MAGI-Based Household Income Eligibility Training Manual

Centers for Medicare & Medicaid Services

Medicaid and CHIP MAC Learning Collaboratives

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Goals and Methodology

Goals:

- Review methodology for determining Medicaid and CHIP eligibility:
  - Household composition eligibility rules
  - Household income eligibility rules

Methodology:

- For each section, we will:
  - Lay out the eligibility requirements
  - Explain how to apply these rules to individuals and families who are applying for coverage
  - Walk through scenarios to help test our knowledge and understanding

Note: All of the information in this training manual applies to individuals applying for coverage and those already enrolled in Medicaid or CHIP. In this training, we use the word “individuals” to cover applicants and beneficiaries.

General Overview of Eligibility Rules

To be eligible for Medicaid/CHIP, individuals:

- Must be a state resident
- Must meet citizenship and immigration requirements
- May need to meet certain non-financial requirements, such as age, pregnancy or disability
- Must have household income below a certain income eligibility level

This manual only covers how to determine an individual's household size and income and compare them to the state's eligibility levels.

Modified Adjusted Gross Income

- Modified Adjusted Gross Income (MAGI) is determined based on federal tax rules for how income is counted and family size is determined for Medicaid and CHIP eligibility. MAGI is NOT a number on a tax return.
  - Aligns eligibility rules for all insurance affordability programs (Medicaid, CHIP, advanced payments of premium tax credits/cost sharing reductions)

Use MAGI to determine eligibility for the following eligibility groups:

Children

Adults ages 19-64

Parents and caretaker relatives

Pregnant women

This manual explains how to determine Medicaid and CHIP eligibility using the MAGI-based methodology.

Non-MAGI Populations

- Some eligibility groups are exempt from MAGI-based financial methodologies. Different rules may be used when determining eligibility for:

	Individuals who are age 65 or older or who have blindness or a disability
	Medically needy individuals
	Certain children in foster care

Screening for Eligibility on a Basis Other than MAGI

- Based on certain screening questions on the application, individuals may indicate they are part of a group for whom MAGI is not used to determine eligibility
- To avoid delays in securing coverage, individuals will be evaluated right away based on MAGI rules
- States are obligated to determine eligibility for a non-MAGI eligibility group if an individual is interested in seeking eligibility on such a basis
- MAGI-eligible individuals who are subsequently found eligible on a non-MAGI basis would switch eligibility groups and coverage
- In some instances, the coverage available on a non-MAGI basis might better fit an individual's health care needs

Three-Step Process for Determining Income Eligibility

Apply these three steps to determine an individual's MAGI-based income eligibility for Medicaid or CHIP:

Step 1
- Identify members of the individual's family who are considered part of his/her household and determine family size

Step 2
- Add the income of all the relevant members of the individual's household

Step 3
- Compare total household income to the federal poverty level for the individual's family size

Determining Income Eligibility: Step 1

Step 1
- **Constructing a Household**

Step 2
- Determining Household Income

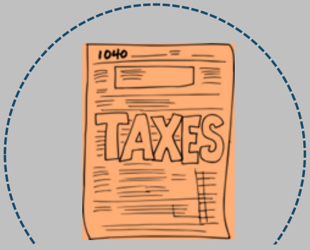
Step 3
- Comparing Household Income and Size Against Income Eligibility Levels

Definition of MAGI Household

What do we mean when we use the term "household"?

- Relationships between different family members based on individuals' answers to questions about themselves and other family members applying for or renewing coverage
  - For example: parents, spouse and children
- Each family member's relationship to the tax filer
  - For example: tax filer, joint tax filer, and tax dependent

Family member relationships



Family members' tax relationships

General Rules: Constructing a Household

- Construct a household for *each* individual listed on the application/renewal form who is applying for/renewing coverage (this is because eligibility is determined at the individual level)
  - Individual's household may or may not include everyone listed on the application/renewal form
- Countable income of all the household members forms the basis for establishing an individual's Medicaid or CHIP financial eligibility
- Different households may exist within a single family, depending on each of the family members' familial and tax relationships to each other
  - Example: One individual's household size may include 3 individuals but that does not necessarily mean that those 3 individuals all have the same household
- Household size adjustment needs to be made if individual is pregnant or individual has a pregnant woman in their household

Tax Filing Families vs. Families that Do Not Plan to File Taxes

- When constructing a household for Medicaid and CHIP, first ask:
  - Does the individual *plan to file* a federal tax return or expect to be claimed as a tax dependent for the year in which coverage is sought?

  OR

  - Does the individual *not plan* to file a federal tax return (or be claimed as a tax dependent) for the year in which coverage is sought?

Depending on the answer, different rules apply: "non-filer" rules or "filer" rules

What Does "Plan to File" Mean?

- Application/renewal form asks whether the individual *plans* to file a tax return for the year coverage is sought
- Individual's household is constructed based on their plan to file a federal income tax return, regardless of whether or not they ultimately file a return for that year or are claimed as a dependent
- It is not necessary to have filed a federal income tax return in previous years

Apply Tax Filer & Tax Dependent Rules if Individual Files Taxes, Even if Not Required to File

- Many low-income people may not be required to file a federal income tax return because their gross income does not meet the tax filing threshold (which is updated annually).
- Many people will still file taxes even if they are below the tax filing threshold because they expect to receive-a refund. The tax filer rules are applied for individuals who plan to file taxes, even if they are not required to do so.

Individuals and Families Who Do Not Plan to File Taxes (Non-Filers)

First, let's walk through how to construct a household for individuals who *do not plan* to file a federal income tax return or be claimed as a tax dependent for the year coverage is sought. We call these the "non-filer" rules.

Who Are Non-Filers?

- Use "non-filer" rules to determine eligibility for an adult or child applying for coverage who:
  - Does not plan to file a federal income tax return; **and**
  - Does not expect to be claimed as a tax dependent for the year coverage is sought
- In the following slides, we will cover scenarios for constructing a household for adult and child non-filers, including dependent exceptions

Adult Non-Filer Household Rules

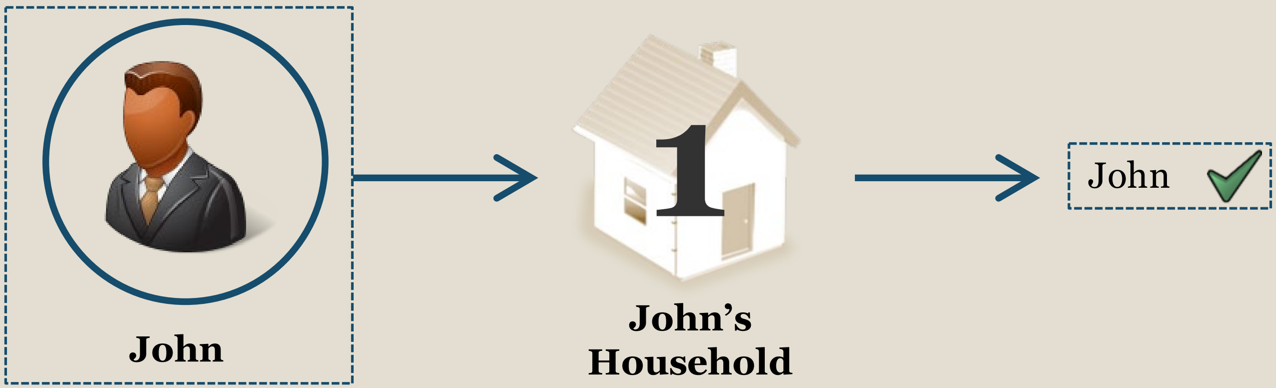
For adults, the household must include:

- The adult applying for/renewing coverage; **AND**
- The adult's married spouse if living with the individual; **AND**
- The adult's natural, adopted, and step-children under age 19 (or including, at state option, age 19 or 20 if a full-time student) if living with the adult

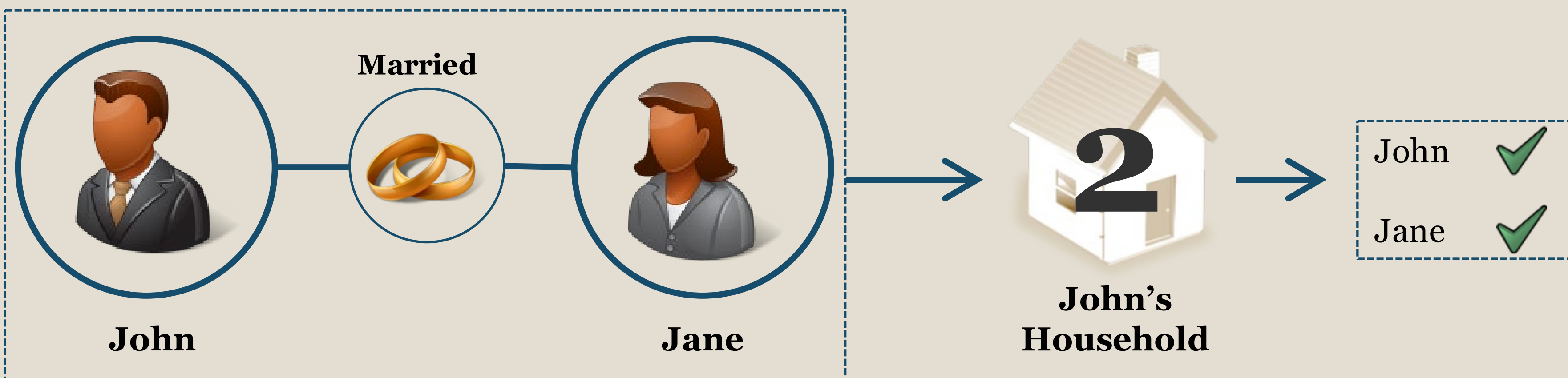
State Policy Option

Adult Non-Filer Household Scenarios

Scenario 1: John lives alone and does not plan to file taxes

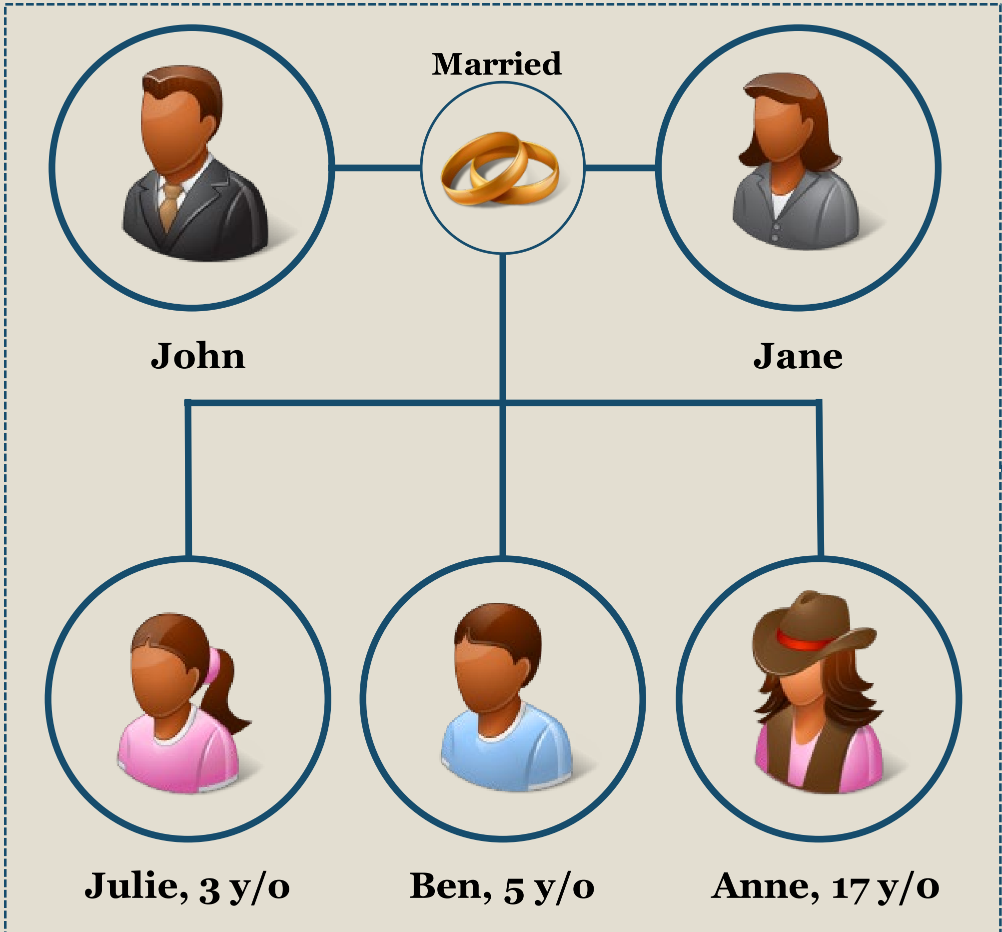


Scenario 2: John lives with his wife, Jane, and they have no children



Adult Non-Filer Household Scenarios

Scenario 3: John is married to Jane and they have 3 children ages 3, 5 and 17. They all live together. He does not plan to file taxes.

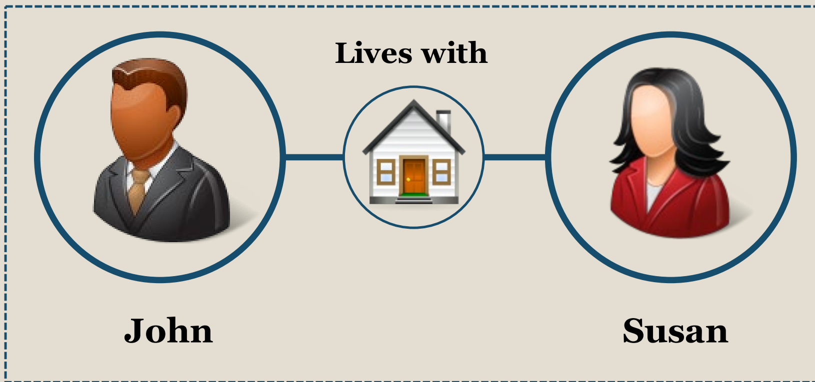


- John ✓
- Jane ✓
- Julie ✓
- Ben ✓
- Anne ✓

Note: Count all children under 19 (at state option, may also include children aged 19 and 20 if full-time student).

Adult Non-Filer Household Scenarios

Scenario 4: John lives with his girlfriend, Susan. He does not plan to file taxes.



John's Household

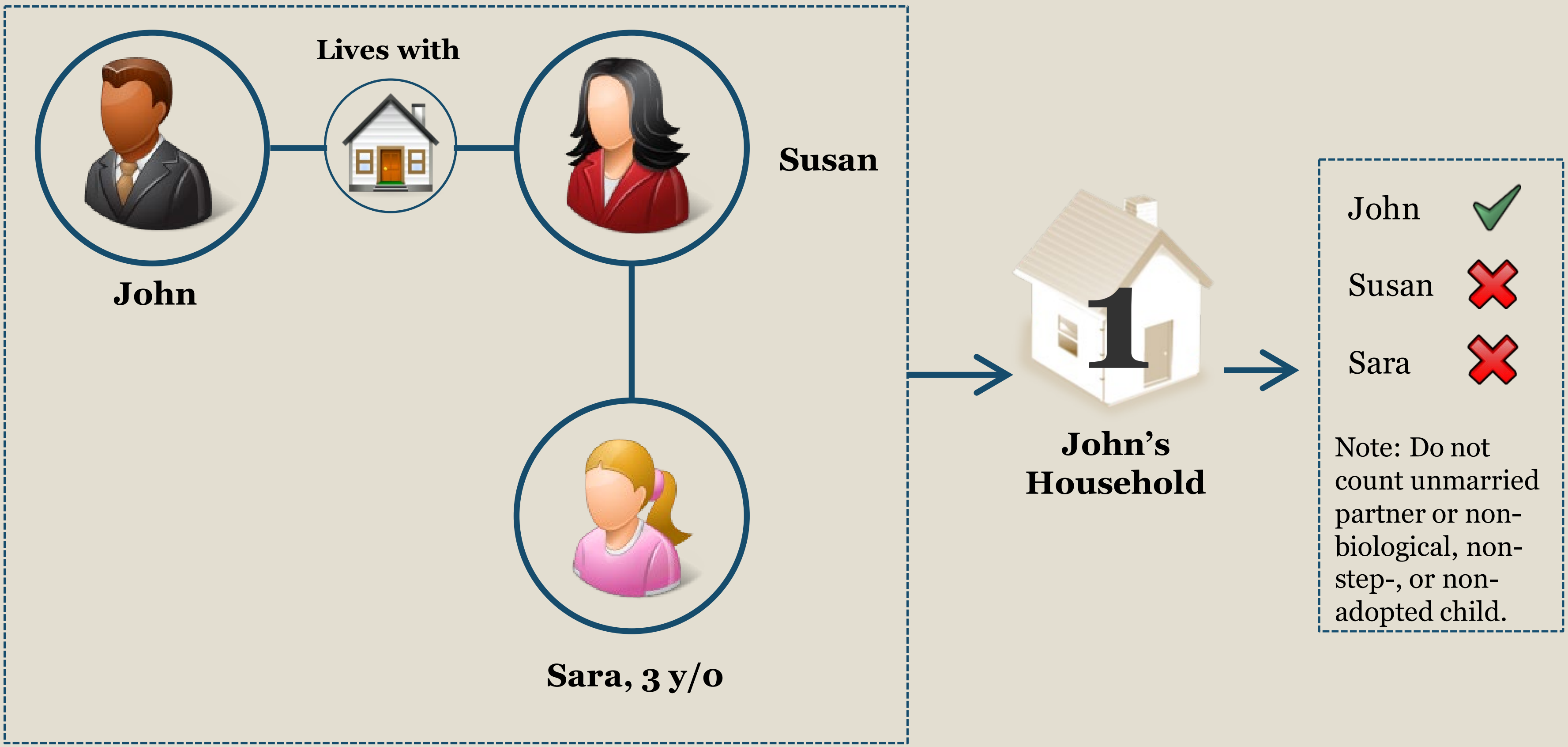
John ✓

Susan ✗

Note: Do not count unmarried partner.

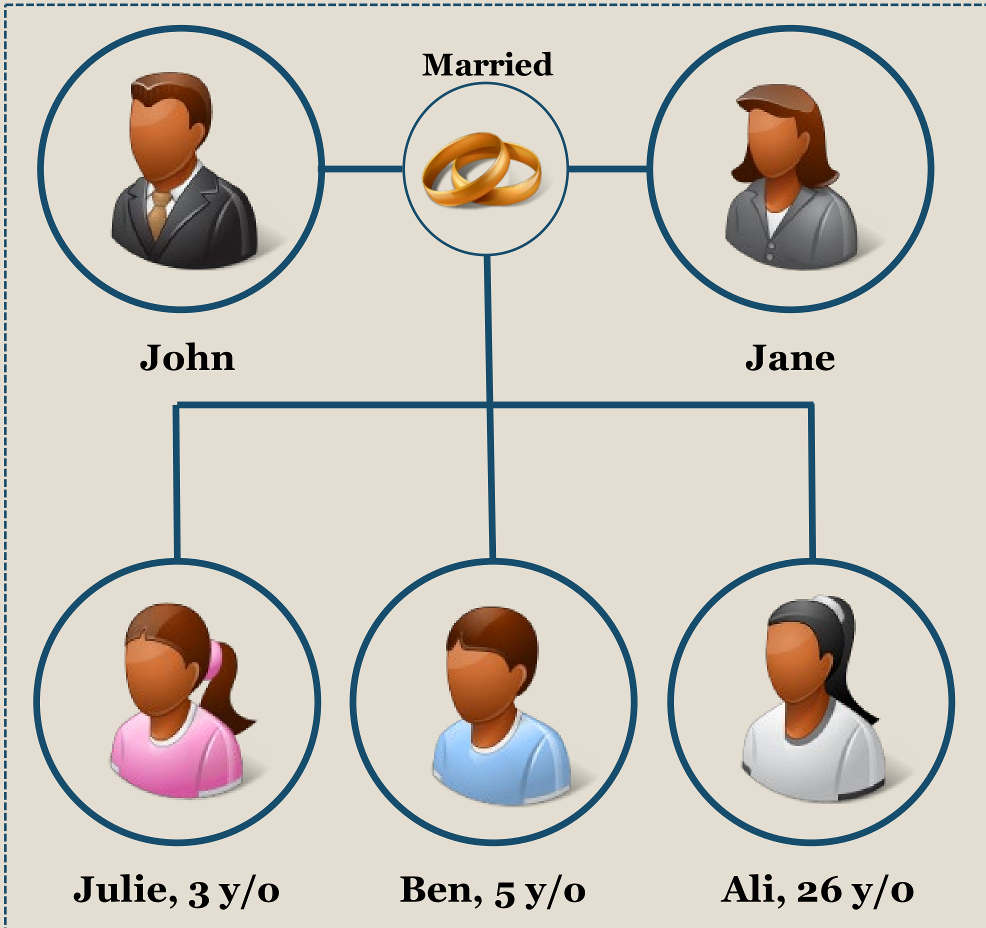
Adult Non-Filer Household Scenarios

Scenario 5: John lives with his girlfriend, Susan, and Susan's daughter, age 3, who is not John's biological, step- or adopted daughter. He does not plan to file taxes.



Adult Non-Filer Household Scenarios

Scenario 6: John is married to Jane and they have 3 children ages 3, 5 and 26. They all live together and he does not plan to file taxes.



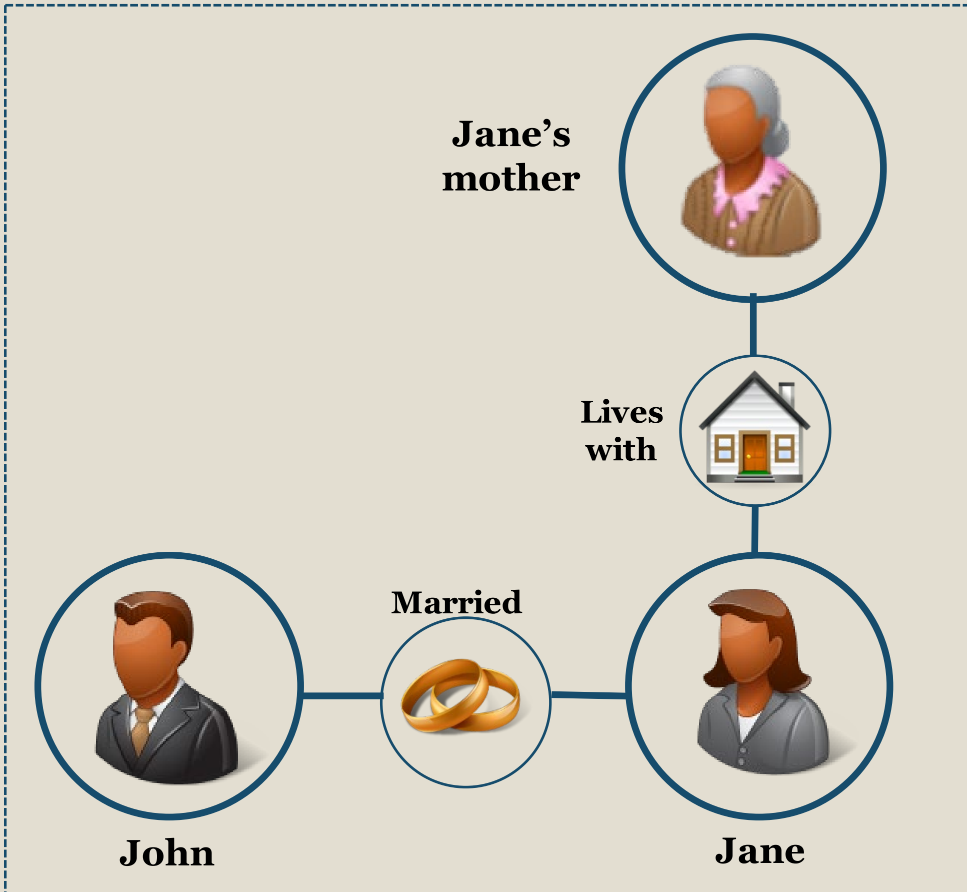
John's Household

- John ✓
- Jane ✓
- Ben ✓
- Julie ✓
- Ali ✗

Note: Do not count child over 18 (or at state option, over 21).

