sort of, you know, it's not really a transmission of information, but because their, there'll be some, you know, a high level of integration but they'll basically get picked up by the Medicaid agency and enrolled in coverage automatically.

The Medicaid agency for that individual will have to make sure that they get the right benefit package, et cetera, unless they contract with the Exchange to do that piece of the work also, but and take care of the appropriate claim – FMAP claim. But it sets up sort of the same process for somebody regardless of what door they enter.

OK. Into the weeds we go. Stephanie.

Stephanie Kaminsky: Wish we could see the facial expressions out there. Hope you guys are still with us. We're about half way done but we're starting to go – we're starting to dive now, put on your scuba gear or whatever, your weed whackers or whatever. I don't know where to go with this analogy.

OK. So this is a little different from the conference but it sort of dawned on me after – from one of the questions that we got at the end of one of our presentations that it might be useful if people actually looked at a 1040, as we start to talk about income types. Because certainly, that's where we started over a year ago.

And so, I don't want to get, you know, too deep into this although I can go a little bit. But clearly, the 1040 is going to be an important – is an important document to understand a little bit about – if you want to understand what MAGI is. So, anybody who has any kind of pent-up tax accountant desire, here's your lucky moment.

And I won't say what that says about me, but we, the – if you look at the tax return, it's very nicely laid out and I just – I hope that some folks got a chance to print – print it out to go with this presentation. You can see that income is counted on lines 7 to 22, there are lots of different types, so certainly what we are most familiar with and probably what's most applicable most of the time for our Medicaid population are; wages, salaries and tips, but there's also taxable interest, ordinary dividends, taxable refunds, alimony, business incomes, capital gain, other gains, IRA distributions, pensions and annuities, it goes on.

And so all of that ended up together, as those of you who do fill out tax returns are probably well – well aware, come together to be the total income amount.

Adjusted gross income is – after you add all that up, there are certain deductions that are allowed and those are lines 23 through 36 of the tax return, educator expenses, certain business expenses, hope savings account deduction, moving expenses, et cetera. I will note that many of those deductions are not allowed today in Medicaid. Today in Medicaid we have these various income disregards and those – while no longer allowed will be sort of accommodated for, accounted for through the income conversion process that we talked about a moment ago.

This is a new set of deductions and in order to get to adjusted gross income, which is a step along the way to modified adjusted gross income, these deductions are now included in the calculation of somebody's income.

Sarah deLone: And won't be accounted for in that income standard conversion?

Stephanie Kaminsky: That's true. And so – and, you know, it's unclear to us, how many of these types of deductions, which are fairly specialized, are going to be applicable to the Medicaid population specifically, as opposed to those who are getting the advance premium tax credit, but there could be some that – that are, and so they need to be looked at also.

And then finally, this quirky beast that Congress came up with just for Medicaid (inaudible) just for Medicaid and Exchange coverage the modified adjusted gross income and CHIP coverage modified adjusted gross income, takes that adjusted gross income standard, which is on line 37 of the 1040 and adds back into, I think, fairly random types of incomes, one is foreign earned income that is currently excluded and also tax exempt interest.

So, that is the package that brings you to MAGI, that is a new sort of, you know, computation, if you will, for income that we're talking about, when we're talking about modified adjusted gross income.

So as you can see both within the tax return, I'm looking at the next slide which I have counted out as Slide 15, anybody's just online. We did a detailed analysis of this tax return and looked at current Medicaid treatment of, you know, not just the things that are listed here but we broke it out even further, we went really, sort of into as many different types of income as we could come up with. And we found that there are some differences and some similarities between the way Medicaid is counted today and the way it's counted under the tax code, the way income is counted under the tax code.

There are in particular, certain types of income that are currently counted in Medicaid, but are not counted in adjusted gross income and those include a taxable amount of social security – I mean a non-, I'm sorry. There is a non-taxable amount of social security income, social security benefits, that is, under Title II OASDI benefits, the tax code allows for depreciation of business expenses which are not required by Medicaid currently, child support is not counted under the 36B rules, work of compensation benefits are not counted and veterans' benefits are not counted.

There actually is a longer list than this, but some of the things that are not counted are pretty – they're pretty kind of esoteric – thank you. And so it's not, you know, we didn't list them here and, you know, we didn't think that they were going to have that big of an impact, for example; non-taxable amounts from an IRA distribution or non-taxable amounts of certain pensions and annuities or employer contributions through a qualified retirement plan or – there are a variety of different types like that.

