

Event Title: CMCS Webinar Series: MAGI Methods and Household Scenarios

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>>Kara Barclay: I would now like to turn the presentation over to Jennifer Ryan, the Deputy Director for Policy in the Children and Adults Health Programs Group in CMCS. Jennifer.

>>Jennifer Ryan: Good afternoon, everyone, and thanks for joining us for the second in our series of webinars related to the Medicaid and CHIP eligibility and enrollment Final Rules.

We're happy to have with us today two of our key experts in CMCS on these regs. Our director of our Children and Adults Health Programs Group, Vikki Wachino will begin the presentation and then Sarah deLone, who's a senior policy advisor in our group, will also be participating in explaining some scenarios to help elaborate on the rules related to MAGI today.

I want to just let everyone know that we have posted the transcript and webinar slides on Medicaid.gov from last week's webinar. So those are available to anyone who might have missed last week's presentation and wants to access those. You can go to Medicaid.gov under State Resource Center and find those slides. We'll continue to post these materials as quickly as possible after this event, but it does take a few days to get the technology all lined up to get them posted. So I encourage you to check back often to see what is new on Medicaid.gov.

So at this point, I will be happy to turn the presentation over to Vikki Wachino. I just want to also mention that we're gonna be breaking at a few different points in the presentation so that people can ask questions -- so that we can answer questions that are be coming in. If you've participated in a webinar before, you'll be submitting your questions electronically through the Q and A function on your webinar screen, and so please go ahead and begin submitting questions as they come to your mind. And, as I said, we'll stop at various points in the presentation to pose some questions to our speakers and get them answered for you.

Without further ado, I'll turn it over to Vikki Wachino.

>>Vikki Wachino: Sure. Thanks everyone for joining us in this second webinar introducing our final regulations on Medicaid and CHIP eligibility and enrollment. We had great turnout last week for our overview of the regulation and are really excited to spend part of this afternoon with you

talking specifically about the new income methodology that we're establishing and the rule based on modified adjusted gross income so we can consider this hour and a half we have together as the magical world of modified adjusted gross income.

I'm gonna start my presentation on slide 2, just for those of you who were able to join us last week you remember that it's most fundamental. The Final Rule overall does 3 things which is expanding access to Medicaid coverage, focusing particularly on low income adults who historically have been excluded from Medicaid coverage. The rule also undertakes substantial simplifications of Medicaid and CHIP and are designed to establish a seamless system of coverage across Medicaid and CHIP and the Exchange in 2014. And modified adjusted gross income is really, in many ways, the keys to the kingdom of achieving the simplicity and the seamlessness and the coordination across those programs. And so it felt appropriate for this second webinar to introduce you to the rules on modified adjusted gross income.

I choose the word 'introduce' quite deliberately, as modified adjusted gross income is a complex topic that we could probably spend days talking about and in fact people have spent days talking about. What I wanted to do today, given, knowing that this was a fairly broad audience, was to really give an overview of MAGI with some of our experts here; particularly Sarah deLone, who's done much of the intellectually heavy policy lifting around this topic, jumping in to add color commentary and flavor and detail, and knowing that we are going to have other opportunities with all of you, or subgroups of you, to get into MAGI in more detail.

But it felt, felt important for us to take this opportunity to offer a little bit of a MAGI 101 to a broader group, knowing that there are many of you out there who would like to explore every nook and cranny of MAGI. And we're going to be thinking about the best way to offer forums and other potentially forms of guidance in developing illustrations in order to give those of you who have responsibility for carrying out eligibility, and perhaps even systems builds, those opportunities to, to get what I think of as not maybe the MAGI 101 class, but to take the MAGI 501 class, the seminar class. So, so more to come on that.

The way I wanted to structure the presentation today - you all have the slides - I'm going to walk through the basics of the rules on income and household composition, and then pause, and take some questions and then finish the substantive slides with a couple of other key elements of MAGI, pause again for questions, and then Sarah is going to walk us through 3 scenarios that we have developed in order to illustrate how some

of the MAGI rules will actually be carried out. There are many scenarios we could have presented and so for today we tried to choose just 3 for this 101 level class that we thought would help illustrate the key concepts and key elements of MAGI.

So turning now to slide 3, fundamentally, I think what MAGI achieves for Medicaid and for CHIP is an alignment of financial eligibility rules across Medicaid and CHIP and the Exchange. And, the reason that alignment is important in 2014 is ensuring that every program that is providing health coverage to the low income population is operating by the same set of rules. And there's two underlying principles that make that important.

The first is that it prevents people from falling between the cracks in coverage if all of the programs are playing by the same rules. And the second is that it's administratively easier and more efficient if different programs play by the same set of rules because it minimizes the potential for different programs to get into arguments about who qualifies for which program, which is something that we thought to avoid.