Adult Non-Filer Household Scenarios

Scenario 7: John is married to Jane. They live with Jane's mother, age 58, and they have no children. He does not plan to file taxes.



John's Household

- John ✓
- Jane ✓
- Jane's mother ✗

Note: Do not count Jane's mother. She is not the individual's spouse or child.

Purpose | **Constructing a Household** | Determining Household Income | Comparing Results to Eligibility Levels

Child(ren) Non-Filer Household Rules

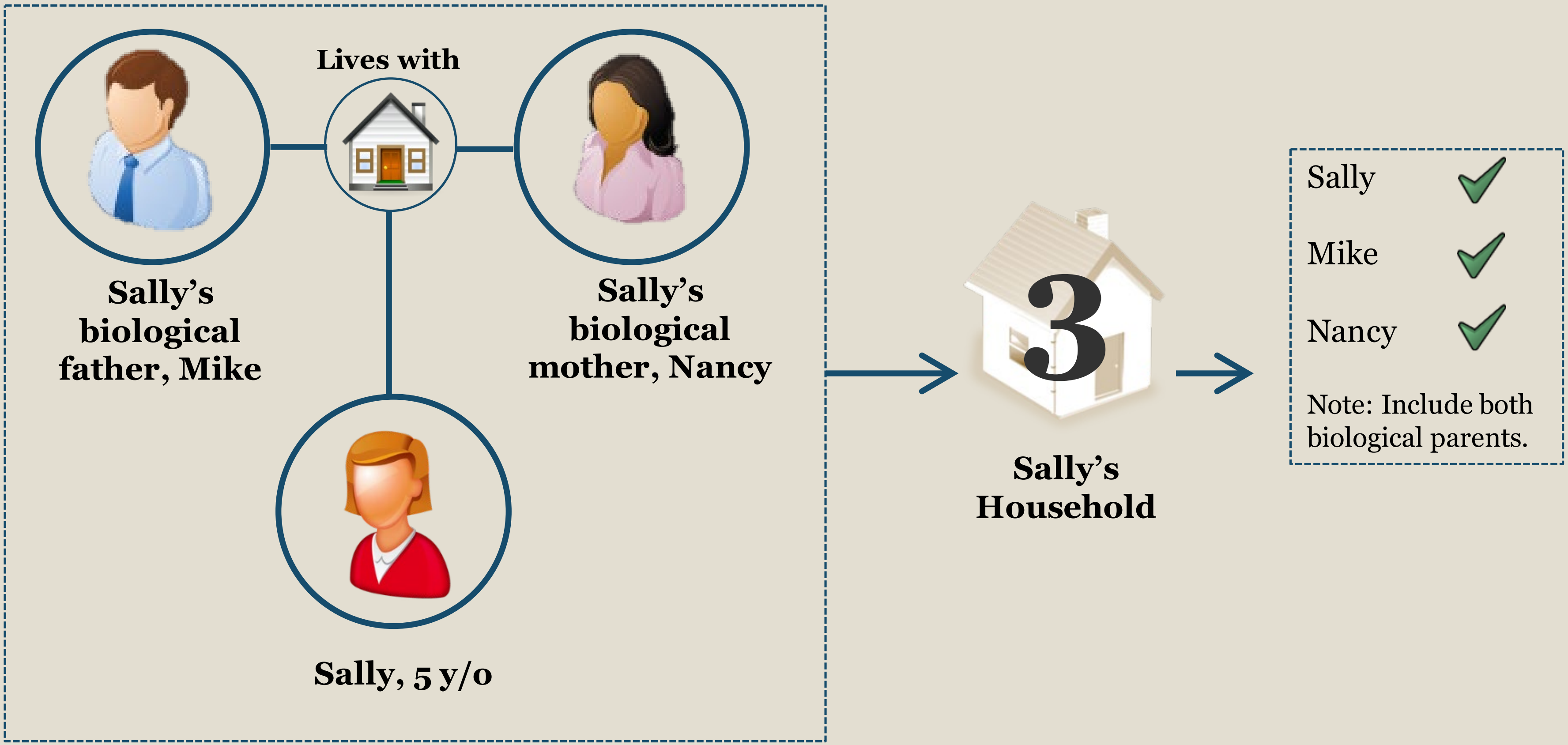
Household for children under age 19 (and at state option, age 19 or 20 if full-time students) must include:

State Policy Option

- The child applying for/renewing coverage; **AND**
- The child's parents (including biological, adoptive and step-parents) if living with the child; **AND**
- The child's siblings (including biological, adopted and step-siblings) who are under age 19 (or including, at state option, age 19 or 20 and a full-time student) if living with the child; **AND**
- The child's spouse (married to and living with the child); **AND**
- The child's own children (biological, adopted and step-children), if living with the child

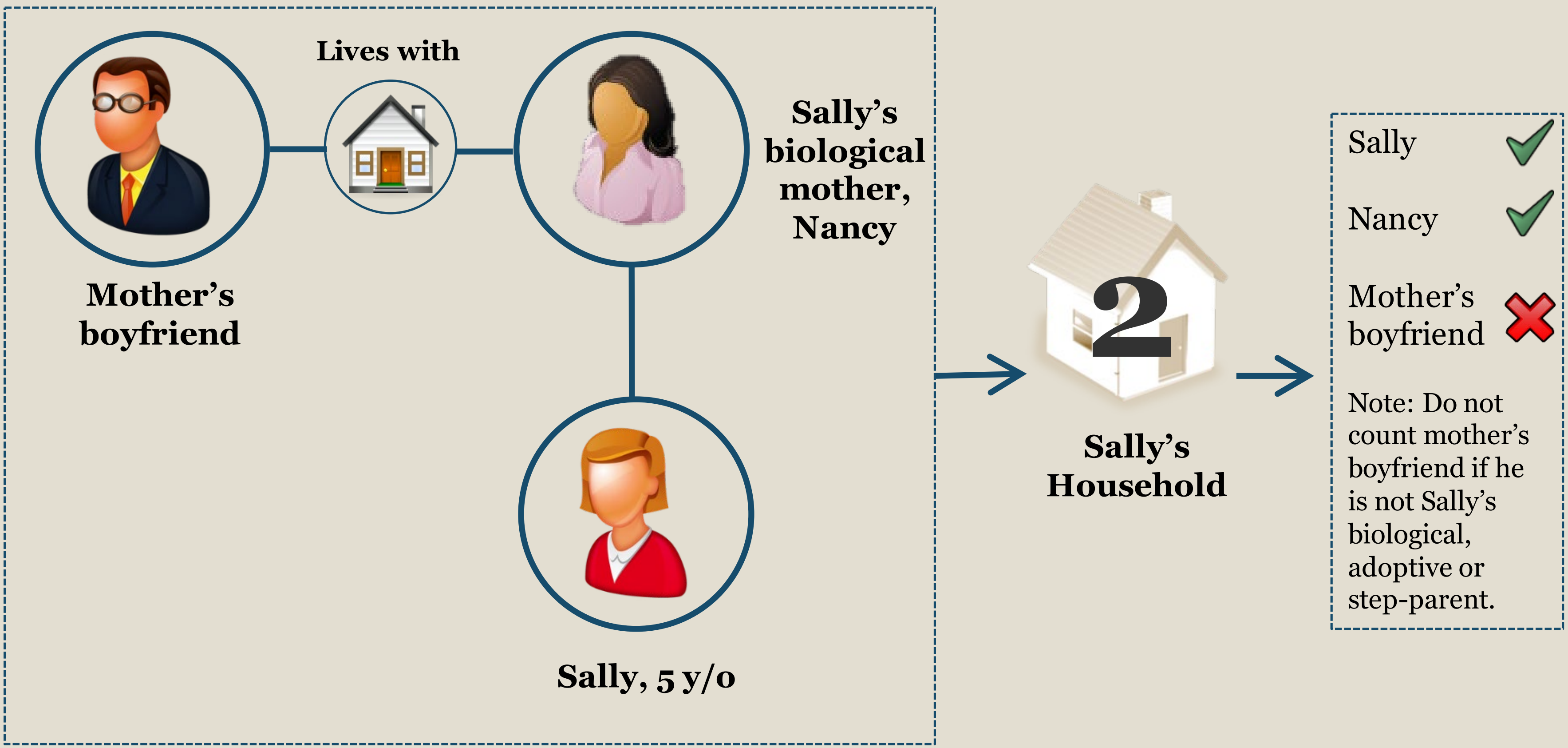
Child(ren) Non-Filer Scenarios

Scenario 1: Sally, age 5, lives with her biological mother and father. She does not plan to file taxes or be claimed as a tax dependent.



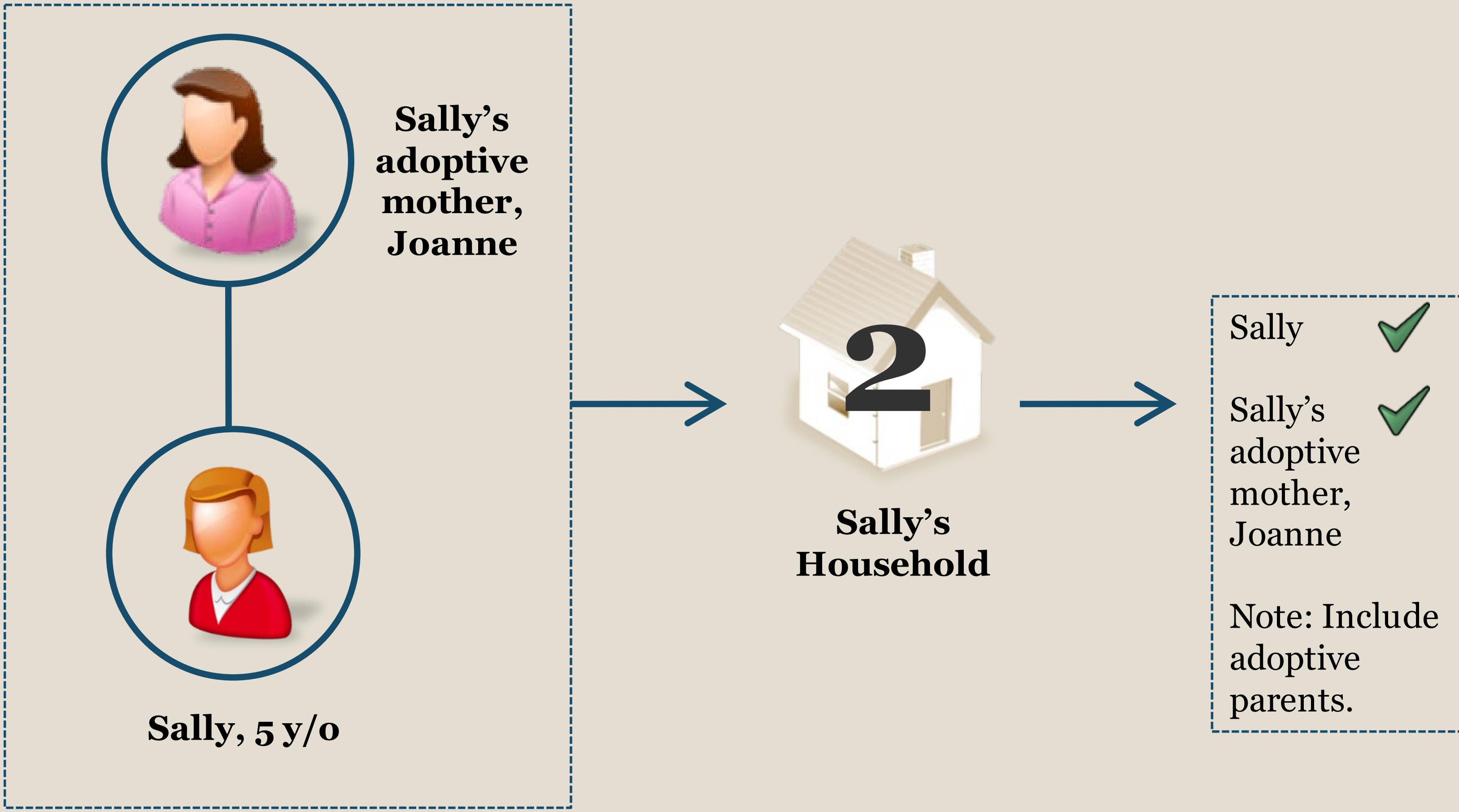
Child(ren) Non-Filer Scenarios

Scenario 2: Sally, age 5, lives with her biological mother and her mother's boyfriend. She does not plan to file taxes or be claimed as a tax dependent.



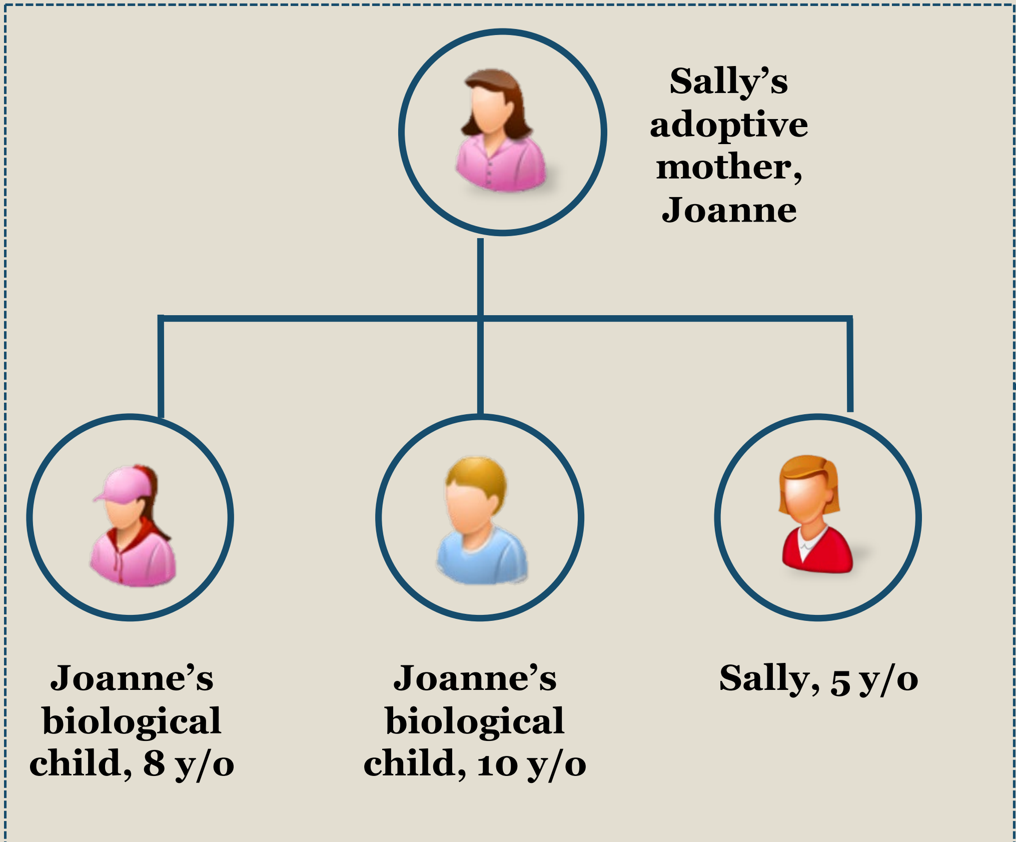
Child(ren) Non-Filer Scenarios

Scenario 3: Sally, age 5, lives with her adoptive mother, Joanne. She does not plan to file taxes or be claimed as a tax dependent.



Child(ren) Non-Filer Scenarios

Scenario 4: Sally, age 5, lives with her adoptive mother, Joanne, and her adoptive mother's 2 biological children. She does not plan to file taxes or be claimed as a tax dependent.



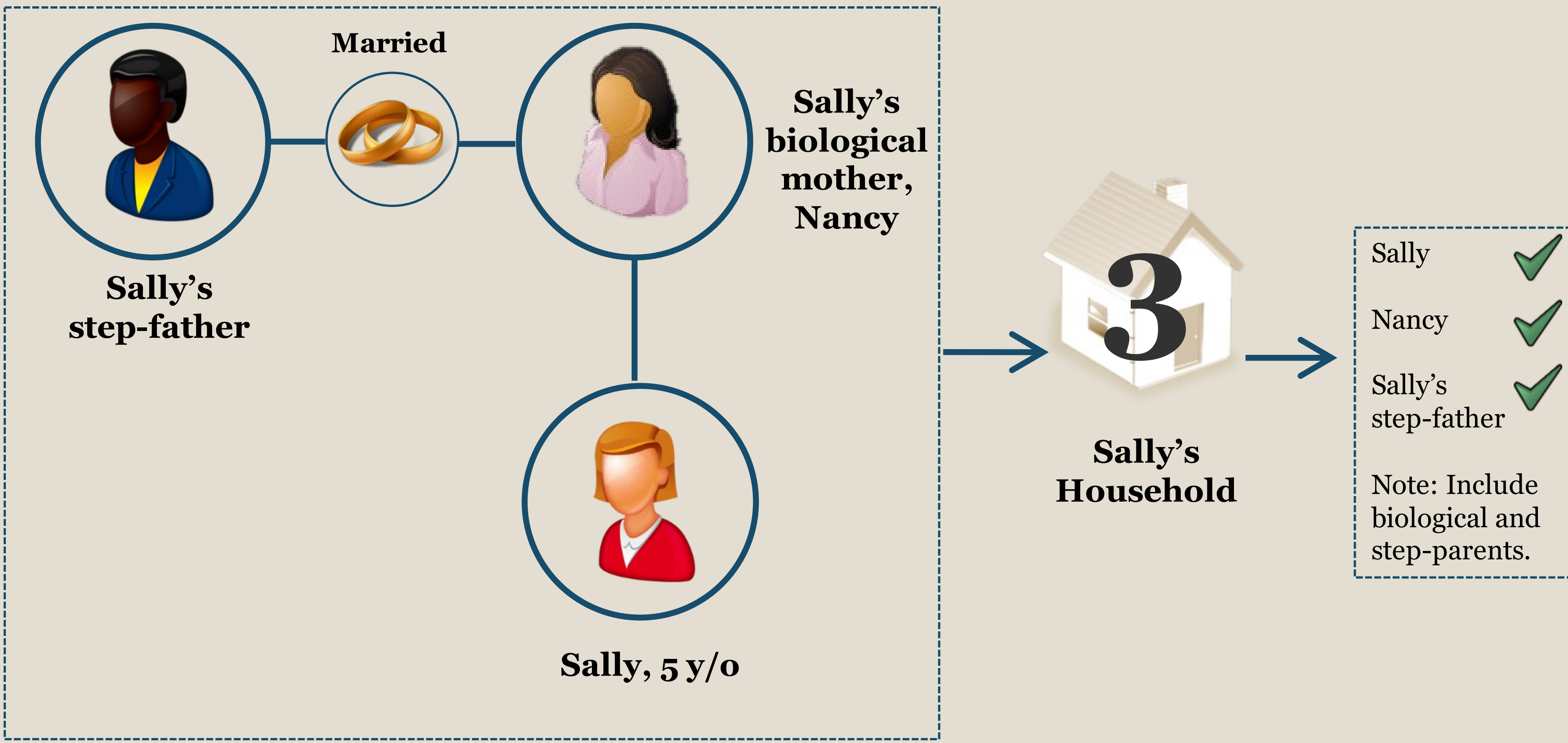
Sally's Household

- Sally ✓
- Joanne ✓
- Joanne's biological child #1 ✓
- Joanne's biological child #2 ✓

Note: Include siblings under age 19 (or at state option, 19 or 20 if a full-time student) since they are Sally's adoptive siblings.

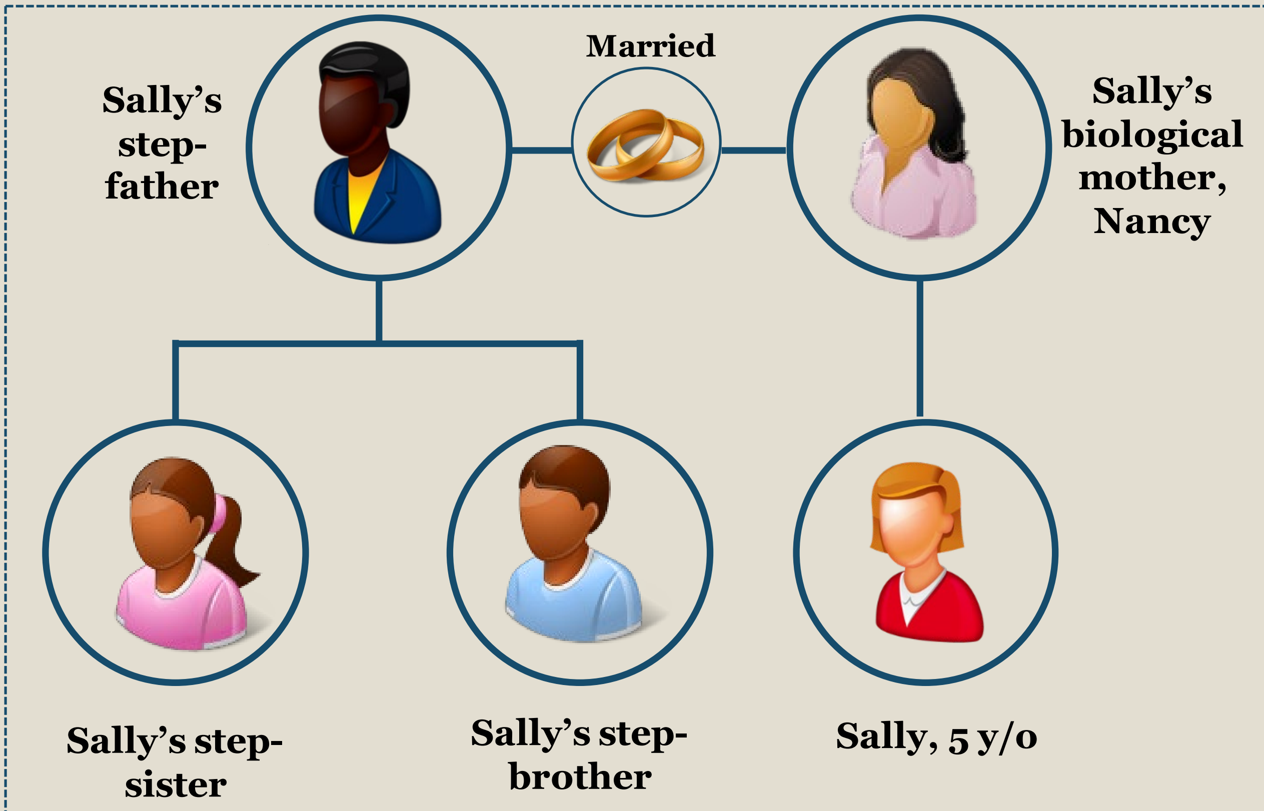
Child(ren) Non-Filer Scenarios

Scenario 5: Sally, age 5, lives with her biological mother and her mother's new husband, Sally's step-father. She does not plan to file taxes or be claimed as a tax dependent.



Child(ren) Non-Filer Scenarios

Scenario 6: Sally, age 5, lives with her biological mother and her mother's new husband (Sally's step-father), and her step-father's 2 children (age 8 and 10). She does not plan to file taxes or be claimed as a tax dependent.



Sally's Household

- Sally ✓
- Nancy ✓
- Sally's step-father ✓
- Sally's step-sister ✓
- Sally's step-brother ✓

Note: Include step-parents and step-siblings.

Child(ren) Non-Filer Scenarios

Scenario 7: Sally, age 5, lives with her grandmother. She does not plan to file taxes or be claimed as a tax dependent.