And so, interest from state or municipal bonds and there's a lot of esoteric, non-taxable income that, you know, we're not kind of going to go through line by line with you. But the big difference is, where things are not counted under MAGI or under the 36B rules, under the tax return and they are under Medicaid are listed here on Slide 15.

You know, we had a policy choice to make here about what to do about that diversion and we are proposing in our NPRM to follow the tax codes for these income types, mostly to ensure alignment. The moment we started to deviate, and this is true from my presentation now, what I'm going to talk about with income types and Sarah's when we talk about household composition. The moment we start to deviate from how 36B does business, is the moment that we get into risk land about creating gaps in coverage.

We didn't want a situation where Medicaid would, you know, not count something and therefore – or would count something and therefore somebody would not be eligible for Medicaid, but the tax code wouldn't count something and therefore they wouldn't be eligible for the, you know, the – for – an advance premium tax credit. We were really trying to avoid gaps in coverage, as well as make the administration of this program as easy as possible which would lead us to aligning the way that we count income as much as we possibly could.

So even though there are these areas and more, where Medicaid would not count income, but – Medicaid would count income, but they're not under 36B rules, we felt that alignment was the better course of valor for these types of differences and we are proposing to follow the tax code in these various areas.

Sarah deLone: I just want to add on to what Stephanie was saying about our sort of when you start to deviate, you run into the problem of gaps. It's really particular where you – well our rules in – our rules as compared to our proposed rules, as compared to current rules, particularly in the case of household composition, sometimes are actually more restrictive today than – I mean, under the proposed rule to – for alignment purposes than as compared to today's Medicaid rules.

When you look at the deviations of Medicaid rules as compared to the tax rules, we were really – we were constrained in terms of deviating only where you would make the Medicaid rules more generous, if you will, as compared to the tax rules. Because when you would – if they're more generous, then you have a potential overlap in coverage and there's a clear hierarchy in the Affordable Care Act that Medicaid eligibility trumps eligibility for premium tax credit.

But if we were to adopt a retain the Medicaid rule that would be more restrictive and result in somebody having a higher – considered to be a higher amount of income as compared to the way the rules are counted under the tax code, then you could end up with a situation which somebody would have income too high to be eligible for Medicaid but too low to be eligible for the Exchange for premium tax credit, because there is a floor, there's – you have to be – have at least 100 percent of the federal poverty level to be eligible for the premium tax credit – that we therefore, we couldn't really deviate from the tax code in a way that would make Medicaid eligibility more restrictive than the rules for the premium tax credit.

Sarah deLone: (Inaudible).

Stephanie Kaminsky: Yes.

Sarah deLone: Sorry, we're just having somebody making sure we were OK to – to continue to 2:30, which we are. So – sorry, I just wanted to add that. Back to you.

Stephanie Kaminsky: Well, you know, very good point, and that's what I was alluding to, that we just had – in some respects we're a little constrained because we – certainly didn't want our policies to create gaps in coverage, and so, if in fact any of ours do, and we're not aware of it, please submit comments to let us know that. Because that was absolutely probably an unstated overarching goal or it was stated, not gaps in coverage, it was a stated one, not even an unstated one.

Sarah deLone: Pretty fundamental principal of the ACA.

Stephanie Kaminsky: Right.

Sarah deLone: To create a universe – sort of a universal system, where everybody under 400 percent FPL gets help in some way to get health coverage.

Stephanie Kaminsky: Right. So, moving to the next slide, we saw that the converse also happened at times, that there were certain types of income that were counted in adjusted gross income, that are currently not counted in Medicaid. Whereas, if you will, Medicaid was less restrictive. I think that's the way to phrase it.

And so, you know, if those were retained, they would make certain individuals eligible today, who – certain individuals who were eligible today would not be eligible in 2014 and we had concerns about that.

So, this NPRM proposes a few, just a few exceptions from the tax code. In part to make Medicaid policies that exist now more uniform as well as to retain certain Medicaid policies.

In particular, the following three income types, we are kind of clarifying our policy in retaining Medicaid policy. The first is taxable income received as a lump sum, that would be, prizes, insurance dividends, different types of one-time only – one-time only payments is what we're talking about for lump sum most of the time. So, non-recurring payments.