Having those rules aligned also is essential to having a seamless and coordinated system. And at the same time, as we undertook our regulatory interpretation of the statute, it was also clear from statutory requirements that as we interpreted MAGI another key goal was maintaining the eligibility of low income populations, particularly those who have been historically eligible for Medicaid and CHIP.

So, with that framing, I'll turn to slide 5 now and – 4 – getting ahead of myself – and just start with a little bit of what MAGI is. Modified adjusted gross income is the methodology that will guide eligibility determination not just for Medicaid and CHIP, but also for eligibility for premium tax credits and cost sharing reductions through the Exchange. 'Modified adjusted gross income' and 'household income' are terms that are defined in parts of the tax code that were established in the Affordable Care Act. Most, but not all, people who apply and qualify for Medicaid and CHIP coverage will have their eligibility determined based on MAGI and we'll talk more about who those groups are in just a moment.

But first, turning now to slide 5, which is entitled 'What is MAGI,' at the initial level set, MAGI is quite simply a method. It is the method by which we will determine how we count income and who we count in a household and who is included in a family for purposes of determining eligibility. MAGI is not quite as simple as just pulling a number off of a tax return. That would not be a methodology. That would just be importing a data element and making an eligibility determination back on that. What MAGI really is, is a method, as we move to a new income standard, that is based on tax

rules of establishing those rules and saying what sources of income count for purposes of determining Medicaid eligibility and what sources of income don't.

I talked a few minutes ago about the need for alignment across Medicaid and CHIP and the Exchange, and as we thought about MAGI and looked long and hard with CCIIO and IRS at how to interpret MAGI to Medicaid and CHIP in a way that really aligned with the definitions for the premium tax credits that will be available for Exchange coverage. We were also trying to achieve the statutory goal, that I mentioned earlier, of maintaining eligibility for low income people. For that reason, as we interpreted MAGI for Medicaid and CHIP, in the vast majority of cases where we had to make decisions about what sources of income were counted, who was counted in a household or family size, we retained the exact same rules that will apply to premium tax credits.

So in most cases we clearly prioritized alignment. There are, though, a few cases, which we'll talk about with you in a few minutes, where we departed in terms of particular sources of income or particular family configurations from the MAGI standard that will be used for premium tax credit coverage. Although it's, it's kind of natural in any discussion and comparison to focus more on the differences than on the similarities, I do think it's important to recognize the similarities up front; and, also to say that we have spent significant time here thinking, both in the context of this Final Rule and in the context of our operational work that we're looking forward to doing with states going forward, about how to make sure that those differences don't result in a difference for actual consumers.

So we've spent a fair amount of time making sure that policy, our policy minimizes any potential for gaps in coverage; more on that later. And we also think that operationally these, these slight differences will be able to be programmed into systems in such a way that there's a very clear and easy systems logic that makes these programs work together very seamlessly. And thinking about that, we've clearly been informed that work that many of you have been doing for years making sure that despite differences in eligibility methodologies between different low income programs and sometimes even within the Medicaid program itself, those differences are frequently operationalized through systems based rules that make differences in actual method seamless to the consumer.

Another thing to note is that the income standard on which MAGI is based, the 133 percent of the poverty line income standard established in the Affordable Care Act, includes two provisions: one is that it eliminates asset tests; and, another is that it replaces current disregards for the families and

kids and adult population, which currently varies substantially by state, with an even standard across the board. 5 percent of income disregard, which brings, which effectively brings the income standard in Medicaid to 138 percent of the poverty line. So, thought that was important to note since frequently in our conversations we alternate between 133 and 138 and it's that 5 percent disregard, that accounts for the difference.

So turning now to who is eligible based on MAGI and who is not. Essentially, to oversimplify, it's adults and parents and kids and pregnant women who will have their income determined according to MAGI. There are also populations who are eligible for Medicaid who will not be - have their income determined by MAGI because they are excepted under the statute. Those individuals generally fall into populations of people with disabilities, people who need long-term care or other types of seniors, including people who need assistance with Medicare cost sharing.

So, overall, the majority of people who apply for Medicaid, because they will be parents or kids or pregnant women or childless adults, will be subject to MAGI; but, people who have their eligibility determined based on other bases will not. And I think in subsequent webinars we'll talk more about the policies that we have developed to make sure that the system works for both of those groups of people.

So I'd like to turn now to an overview of the tax definition of modified adjusted gross income. Essentially, MAGI is all of the same income that you report on your tax return. And, it's a happy coincidence to be doing this webinar during tax season when probably those numbers are very much on all of our minds. Currently on your tax form you report your AGI. MAGI is AGI with some modifications and we've listed those here for you. Perhaps the biggest modification is the, the exclusion of tax-exempt Social Security income.