Sally's grandmother

Sally, 5 y/o

Sally's Household

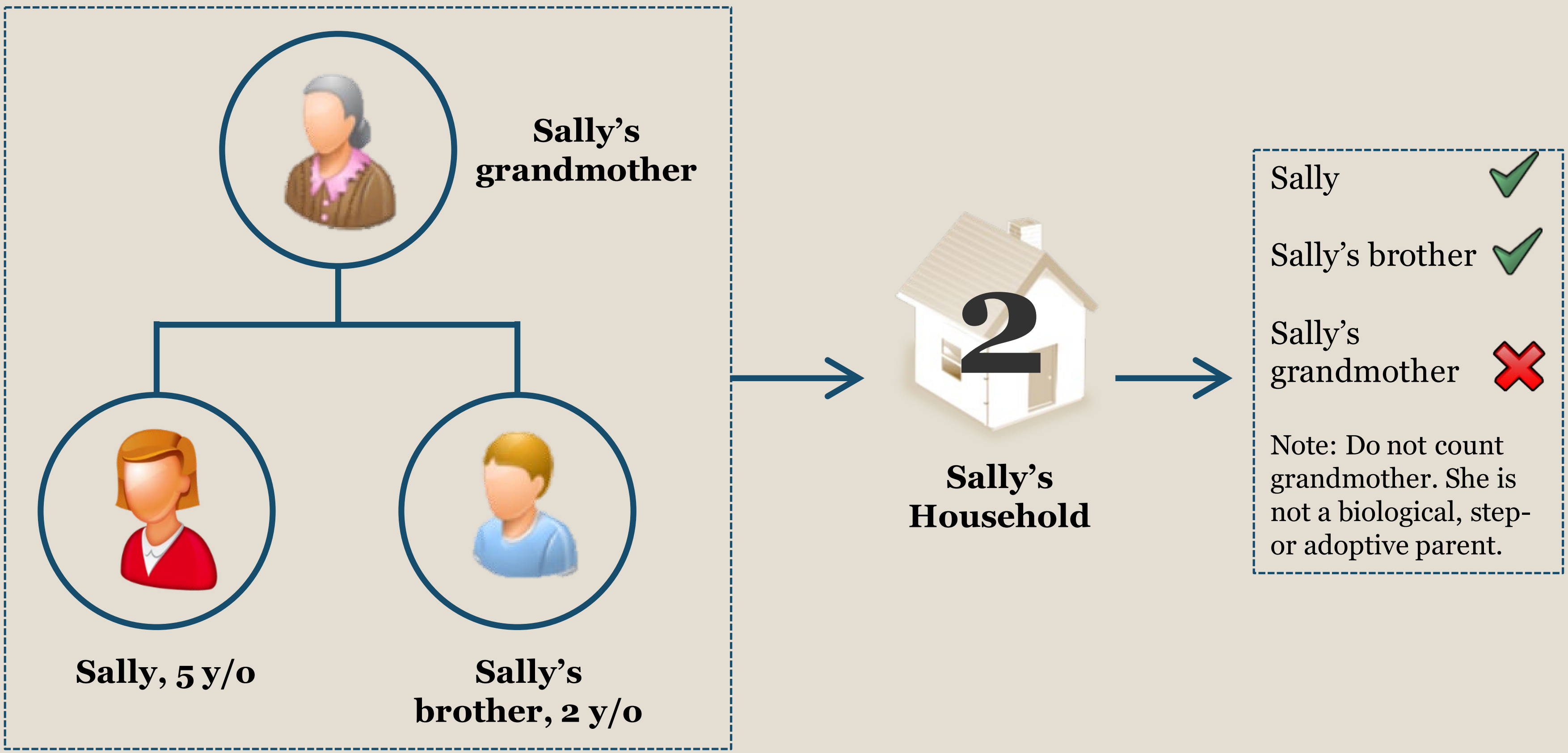
Sally ✓

Sally's grandmother ✗

Note: Do not count grandmother. She is not a biological, step- or adoptive parent.

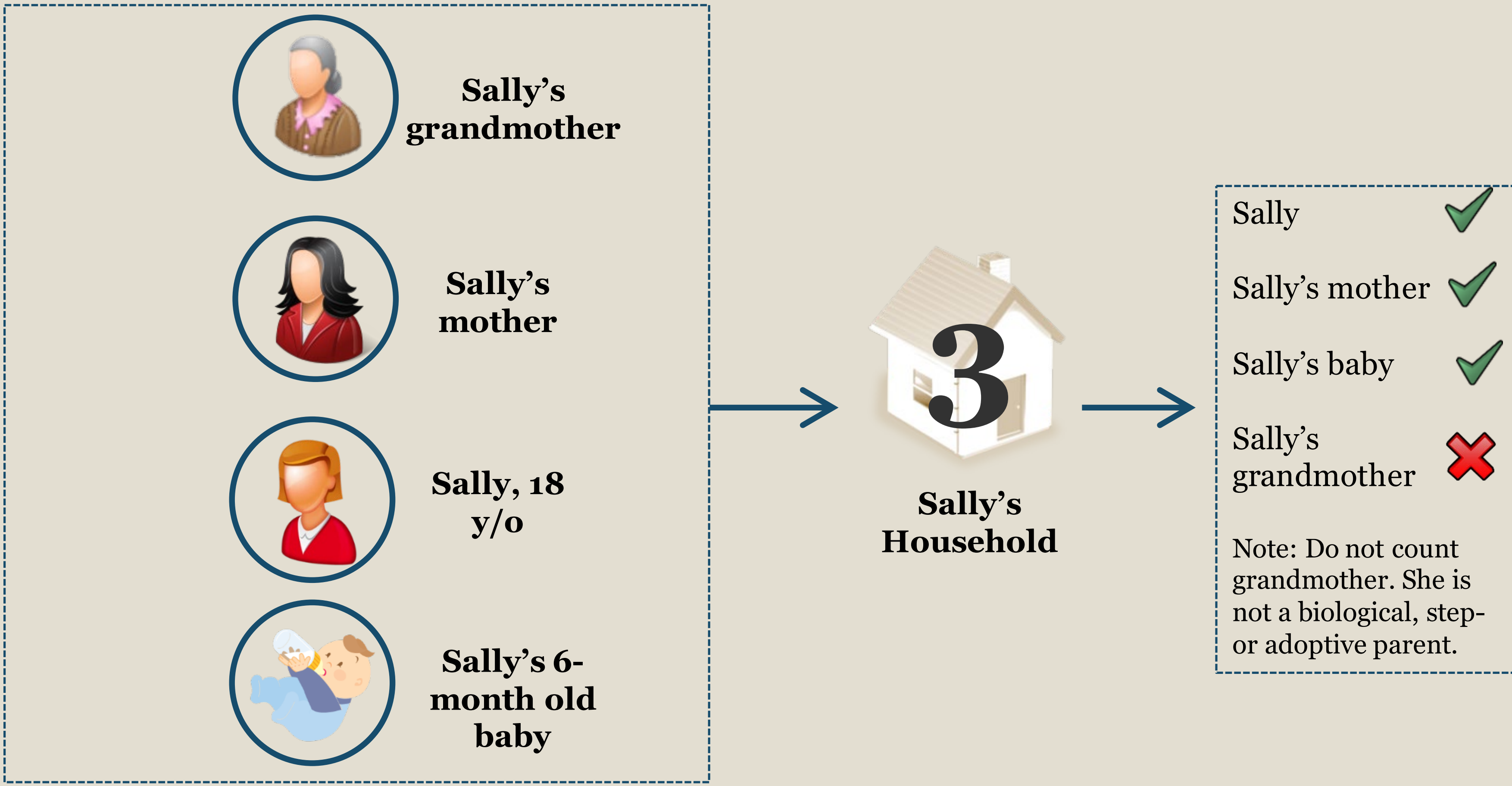
Child(ren) Non-Filer Household Scenarios

Scenario 8: Sally, age 5, lives with her grandmother and her younger brother, age 2. She does not plan to file taxes or be claimed as a tax dependent.



Child(ren) Non-Filer Household Scenarios

Scenario 9: Sally, age 18, lives with her mother, her grandmother, and Sally's 6-month-old baby. She does not plan to file taxes or be claimed as a tax dependent.



Tax Filer Household Rules

Now, we are going to discuss the household composition rules for individuals who expect to file taxes or expect to be claimed as a tax dependent for the year coverage is sought. We will cover tax filer rules first.

General Filer Rules: Tax Filer vs. Tax Dependent

Apply different Medicaid/CHIP household rules based on whether the person is the "tax filer" or the "tax dependent"

"Tax Filer"

Individual plans to file a federal income tax return and does not expect to be claimed as a tax dependent on someone else's federal income tax return for the year coverage is sought.

"Tax Dependent"

Individual expects to be claimed as a "tax dependent" for the year coverage is sought.

Example: A father, who plans to claim his child as a tax dependent, is called the "tax filer." The child, claimed by his father, is a "tax dependent." A taxpayer's dependents count for constructing a household when determining MAGI eligibility.

Tax Filer Rules

Construct a tax filer's household:

- A tax filer's household must include:

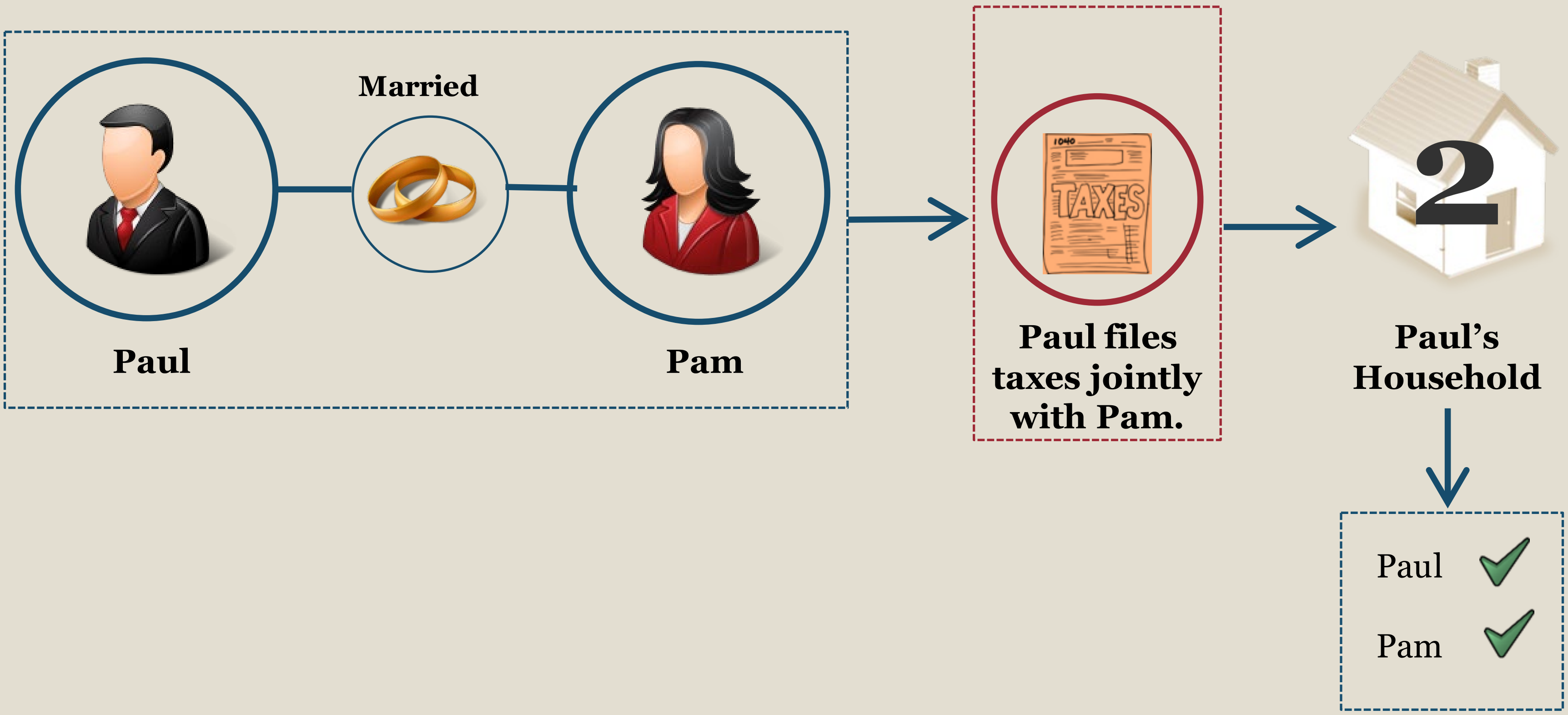
  - The taxpayer; **AND**
  - His/her spouse if they live together, regardless of whether they intend to file a federal income tax return jointly*; **AND**
  - Individuals the taxpayer expects to claim as tax dependents on his/her federal income tax return

*__Special rules for spouses living separately:__
- If they are filing separately, apply tax filer rules and do not include the spouse in the individual's household
- If they are filing jointly, follow state specific rules. States have the flexibility to:
  - Include spouses in each other's households regardless of whether they live together
  - Not include spouses in the household if the spouses live separately

State Specific Rules

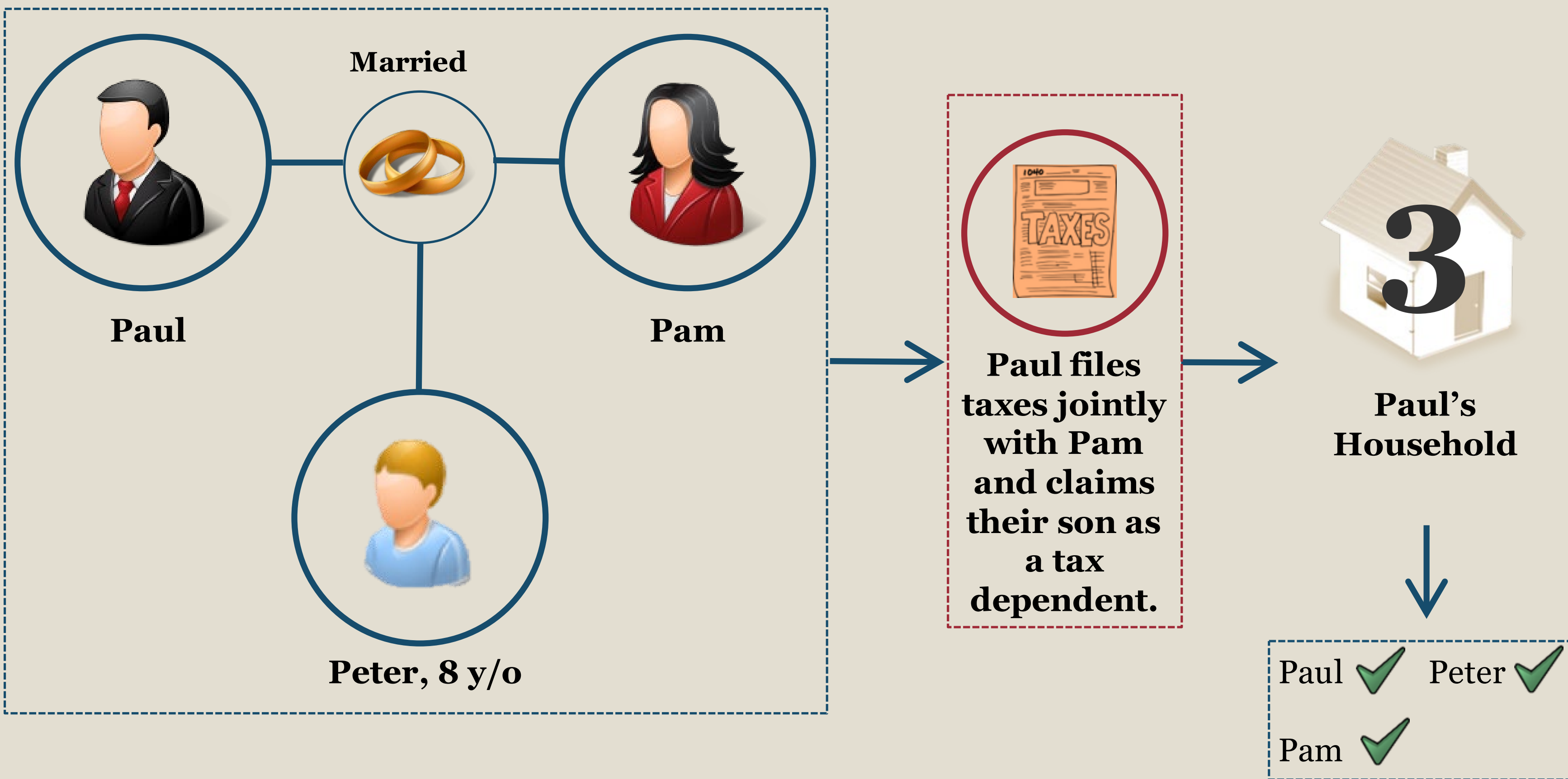
Tax Filer Household Scenarios

Scenario 1: Paul and Pam are married and live together. Paul plans to file taxes jointly with Pam.



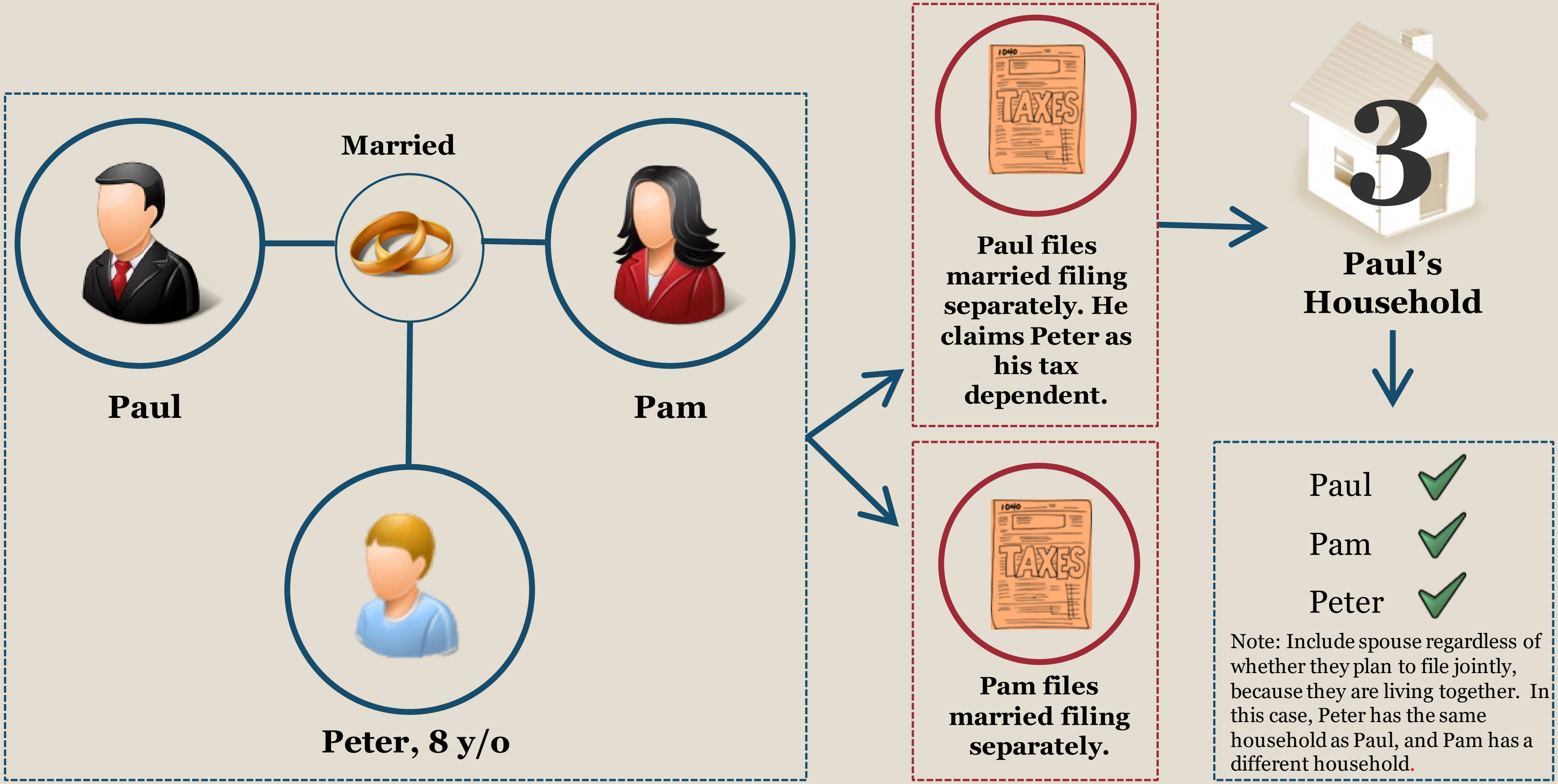
Tax Filer Household Scenarios

Scenario 2: Paul and Pam are married and live together. They plan to file taxes jointly and claim their son, Peter, as their tax dependent.



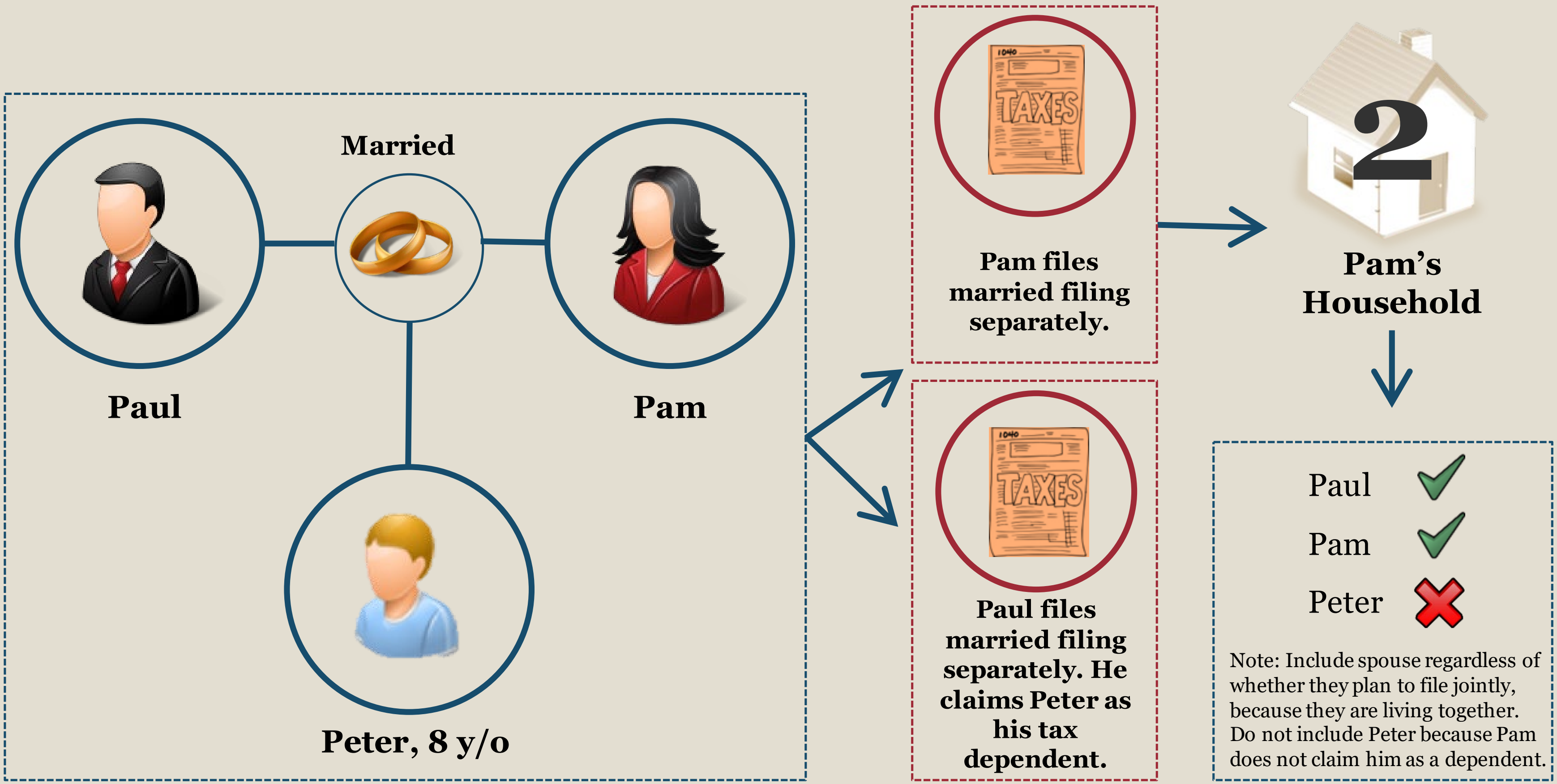
Tax Filer Household Scenarios

Paul Scenario 3a: Paul and Pam are married and live together. They plan to file taxes separately. Paul expects to claim their son, Peter, as his tax dependent.