And so, currently there are various ways that states do count lump sums and we wanted to make that more uniform – make a uniform rule for the MAGI population and so we adopted the SSI methodology rule for that, which is that the income would be counted – the money will be counted as income in the month received and anything that was remaining after that would be counted as a resource and therefore not counted under MAGI.

We considered using the 36B rules here, which would amortize the lump sum over the entire year and while that probably would help in some cases, we thought there would be other cases where somebody's lump sum could be so large that it would still mean that they would not be eligible, that they would be over the 133 or 138 FPL.

And so, in order to just make sure that low-income folks weren't forced to choose between a lump sum that often is needed for the purpose that it was given for versus having to choose self-insurance; we are proposing to retain or to clarify our Medicaid rule in this area and retain a version of the Medicaid rule.

Sarah deLone: The one that we think most States actually use today, right?

Stephanie Kaminsky: The next area where there was a lack of alignment that we had some concern was educational scholarships and fellowship grants, the rules around this are not straightforward in either program but one distinct difference is that – if in fact somebody needs to work, to earn an educational grant, the IRS requires that a person include that – those earnings and that grant, in their adjusted gross income. And that's not how it's done today for Medicaid and so we are proposing to except, exempt out, educational scholarships and fellowship grants, even if somebody needs to work for them.

And the last, but not the least, is the American-Indian and Alaska Native Income, there a lot of laws that are in place, a lot of – there are – there were a lot of statutes that have put exemptions in place for American-Indian and Alaska Native Income most recently ARRA has quite a few and we felt that we were compelled to follow the various laws that are out there that do except this type of income out of being counted for Medicaid purposes and so, that's what our proposal says as well.

Sarah deLone: OK. So then, shifting into the weeds of household composition, my favorite topic. We similar to the process that we engaged in – looking at the different income types and treatment of income under Medicaid, current Medicaid rules, versus the tax code. We also came up with all different kinds of household scenarios, every different kind of permutation that we could think of.

We had sort of a large Excel spreadsheet and we compared what the current Medicaid rules, how the family would be treated today, which was a little challenging because as we talked about earlier, there's some conflicting requirements in terms of Medicaid and who is in the same household?

But we – in those cases, we often look at several Medicaid – potential Medicaid permutations of how a household would be treated and we compared those to how a family – similar household would be treated under the tax code, in terms of household composition. Or under – more specifically, under Section 36B of the Internal Revenue Code of 1986.

And we found that actually there was, you know, in the vast majority of sort of cases, you know, sort of numbers of people, and numbers of household, really – you look, you end up with the Medicaid household, even under today's rules being the same as a household unit under the tax code.

And so, we end up with our forest rule which we, you know, talked about earlier, which is that in most cases the Medicaid household, under our proposed rule, it's going to be the same as the tax code household that's defined in Section 36B of the Internal Revenue Code and codified in the NPRM promulgated by the Treasury Department.

And the sort of bottom line, as we talked about before, for Medicaid you end up pretty much with parents and children who are living together.

A change, which I will talk a little bit more about in a moment – is that it's not just biological and adoptive parents, and children living together, but we're going to treat – propose to treat step –parents and step-children the same as biological or adopted children.

So, before diving into the weeds, I just want to sort of looking at the trees to say, we sort of broke our rules down into two different pieces and these are within section 435.603(f), so subparagraphs (1) and (2), deal with households in which that, you know, there's a tax filing status and subparagraph (3) of 435.603(f) are our rules for non-filers, which in some cases we apply to filing households in certain situations, where there's exceptions to the use of the tax rules.

Before going into our rules, our proposed rule, because the tax rules now, I mean today, our sort of starting point is AFDC and then we overlay, you know, provisions in Title 19 that relate to household composition. In 2014, because of the, you know, move to alignment – the requirement for alignment, our starting point in terms of our framework and thinking about the household composition is the Internal Revenue Code, it's Section 36B of the Internal Revenue Code. And that, you know, the regulations to implement that.

As a household, simply in – under the tax code for tax filing households, consists of the primary taxpayer. So, you know, the head of household or a married couple filing jointly and everybody that they claim as a tax dependent.

Stephanie Kaminsky: You have two types of tax dependents, you have qualifying children and qualifying relatives. Qualifying children don't necessarily have to be your own children, they just have to meet the age – the age test, which is under 19 or under 23, if a full-time student and then there's a support – there is also a support test that has to be met. And I think for most of us, we think of – it's our own kids that we claim, but you might also be claiming as a qualifying child – some, you know, another child, a nephew or somebody else. Then you have qualifying relatives. That can be anybody, aunts, uncles, parents, grandparents, cousins, nephews, nieces and it can actually be an unrelated individual.

