
Medicaid Modified Adjusted Gross Income (MAGI)

Devon Green

Special Counsel for Health Care Reform
Agency of Administration

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

The image shows a portion of the 2015 Form 1040, specifically the section for Adjusted Gross Income (AGI). The table lists various adjustments that can be subtracted from gross income to arrive at AGI. Line 37 is circled in red, indicating the final AGI amount.

Line	Description	Amount
22	Total income from all sources	22
23	Educator expenses	23
24	Certain business expenses of reservists, performing artists, and fee-basis government officials. Attach Form 2106 or 2106-EZ	24
25	Health savings account deduction. Attach Form 8889	25
26	Moving expenses. Attach Form 3903	26
27	Deductible part of self-employment tax. Attach Schedule SE	27
28	Self-employed SEP, SIMPLE, and qualified plans	28
29	Self-employed health insurance deduction	29
30	Penalty on early withdrawal of savings	30
31a	Alimony paid b Recipient's SSN ▶	31a
32	IRA deduction	32
33	Student loan interest deduction	33
34	Tuition and fees. Attach Form 8917	34
35	Domestic production activities deduction. Attach Form 8903	35
36	Add lines 23 through 35	36
37	Subtract line 36 from line 22. This is your adjusted gross income	37

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions. Cat No. 11500B Form 1040

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:

- Eligibility based on current monthly income

Medicaid: one month



Premium Tax Credit: one year



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.

Counting income and households for Medicaid

STEP 1

Does the individual expect to file taxes?

- If NO, go to Step 2.
- If YES, do they expect to be claimed as a tax dependent by another tax filer? If YES, go to Step 2(b).
- If NO, the MCA household is made up of:
 - The individual (tax filer)
 - Their spouse (if living w/ tax filer **OR** 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.

Pregnant Women: The MCA HH size that includes a pregnant woman must include the pregnant woman **plus** 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?

- If NO, they are a non-filer - go to Step 3.
- 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) **UNLESS** 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 non-filer and their MCA HH is determined according to Step 3 above.

- 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.
- 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.
- 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		
	HH	Income	FPL	HH	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-benefits-eligibility-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/wp-content/uploads/2013/08/Income-Definitions-Webinar-Aug-28.pdf>
- Congressional Research Service
 - <https://www.fas.org/sgp/crs/misc/R41997.pdf>