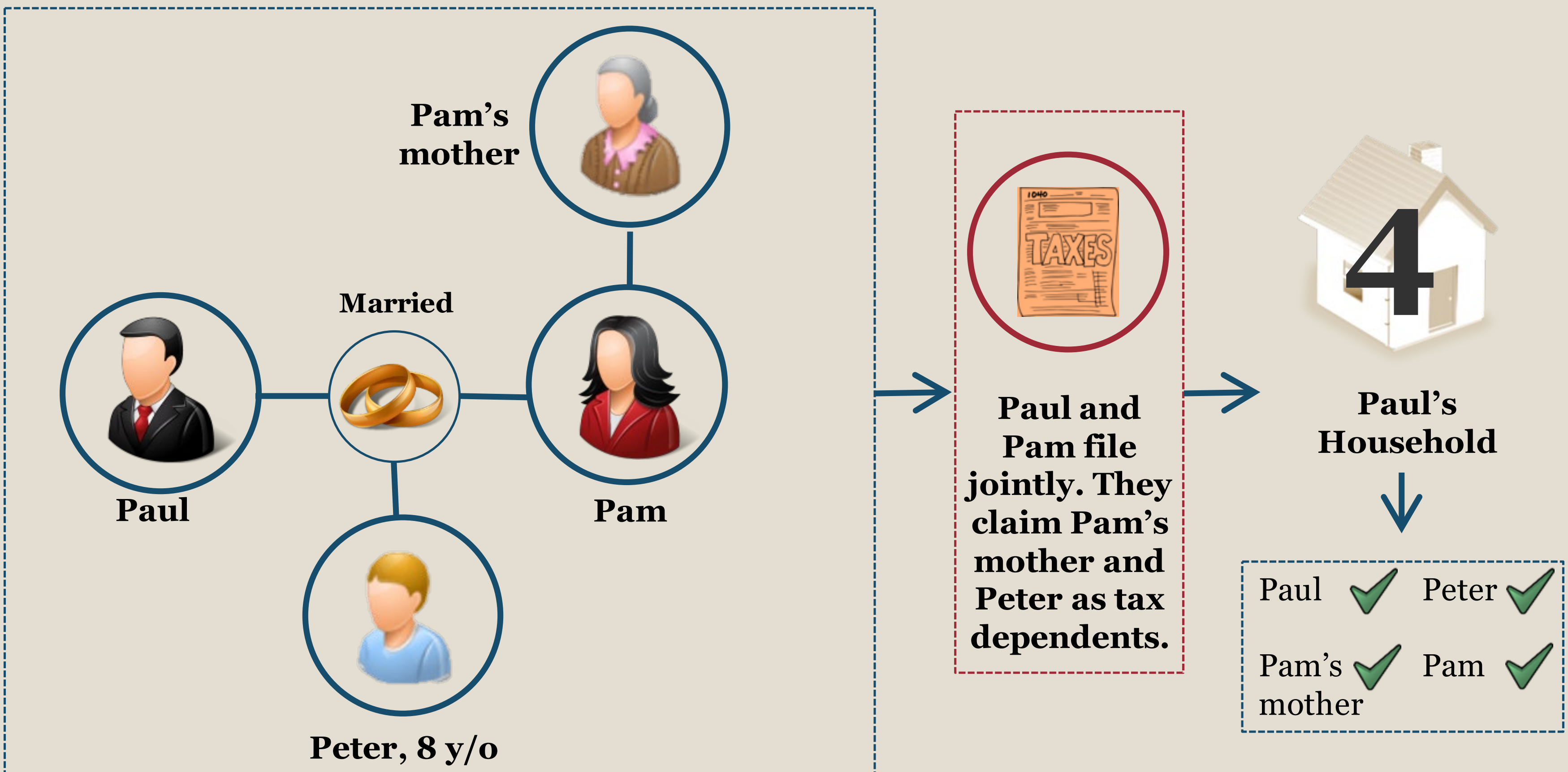
Tax Filer Household Scenarios

Pam Scenario 3b: Paul and Pam are married and live together. They plan to file taxes separately. Paul expects to claim their son, Peter, as his tax dependent.



Tax Filer Household Scenarios

Scenario 4: Paul and Pam are married and plan to file jointly. They plan to claim their son and Pam's mother as tax dependents.



Tax Dependent Household Rules

Now let's learn the household composition rules for individuals who expect to be claimed as a tax dependent for the year coverage is sought.

Identify Who Is a Tax Dependent

Based on information provided about the family members listed on the application/renewal form, identify who expects to be claimed as a tax dependent for the year coverage is sought and who plans to claim them.

Determine Whether Tax Dependent Meets an Exception

For each tax dependent, ask:

1. Is the individual a tax dependent of someone other than a biological, adopted, or step-parent? **OR**
2. Is the individual a child under age 19 (or at state option, age 19 or 20 and a full-time student) living with two parents but the parents do not expect to file taxes jointly? **OR**
3. Is the individual a child under age 19 (or at state option, age 19 or 20 and a full-time student) who lives with one parent and is expected to be claimed as a tax dependent by another parent?

If answer is "yes" to any of these questions, tax dependent meets an exception to the normal rules for tax filer households.

Examples of Exception #1

1

Is the individual a tax dependent of someone other than a biological, adopted, or step-parent?

Examples:

- Grandchild expects to be claimed as a tax dependent by his grandmother
- Child expects to be claimed as a tax dependent by an older adult sibling

Example of Exception #2

2

Is the individual a child under age 19 (or at state option, age 19 or 20 if a full-time student) and living with two parents but the parents do not plan to file a federal tax return jointly?

<u>Example:</u>

- Child lives with his mother and father who plan to file taxes separately because they are not married.

Example of Exception #3

3

Is the individual a child under age 19 (or at state option, age 19 or 20 if a full-time student) who is living with one parent and expects to be claimed as a tax dependent by the other parent?

Example:

- A 10-year-old child lives with his mother, and his father does not live in the same home. The child expects to be claimed as a tax dependent by his father.

If Tax Dependent Meets an Exception, Apply Non-Filer Rules

- Use relationship-based rules to construct a household for tax dependents who meet at least one of the exceptions to the tax dependent rules
- Under the relationship-based non-filer rules, the household is based on the family members who live with the individual
- *Reminder that the non-filer rules vary slightly for children versus adults*

Child(ren) Non-Filer Household Rules

Construct a child's non-filer household:

- For children under age 19 (or at state option, age 19 or 20 if a full-time student), relationship-based rules require the household to include:
  - Child applying/renewing coverage; **AND**
  - Any of the child's parents (biological, adoptive and step-parents), if living with child; **AND**
  - Any of the child's siblings (biological, adoptive and step-parents), who are under age 19 (or at state option, age 19 or 20 if a full-time student) if living with child
  - If the child is married, the spouse, if the spouse is living with the child; and if the child has their own child, the children and step-children if living with the child

Adult Non-Filer Household Rules

Construct an adult's non-filer household:

- For adults, relationship-based rules require the household to include:

- Adult applying for/renewing coverage; **AND**
- Adult's spouse if living with the adult; **AND**
- Any of the adult's natural, adopted, and step-children under age 19 (or at state option, age 19 or 20 if a full-time student) if living with the individual

If Tax Dependent Does Not Meet an Exception, Apply Tax Dependent Household Rules

Construct a tax dependent's household:

- A tax dependent's household must include:
  - The tax dependent; **AND**
  - The taxpayer who is claiming the individual as a tax dependent (this could be two people if filing jointly); **AND**
  - Any other tax dependents the taxpayer(s) claim(s); **AND**
  - The tax dependent's spouse if they live together

Three-Part Process for Assessing Tax Dependent Households

To determine a tax dependent's household, utilize the following three-part process:

Part A

Based on application information, identify who is a tax dependent.

Part B

See if the tax dependent meets an exception to the tax dependent rules.

Part C

If the tax dependent meets an exception, apply the non-filer rules. If the person does <u>not</u> meet an exception, apply the tax dependent rules.

Tax Dependent and Exception Scenarios

Now let's walk through household scenarios for tax dependents. Then we will walk through household scenarios for tax dependents who meet an exception to the tax dependent rules.

Tax Dependent and Exception Rules: Review

As a reminder, there are 3 tax dependent exception rules. We must check whether each tax dependent meets any of these exceptions:

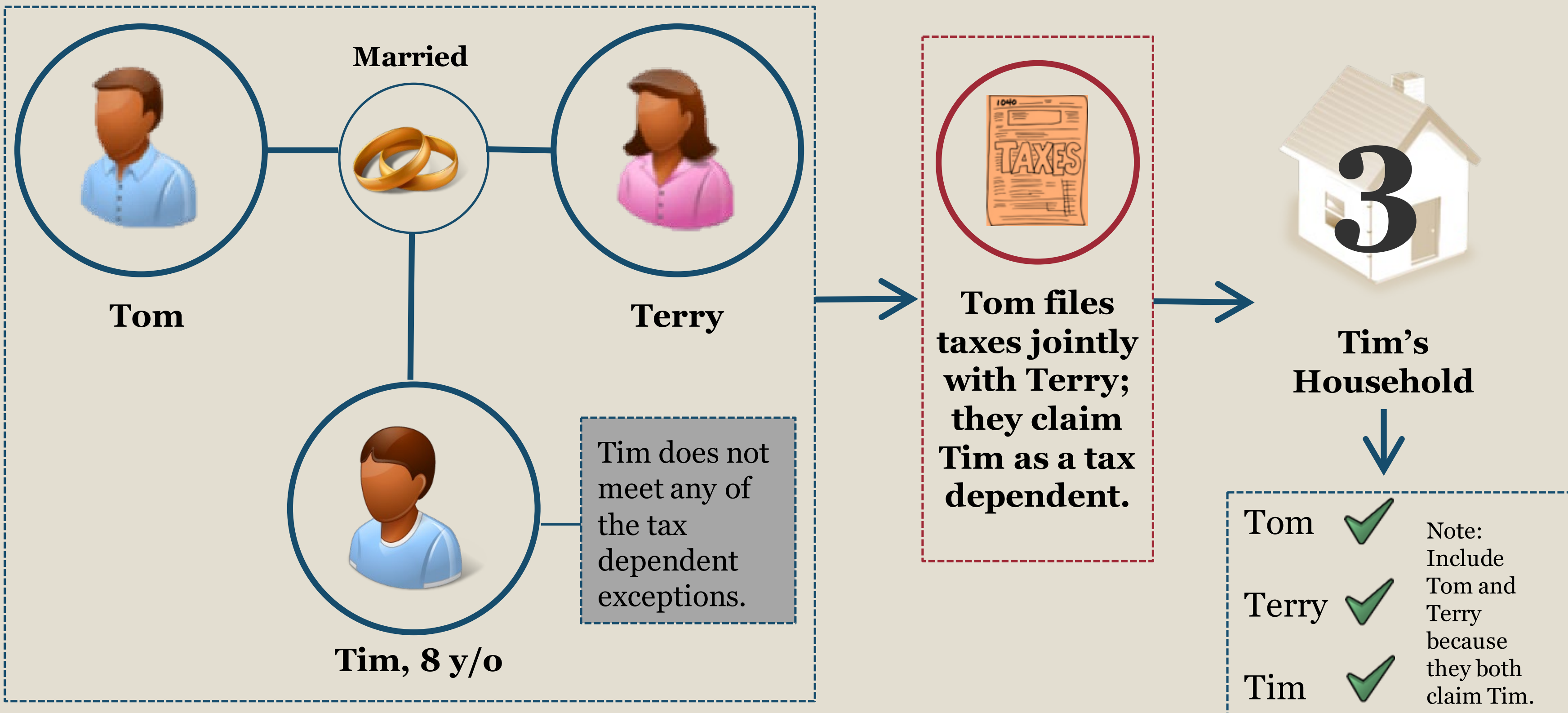
1. Individual is a tax dependent of someone other than a biological, adopted, or step-parent

2. Individual is a child under age 19 (or at state option, aged 19 or 20 and a full-time student) living with two parents but the parents do not plan to file taxes jointly

3. Individual is a child under age 19 (or at state option, aged 19 or 20 and a full-time student) who lives with one parent and expects to be claimed as a tax dependent by another parent

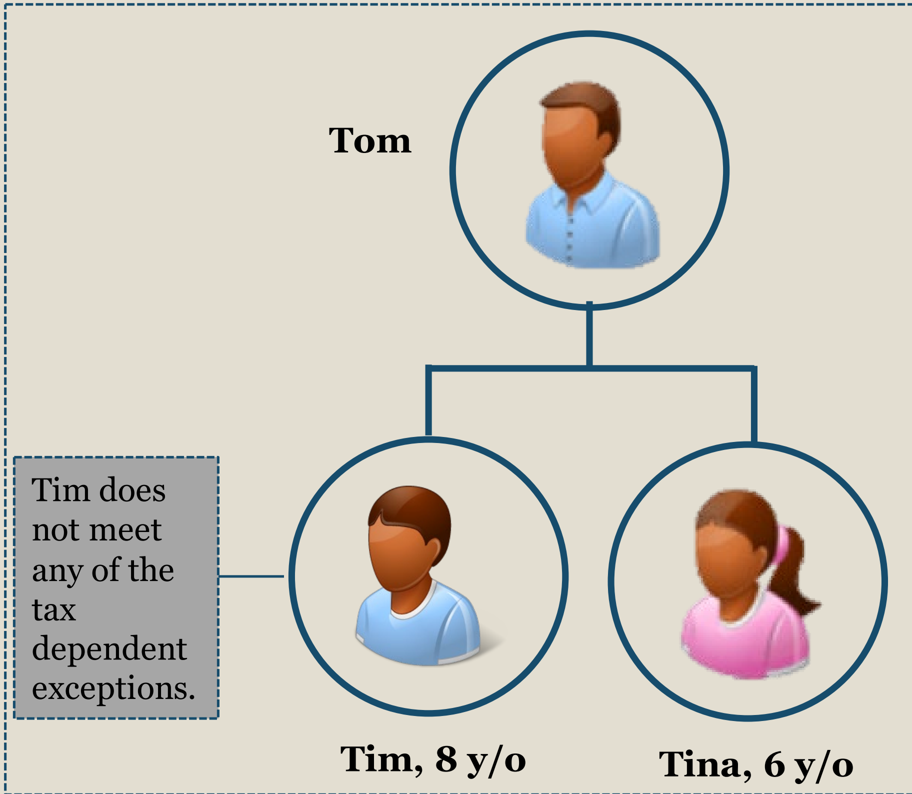
Tax Dependent Household Scenarios

Tim Scenario 1: Tim expects to be claimed as a tax dependent by his parents, Tom and Terry, who are married, live together and plan to file taxes jointly.



Tax Dependent Household Scenarios

Tim Scenario 2: Tim and his sister, Tina, are expected to be claimed as tax dependents by their father, Tom.



Tom plans to file taxes and claim both his son, Tim, and daughter, Tina, as tax dependents.

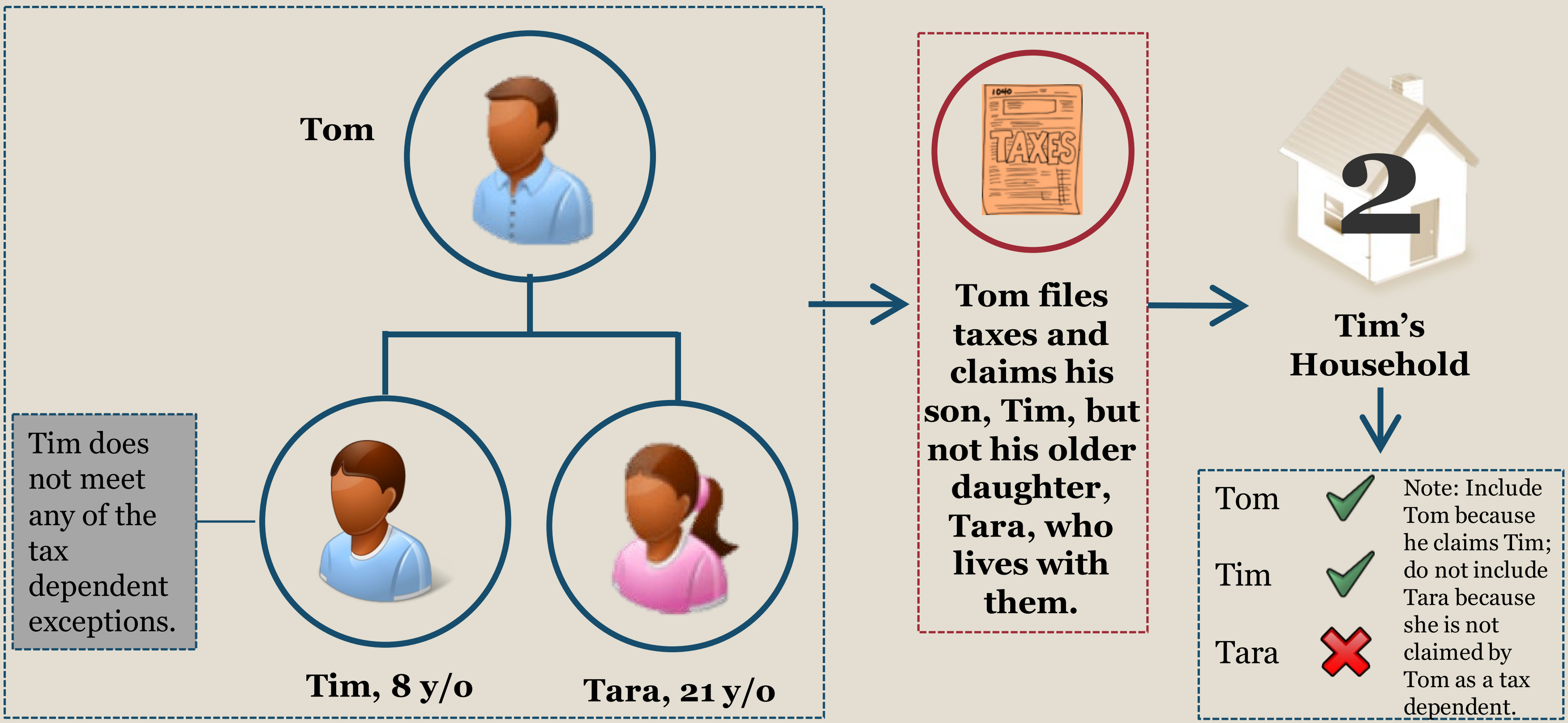
Tim's Household

Tom	✓
Tim	✓
Tina	✓

Note: Include Tom because he claims Tim; include Tina because she is claimed by Tom as tax a dependent.

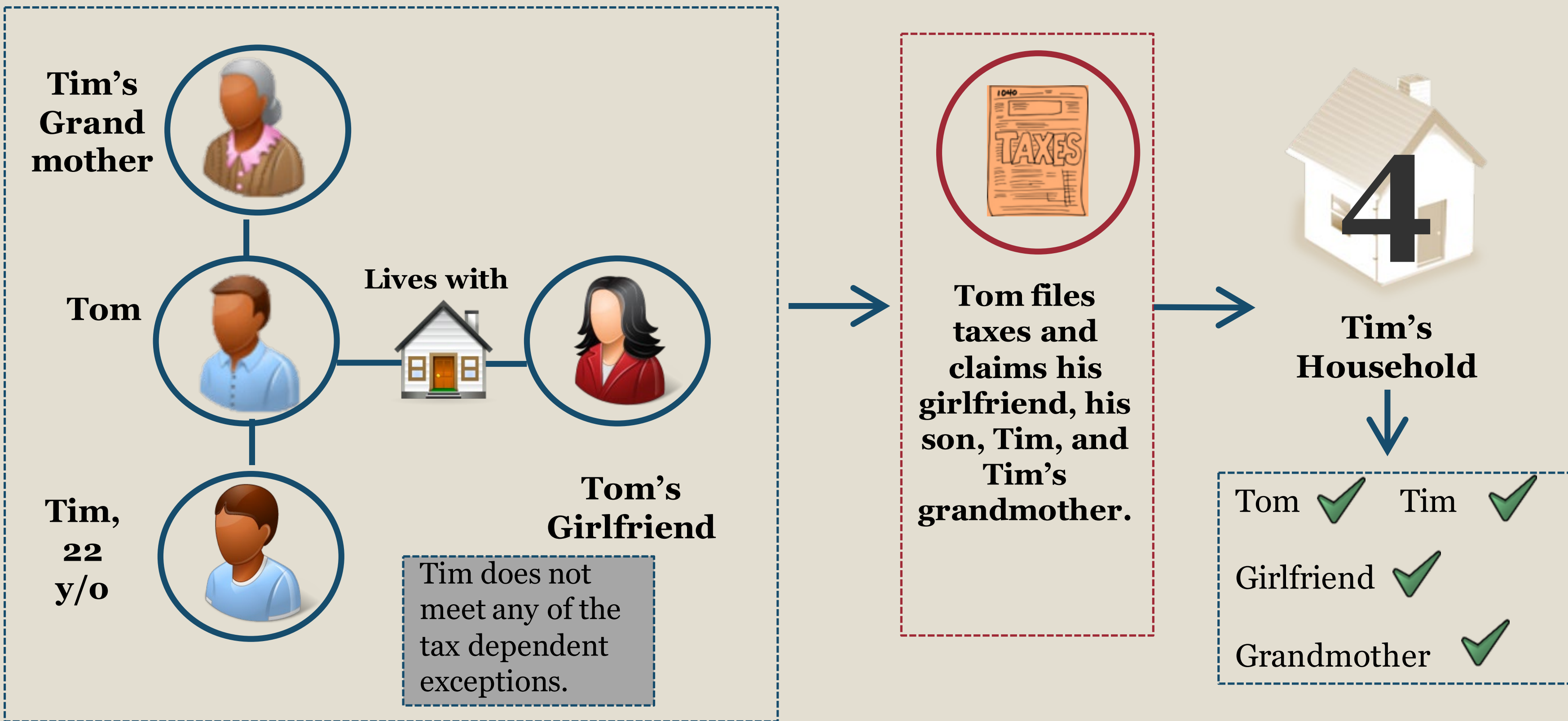
Tax Dependent Household Scenarios

Tim Scenario 3: Tim is expected to be claimed as a tax dependent by his father, Tom. Tom does not expect to claim Tim's older sister, Tara, who lives with them.



Tax Dependent Household Scenarios

Tim Scenario 4: Tim, age 22, moves away but expects to be claimed as a tax dependent by his father, Tom. Tom also plans to claim his girlfriend and Tim's grandmother as tax dependents.



Dependent Exception Scenario: Applying Non-Filer Rules

Marty Scenario 1: Marty lives with his grandmother who expects to claim him as a tax dependent.

Marty's grandmother

Marty, 5 y/o

Marty meets an exception: he is claimed by someone other than his parent.