There is also – there is an earnings test or an income test and a support test for qualifying relatives – I'm not an expert in the tax code but I can – it's pretty low, it's around the amount of the personal exemptions, so it's about $3,000 in 2010, 2011 dollars and that then most of your support has to be provided by the taxpayer who's claiming you as a tax dependent.

You don't actually have to be related to be a qualifying relative but if you're not related, you do actually have to be physically living in the same household, whereas others, you could be claiming a parent as a tax as a qualifying relative if you are providing most of the support for your parent, but they're living, you know, they're still living in their own home someplace else. So that's the tax household, the primary taxpayer and all tax dependents, whatever their relationship is.

OK. So, flipping to the next slide. We come to the rules under – in our proposed rule for Medicaid and also CHIP and again they, you know, generally the Medicaid household is the same as the tax household. Unlike the – our rules – our proposed rule around income, where we specifically say, you know, we specifically say in the proposed rule, we're going to use incomes as defined in section 36B of the tax code with the following exceptions.

We didn't frame the proposed rules around the household in the same way and you could – if you think we should, you should let us know that. But we thought it was actually clearer and better to just talk about – to sort of repeat the – what the effect of the tax rule is in our own Medicaid sort of language.

And that's why we have, sort of a household that we define within, you know, paragraph (f)(1), we define the household for that – a taxpayer who is not being claimed by somebody else as a tax dependent, so the primary taxpayer, if you will, could be a single individual, could be a parent filing as a head of household, could be a married couple filing jointly, you know, with or without children and then we have a rule for taxpayer – individuals who may file a tax return or may not, but who are claimed as a tax dependent by somebody else so, you know, your child.

And you've – we sort of mimic therefore the rule that's set – that's set out and so for a parent, for example, that's filing a tax return and claiming their children as tax dependents, the household is going to be the parents and all their children. For the child, we say who's claimed as a tax dependent, we say that household for the child is the same as the household for the taxpayer who is claiming them as a dependent.

The major changes that this basic principle results in as changes from today's rules under Medicaid and the way we consider a household today as compared to what the rules will be as of 2014 under the proposed rule is, one that I mentioned before, we're not under our proposed rule, proposing to distinguish as it's done today in most States, between step-parents and adopted or biological parents.

So that, if a step-parent, you know, if I'm married and me and my husband who claim my biological child who is my husband's step-child is a tax dependent, they're all going to be – me, my spouse and the child are all going to be in the same household unit and my husband's income is going to be counted in determining the child's – the step-father's income is going to be determined – it's going to be counted in determining the child's, step-child's eligibility for Medicaid. So that's a shift for most States today which do not count step-parents' income in determining the child's eligibility.

Second significant shift which we actually think has only a small impact in terms of the number of individuals affected is that where you have a child or a sibling with income, we – they will still be in the same household for purposes of determining their eligibility as the parents and other children in the household. So we're not – the states will no longer have to sort of slice and dice their households to make sure that you don't have – aren't counted sibling income in determining another child's eligibility or you're not counting the child's eligibility in determining, a child's income, I'm sorry, you're not counting a child's income in determining the eligibility of a parent, that will be fine in – under the rules in 2014, child income can be counted.

The reason that we don't think there will be a significant impact in terms of numbers, is that we also are – the rules under the tax code which we are proposing to align with, only count child tax dependent's income, so a child's income – if the tax dependent or the child, him or herself is required to file a tax return. It doesn't matter whether they actually do file a tax return or not. The question is, whether they are required to file.

And for that the child would have to have – it's something over $9,000 a year in earned income in 2010 dollars. It's somewhat less for unearned income. But when we did a bit – when we had our data analysis people run, you know, it's an approximation because the data sets aren't perfect. But it really looked like, for the most part you're going to – where you have sibling or child income, it's below the filing threshold and so the income is actually not going to be counted anyway under the proposed rules. Whereas today, it doesn't matter how little much – how low your income is. If you have some, you know, you're a kid, you have some, it's counted towards your eligibility.

The other major change and now I'm looking at the time, we're sort of getting into, what we're hoping to be some Q&A time. So I will try and speed up, but I don't want to speed up too much.