>>(Sarah deLone): Inclusion.

>>Vikki Wachino: Inclusion. The inclusion. This is why I've got the expert here. (Laughter) The inclusion of tax exempt Social Security income and that was a change – well, I'll mention this again later – from our proposed rule and to our Final Rule. And that change was driven not by regulatory interpretation alone, but by a statutory change that was made late in 2011 of changing the treatment of Social Security income.

Basically, the, the tax rules and now our rules, with a few exceptions, define the family as a taxpayer and all of their tax dependents. The family size is the number of people in the family. And the household income is the modified adjusted income of all of the tax dependents in a household who file taxes.

Moving now to what MAGI looks like in Medicaid and CHIP, you see that it is extremely similar overall to the tax definition. And we'll get to some of the exceptions to begin with. Overall we have the same adjustments to adjusted gross income as the tax rule does.

So, in general, in Medicaid and CHIP, as in premium tax credits, taxable income is counted for purposes of determining eligible eligibility; nontaxable income is not. I wanted to highlight a couple of the changes in terms of how MAGI is different from current methods of determining Medicaid eligibility. And, I would say, overall, I think once we have achieved full implementation, MAGI will be a much simpler system of -- and method of determining eligibility, even though the transition of getting there is complex because it's a significant change from where we are now.

So we highlighted here some key differences. One source of income that is not counted under MAGI that is counted now is child support income. And, we have a couple of examples of income all focused just on self-employment income right now that will be counted under MAGI that are not now.

So I said earlier that although the taxable -- although MAGI follows the tax, the same rules as the MAGI for premium tax credits in most cases, I wanted to call out a few of the special cases. And in these cases we found 3 sources of income that we're either not counting or counting a little bit differently in Medicaid and CHIP relative to the rules that we have established for premium tax credits.

The first of those exceptions is for scholarships and grants and awards that are used for education purposes. We've also established some exceptions for different sources of income that's derived for American Indians and Alaska Natives and we've also proposed a slightly different policy with regard to lump sum income relative to what was in the premium tax credit rule. So those rules are, by and large, very similar if not the same as what was in our August proposed rule. So I wanted to just note those.

I'm going to move now from income to household composition. And, when I'm done with household composition and I've given you a little bit of information on the rules for non-filers, I'm going to pause to let people queue up for some questions and ask Sarah to jump in and elaborate on anything here that she feels needs a little bit more fleshing out or is worth noting.

In terms of household composition, as with premium tax credits and Medicaid and CHIP, the household in Medicaid and CHIP is determined in most -- the vast majority of cases by the same principle of who's a tax dependent in the household as is true for MAGI for Exchange coverage.

And what that means, in general, is that parents and kids and their siblings are all included in the same household. So you can see on this slide that we called out a couple of situations for step-parents and parents, kids and siblings, and that kids are generally included in a household and that their income doesn't count unless they are required to file a tax return.

There are a couple of places in which we haven't precisely applied the tax rules and we created special exceptions for people who are in extended families who are claimed as a tax dependent perhaps by an aunt or a grandmother in whose household that, that they live. We've also created an exception for a child who has a non-custodial parent who claims them as a tax dependent and also for children of unmarried parents. We treat the parents as though they were living together as part of the same tax household, even if they are not married.

Now, as you all know, there's a significant share of the Medicaid population that doesn't file taxes and the Final Rule establishes rules for those in that situation as well. Whenever possible, we have tried to follow the same rules that apply to default to the same rules for non-filers as exist for those people who actually file taxes, which generally means that family members are counted as members of the same household.

We did in our rules for non-filers define a child as, as being someone -- an individual under the age of 19, but gave, gave states the option of defining children as kids who were age 19 or 20.

So, with that, I'm going to invite your questions on anything I've said so far, invite Sarah to, to elaborate or note any points that I may have missed, and then I will continue with our, with -- wrap up our policy discussion with a couple of other key elements of MAGI before we go to the scenarios.

Sarah.

>>Sarah deLone: That was great, Vikki. It's actually -- it's great. I would have a very hard time doing sort of a higher level overview. People who know me know I really can get caught in the weeds so I'm going to do my best here to just offer a couple of clarifying points and I'm going to ask Vikki to kick me if I start to sink into the, into the depths of the briar patch, which is where I love to be.

So just to clarify in terms of household income...so we'd be going back to slide 7. I don't know if you can flip back and forth that easily. It's the, the household income always includes the taxpayer's income. And then, and then if the income of the tax dependents, if they are required to file a tax return, not whether or not they actually do file a tax return. Many people, many kids might file a tax return, they might even get a, ya'know, refund,

but it's only if they are actually required under law to file a tax return if their income is counted.