Apply non-filer rules

Marty's Household

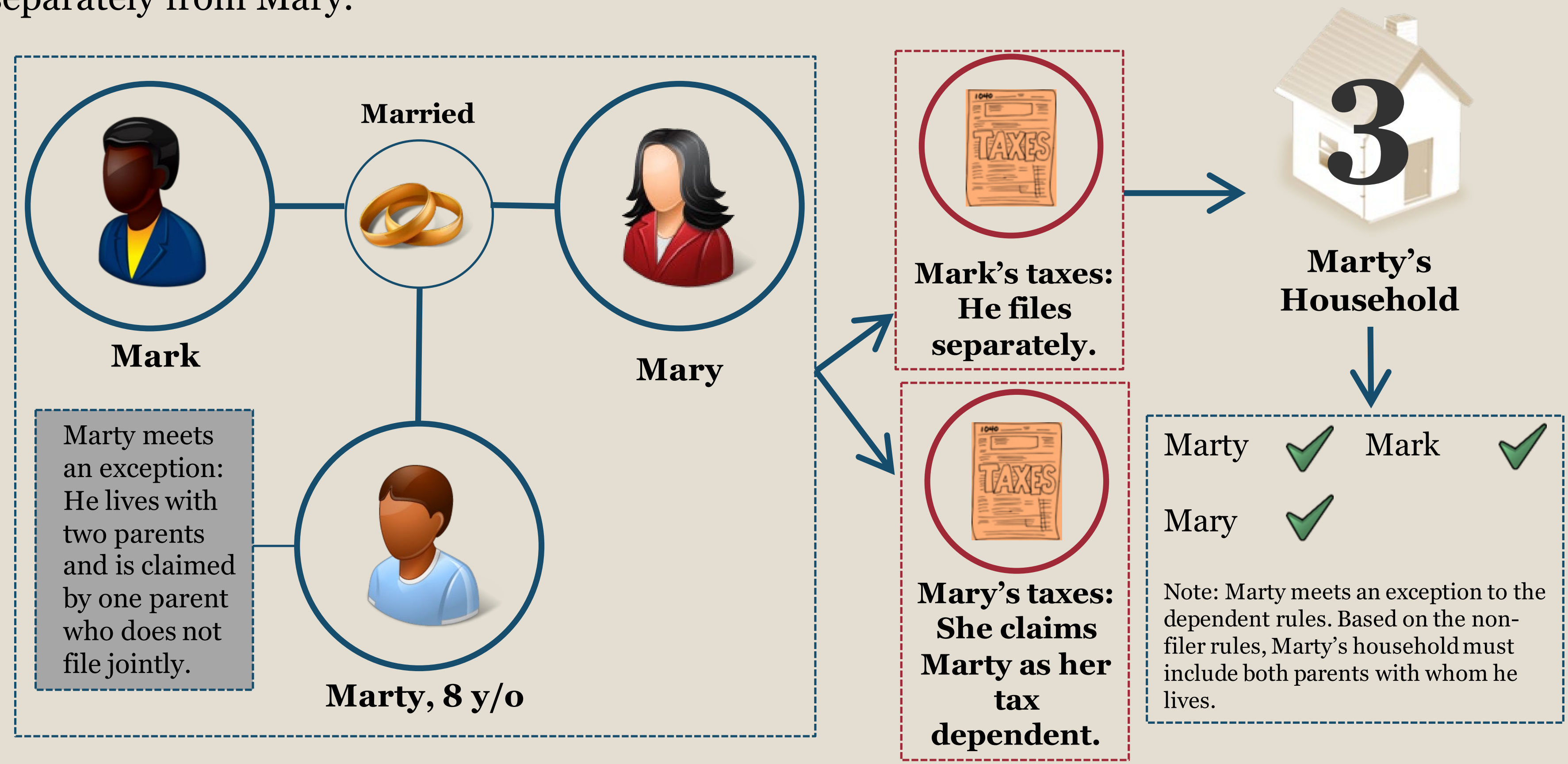
Marty ✓

Marty's grandmother ✗

Note: Marty meets an exception to the tax dependent rules so non-filer rules apply. Since there are no parents, spouses or siblings to include in his household, he is a household of 1 and his grandmother is not included. However, Marty's grandmother's household is a household of 2 because she claims Marty as a tax dependent.

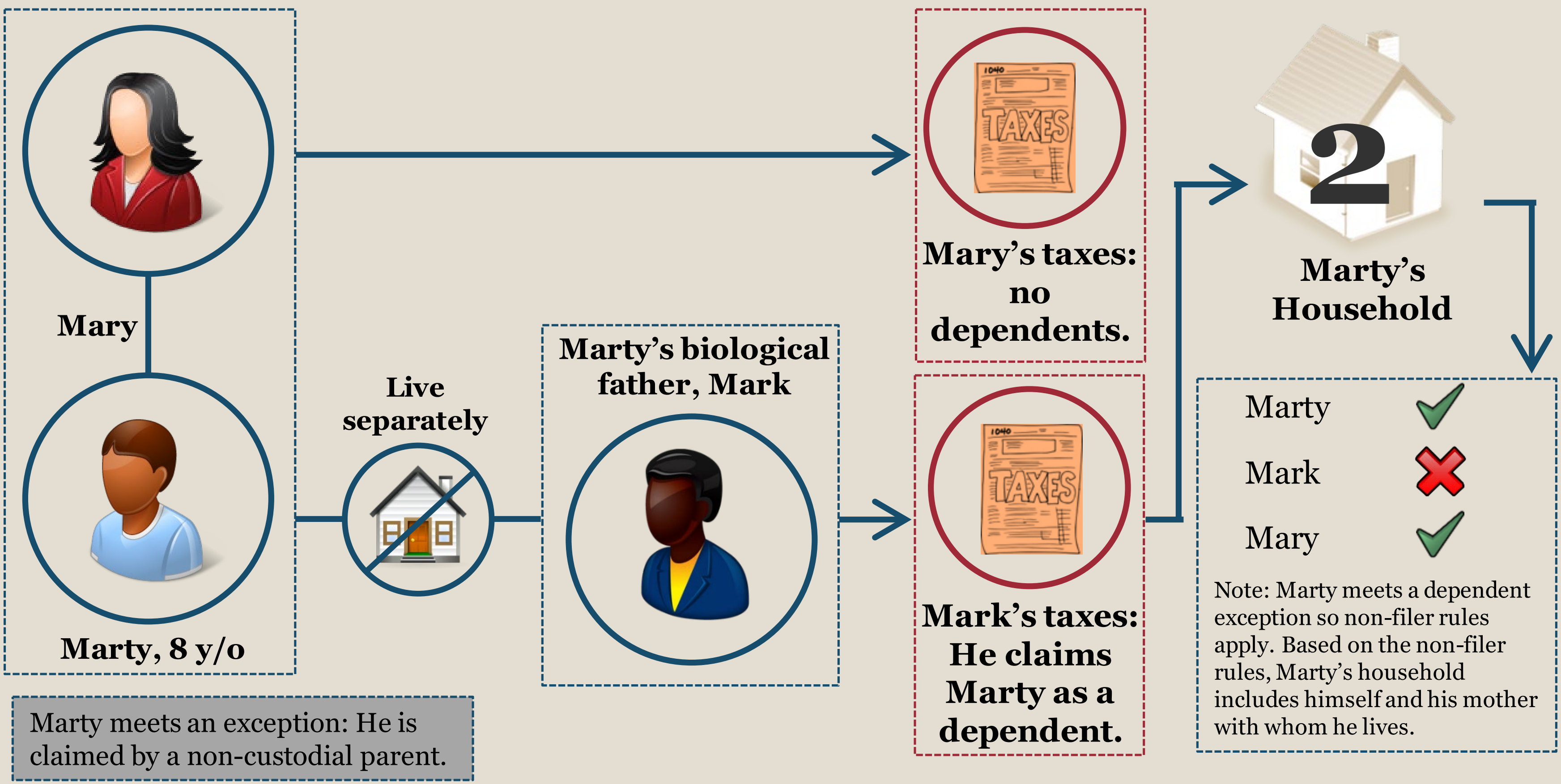
Dependent Exception Scenario: Applying Non-Filer Rules

Marty Scenario 2: Marty lives with both of his biological parents, Mary and Mark, who are married. Marty expects to be claimed as a tax dependent by Mary, and Mark plans to file taxes separately from Mary.



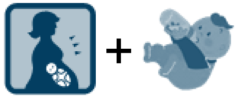
Dependent Exception Scenario: Applying Non-Filer Rules

Marty Scenario 3: Marty lives with his mother, Mary. Marty expects to be claimed as a tax dependent by his father, Mark, who lives separately.



Adjusting Family Size for Pregnant Women

Once the household is determined, if the individual is a pregnant woman, the family size must be adjusted based on the number of children she expects to deliver.

Example	Analysis
Pregnant woman expecting a single child	Family size increased by 1 
Pregnant woman expecting twins	Family size increased by 2 

Adjusting Family Size for Pregnant Women (cont'd.)

State-Specific Rules

If an individual has a pregnant woman in their household, their family size may be adjusted depending on the option elected by the state.

State Option	Example	Analysis
Option 1: Pregnant household members count as one plus the number of children expected	Pregnant woman expecting twins.	Family size increased by 2 
Option 2: Pregnant household members count as two (even if she expects to deliver multiple babies)	Pregnant woman expecting triplets.	Family size increased by 1 (even though she is expecting triplets) 
Option 3: Pregnant household members count as only one	Pregnant woman expecting one child.	Family size does not increase. 

Adjusting Family Size for Pregnant Women: Scenario

Scenario:

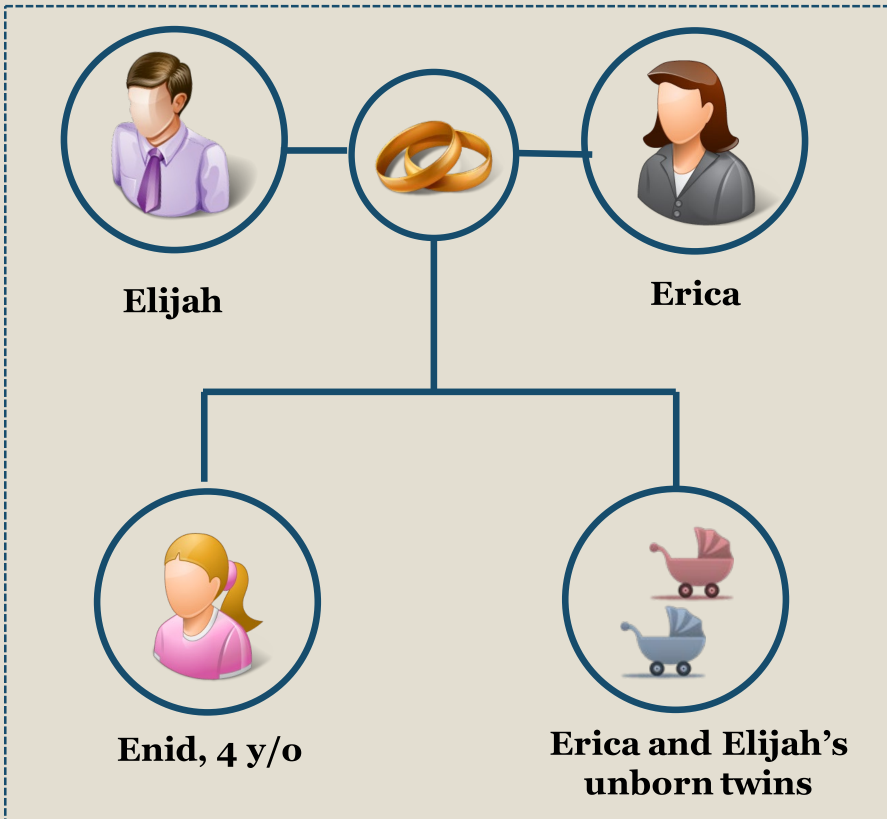
- Erica is married to Elijah
- Erica is pregnant and expecting twins
- Erica and Elijah have a 4-year-old, Enid
- Erica and Elijah plan to file taxes jointly and claim Enid as a tax dependent
- Erica and Elijah live in a state where when an individual has a pregnant woman in their household, the pregnant woman counts only as 1 for other household members

State-Specific Rules

Using this information, let's figure out the Medicaid household information for Erica and Elijah

Pregnant Women Scenario (cont'd.)

Erica's Scenario: Erica is married to Elijah and is pregnant and expecting twins. She plans to file taxes jointly with Elijah and claim their daughter, Enid, as a tax dependent.



Erica plans to file taxes jointly with Elijah and claim Enid as their tax dependent.

Erica's Household Size

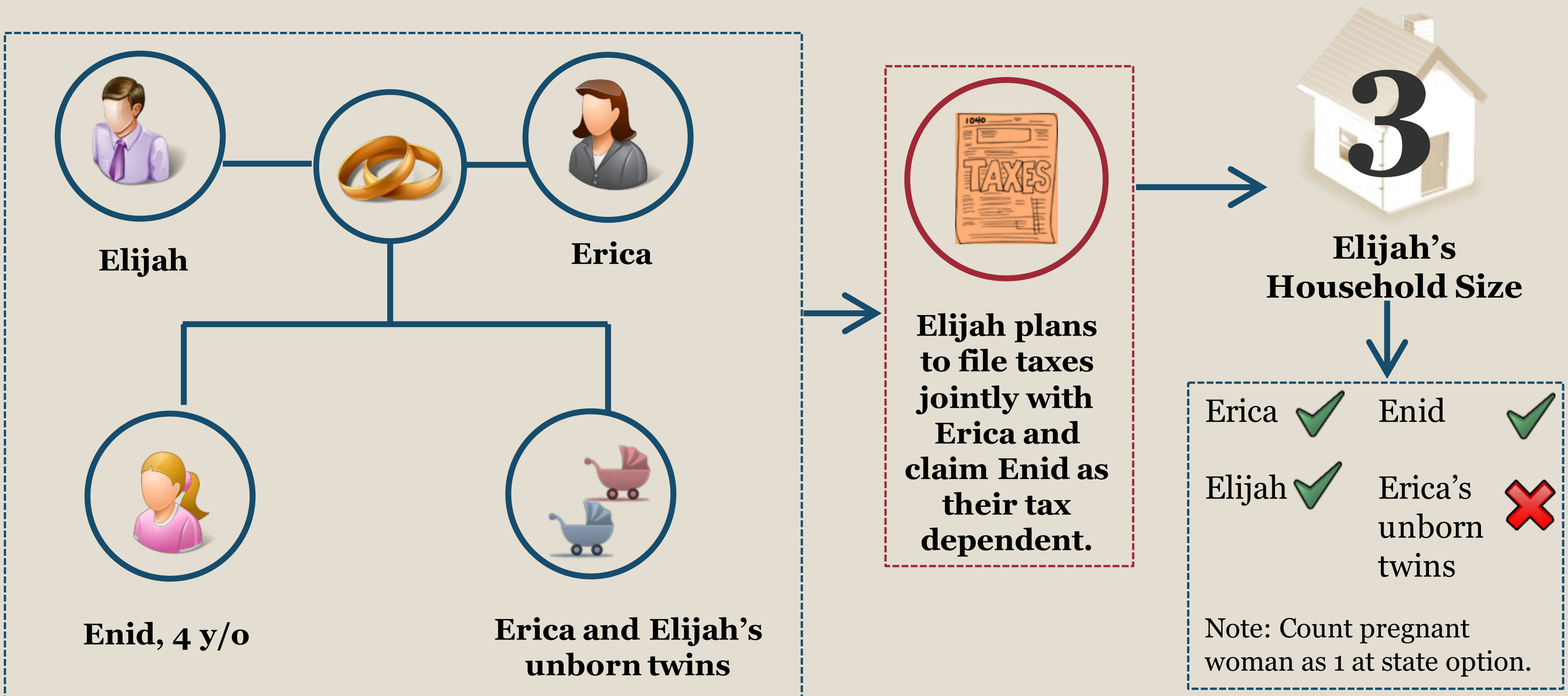
- Erica ✓
- Elijah ✓
- Enid ✓
- Erica's unborn twins ✓✓

Note: Adjust pregnant woman's household to count number of expected babies.

State-Specific Rules

Pregnant Women Scenario (cont'd)

Elijah's Scenario: Elijah is married to Erica, who is pregnant and expecting twins. Elijah plans to file taxes jointly with Erica and claim their daughter, Enid, as their tax dependent. They live in a state where a pregnant woman counts as only 1 when determining eligibility of an individual who has a pregnant woman in their household.



Putting It All Together: Test Your Knowledge

Time to test your knowledge of the household rules by walking through some scenarios

Putting It All Together: Test Your Knowledge

Scenario A:

- Bob and Brenda are married and intend to file taxes separately.

- They have two children together, Bo (age 10) and Betsy (age 4).
  - Brenda plans to claim Bo and Betsy as tax dependents.

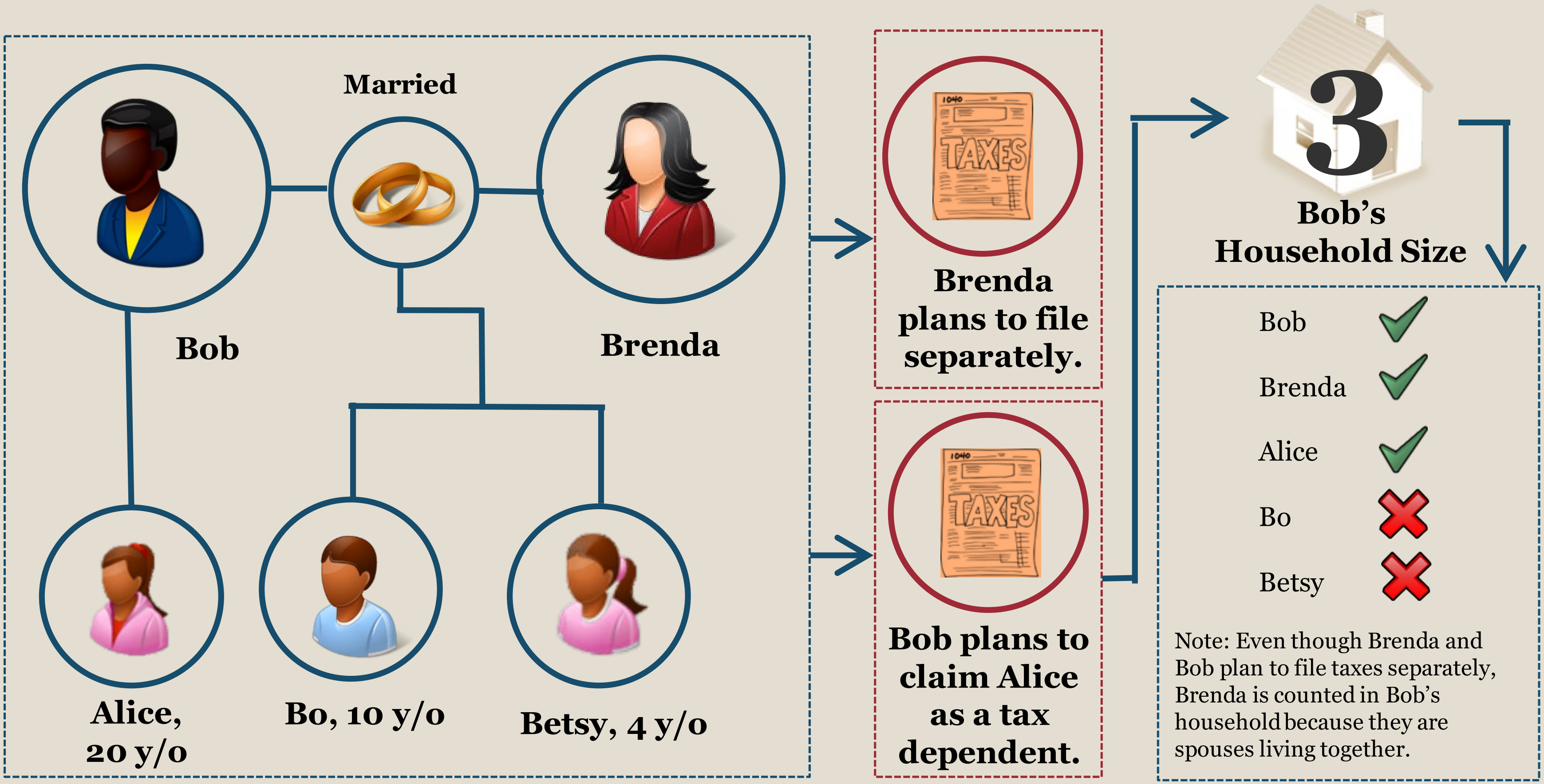
- Bob also has a 20-year-old daughter, Alice, from a previous relationship, whom he plans to claim as a tax dependent. Alice lives with Bob and Brenda while working and attending school full time.

- They all live in a state that does NOT count full-time students age 19 and 20 as children.
- No one in the household is pregnant.

Using the information from Scenario A, let's figure out the Medicaid household information for each member of the family.

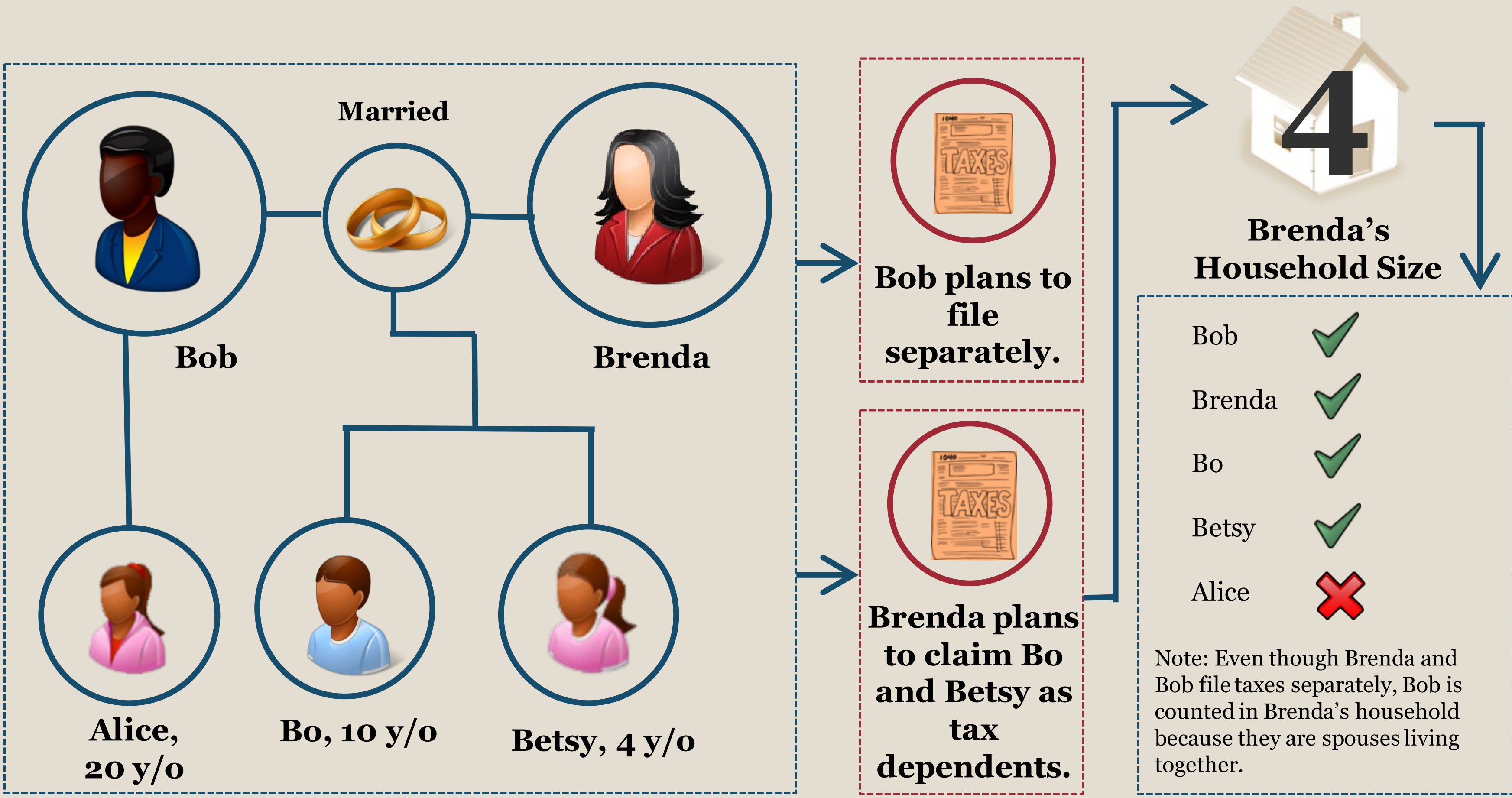
Putting It All Together: Test Your Knowledge

Bob Scenario: Bob is a tax filer and plans to claim Alice as a tax dependent.