Sarah deLone Yes. And some other major change is for children ages 21 and over, who are claimed as tax dependents by their parents, that will be a change as compared to Medicaid rules today, which ends sort of deeming of parental income as being available to their children and to age 21.

Where we – the next slide, we go to talking about where we are proposing to deviate from the household under 36 – that's defined under the tax code. And the biggest exception, I think that we have is where you have an individual who's not a biological, adopted, or step-child, who's being claimed as a tax dependent. So, the niece or nephew who's being claimed as a tax dependent, or a sister or whomever.

If we were to consider them – actually I'm going to run through and then maybe not give the rationale behind it, do you think that's better, Stephanie?

Stephanie Kaminsky: (inaudible).

Sarah deLone: OK, OK. So we were concerned that if we were to keep that, you know, keep that whole tax household together, we would essentially be imposing a responsibility to provide healthcare coverage to somebody who has taken under their wing and providing support for, somebody that they're not legally responsible to support.

So, you know, my sister for example, and then – then I would then have to choose between taking the tax advantage that I am entitled to under the tax code for providing that support to a qualifying relative or if I – but then if I were to do that and I – we were to use the tax household, then I would have to be – and my income is over 133 percent of federal poverty level, the income standard applicable to my sister, in determining her eligibility that I would then have to provide also for her healthcare coverage, most likely through the Exchange and that could be a significant cost to me and we thought that was not – that was a bad policy sort of position to put a low to middle-income person in.

So we've proposed in our rule that for tax dependents who are not actually somebody's child that we will depart and we will make them their own household unit or if they have kids who are living with them, the kids would be in their same unit. We'll basically treat them as a non-filer and they would – their Medicaid eligibility would have be determined without consideration of the primary taxpayer's income. Which is the way it's done today, essentially, in Medicaid.

We also departed in the case of children who are claimed as a tax dependent by a non-custodial parent, so if I have my kids who are living with me and my ex-husband is claiming them as a tax dependent, it doesn't really help me out, I'm still responsible for getting – making sure they get to their doctor visits, and I need healthcare coverage for them and it doesn't really help me that he, my ex-husband may make enough money to provide coverage for them. If he's not, I need to be able to apply for them myself and we decided that, what made most sense policy wise for these children – for children in that situation, was for the custodial parents, that are low income custodial parents, to be able to get their child Medicaid, if they are low income enough.

If I'm not low income enough to qualify my child for Medicaid then, under the Exchange rules, the only place, you know, there's always the potential of employer's sponsored coverage, if it's available. But if that's not available, the premium tax credit would actually have to flow through the non-custodial parents claiming the child as a tax dependent, that's the only – under the ACA and under the IRS and Exchange rules, that's the only route for the money to flow, the tax credit to flow – has to flow through the taxpayer who's actually claiming the child as a tax dependent.

The – we also depart in the case of married couples, and children of parents who are not filing jointly under the 36B tax rules. In order to be eligible for a premium tax credit for enrollment in the Exchange, married couples have to file a joint tax return, that's not a condition of eligibility for Medicaid.

So we proposed to depart from that and what we do is, in – we say that, while you don't have to file your joint tax return and if you don't file your joint tax return, spousal income will still be counted in determining each others' eligibility and that income of both parents would always be counted in determining the eligibility of the child, even if they don't – they don't or they cannot, you might have, you know, a gay couple for example who can't file a joint tax return, parental income would still be counted in the case of the child in that situation.

And finally, with respect to pregnant women, pregnant women are counted as one under the tax code; until your baby is born, you're just one. At the end of the year, for reconciliation purposes, you know, if you've had your baby, then your household size will increase under the tax code.

But the point at which you're being evaluated for how much advance premium tax credit that you get, pregnant women are one under the IRS rule. We felt for purposes really of continuity of coverage, because once the baby is born, then all of a sudden there's a household of two, which is often going to shift the pregnant woman who's, you know, sort of close to that eligibility line into Medicaid coverage, that it made sense to retain the current rule today, which is that, in evaluating the pregnant woman's eligibility, she counts at two.

Whereas in – but in evaluating the eligibility of other members of her household, so if she has other children or her spouse, it's a State option as it is today, to count her as one or two. We did have one State ask us at the conference, whether – they said they currently count if there's multiple children in utero? Under our proposed rule, it's just two, so if you, if – we would welcome comments on that, if you feel like we should be considering, you know, twins or triplets or more who are in utero as the members of the household size.