The other thing I just wanted, it's -- when we're going so fast it's hard to hear. I'm not sure if I heard it wrong. But it's to just clarify, self-employment income -- so we're on slide 8 now -- is counted today. The difference is in terms of under Medicaid it's counted today. The difference is that states don't have to take depreciation before they count the income and they also don't have to deduct capital losses. Those things, depreciation is -- they have the option to do so today and some states do, but it's not a requirement.

Under the tax code, of course, depreciation and capital losses are taken before self-employment income is reported and that would be, so that would be a change. That's, that's the change, not there's a difference in how -- whether self-employment income is counted. And, the other thing, just to note for folks in terms of on slide 9, for the first two exceptions for scholarships and grants and awards and also for American Indian and Alaska Native income. That many of these, many scholarships and, and grants for educational purposes are non-taxable so that often, ya'know, the treatment will be the same. It's just when that, that the, the grant would be taxable that it would be exempt from, you know, for Medicaid purposes and typically that's going for somebody's, you know, it's a student who's working in Exchange for getting paid for something.

Then -- and the same is true also, and I can't give you the ins and outs, but we have excellent Alaska -- American Indian / Alaska Native experts on staff. Cyndi Gillaspie, actually in our regional office is our expert there who will help us to give better guidance on this. But many -- many sources of AI/AN income are also non-taxable. So that the difference is, methodologies; maybe not as great as it might seem. Just wanted to sort of point those two things out.

>>Vikki Wachino: Thanks, Sarah, I think those are all great clarifications. And, now that you've heard them you'll know why we have an eligibility policy guru here in house to elaborate and clarify anything that those of us who are flying a million miles per hour might have missed. So thanks.

Jen, do we have questions?

>>Jennifer Ryan: We do. So thanks for your presentations. That was great, both of you. We do have a few, while we're on this kind of topic, I think we do have some questions I think would be helpful to clarify. Related to the exclusion of lump sum income: Does that, does that exclusion include recurring lump sum income such as an annual land rent, or would



that just include non-recurring lump sum? Is a one-time thing or a recurring?

>>Vikki Wachino: Sarah, you might want to clarify that lump sum isn't entirely an exclusion. It's a difference in how, in how and when we count it. Is that right? That might be a good starting point before we go to particulars.

>>Sarah deLone: That's right. Lump sum is – it's not excluded. It's, it's counted and we basically apply -- adopted the rule that many states use today. It's the rule used by the SSI program, which is that lump sum income is counted as income in the month received. After that point, it converts to a resource, at which – which is to say it's not considered for determinations based on MAGI because MAGI methodologies doesn't have an asset test. Regular recurring income, lump sum payments, this -- lump sum – the lump sum policy. Let me back up. The lump sum policy applies to irregular lump sum payments received. If something is received on sort of a regular basis, you might even have self-employed people that receive, ya'know, sort of payments in lump sums that's predictable. Or I think in the example that was given, I don't know that particular kind of income, but anything that's regular and predictable would not fall under the lump sum policy.

>>Jennifer Ryan: Okay. Great. Just -- I think we need a little clarification on the treatment of unmarried couples who file separately. Can you say a little bit more about that? In particular, how do you know, for unmarried people, how do you know if they're in the same household if they filed separate tax returns?

>>Sarah deLone: We're going to ask questions on the application about who's in the household. I don't know if you want to – you know, so that we won't, we won't be pulling from a, a tax return the household information. You'll actually be asking people who are filling out the application who is in the household and about basic family relationships that exist.

Do you want to add anything, Anne Marie?

>>Anne Marie Costello: No, I just think while you start in the development of the application looking at household composition starting with who files taxes together, but then you'll be asking about other spouses or parents of people applying that are living in the same household.

>>Vikki Wachino: And we should probably, Cindy may have mentioned this last week, but we're in the process right now of developing the key data elements of the application. The application itself will be put out for comment later in the year. We're also, you know, doing a lot of thinking with states about what the application looks like. There's a lot of great

models out there. So more to come in terms of the application, which questions get asked and how they get asked.

>>Jennifer Ryan: And that third voice you just heard was Anne Marie Costello, (Laughter) who I forgot to introduce at the beginning of our webinar. Anne Marie our -- is really kind of our newly-appointed Director of our Division of Eligibility Enrollment and Outreach. So, we feel, we feel have the dream team going on here. So, glad to have you with us today, Anne Marie.

So, one more question on the, one the tax filing. So, there was a scenario - - So we have an unmarried couple with one child, does the husband's income count on the eligibility of the mother?

>>Sarah deLone: The unmarried, unmarried couples -- so unmarried people cohabitating, no, their income -- the, the partner's income is not counted for the -- one parent's income is not counted to the other parent's eligibility.

>>Jennifer Ryan: Okay. Okay. This is a question about child support, I think just a clarification here. What's the state option to include cash support to a tax dependent, other than the parent or spouse? This is 603(d)(3).

