Medicaid Eligibility and Modified Adjusted Gross Income (MAGI)

April 20, 2015

Q1: What is MAGI and how is it different than the way states previously calculated eligibility?

A1: MAGI (Modified Adjusted Gross Income) is a new, simpler way to determine eligibility for Medicaid and CHIP (Children's Health Insurance Program) programs, eligibility for tax credits and cost sharing reductions on the Marketplace and the NH Health Protection Program. Effective January 1, 2014, MAGI replaced the prior process for calculating Medicaid eligibility for all States. It applies one methodology to determine eligibility across multiple programs, replacing a myriad of income counting rules, income disregards, asset tests and household composition rules.

MAGI has two components that must be considered: (1) who is in the household and household size, and (2) what is the household income.[1] MAGI is based upon the federal IRS tax rules that identify taxable income as the basis for establishing eligibility income levels.

Q2: Do the MAGI rules apply to all people applying for Medicaid?

A2: Effective January 1, 2014, MAGI rules apply to most people who are eligible for Medicaid, CHIP, NHHPP and the Marketplace but do not apply to the elderly or people who qualify for Medicaid based on disability. The Medicaid and CHIP categories that MAGI applies to includes: childless adults between the ages of 19-64, pregnant women, children up to age 19 (or 21 if a full-time student), and parent and caretaker relatives. MAGI does not apply to: individuals who are aged, blind or disabled, long term care, spend down, foster care, or dually (Medicare and Medicaid) eligible.

Q3: If a state does not expand Medicaid, does it still have to use the MAGI rules?

A3: Yes. A state's decision whether or not to expand Medicaid coverage to low-income adults (newly eligible adults) does not change the requirement to use MAGI in determining eligibility.

Q4: How were the new MAGI-based income standards set? Are the MAGI income standards higher than the income standards that applied prior to MAGI?

A4: Guidance issued by the Centers for Medicare and Medicaid Services (CMS) in December 2012 (http://www.medicaid.gov/Federal-Policy-Guidance/downloads/SHO12003.pdf), provided the statutory objective for the establishment of a MAGI – based income eligibility standard.

[1] See page 4 for Summary Table of Income and Adjustments pre and post MAGI

CMS interprets the statutory standard "to mean that, in the aggregate the standard neither systematically increases nor decreases eligibility overall". CMS determined the average value of the income disregards and other allowable deductions for each of the eligibility categories converting to MAGI that a state had in place under the prior rule and then added that amount to the old standard to create the new FPL eligibility levels.

For example, 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 gross eligibility (MAGI-equivalent) standard of 106% of the FPL. In addition, section 1902(e)(14)(I) of the Social Security Act requires the application of a 5 percent disregard for purposes of determining the income eligibility of an individual whose eligibility is determined based on MAGI. The result of this disregard policy is that individuals determined eligible under MAGI had a 5 percent disregard applied to their gross income.

Q5: Did states have any options in the setting of the conversion to MAGI?

A5: States had the option of using National Survey Data where CMS performed the conversions for all States using Survey of Income and Program Participation (SIPP) data from the Census Bureau; or state specific data using state specific disregards for a time limited period. CMS would not perform the conversions for states using state data but offered technical assistance. CMS performed the conversion for New Hampshire and DHHS asked the Lewin Group to review the SIPP data. The Lewin Group determined the SIPP data was very similar to the data used by Lewin in its analysis of the impact of the Affordable Care Act on NH and recommended NH use the SIPP data, rather than trying to develop a conversion factor based on the state's data that had to comply with strict CMS requirements.

After careful review of the data available to the Department, DHHS determined it did not have the data; resources or funds needed to develop and complete a conversion and analysis and accepted the Lewin Group's recommendation to use the SIPP data rather than trying to develop our own.

There are no formal regulations or guidance from CMS for a state to submit a request for re-calculation; however CMS has said that there can only be a recalculation if the state believes there was an error in the data. There has only been one state where CMS determined a state had a real error. If a state is concerned about the growth in case load, CMS will ask the state to consider the impact of the wood work effect, the 5% income disregard and elimination of the resource test on caseloads. In other words, a growth in caseloads is not enough to justify a recalculation.

Q6: Did individuals lose coverage as a result of the MAGI eligibility methodology?