Flipping to the next slide in our last couple of minutes here. It's actually not our last slide, but I think that we're not going to go into details with the exceptions from MAGI.

Our household rules for non-filers are contained in 435.603(f)(3) and what we did there was basically tried to, as close as we could, make the household the same, whether for non-filers as that it would be if the family actually filed what would be the most common tax return to file, which is – so again, we end up with our non-filer rules, being parents and children living together, a child and I'm not going to get into a long discussion as to why this is the case.

But we – in order to create no gaps in coverage, we needed to define a child as under 19 or – and we could have gone with under 21 or under 23 and a full-time student, we chose to do under 21 and a full-time student because that's more consistent with the age of – with the parental responsibility rules under Medicaid today and to increase that to 23 – under 23 for children would have been an expansion of Medicaid eligibility which wouldn't have been necessary to prevent any gaps in coverage, so we chose to keep it at 21, as being the sort of maximum age of a child.

But in order to not end up with any 19 or 20-year-olds who may still be living in their parents' household, but aren't a full-time student to prevent them from falling –sort of through the gaps – the cracks and not be eligible, either for Medicaid or for a premium tax credit in the Exchange, and it's explained a little more in our NPRM, we decided to draw the line and that it will be parents and children who are under 19 or under 21 as a full-time student, who are living together, will be part of the same Medicaid household as they are of non-filers. And again, we don't make a distinction like the rules for filers, there'll be no distinction between biological, adopted or step-parents and children.

And, finally the last slide that we get into and I hope, Alicia, you'll jump in if we actually have to like hang up. But the last slide, I think to talk to about in any detail, is just the idea of whose income gets added up together, when you're looking at somebody's eligible – income eligibility for Medicaid, you know, if you're a child, for example, it's not obviously just a child's income.

It's, you know, fundamentally the parents' income and it may also be the child's income and in 2014, it may also be a sibling's income. And basically like the tax rule, we sort of mimic the tax rule. The rule is that, an adult who's on their own or a parent, their income always counts, the income of a child will count if the child themselves is required to file a tax return. So, if they have income above that filing threshold of $9,000 some odd dollars of earned income per year in 2010 dollars. And that's the sort of the basic rule that's reflected in our – in the NPRM.

And I wanted to run through a scenario where you had maybe a disabled parent and a non-disabled parent and a child and talk about how that would work, but I think we'll leave that as a self offered question for a Q&A follow-up call. And I want to apologize that we actually didn't end up with any time to take your questions and answers, we also didn't end up with time to go through the exceptions from MAGI, we did talk about that a little bit in the beginning and maybe, you know …

Stephanie Kaminsky: But as we summed up in one of the presentations at the conference, it's basically the ABD groups.

Sarah deLone: Right, right and we said actually earlier in the call, age, blind, and disabled, eligibility based on that – eligibility based on long-term care. There are other exceptions, like for express lane eligibility, you know, individuals who the Medicaid agency doesn't have to make a determination of income like your 4E kids or your SSI recipients.

So there are other ones but it's – the general thrust is, yes, eligibility for age, blind is based on being age, blind, or disabled.

Stephanie Kaminsky: The SSI methodologies will still apply.

Sarah deLone: So, I guess I will encourage you, look for the mailbox, it's going to be something like medicaidnprmquestions@cms.hhs.gov but we will send that out to you and really, please send us your questions, if you could aim to do so within, you know, maybe we'll send out a separate e-mail saying when we would like to get questions on the MAGI portion in because that will really help us figure out whether or not we should do a general big Q&A call like we're having now or whether we should do – sign up for smaller group calls and do, you know, 4 or 5 of them or whether we should do sort of both, or some combination, that would be helpful.

If you have a burning question and you just got to get it out because if we wait till our mail box is set up, you may not be able to remember it anymore. Then you could e-mail – I would send it to both me and Stephanie and our e-mail addresses are on the last slide of the presentation.

Stephanie Kaminsky: Thanks, everybody.

Sarah deLone: Yes, thank you so much.

Stephanie Kaminsky: We'll talk again soon. Bye.

Sarah deLone: Alicia, I guess we'll turn it back to you if you're still there and need to do anything, closing.

Operator: Absolutely. This concludes today's conference call. Participants may disconnect.

END