Medicaid Modified Adjusted Gross Income (MAGI)

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What is MAGI?

- MAGI is a methodology for how income is counted and how household composition and family size are determined
- MAGI is not a number on a tax return
- MAGI is based on federal tax rules for determining adjusted gross income (with some modification)
- No asset test
 - Note: VHAP also did not have an asset test

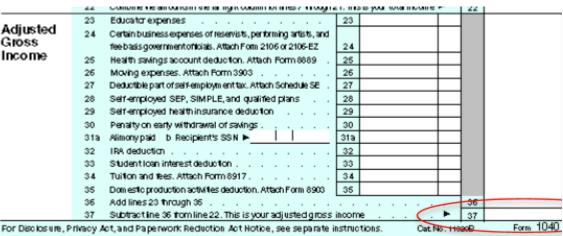
Gross income → AGI

Adjustments ("above the line" deductions) made to gross income to

determine AGI:

Student loan interest

- Tuition and fees
- IRA contributions
- Alimony paid
- Job-related moving expenses
- Contributions to a health savings account
- Self-employment and farm income after depreciation and deduction of capital losses



MAGI Income Calculation

- + Adjusted Gross Income (AGI per federal income tax, including taxable SSA, line 37 on form 1040)
- + Foreign earned income (of US citizens living abroad if US residents)
- + Tax-exempt interest
- + Social Security benefits (not already included in AGI)
- = MAGI (Modified Adjusted Gross Income)

For Medicaid, a few modifications:

- Exclude certain scholarship and fellowship income
- Exclude certain Native American and Alaska Native income
- Count lump sum income only in the month received



MAGI is different than previous Medicaid eligibility

Income Source	Old Medicaid Rules	MAGI Medicaid Rules		
Self-employment income	Counted with deductions for some, but not all, business expenses	Counted with deductions for most expenses, depreciation, and business losses		
Salary deferrals (flexible spending, cafeteria and 401(k) plans	Counted	Not counted		
Child support received	Counted	Not counted		
Alimony paid	Not deducted from income	Deducted from income		
Veterans' benefits	Counted	Not counted		
Workers' compensation	Counted	Not counted		
Gifts & inheritances	Counted as lump sum income in month received	Not counted		
TANF & SSI	Counted	Not counted		

Source: http://www.healthreformbeyondthebasics.org/wp-content/uploads/2013/08/Income-Definitions-Webinar-Aug-28.pdf



Different time periods for calculating eligibility

Premium Tax Credits:

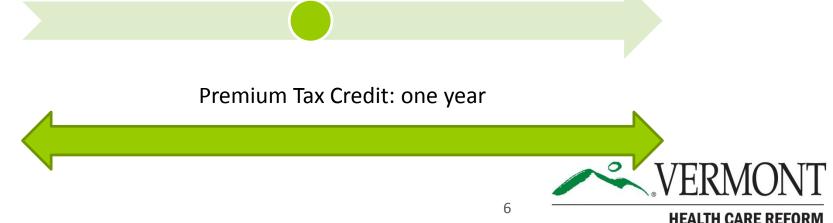
 Eligibility for and amount of APTC is based on estimate of income for the calendar year in which APTC are received

Medicaid:

2/1/16

Eligibility based on current monthly income

Medicaid: one month



Different Household Composition

Premium Tax Credits

Household = tax filer, spouse, and dependents

MAGI Medicaid

- As a rule of thumb it's the tax filer, their spouse and all the tax filer's tax dependents. BUT
 - For non-filer children, the Medicaid household composition is the non-filer, their spouse and any children or siblings under age 19 or under 21 if a full time student.
 - Medicaid households that include a pregnant woman increase the household size by the number of babies the pregnant woman is expected to deliver.

HEALTH CARE REFORM

Counting income and households for Medicaid

STEP 1

Does the individual expect to file taxes?

- a) If NO, go to Step 2.
- b) If YES, do they expect to be claimed as a tax dependent by another tax filer? If YES, go to Step 2(b).
- c) If NO, the MCA household is made up of:
 - The individual (tax filer)
 - Their spouse (if living w/ tax filer <u>OR</u> if filing jointly even if they live apart) *
 - All individuals the tax filer expects to claim as a tax dependent (regardless of age)
- * When spouses file jointly, both are considered the tax filer and must claim the same dependents. even if they live apart.

<u>Pregnant Women</u>: The MCA HH size that includes a pregnant woman must include the pregnant woman <u>plus</u> the number of children she is expected to deliver. Ex: Pregnant woman, married and expecting twins = MCA HH of (4).

STEP 2

Does the individual expect to be claimed as a tax dependent by someone else?

- a) If NO, they are a non-filer go to Step 3.
- b) If YES, the basic rule is their MCA HH is the same as the tax filer who expects to claim them as a tax dependent in Step 1 (plus the tax dependent's spouse if living with the tax dependent and not already included in the tax filer's MCA HH in Step 1) <u>UNLESS</u> they meet one of the exceptions below:

STEP 3

If the individual answered NO in Step 2(a) or YES in Step 2(b), but one of the Step 2(b) exceptions applies, the individual is considered a non-filer.

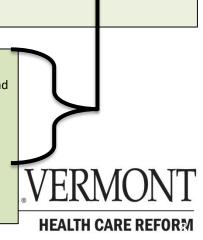
A non-filer's MCA HH includes the non-filer and the following individuals **if living with the non-filer:**

- Their spouse
- Their children under age 19 (or under 21 if a FT student)
- If the non-filer is under age 19 (or under 21 if a FT student), their parents and their siblings under age 19 (or under 21 if a FT student).

STEP 2(b) EXCEPTIONS

If one of the exceptions below applies to the tax dependent, the tax dependent is treated as a <u>non-filer</u> and their MCA HH is determined according to Step 3 above.

- 1. A child under age 19 (or under 21 if a FT student) living with both parents (whether parents are married or unmarried) if the parents do not expect to file a joint tax return.
- 2. A child under age 19 (or under 21 if a FT student) who **expects** to be claimed as a tax dependent by a non-custodial parent.
- 3. The individual **expects** to be claimed as a tax dependent by someone other than a spouse or parent.



Example of Household Composition

Rose lives with and supports her 60-year old mother and 7-year old daughter. She claims both as tax dependents. Note: For illustration only, FPL not current

- Family's financial situation
- Rose's salary: \$38,000
- Mother's income: \$3,000
- \$2,500 dependent care subtracted from income

	Medicaid			Premium Tax Credits		
	ΗН	Income	FPL	НН	Income	FPL
Rose	3	\$35,500	182%	3	\$35,500	182%
Daughter	3	\$35,500	182%	3	\$35,500	182%
Mother	1	\$3,000	26%	Not eligible		



Resources/More Information

- Vermont rule
 - http://humanservices.vermont.gov/on-line-rules/esd/health-benefitseligibility-and-enrollment-hbee/view
- CMS
 - https://www.medicaid.gov/State-Resource-Center/Downloads/3-29 12-Eligibility-Webinar-Slides.pdf
- Center on Budget and Policy Priorities
 - http://www.healthreformbeyondthebasics.org/wpcontent/uploads/2013/08/Income-Definitions-Webinar-Aug-28.pdf
- Congressional Research Service
 - https://www.fas.org/sgp/crs/misc/R41997.pdf