>>Sarah deLone: That relates -- That's a pretty, that's a pretty in the weeds question, so thanks to that person for asking that one. I am now really happy. (Laughter)

So that rule applies in one of the, one of the situations in which the Medicaid household composition rules depart from the tax household rules, which is when you've got somebody who's being claimed as a tax dependent, and this is one of the exceptions that Vikki mentioned, somebody is being claimed as a tax dependent by somebody other than a spouse or a parent. So let's say, let's just use -- I think it's easiest to have an example. Let's say we have, you know, I'm claiming my mother-in-law as a tax dependent on my, on my tax return. My mother-in-law's -- my income is not going to be counted -- my mother-in-law is not going to be. I'm not going to be my mother-in-law's household for her eligibility purposes. She's an exception to the use of the tax rules and for her we would look to our non-filer rules, which are in paragraph F3 of the section of the regulation. And in her household is any -- if she has a spouse that's living in the household or if she has any kids who are under the age, age 19 or a little bit older, it's a state option, any kids living with her, they would be in her household also. Let's say she's just herself. So she would be a household of one, her own household. My income would not count. We wouldn't -- so we wouldn't -- the Medicaid terminology for it deem -- we wouldn't deem my income to my mother-in-law because I'm not in her

household for her Medicaid eligibility purposes. But any actual cash support that I provide to her, states have the option to count. And that's where that, that's where that particular provision comes in. So if I actually give her an allowance, let's say, of, you know, \$500 a month to do with what she -- ya'know, to buy clothes or go to the movies or do whatever she wants to do, that actual support would be counted and that's a state option. Nominal amounts, you know, I give her, you know, \$5, \$10, whatever, here and there, to do something, that's not counted. But, you know, anything above a nominal amount is a state option to include.

>>Jennifer Ryan: Great. We've got quite a few questions are starting to kind of head into the world of scenarios. So I think I'll let you keep going on that. Just one clarifying question. When we say a child is under age 19, is that up to and including 19, what's the...?

>>Sarah deLone: It's under 19.

>>Jennifer Ryan: Under 19.

>>Sarah deLone: 18 through...

>>Jennifer Ryan: 18 through their 19<sup>th</sup> birthday, great. Okay, I think that's great, I think we can continue going on with the presentation.

>>Vikki Wachino: Okay. So I'm going to pick up on this slide that's entitled MAGI budget period. That's a crowd-drawer headline if ever we wrote one -- and just basically talk about what 'point in time' means. What -- and how we in the Exchange count income at the time that someone applies for coverage.

Eligibility for premium tax credit and cost sharing reductions will be determined based on annual income; in Medicaid not the case, and CHIP not the case as well. They will base income, they will use income determined at the -- during the month in which someone applies, and that is a result of clear direction in the statute.

We spent a lot of time trying to think about how to make those work, those differences work operationally, we think that we can. One particular -- we can quite easily, actually. One particular thing, though, that we did in both the proposed and the Final Rule was to give states the option to look at individuals who they know have predictable changes in income over the course of their year and to essentially average across those changes over the course of the year. So that even if you know that someone, through perhaps seasonal employment, has an income that fluctuates in June and July and August, but at the end of a year is still going to be below 133 percent of the poverty level, that you can include that person in Medicaid to prevent them from bouncing back and forth between Medicaid and the Exchange.

Moving to my next slide, we, as I said at the outset of my comments, really wanted to avoid any possibility of people falling between any cracks between Medicaid and the Exchange and CHIP. And, although we couldn't find any specific instances in which we had a particular concern, we didn't see any places where our policies -- the policies we have and the policies that are established for premium tax credits might create gaps, we had -- we were concerned and saw a high level of concern in the comments about that issue. So out of, out of an abundance of caution and commitment to making sure that people don't fall between gaps, we established a, a back stop. And the back stop provides that if there is a difference that was in methodologies between Medicaid and CHIP and the Exchange then we apply the tax definitions. And that basically makes sure that even though there are differences between us and the Exchange in terms of how income is counted, some differences between us, household composition and methodologies regarding monthly income versus annual income, that coverage is maintained for people to the maximum extent possible.

Another area in the Final Rule that we established or elaborated on and clarified a little bit was how you determine principles of tax dependency at a time of an eligibility determination if it's just not clear. And Sarah might want to say a little bit more about this in her comments because she was really -- this was really her brain child. But essentially we established that if a taxpayer can't, when they apply for coverage, document or establish a tax dependency relationship, then we default to the non-filer rules in terms of deciding who's included in the household and not.