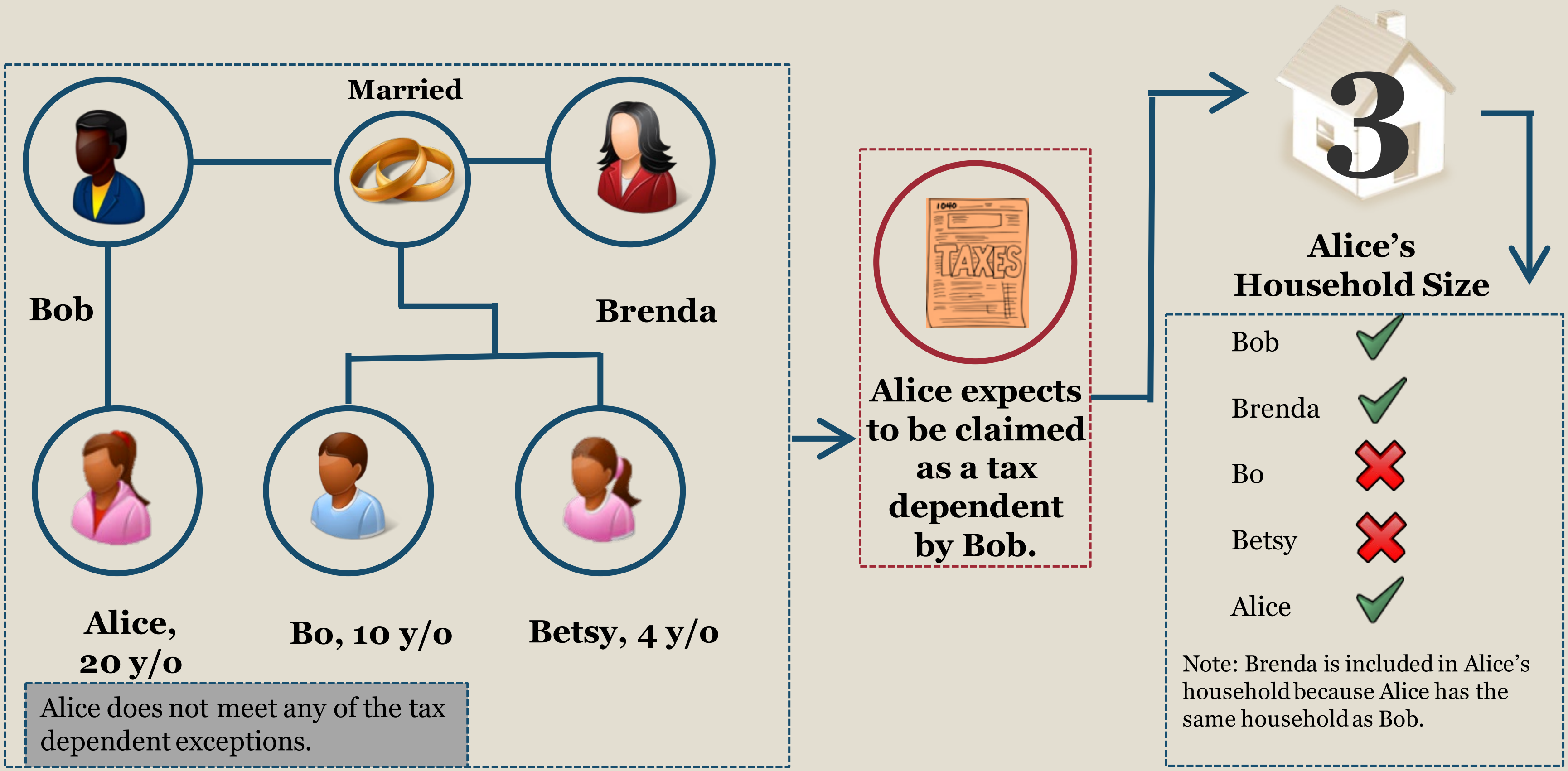
Putting It All Together: Test Your Knowledge

Brenda Scenario: Brenda is a tax filer and plans to claim Bo and Betsy as tax dependents.



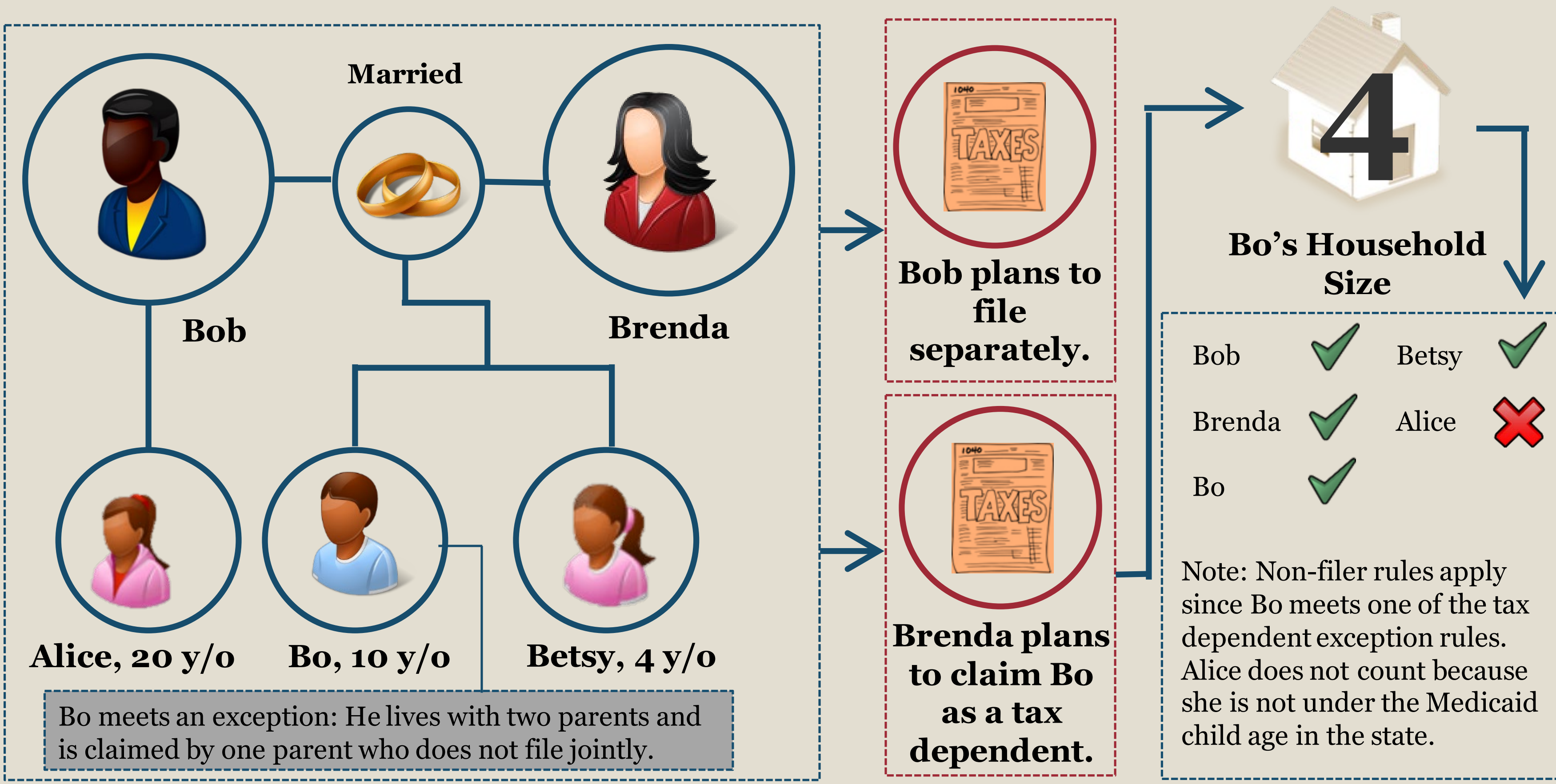
Putting It All Together: Test Your Knowledge

Alice Scenario: Alice is Bob's daughter from a previous relationship. She lives with Bob and Brenda while working and attending school full time. Alice expects to be claimed as a tax dependent by Bob. Alice does not meet any of the tax dependent exception rules.



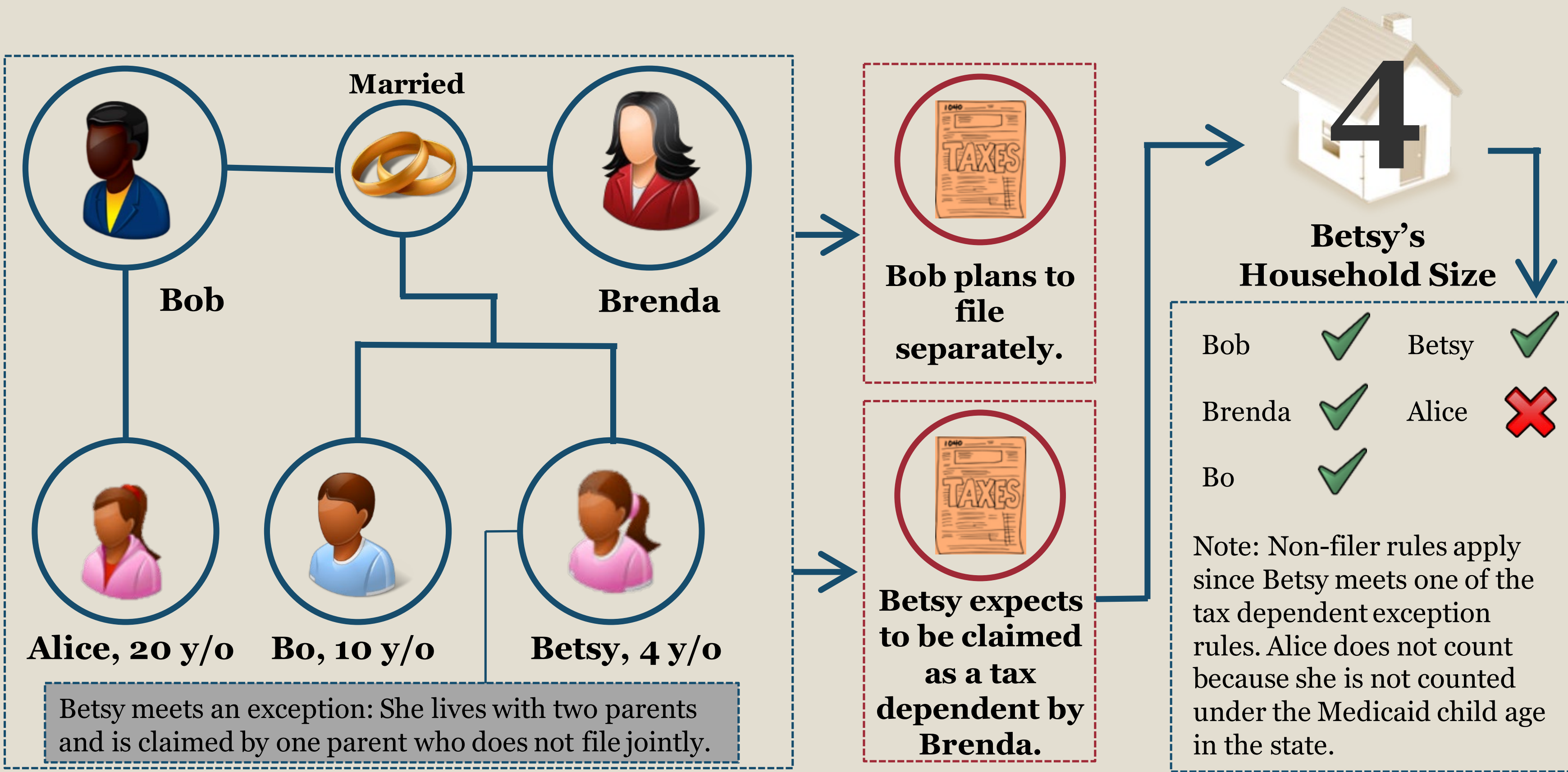
Putting It All Together: Test Your Knowledge

Bo Scenario: Bo expects to be claimed as a tax dependent by Brenda. Bo meets one of the tax dependent exception rules: Bo is a child living with two parents, but the parents do not plan to file jointly. Since Bo meets one of the tax dependent exception rules, non-filer rules apply.



Putting It All Together: Test Your Knowledge

Betsy Scenario: Betsy expects to be claimed as a tax dependent by Brenda. Betsy meets one of the tax dependent exception rules: Betsy is a child living with two parents, but the parents do not plan to file jointly. Since Betsy meets one of the tax dependent exception rules, non-filer rules apply.



Putting It All Together: Test Your Knowledge

Scenario B:

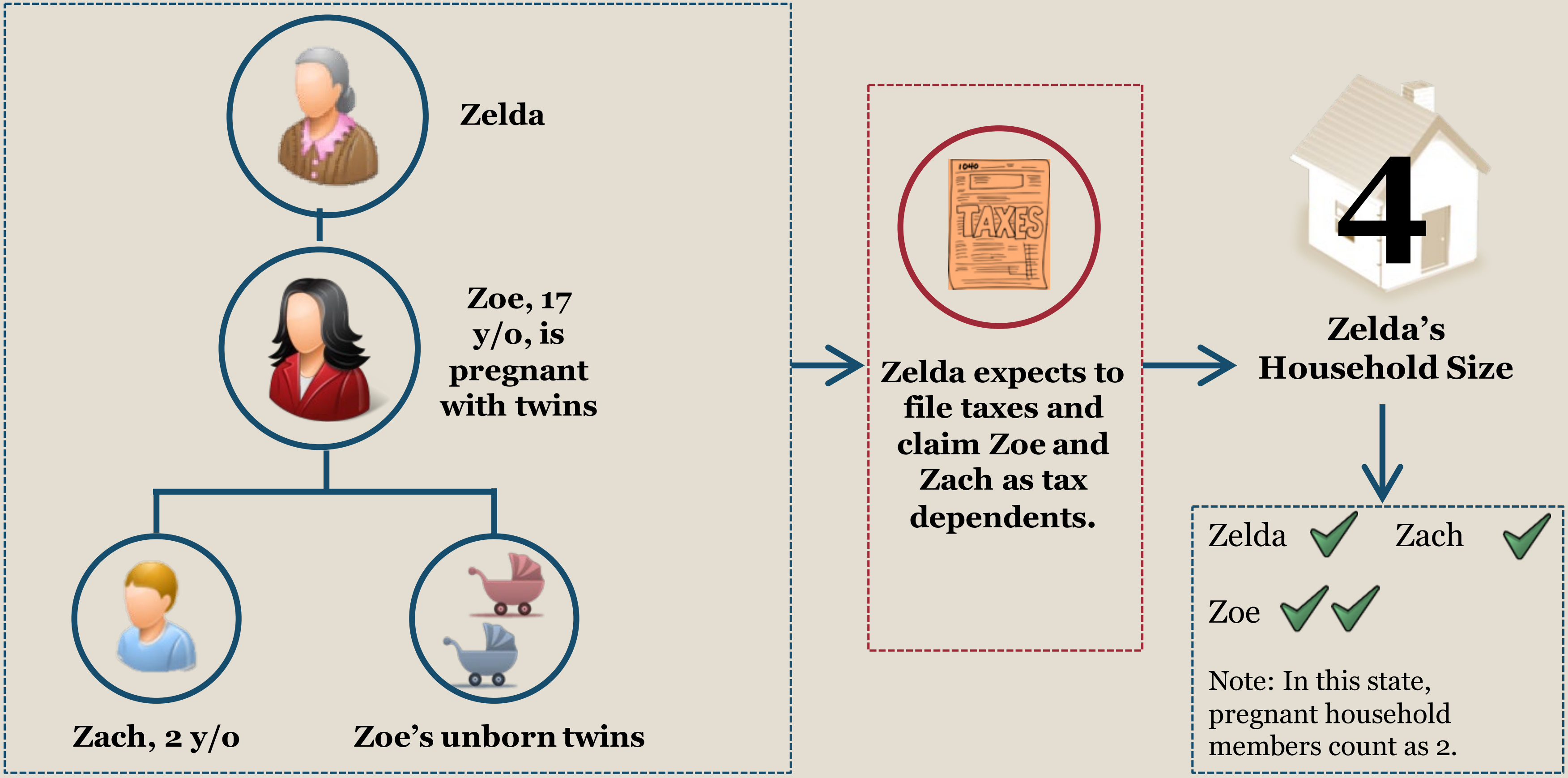
- Zelda is 45 years old and lives with her adopted daughter, Zoe (17 years old) and Zoe's son, Zach (2 years old)
- Zoe is pregnant with twins
- Zelda plans to claim both Zoe and Zach as tax dependents
- They live in a state that counts a pregnant woman as 2 in determining the family size of other household members

State-Specific Rules

Using the information from Scenario B, let's figure out the Medicaid household information for each member of the family

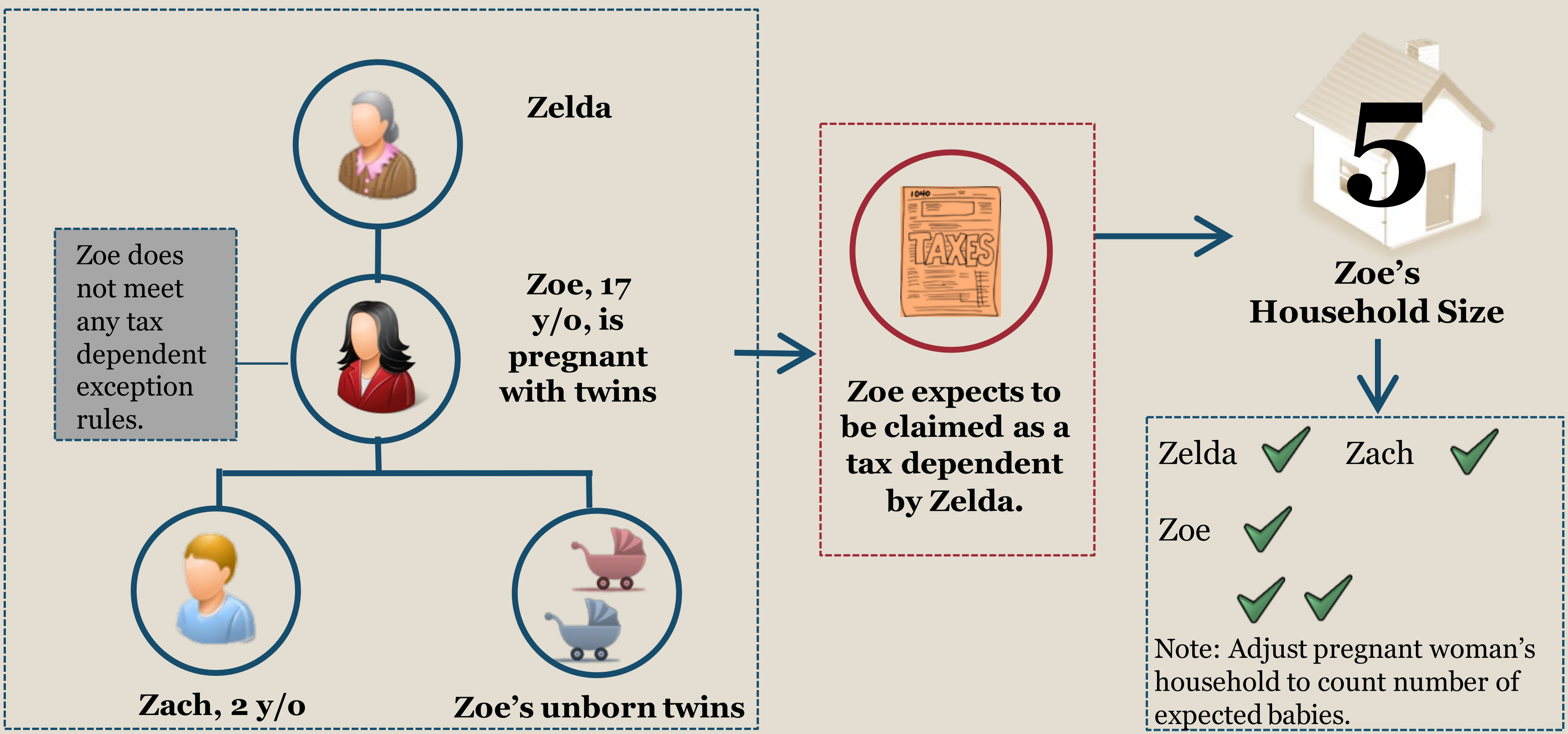
Putting It All Together: Test Your Knowledge

Zelda Scenario: Zelda plans to file taxes and expects to claim Zoe and Zach as tax dependents. Zoe is pregnant so the family size needs to be adjusted for pregnancy



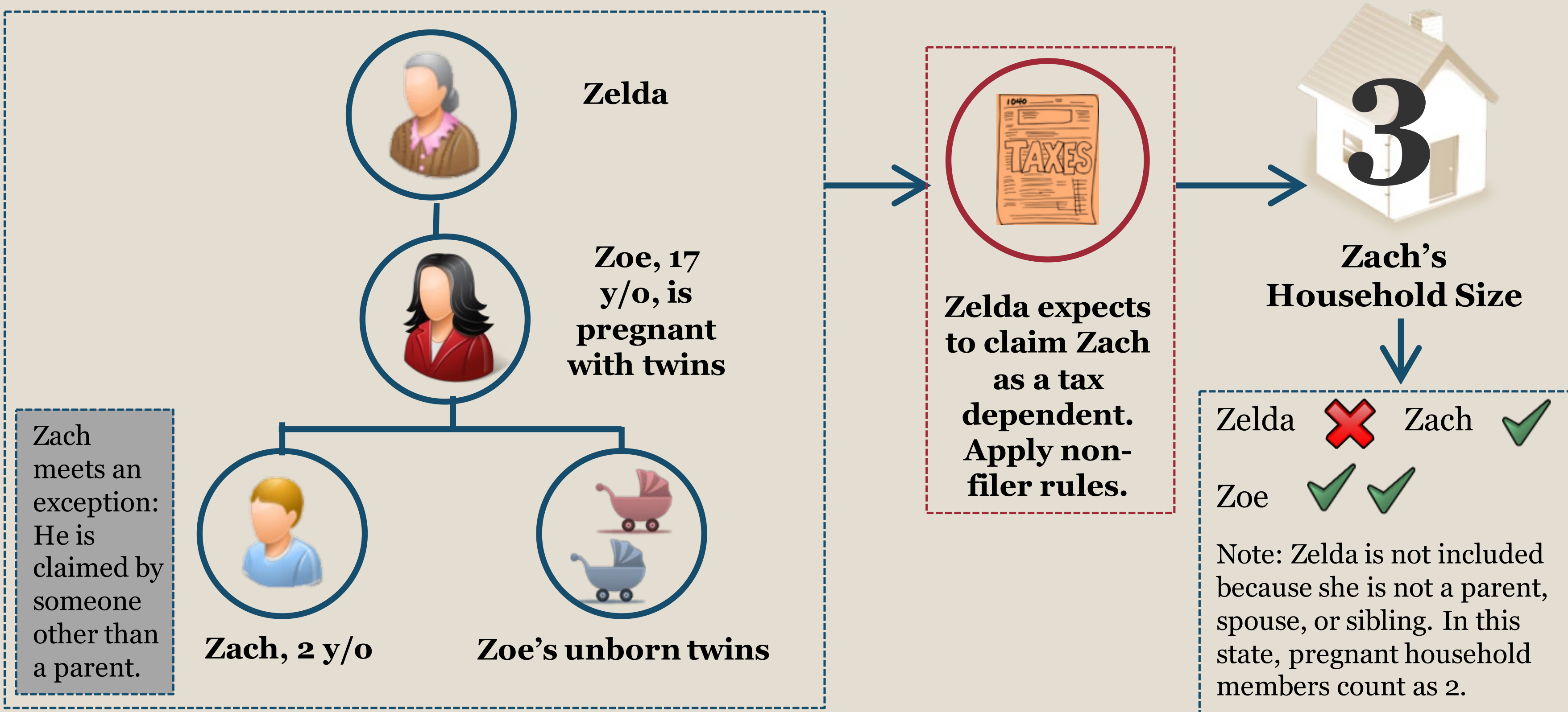
Putting It All Together: Test Your Knowledge

Zoe Scenario: Zoe expects to be claimed as a tax dependent by Zelda. Zoe does not meet any of the tax dependent exception rules. Zoe is pregnant so the family size needs to be adjusted for pregnancy.



