



Center for Medicaid and CHIP Services

MAGI: Medicaid and CHIP's New Eligibility Standards

Q1: What is MAGI and how is it different than the way states calculate eligibility today?

A1: It's a new, simpler way to determine eligibility for Medicaid and CHIP.

The Affordable Care Act provides a new simplified method for calculating income eligibility for Medicaid, CHIP and financial assistance available through the health insurance Marketplace. This new method calculates eligibility for all programs based on what is called modified adjusted gross income (MAGI). By using one set of income eligibility rules across all insurance affordability programs, the new law makes it easier for people to apply for health coverage through one application and enroll in the appropriate program. MAGI will replace the current process for calculating Medicaid eligibility that is in place today, which uses income deductions (known as "disregards") that are different in each state and often differ by eligibility group.

Q2: Will these new MAGI rules apply to all people applying for Medicaid?

A2: The new rules apply to most people who are eligible for Medicaid and CHIP, but not the elderly or people who qualify based on a disability.

For coverage effective January 2014, MAGI will be the basis for determining both Medicaid and CHIP eligibility for children, pregnant women, parents and the adults enrolled under the new adult eligibility group created by the ACA (in states that adopt that eligibility group). Individuals age 65 and older and those who qualify for Medicaid based on disability are not affected by the new rules.

Q3: If a state is not expanding Medicaid in 2014, does it still use MAGI rules?

A3: Yes. A state's decision whether or not to extend Medicaid coverage for low-income adults in 2014 is not related to the use of MAGI. MAGI rules simplify the eligibility rules and promote coordination between Medicaid and CHIP and coverage available through the Marketplace; coordination will be important for consumers in all states regardless of a state's decision on Medicaid eligibility for low-income adults.

Q4: Why are the new income standards higher than the old ones (even when there is no eligibility expansion)?

A4: The eligibility standards (where there's been no expansion) are not any higher than the old standards; they are expressed in a different way (gross versus net).

In the past, Medicaid and CHIP eligibility used a combination of an income eligibility standard—often expressed as a percentage of the Federal Poverty Level (FPL)—and a series of deductions (known as “disregards”) that were like footnotes or ‘below the line’ adjustments to income and were determined by each state. The new way of calculating eligibility based on MAGI translates that two-part process into a one step process using an income standard that incorporates the ‘below the line’ deductions. This makes the new standard appear higher than the old one (e.g. from 185% of the FPL to 193% of the FPL for pregnant women). In effect, however, the new income standard represents what the state’s old two-step process would have resulted in, just expressed in a different way.

Q5: Do the MAGI changes mean more people will be eligible for Medicaid (even when there is no eligibility expansion)?

A5: No, overall the new methodology does not change the number of people eligible for Medicaid.

The MAGI-based standard will result in approximately the same number of people being eligible under the new standard as would have been eligible under the old standard. However, there may be some differences in which people will qualify – or not qualify – depending on how they might have fared under the old system (with deductions and disregards).

Q6: Can you give an example of how the old rules work?

A6: Before MAGI, if a state’s income limit was 100% of the FPL— the state would first look at the person’s gross income, then subtract out (for example) 30% of their earned income and an amount they spend on childcare as work-related expense deductions and then compare that net income to 100% of the FPL. This means that under the pre-MAGI rules, in a state with an income eligibility limit of 100% of the FPL, a person with income over 100% of the FPL can qualify for Medicaid (because of the deductions and disregards).

Q7: How will the new rules work?

A7: The state will look at the individual’s modified adjusted gross income, deduct 5%, which the law provides as a standard disregard, and compare that income to the new standard.

Q8: How were the new MAGI-based income standards set?

A8: Based on guidance issued in December 2012 (<http://www.medicaid.gov/Federal-Policy-Guidance/downloads/SHO12003.pdf>), CMS worked with states to set their new standards. Most states used a model that determines the average value of the disregards a state had in place and then added that amount to the old standard to create the new eligibility levels. In the example above, in a state with a net income standard of 100% of the FPL, if the average value of the disregards equaled 6 percentage points of the FPL, that value would be added to the old standard for a new eligibility standard of 106% of the FPL.

Q9: Will any individuals lose coverage as a result of the new income methodology?

A9: No one loses coverage as a result of converting to MAGI rules, but, in states that don't adopt the new adult eligibility group, it is possible that some individuals will lose coverage.

The Affordable Care Act ensured that no one would lose health coverage – if they were not eligible under the new MAGI standards either they would be covered under the new Medicaid adult coverage group or they would be able to purchase insurance through the Marketplace with the benefit of a premium tax credit and likely cost sharing reductions. Following the Supreme Court's decision, the Medicaid expansion is voluntary for states, and in states that do not adopt the new coverage group some individuals may lose coverage at the time of their renewal when the new rules are applied.

Q10: It looks like in some states CHIP has gotten smaller; do the new rules result in smaller CHIP programs?

A10: No, the change to MAGI does not affect the size of CHIP programs.

The number of children in CHIP does not change as a result of MAGI because the new standards have the same value as the old standards; they simply translate the state's pre-MAGI two-step policies into a simpler one-step calculation. For example, if the state under old rules covers children in Medicaid with incomes up to 150% of the Federal Poverty Limit (FPL) and CHIP from 150% to 200% of the FPL, and under MAGI the new Medicaid income standard is 160% of the FPL, that doesn't mean that children between 150% and 160% are losing CHIP coverage —it means that many children between 150% and 160% of the FPL using net income standards were already eligible for Medicaid because of the use of disregards.

Q11: Do the new standards mean that more children will move from CHIP to Medicaid?

A11: No, the number of children moving from CHIP to Medicaid is not affected by the change to MAGI.

Under the law, those states that cover children ages 6- 18 with incomes between 100% and 133% of the FPL in CHIP will be transitioning these children to Medicaid so that children under 133% of the FPL, regardless of their age, are eligible for the same coverage program (some states will continue to have different, higher income standards for younger children). The change to MAGI standards does not change the number of children who will move from CHIP to Medicaid.

Q12: Can states that want to have one eligibility level for children, ages 1- 18, do so?

A12: Yes. The new converted standards are based on the state's current income eligibility standards and their pre-2014 disregards. So if children in different age groups have different effective eligibility levels under a state's pre-2014 rules, the children will have different converted standards. For example, if a state has been covering children aged 1-5 to 133% FPL and children aged 6-18 to 100% FPL, the state's MAGI eligibility standard in 2014 may be 139% FPL for children aged 1-5 and 133% FPL for children older children.

States have the opportunity to even out their eligibility standards by changing their income eligibility standards for older children to match the standard for the younger group until December 31, 2013. CMS is happy to work with states to achieve a greater level of simplification.

Q13: Can states that want to have a “rounded” number for their eligibility standards do so or must they stay with the converted standards?

A13: Yes, states can adjust their standards within certain limits established by law.

States can adjust both their adult standards (e.g., for pregnant women) and their children standards, as long as they do not reduce eligibility levels below minimum standards established by the law. CMS can advise states of their options.

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