So that's really an overview of the key MAGI provisions in the Final Rule. The last slide just highlights a couple of the key changes from proposed to final for those of you who have followed closely at home the proposed rule and are wondering what's different in the final. We talked about all of these before. But the treatment of non-taxable Social Security income changed as a result of a change in law, or establishing the back stop for the potential coverage gaps, and also accounting for the -- establishing parameters in a default for people when they can't establish tax dependency clearly and up front, as well as a few technical corrections along the way.

So, with that, I'll pause and ask Sarah if there's anything she wanted to jump in on. And then we'll turn to more questions.

>>Sarah deLone: That was great, Vikki. I would only offer just one, just one elaboration or clarification on that -- the slide 15 establishing filing requirements and tax dependency relationships when there's uncertainty and the taxpayer can't establish the relationship, the tax dependency, with a reasonable certainty. We default to the non-filer rules, just to be clear,

just for determining the inclusion of that particular tax dependent in the tax filer's household. We don't throw out all the tax rules and apply the non-filer rules, you know, sort of across the board. So just wanted to make sure...

>>Vikki Wachino: So it's not for the whole household, you already know the tax...

>>Sarah deLone: That's right.

>>Vikki Wachino: Of the person applying.

>>Sarah deLone: That's right. That's right. If I'm filing and I'm claiming my, ya'know, two kids and let's say a niece and a mother-in-law and I've been claiming my niece for the last 3 years, that's going to be, that's going to be sort of – that's going to be, the tax person will be able to clearly establish that. You're going to get a data match from the IRS that's gonna have a same number of tax dependents and it's, you know, you're going to be good to go. Let's say this is the first year I'm claiming my mother-in-law as a tax dependent and maybe she's not even living with me yet. I may not have actually enough information to satisfy the state that that's really gonna be the case. And so the state could say, 'Well, this year we're gonna look at the non-filer rules and we're gonna see, you know, would your mother-in-law be included in your tax, in your household if you were subject to the non-filer rules?' Well, she's not a spouse and she's not a child, so the answer would be no. So in that case – but you would still have your niece who you would be claiming as a tax dependent would be in your household. Whereas, if you applied the non-filer rules across the board you would just be the taxpayer. I would just be left with myself and my kids in my household. So that's the way that would work.

>>Vikki Wachino: That's good. That's a great illustration, Sarah. Thank you.

>>Jennifer Ryan: Just to take you away from the non-filer rules for a second, can you spend a little time explaining our, kind of our new policy on, on treatment of disabled individuals and individuals with long term care needs. Can you explain how a disabled individual with income below 133 would have their income counted in the MAGI group, the VIII group, versus having it counted in a non-MAGI disability group?

>>Sarah deLone: Sure, and we will -- this will be a, a, subject of a subsequent webinar so we'll be able to dig in more deeply into this issue.

>>Vikki Wachino: I'm guessing, Sarah, from the, from the nature of the question that the person who asked the question knows this already, but everyone else might not have tuned in for last week's episode (Laughter) on Medicaid eligibility. So one of the key elements of our Final Rule that is different from our proposed rule was really wanting to make sure that

people with disabilities or people who needed long-term care were able to access the eligibility and coverage option that best meets their health care needs.

We had -- in our proposed rule we honestly hadn't gotten it quite right. We got a significant comment of concerns of people who -- people who were concerned that people with disabilities would be, be determined eligible for the adult group and stop there and so they wouldn't have access to the full range of home and community-based care and long-term care. They might not have access to those services that they need.

In the Final Rule, we established a new process which we think -- we call MAGI screen, which is a process basically by which a person is determined eligible. It applies for coverage if it looks like they are eligible for the adult group, they can enroll in that group and also apply for coverage and get enrolled into a home and community-based care, other eligibility category that meets their needs. And that that is all done in a timely and efficient way. So that's kind of, I think, the policy underpinning of the question so I will turn to Sarah now to answer the specific question.

>>Sarah deLone: Right. And what you said at the end is really the, the crux of the specifics of it and the mechanics of it. And the MAGI screen regulation, just so people can reference it that Vikki mentioned, is at 435.911. And the way that -- that's where the majority of the changes that were made from the proposed to the Final Rule to embody the new policy which is essentially that everybody who is -- meets the financial and then the non-financial, either a citizen or an immigrant in satisfactory immigration status, and the financial requirements for enrollment in a MAGI base group. So, for example, their income based on MAGI is under 133 percent of federal poverty level. They can enroll, ya'know, quickly and efficiently into the new adult group which is referred to by the questioner as the new VIII group, which is the section of the statute. So it's the new adult group. They can get coverage right away through that.

Under the proposed rule they would have had to stay -- that individual would have had to stay in that group. Under the Final Rule -- significant change -- we have been able it allow that person to be evaluated and for coverage under an optional eligibility group that might be based on disability, might be based on a need for long-term care services. Ya'know, for example, any of the MAGI accepted bases could also apply to medically needy. They could seek coverage and be determined eligible under that group. And, if they meet the optional eligibility group that better meets their benefit needs, they, they can then enroll in that group.