Putting It All Together: Test Your Knowledge

Zach Scenario: Zach expects to be claimed as a tax dependent by Zelda. Zach meets one of the tax dependent exception rules: Zach is claimed by a non-parent. Since Zach meets one of the tax dependent exception rules, non-filer rules apply. Zoe is pregnant so the family size needs to be adjusted for pregnancy.



Determining Income Eligibility: Step 2

Step 1
- Constructing a Household

Step 2
- **Determining Household Income**

Step 3
- Comparing Household Income and Size Against Income Eligibility Levels

Household Income Overview

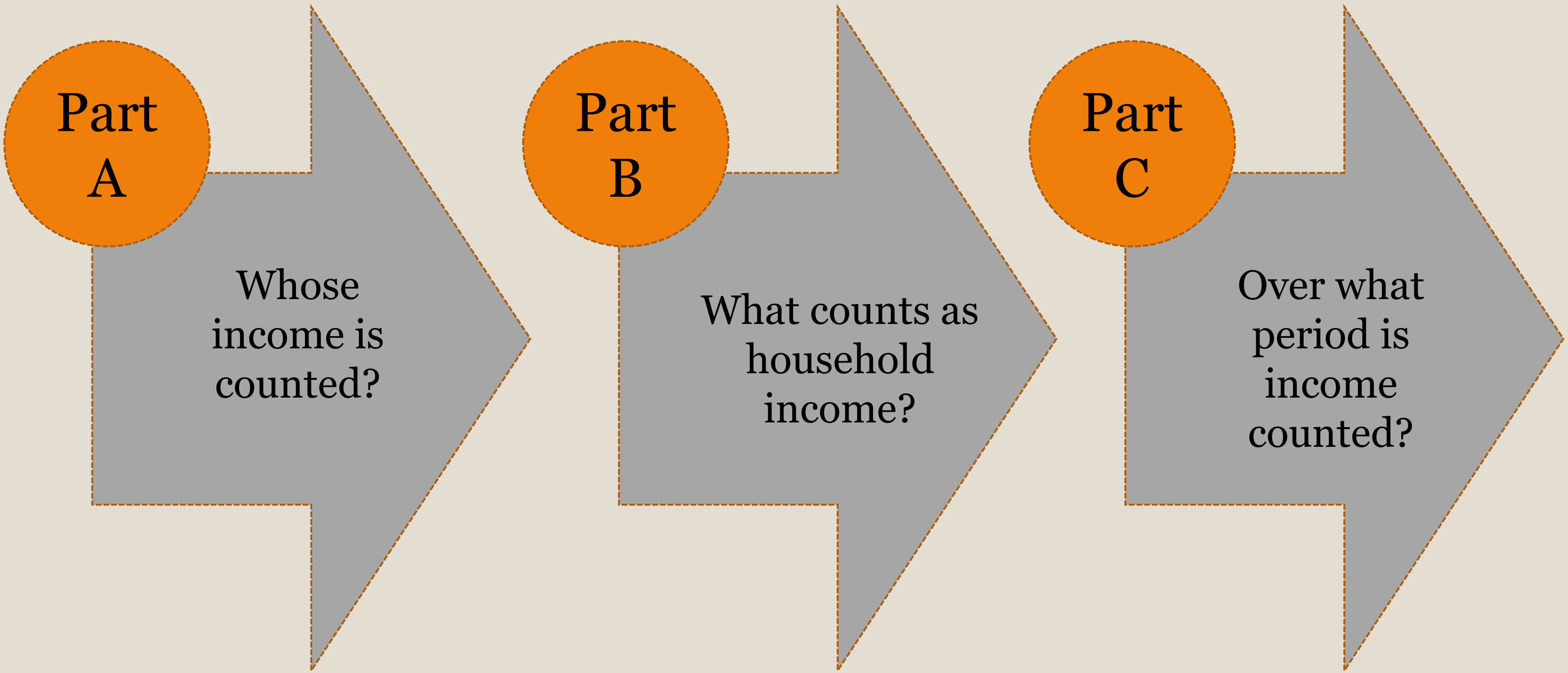
- Now that the individual's total household is constructed, let's determine the total household income to learn what income is counted for all of the people in that household

- We will use total household income to determine whether the individual is eligible for Medicaid or CHIP

MAGI Overview

- MAGI is an income methodology used to determine Medicaid and CHIP eligibility
  - IRS determines type of income included in MAGI, with some modifications
  - "MAGI-based rules" are used to determine Medicaid and CHIP eligibility
  - Regardless of whether or not an individual files taxes, MAGI counts taxable income for individuals' eligibility determination
- MAGI income largely aligns Medicaid and CHIP income tests with eligibility for advanced payments of premium tax credits

Three-Part Process for Determining Household Income



Part A: Whose Income Is Counted?

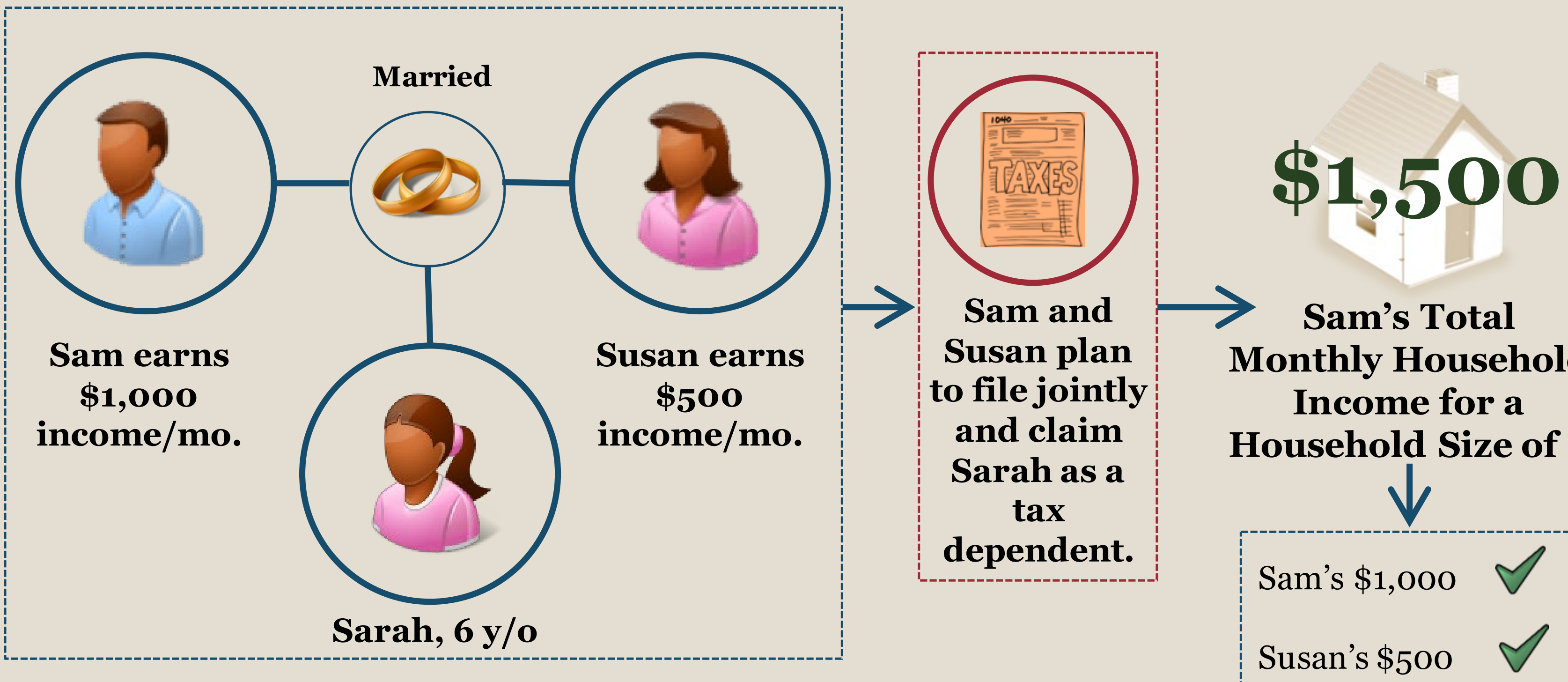
Part A

Whose income is counted?

- In the "Constructing a Household" section, we reviewed how to determine an individual's household
- Generally, the MAGI of all individuals in an individual's household must be counted toward household income
- Let's review an example together

Whose Income Is Counted? Example

Sam Scenario: Sam and Susan are married, plan to file taxes jointly, and plan to claim their daughter, Sarah, age 6, as a tax dependent. Sam's monthly income is $1,000, Susan's monthly income is $500, and Sarah has no income.



Whose Income Is Counted? Exceptions

Usually the MAGI of all individuals in an individual's household must be counted toward household income, but there are *two exceptions*:

1. Income of most children not expected to be required to file a federal income tax return; and

2. Income of most tax dependents not expected to be required to file a federal income tax return

2019 Filing Requirements for Individuals Under 65

- Unearned income > $1,100
- Earned income > $12,200
- Gross income > than the larger of
  - $1,100
  - Earned income (up to $ 11,850) plus $350

The IRS updates the filing thresholds annually. For eligibility determinations and renewals, Medicaid/CHIP uses the most recent filing thresholds, even if they are from the previous tax year.

Note: These rules are based on whether or not an individual is "expected" to be required to file taxes for the year coverage is received; it does not matter whether an individual eventually does or does not file taxes.

Exceptions to Whose Income Is Counted: Children

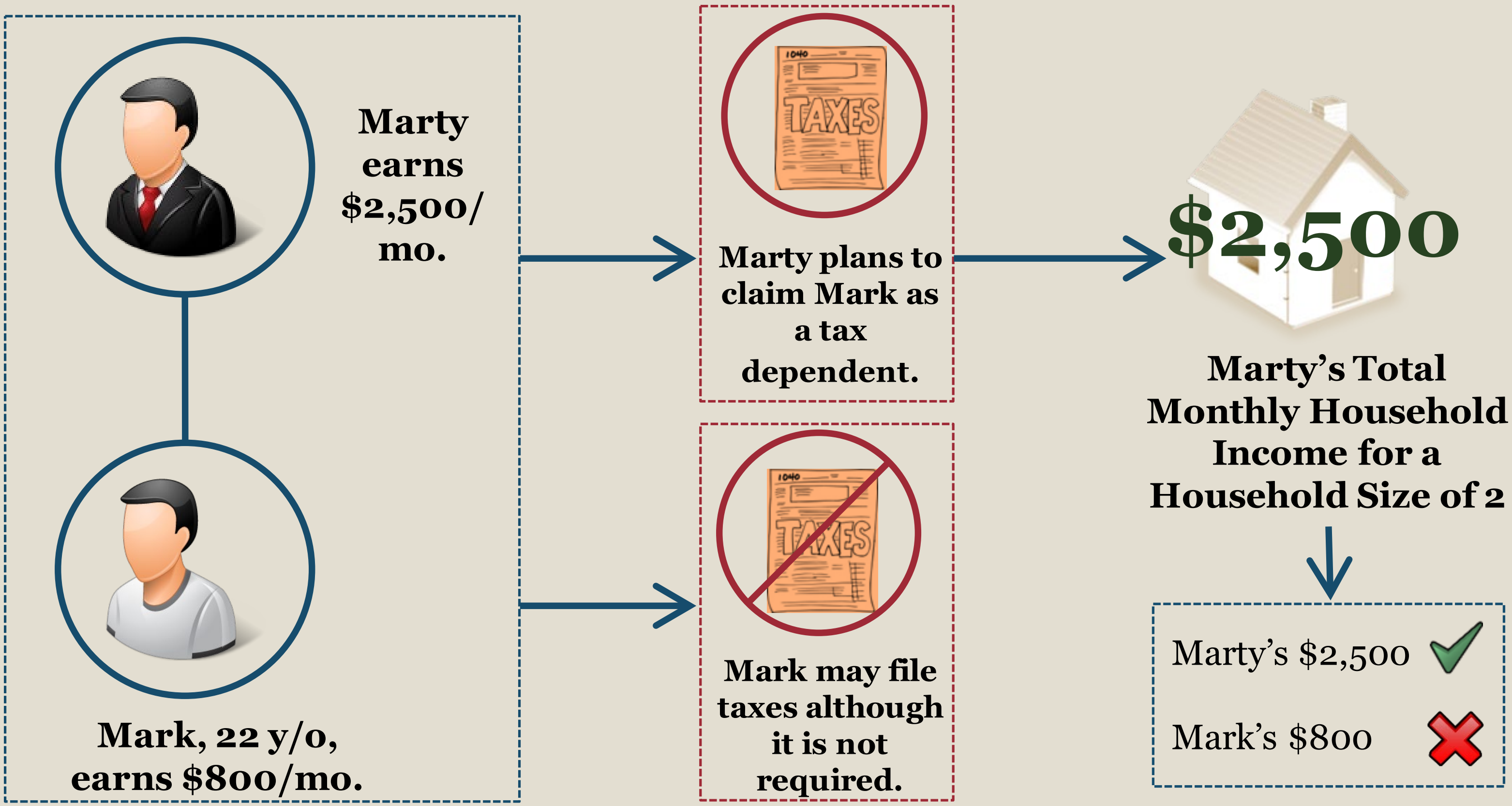
1 Exception for the income of children:

- Child's income *does not count* toward household income if child is included in the household with his or her parent, unless the child is required to file taxes
- Child's income *does not count* for evaluating:
  - Child's eligibility; OR
  - Eligibility of other household members
- Applies to adult children who are tax dependents of their parent

- If a child does not live with his or her parent and is not claimed as a tax dependent by his or her parent, then child's household will not include the parent
- In this case, the child's income will count for their own eligibility and the eligibility of the child's other household members, such as siblings, regardless of whether the child's income is high enough to require a tax return to be filed

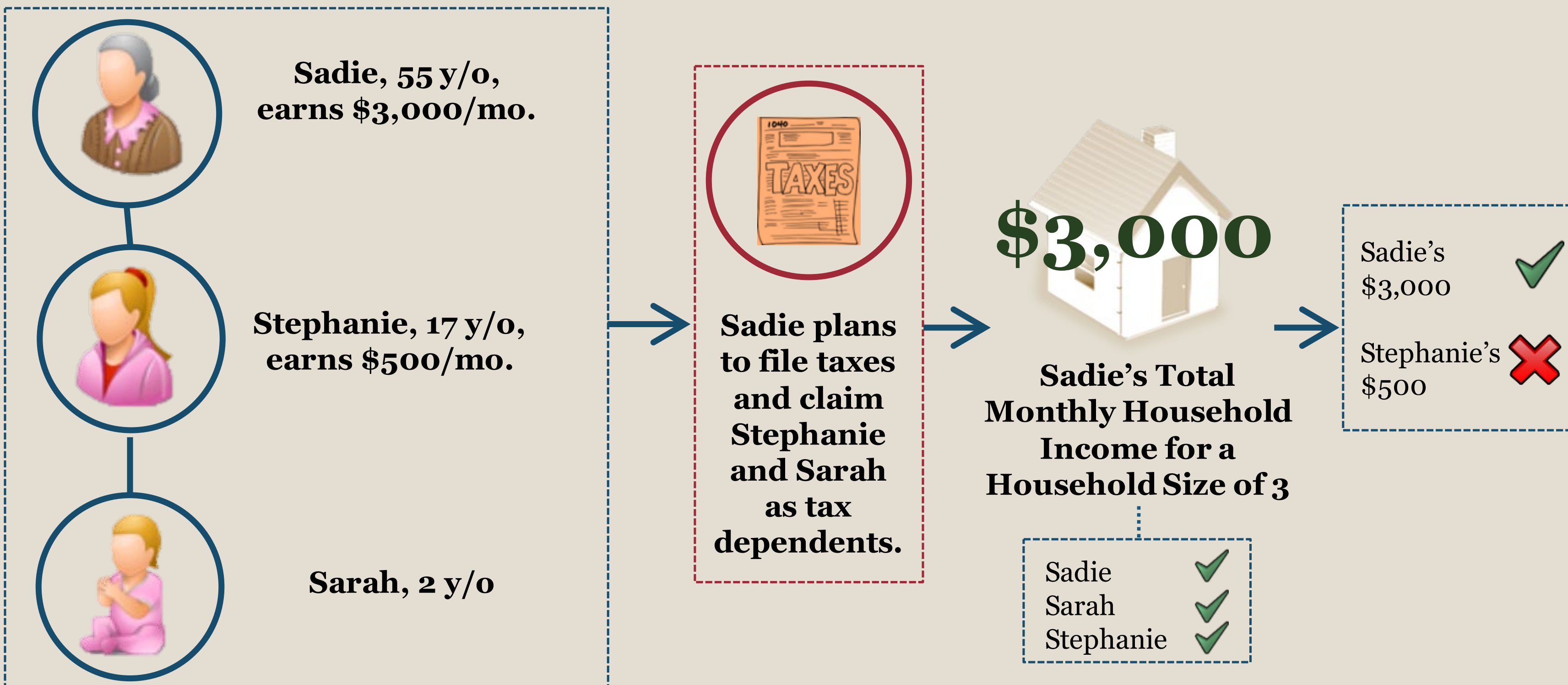
Child Income Exception Scenarios

Marty Scenario: Marty claims his adult son, Mark, as a tax dependent. Marty makes $2,500 a month. Mark is a 22-year-old college student and makes $800 a month working as a waiter and is not expected to be required to file a tax return.



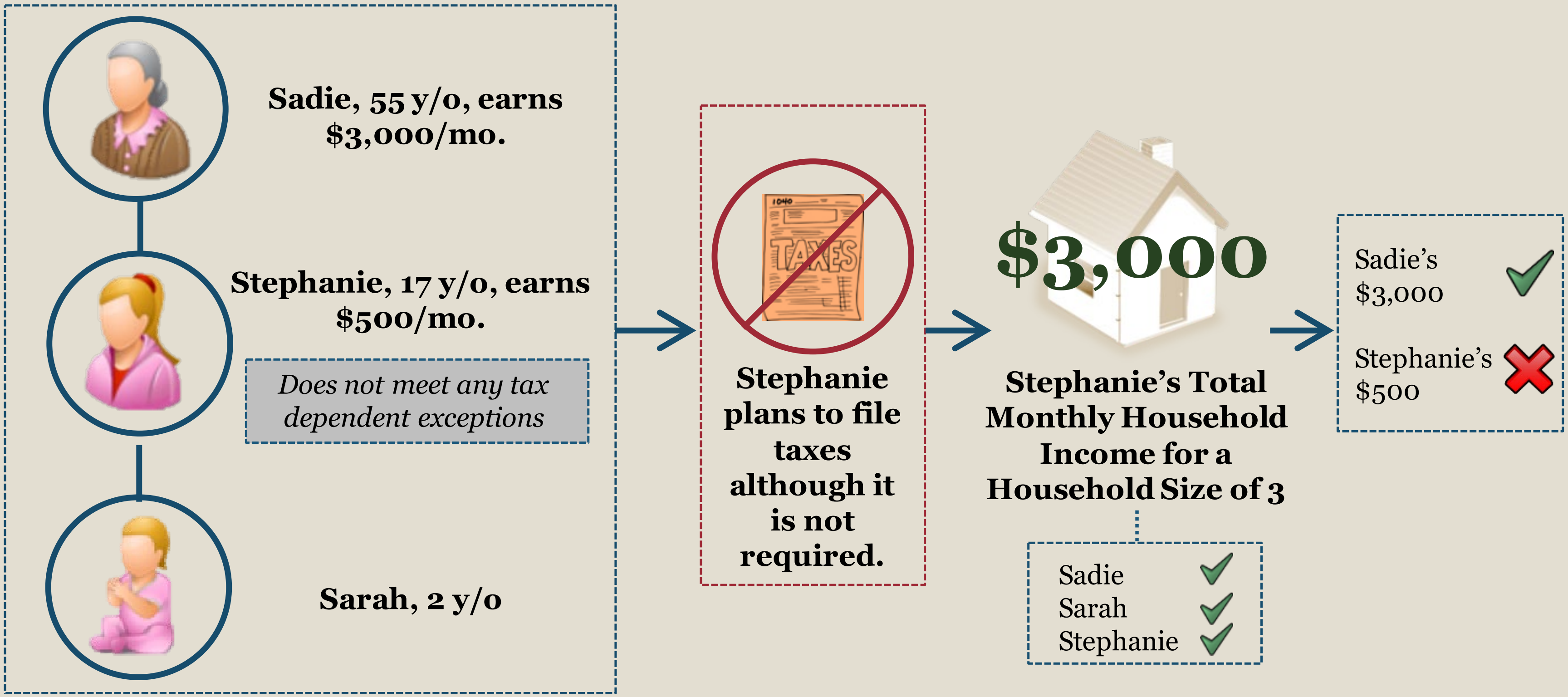
Child Income Exception Scenarios

Sadie Scenario: Sadie, age 55, plans to claim her daughter, Stephanie, age 17, and her granddaughter, Sarah, age 2, as tax dependents. Sadie earns $3,000 a month in wages. Stephanie earns $500 a month in wages. Sadie and Stephanie both plan to file taxes, but Stephanie does not make enough money to be expected to be required to file taxes.



Child Income Exception Scenarios

Stephanie Scenario: Stephanie, age 17, and daughter, Sarah, age 2, expect to be claimed by her mother, Sadie, age 55, as tax dependents. Sadie earns $3,000 a month in wages. Stephanie earns $500 a month in wages. Sadie and Stephanie both plan to file taxes, but Stephanie does not make enough money to be expected to be required to file taxes.

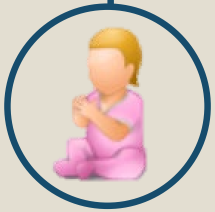


Child Income Exception Scenarios

Sarah Scenario: Sadie, age 55, plans to claim her daughter, Stephanie, age 17, and her granddaughter, Sarah, age 2, as tax dependents. Sadie earns $3,000 a month in wages. Stephanie earns $500 a month in wages. Sadie and Stephanie both plan to file taxes, but Stephanie does not make enough money to be expected to be required to file taxes.

Sadie, 55 y/o, earns $3,000/mo.

Stephanie, 17 y/o, earns $500/mo.



Sarah, 2 y/o

Meets tax dependent exception because she is claimed as a tax dependent by someone other than a parent. (Sadie claims Sarah.)

Sarah's tax status: Non-filer rules apply.

Sarah's Total Monthly Household Income for a Household Size of 2

Sadie ✗ Sarah ✓

Stephanie ✓

Note: Non-filer rules count parent living with child.

Sadie's $3,000 ✗

Stephanie's $500 ✓

Note: Stephanie's income counts because her parent or tax filer is not in Sarah's household.

Exception for the Income of Most Other Tax Dependents

2

Exception for the income of other tax dependents:

- Include income of a tax dependent in household income of person who is claiming them, only if the tax dependent is expected to be required to file a tax return
- This exception does not apply to a tax dependent's income when determining the household income of any household where the tax dependent's parent and the tax dependent's claiming tax filer are not part of that household
  - In such cases, the tax dependent's income counts toward household income regardless of whether or not he/she is expected to be required to file a tax return

Exception for Income of Other Dependents Scenario

Mary and Matthew Scenario: Mary, age 45, plans to claim her nephew, Matthew, age 18, as a tax dependent. Mary earns $2,500 a month in wages. Matthew earns $100 a month in wages as a waiter. Matthew is not expected to be required to file taxes.

Mary, 45 y/o, earns $2,500/mo.

Mary is Matthew's aunt.

Matthew, 18 y/o, earns $100/mo.