A6: No one in New Hampshire lost health insurance coverage as a result of the implementation of the MAGI eligibility methodology to existing Medicaid groups because New Hampshire moved forward with the New Hampshire Health Protection Plan (NHHPP) – if an individual was

not eligible for Medicaid under a MAGI-related group, including NHHPP, the Department transferred the account to the Marketplace to purchase insurance through the Marketplace with benefit of a premium tax credit or cost sharing reductions.

Q7: Do the MAGI changes mean more people are eligible for Medicaid (even when there is no eligibility expansion)?

A7: Yes, as noted in CMS guidance documents and proposed rules,[i] although the statutory objective in creating a MAGI – based income eligibility standard was to create a standard that in the aggregate neither systematically increases nor decreases eligibility overall, all states have experienced a growth in Medicaid and CHIP caseloads since January 1, 2014 effective date. The application of the 5% disregard on top of the new FPL results in some individuals becoming eligible under MAGI that would not have been eligible under the former rules.

Q8: Did the Medicaid caseloads increase solely because of the MAGI methodology?

A8: The MAGI conversion has received the most attention in terms of impacts of ACA on Medicaid and CHIP caseloads. However, there are other ACA eligibility and enrollment policy changes that have had an impact on the growth in caseloads. It is impossible to determine which policy change had the greatest impact.
The additional ACA policy changes that states were mandated to implement include:

- Streamline, single application;
- Real-time eligibility determination;
- Self-Attestation: DHHS is required to take "self-attestation" for most factors of eligibility for all of the new MAGI categories. Inconsistencies with reported information are verified post-eligibility. In the past, workers would deny applications for failure to provide required documents, workers now open cases without such documentation. Even with electronic verification for self-employment, unemployment or wages outside 10% threshold, verification can take up to 60 days before eligibility can be closed;
- Elimination of Resource Test for Parent/Caretaker Relative Category. MAGI eliminated the resource test (applicable to the Parent/Caregiver Relative Eligibility Category only) of $1000 for an individual and $2000 for a household and may have resulted in some clients becoming eligible;
- New Category of Former Foster Care Children. This category affects approximately 50 people who are under age 26 who were a foster child when they turned 18 and aged out of the foster care system. This category must be pursued before NHHPP can be pursued. There is no income test or resource test for this category;
- The impact of the overlap between the implementation of MAGI and the open enrollment for insurance coverage on the Marketplace – individuals applying for coverage in the Marketplace determined to be income eligible for Medicaid are referred to Medicaid; and
- The children of adults applying for the Marketplace and NHHPP must be covered by insurance before the adult can be found eligible. Thus children eligible but not previously enrolled in Medicaid or CHIP had applications submitted on their behalf and found eligible for Medicaid or CHIP.

Selected Income and Adjustments Included in MAGI	
Type of Income Counted	**Type of Income Not Counted**
Wages, salaries, tips (earned income)	Child support received
Interest and dividends	Supplemental Security Income (SSI)
State income tax refunds	Workers' compensation payments
Alimony received	Alimony paid
Profit or loss from self-employment (Schedule C)	Gifts/Inheritances
Rental income	Veteran's benefits (service-related disability)
Unemployment compensation	Student loans and some scholarship income (broader exclusion for Medicaid determinations)
Social Security benefits (taxable + non-taxable)	Some non-taxable American Indian income (excluded for Medicaid determinations only)

[i] *Medicaid Program; Eligibility Changes under the Affordable Care Act of 2010,* CMS Document # CMS-2349-F, released March 16, 2012, Page 14: "The use of the MAGI definition of income may have the effect of increasing Medicaid eligibility for a small number of individuals and families who would not have been previously eligible. We [CMS] anticipate no substantial net gain or loss in enrollment due to conversion to the MAGI rules."

MAGI: Medicaid and CHIP's New Eligibility Standards Frequently Asked Question; Released September 30, 2013, page 2, Reply to Question # 5 re: growth in Medicaid caseload, "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."

Conversion of Net Income Standards to MAGI Equivalent Income Standards, State Health Official Letter (SHO # 12-003); December 28, 2012, page 2, "We [CMS] evaluated potential conversion methodologies bearing in mind the statutory objective to establish a MAGI-based income eligibility standard for each eligibility group, on a state specific basis, that is not less than the effective income eligibility standard as applied on the date of enactment of the Affordable Care Act. We [CMS] interpret this to mean a standard that, in the aggregate, neither systemically increases nor decreases eligibility overall."