We will go into, I think, in the other seminar a little bit more of the sort of details about how that works and sort of some of the nuances and also sort of operationally how that might -- how people would be picked up for those options. But that is the basic -- the bottom line is that people can go into whichever -- can get into that optional group if that better meets their needs.

>>Jennifer Ryan: And, just to confirm, Sarah, the current, existing eligibility groups and programs for individuals with disabilities remain unchanged. There's a sorta new, other option for them, correct.

>>Sarah deLone: That remains unchanged. That's right. This just doesn't create another option, it just doesn't take away the option for them to get into those groups.

>>Jennifer Ryan: Okay, then I just had a question. Can you explain a little, just say a little bit more about how and when the 'point in time' methodology will be used?

>>Sarah deLone: Sure. Well, I mean -- the 'point in time' is really just the statutory language that's used. So we use the term in the regulation budget period. It's really the period of time that you're looking at somebody's income for determining whether they are eligible or not.

So Medicaid historically, and we continue this as we felt we were really directed to do in the statute, continue to base eligibility at initial application on current monthly income. So the point in time would come into play at that point, at the point of application. And, it's current monthly income, although as Vikki mentioned, states have the option in calculating what current monthly income is. They have the option to take into account predictable changes in income in the future. So if you have a seasonal worker you can -- and they're either going to have an increase, a predictable increase or a predictable drop in income, that can be factored in, in a reasonable way. The most obvious way would be to average it but if there are other reasonable methodologies that a state wants to propose, ya'know, we'd certainly, we would certainly consider alternative methodologies.

This is something that states actually do today. So, this does not represent a change in policy. It does -- what's new is that it's now codified and written down in the regulations.

Point in time doesn't sort of end, though, when somebody's -- once somebody's been determined eligible. You then have on-going eligibility over the course of the year before their renewal comes up. And then, of course, you have what the eligibility is at renewal time.

The default for a state would be to continue to base on-going eligibility month to month. So at today, what it would be is if somebody's income increases in, ya'know, in the third month. Let's say they are on the rolls and their monthly income went over the income standard and they reported that change, as they are required to do, they could lose, they would lose Medicaid eligibility. They would be income ineligible and they then might need to go to the Exchange.

We provide an option in the regulations that states can -- once somebody is actually determined eligible and on the rolls, for Medicaid or CHIP, states can then look at projected annual income for existing beneficiaries. And so that changes, if you will, what's the point -- the relevant point in time for Medicaid from current monthly to projected annual, from the, ya'know, present point to the end of the year. And that helps to smooth out people who have bumps and who have fluctuations in income so they don't get bounced back and forth between the Exchange and Medicaid or the Exchange and CHIP.

>>Jennifer Ryan: Great. Thanks. So I think that folks are sending in some pretty interesting scenarios and questions. So, I think, why don't we move on to that part of the presentation. We have about 40 minutes left so I want to make sure we allow enough time for those questions because I'm sure there will be plenty of them.

Sarah, do you want to keep going with scenario 1?

>>Sarah deLone: Yes, so okay, we did 3 scenarios and maybe -- Do you want me, Jen, to just go, run through all three or do you want me to pause after each scenario?

>>Jennifer Ryan: Why don't we try to pause, at least after the first one, and see if people have questions.

>>Sarah deLone: Okay, that's fine. The first scenario -- as Vikki said earlier, we tend to all focus on the differences. But the first scenario shows a typical example where actually the rules for, that will be used for the Exchanges and will be the same as those used for Medicaid. And you end up with the same household, the same income and it's all aligned and it also is just a nice way to sort of warm up to sort of see how we think about constructing a household for what we call the tax household versus the Medicaid or CHIP household.

When we say the tax household, what we mean is the household that's used for purposes of determining eligibility for advanced premium tax credits and cost sharing reductions for the Exchange because they use the definitions that derive from the tax code without variation; the definitions for MAGI, for household size, for family. We use the term Medicaid or CHIP



household to reflect the household that's used for purposes of determining Medicaid or CHIP eligibility, again, and the MAGI.

So in scenario 1 we have the Jones family; and, as this illustrates just a general rule. So here we have John and Joan Jones are a married couple. They file jointly and they claim they have one son, who is age 17, whom they claim as a tax dependent. J. P. Is Joan's son by birth and John's stepson.

Together John and Joan currently earn \$2,300 per month with a projected annual income of \$27,600; so this is what they would be reporting on their tax return as their gross salary. Joan's ex-husband also pays \$500 per month in child support and J. P., the 17-year-old, he works a part-time job on Saturdays and he earns about \$135 per month.