Meets tax dependent exception because he is claimed as a tax dependent by someone other than a parent. (Mary claims Matthew.)

Mary plans to file taxes and claim Matthew as a tax dependent.

$2,500

Mary's Total Monthly Household Income for a Household Size of 2

Mary's $2,500 ✓

Matthew's $100 ✗

Note: Matthew's income does not count towards household income because he is not expected to be required to file taxes.

$100

Matthew's Total Monthly Household Income for a Household Size of 1

Mary's $2,500 ✗

Matthew's $100 ✓

Note: Matthew's income counts in determining his own eligibility because his household does not include his parent or the claiming tax filer.

Part B: What Counts as Income?

Part B

What counts as household income?

- MAGI consists of four types of income that are counted in determining eligibility:
  1) Adjusted gross income (taxable income and adjustments)
  2) Social Security benefits not included in adjusted gross income
  3) Tax-exempt interest
  4) Foreign earned income
- To determine Medicaid and CHIP eligibility, a few additional modifications are made to MAGI

Note: Most Medicaid/CHIP individuals will only have adjusted gross income and some will have Social Security benefits. Almost no Medicaid/CHIP individuals will have tax-exempt interest or foreign earned income.

MAGI

Let's look at the four types of income that are counted as part of MAGI, plus the adjustments

MAGI: Taxable Income

1 Taxable Income

- For most people, wages and salaries will constitute the majority of their taxable income
- Taxable income also includes income from a broad array of other sources, such as unemployment benefits, alimony received (see next slide on exceptions), interest, net business income and capital gains
- There are tax adjustments people can make to decrease their taxable income:
  - *Adjustments include* alimony payments (see next slide on exceptions), interest on student loans, and other items
  - *Adjustments do not include* charitable contributions, mortgage interest, and other itemized deductions

More information to help an individual construct taxable income to follow

MAGI: Alimony

- Prior to enactment of the Tax Cuts and Jobs Act (TCJA)*, alimony was generally considered taxable income to the recipient, and similarly the payer of alimony generally could claim an adjustment to deduct alimony paid from taxable income
- Upon enactment of the TCJA, alimony payments under separation or divorce agreements finalized after December 31, 2018, are not considered taxable income to the recipient or an adjustment to the payer's taxable income
- Alimony agreements finalized on or before December 31, 2018, follow the pre-existing tax rules, described in the first bullet above, unless the agreement is modified after that date specifically to incorporate the new tax treatment of alimony payments

*Tax Cuts and Jobs Act (Pub. L. No. 115-97)

MAGI: Social Security Benefits

2 Social Security Benefits

All Social Security benefits are counted as part of an individual's MAGI-based income

However, in determining whether a child's or tax dependent's income is expected to meet the filing threshold, only the taxable portion of Social Security benefits is counted

- Except in rare cases, a child or tax dependent's Social Security benefits will not be taxable unless the child/tax dependent has other income which itself (i.e., not counting Social Security benefits) exceeds the tax filing threshold
- See IRS Publication 915 to:
  - Determine whether any portion of Social Security benefits may be taxable, and
  - If a portion of benefits may be taxable, how to determine the actual taxable amount

MAGI: Tax-Exempt Interest

3

Tax-Exempt Interest

Most interest people receive from bank accounts, money market accounts, certificates of deposit, and deposited insurance dividends is considered taxable income and is already included as part of adjusted gross income.

However, interest on some bonds issued by and used to finance state and local government operations is not taxable at the federal level. This tax-exempt interest is considered as part of MAGI.

The application will not ask about this income separately—it is expected that individuals include it with their other interest when requested.

MAGI: Foreign Earned Income

4 Foreign Earned Income

Include foreign earned income in MAGI even though it is not generally subject to taxation

This is income received from sources within a foreign country or countries, which constitutes earned income attributable to services performed by individual when they were a:

1) U.S. citizen and bona fide resident of a foreign country for an uninterrupted period of time, including an entire taxable year

OR

2) U.S. citizen or resident and who, during any period of 12 consecutive months, is present in a foreign country for at least 330 full days during that period

The application will not ask about this income separately—it is expected that individuals will include it with their other job-based income

MAGI: Adjustments

- Tax adjustments must be subtracted from an individual's income
- Common adjustments among individuals eligible for Medicaid and CHIP are likely to include certain self-employment expenses, most contributions to IRAs, alimony paid, and student loan interest
- The term "deductions" is often used on applications to refer to tax adjustments

For additional information on tax adjustments see IRS Publication 17 at http://www.irs.gov/pub/irs-pdf/p17.pdf

Income Modifications to MAGI

We must make some additional modifications to MAGI to determine Medicaid/CHIP eligibility:

- **Lump sum payments.** Taxable lump sum payments (e.g., prizes, back pay, insurance settlements, etc.) are generally only counted in the month received with the following exception:
  - Exception: lottery and gambling winnings received on or after January 1, 2018, that exceed $80,000 are counted over a longer period of time, up to 120 months*
- **Educational scholarships, awards or fellowships used for educational purposes are subtracted**. *Note:* Most scholarships are not taxable, so they will not typically be included in taxable income and therefore will not need to be subtracted; however, if taxable, they are not counted in MAGI-based income
- **American Indian/Alaska Native specified income is subtracted.**
- **Cash Support.** For individuals who expect to be claimed as a tax dependent by a relative, or another taxpayer who is not a parent, household income may include cash support (exceeding nominal amounts) provided by the person claiming the individual as a tax dependent

Non-taxable lump sum payments (e.g., disaster relief payments or tax refunds, etc.) are not counted in MAGI calculations

State Policy Option

*See SHO #19-003 for details on the formula for determining this period

Income Modifications to MAGI: Example 1

1

Count lump sum payments only in the month received.

Example:

- Susan won $1,000 from a Lotto scratch-off ticket on September 5th.
- If Susan applied for Medicaid in September, include $1,000 lump sum payment in her total household income.
- If Susan applied for Medicaid in November, do not count her $1,000 lump sum payment in her total household income.

Count as income?

Susan applies for Medicaid in September ✓

Susan applies for Medicaid in November ✗

Income Modifications to MAGI: Example 2

2

Subtract educational scholarships, awards or fellowships used for educational purposes from household income. *Note:* Most scholarships are not taxable, so it is unlikely they will need to be subtracted.

Example

- Jocelyn receives $2,500 in scholarships to help pay for her college tuition.
- When Jocelyn applies for health insurance and reports her income, do not count the $2,500 she receives in scholarship money as part of total household income.

Count as income?

Scholarship ✗

Income Modifications to MAGI: Example 3

3

Subtract certain types of income for American Indian/Alaska Native individuals.

<u>Example</u>

- Monica receives $1,000 a month in tribal land payments.
- Do not count this $1,000 a month in her total household income.

<u>Count as income?</u>

Tribal land payments ✗

Income Modifications to MAGI: Example 4

State Policy Option: Cash Support

State Policy Option

4

For individuals who expect to be claimed as a tax dependent by a grandparent, another relative, or another taxpayer who is not a parent or step-parent, household income may include cash support (exceeding nominal amounts) provided by the person claiming the individual as a tax dependent

Example:

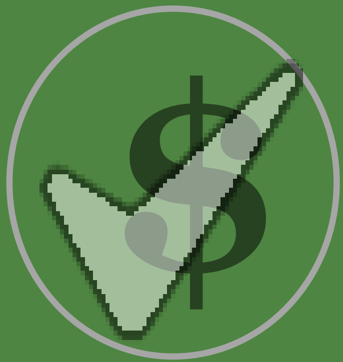
- Jamie lives with his aunt Sasha, who claims Jamie as a tax dependent
- Sasha gives Jamie $40 each week to help cover his bus fare and lunches
- When Jamie applies for health coverage, the $40 per week will be counted in Jamie's income only if the state chooses to include this type of cash support as income, and considers this amount to be more than nominal

Putting It All Together: Countable vs. Non-Countable Income

We've reviewed the basics of MAGI-based income. Let's identify countable and non-countable income types and then walk through some scenarios.

Countable Income

Examples of Countable Income



Taxable wages/salary (before taxes are taken out)	
Self-employment (profit once business expenses are paid)	
Social Security benefits	
Unemployment benefits	
Alimony received (for settlements finalized on or before December 31, 2018)	
Most retirement benefits	
Interest (including tax-exempt interest)	
Net capital gains (profit after subtracting capital losses)	
Most investment income, such as interest and dividends	
Rental or royalty income (profit after subtracting costs)	
Other taxable income, such as canceled debts, court awards, jury duty pay not given to an employer, cash support, and gambling, prizes, or awards	
Foreign earned income	

State agencies should be alert for pre-tax income. For example, contributions to dependent care accounts, health insurance premiums, flexible spending accounts, retirement accounts and commuter expenses that are deducted from an employee’s pay before federal income tax is withheld are NOT included as income.

Non-Countable Income

Examples of Non-Countable Income
Temporary Assistance to Needy Families (TANF) and other government cash assistance
Supplemental Security Income (SSI)
Child support received
Veterans benefits
Workers' compensation payments
Proceeds from life insurance, accident insurance, or health insurance
Federal tax credits and federal income tax refunds
Gifts and loans
Inheritances
Alimony received (settlements finalized, and certain agreements modified, after December 31, 2018)

Countable vs. Non-Countable Income Scenarios

Michael Scenario: Michael lives alone, plans to file taxes, and earns $400 a month in wages and receives $200 in veterans benefits.

Michael earns $400/mo. in wages and receives $200/mo. in veterans benefits.

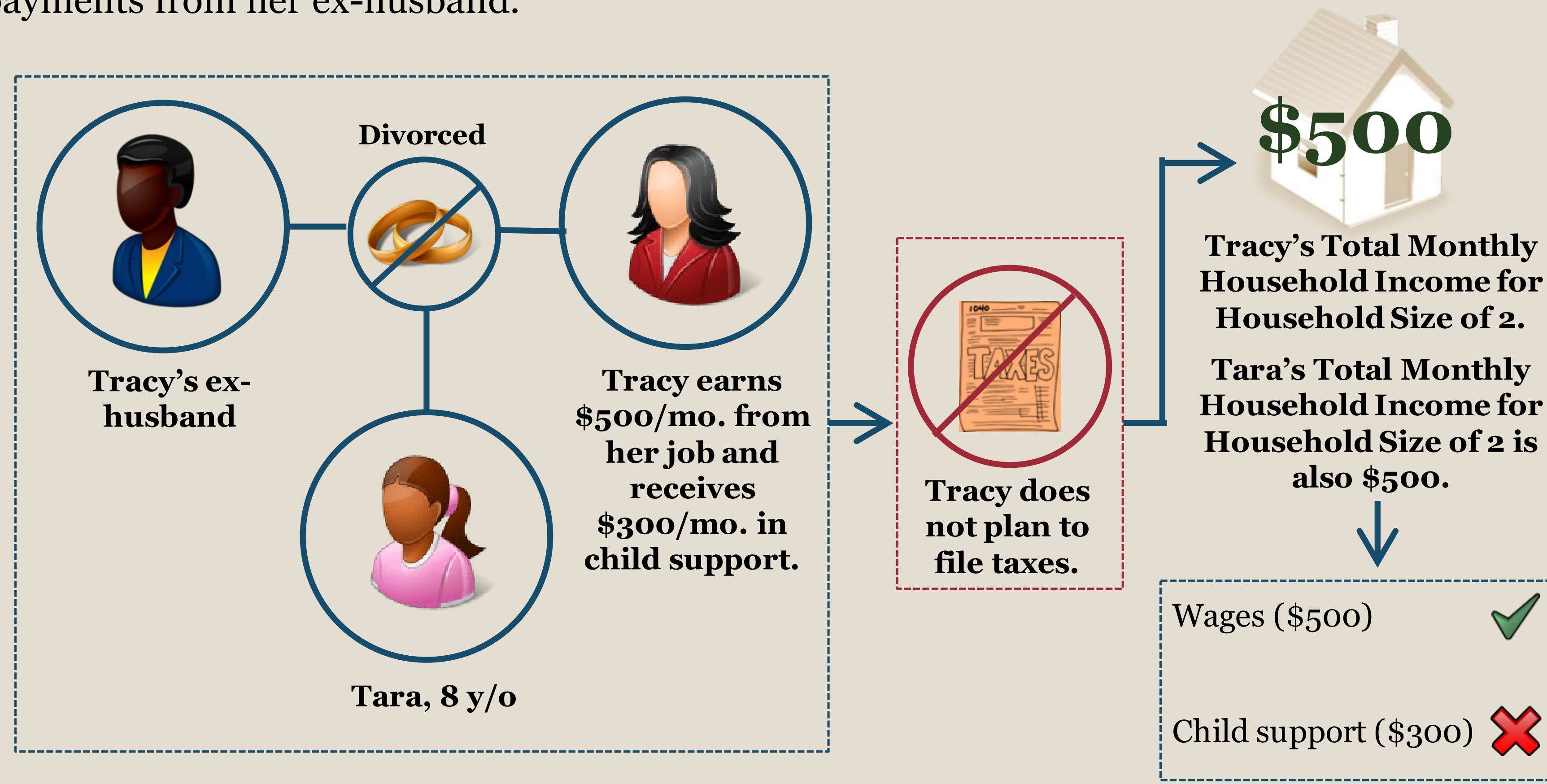
Michael plans to file taxes.

Michael's Total Monthly Household Income for a Household Size of 1

Wages ($400)	✓
Veterans benefits ($200)	✗

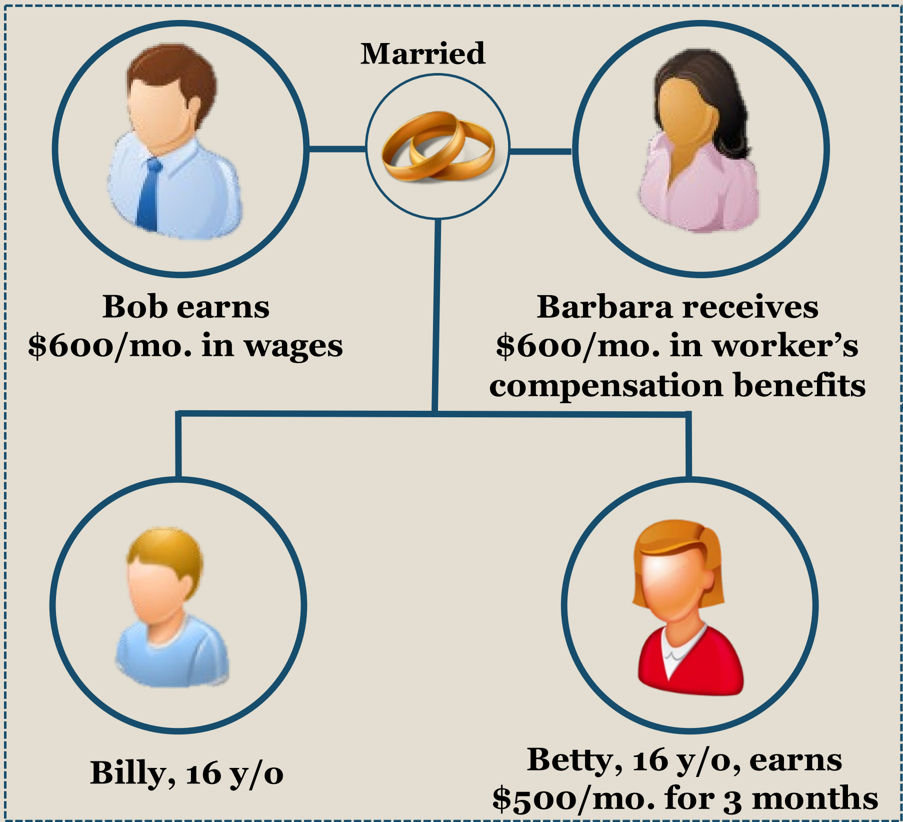
Countable vs. Non-Countable Income Scenarios

Tracy and Tara Scenario: Tracy does not plan to file taxes and lives with her daughter, Tara, age 8. Tracy earns $500 a month from her job and receives $300 a month in child support payments from her ex-husband.



Countable vs. Non-Countable Income Scenarios

Bob, Barbara, Betty and Billy Scenario: Bob and Barbara are married and plan to file taxes jointly. They have twins, Betty and Billy, age 16, whom they claim as dependents. Bob earns $600 a month from his job; Barbara receives $600 a month in workers' compensation benefits. Betty works as a camp counselor and earns $500 a month for three months, but is not expected to be required to file taxes.



Bob and Barbara plan to file taxes jointly and claim Betty and Billy as dependents.

Bob's Total Monthly Household Income for Household Size of 4

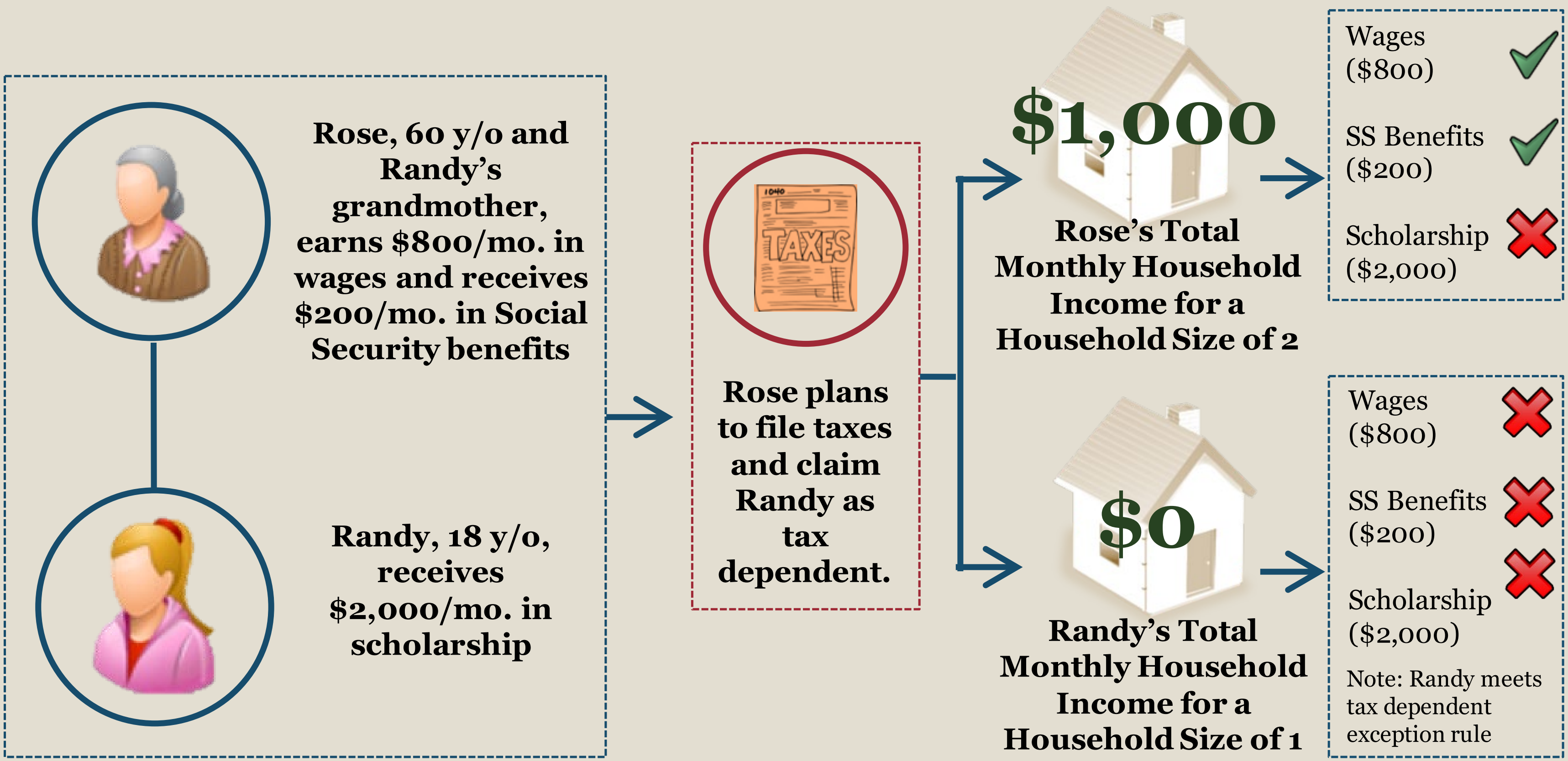
Barbara, Betty, and Billy also *each* have a total monthly household income of $600 for household size of 4

Bob's Wages	✓
Workers' compensation	✗
Betty's earnings	✗

Note: Betty's earnings do not count because she is not expected to be required to file taxes.

Countable vs. Non-Countable Income Scenarios

Rose and Randy Scenario: Rose, age 60, claims her granddaughter, Randy, age 18, as a tax dependent. Rose earns $800 a month in wages and receives $200 a month in Social Security benefits. Randy receives $2,000 a month in scholarships for college.



Part C: Over What Period Is Income Counted?

Part C

Over what period is income counted?

Individuals Applying for Coverage

- Use household's *current* monthly income to evaluate eligibility for Medicaid and CHIP
- States may use reasonably predictable changes to determine monthly income

Beneficiaries Renewing Coverage

- States have two options:
    1. Use current monthly income
        - States may use reasonably predictable changes to determine monthly income
    2. Use projected annual income

State Policy Option

STATE OPTION: Reasonably Predictable Changes

- At application or renewal, states have the option to take into account whether an individual's future income can be reasonably predicted to change
  - States have flexibility to develop reasonable methodologies for including a prorated portion of reasonably predictable future income
  - Commonly, the methodology utilizes an individual's projected household income over the next 12 months, divided by 12 to derive monthly income
- If the state adopts this option, then application questions will need to account for reasonably predictable income changes

State Option: Reasonably Predictable Changes: Example

John is a migrant farm worker.

March 1 — August 31 — February 28

John is employed from March-August

John is usually not employed from September-February

John reports that he will have income for 6 months of the year and be unemployed for the remaining 6 months of the year. If John applies for coverage in March, these reasonably predictable income changes must be considered in determining his eligibility, which means that John's income for six months should be prorated across 12 months.

State-Specific Rules

State Option: Demonstrating Reasonably Predictable Income Changes

States may accept self-attestation that the individual's future income is reasonably predicted to change. A state could request proof of reasonably predictable changes in income if applicant's statement about his/her income is inconsistent with results of data verification check. See your state's verification rules for more information.

Proof, if needed, could include, but is not limited to:

Signed contract for employment

History of predictable income fluctuations

Notice of employment termination or other indication of future income change

Determining Income Eligibility: Step 3

Step 1
- Constructing a Household

Step 2
- Determining Household Income

Step 3
- **Comparing Household Income and Size Against Income Eligibility Levels**

Compare Household Income and Size Against Income Eligibility Levels

Final step to determine Medicaid/CHIP eligibility:

- Compare household's current monthly income to Federal Poverty Level (FPL) guidelines for appropriate household size for each individual.
- Use most recently published FPL level in effect in month during which someone applies for coverage (your agency will continue to provide the year's FPL level by family size as they have in the past).
- Apply 5% of FPL-equivalent income disregard if it will impact an individual's eligibility for a program.
- Generally, automated rules engines will be used to determine eligibility. The system will do this work as long as it has the right inputs.

Household Size and Income Eligibility: Example

Emma Scenario: Emma, age 25, is a single woman who is pregnant with twins. Emma earns $3,000 a month in wages. Emma resides in a state where the Medicaid eligibility for pregnant women is 213% of the FPL.

Emma earns $3,000 income/mo.

Emma's unborn twins

$3,000 = 166% FPL

Emma's total monthly household income for a household size of 3

Emma's income makes her eligible for Medicaid coverage in her state. ✓

Next Steps

Now that you understand the rules, the next steps are:

- Practice constructing a household;
- Practice determining household income;
- Practice comparing results to eligibility levels; and
- Learn more!

The following resources provide additional information on the MAGI rules:

- MAGI 2.0 Part 1: Household Composition
  - Scenarios for complex households and special populations
- MAGI 2.0 Part 2: Income Counting
  - Details on more complex income types and adjustments
  - Discussions on operationalizing the income counting rules