In our hypothetical state the Medicaid income standard for adults and children through age 18 is 133 percent of the federal poverty level, and the income standard for the CHIP program is 200 percent of the federal poverty level.

So if we go to the next slide, we can see, look at -- in order to figure out who's eligible for what, we have to construct a household and then we have to figure out what is the income for the household. So the tax household that the, the Exchange -- let's say the Exchange is the one processing this application. Using the basic tax definition of family and household, the tax household is going to be the taxpayers, John and Joan, and their claimed dependent, J. P. So the tax household is John and Joan and J. P.

The Medicaid and CHIP household is gonna to be the same. We would get to that, though -- we would have to do sort of a little bit of internal logic to, to reach that result. Just to be sure we would say: 'Well, the taxpayers John and Joan under our rules, taxpayers you use the same rules as the tax code rules which is the taxpayers and claim dependent.' So for John and Joan, their Medicaid household is John and Joan and their son, who they claim as a tax dependent.

We look at J. P.; he's a tax dependent. So if you looked at our rule, which is paragraph (f)(2) of 435.603, and you look to see the general rule is that he's got the same household as his parents who are claiming him as a tax dependent. Do any of the exceptions apply? He's being counted -- claimed as a tax dependent by his parents. So that exception, the first exception doesn't apply. He is not being claimed by a non-custodial parent and he is living with both parents, who -- both of whom are claiming him as a tax dependent. So none of the exceptions apply. His household is the same. So the Medicaid household and the tax household for this scenario, for the

Jones family, is all the same. And that is what we suspect actually in the vast majority of cases will be -- end up being the case.

When we go to look at the household income, we know that John and Joan's income counts. So if we're looking at current monthly income that's gonna to be \$2,300 per month. If we're looking at the projected annual, it's \$27,600.

The child support income that's received does not count under MAGI for either the Exchange or for Medicaid. And J. P., he only earns \$135 per month. That's not enough to push him into the filing threshold, above the filing threshold requirement. So he -- since he is not required to file a tax return, whether or not he does so, his income doesn't count.

If you do the math, which I did - I didn't show all the math here for this one - you come out with household income of 149 percent of the federal poverty level for a household size of 3, that would be the, the amount that would be relevant for Exchange purposes for premium tax credit, cost share reduction purposes. For Medicaid purposes, although it doesn't have any practical effect in this example, you would subtract the 5 percent FPL disregard - this is the footnote at the bottom of the slide - and you would end up with a household income for Medicaid and CHIP of 144 percent of the federal poverty level. So in this scenario we have, going to the next slide, we have the parents are eligible for premium tax credits and cost sharing reductions for purchase of coverage through the Exchange, and J. P is eligible for the CHIP program.

And I will pause there.

>>Jennifer Ryan: Okay, I think you might want to keep going. Let me try this. This is kind of a weedy question but I'm going to try it anyway on you. What income is used to determine the mother and the child's MAGI eligibility, all of the father's waiver income -- sort of a bit of a technical question -- all of the father's -- home and community based waiver income or would it be just the amount that's actually deemed to the individual based on the post-eligibility computation? That's a pretty complex question.

>>Sarah deLone: It's a pretty complex question and I'm going to give a, gonna give an answer with a caveat -- two caveats. The first caveat is that I think we need sort of, you really -- it's dangerous to answer a question where you don't have sort of a complete full-fledged sort of scenario with all the information in front of you.

So the second caveat is I'm going to give a general principle answer and I'm not going to try to get into the really, you know, sort of down in the details steps. But this is the kind of walk through and scenario that we

would be planning to do in a, in a deeper dive than some of our other forums Vikki mentioned. We're sure thinking through what's the best forum to really get down to this level with, ya'know, states who need to do these programming stuff and, and for, and for other, you know, stake holders who really need to understand how the programs work so that they can make sure that the populations they work with are, are protected.

But as a general rule I think you just -- you have to maybe sort of put blinders on in terms of your knowledge about how the -- The eligibility for home and community-based waiver programs and those eligibility groups for disabled are generally based on the SSI program methodology rules. And rules for, you know, the MAGI populations if you are just looking at somebody's eligibility based on income -- if they are an adult in the age range, 19 through 64, a pregnant woman, eligibility as a child -- you are looking at basically at the tax rules, the MAGI rules.

And you look at how is the income that any member of the family -- if somebody, if a father is receiving home and community-based services he's still a father to a child that's maybe applying for coverage, or he is still a, a husband to a wife who is applying for coverage. And if the wife or the child are seeking coverage under a MAGI group, then the father is in their household because he's part of the, he's part of that MAGI household. And his income, his different income sources are evaluated in terms of the MAGI rules. Is that a source of income that's counted or not?

SSI income, for example, is not taxable. And so it wouldn't -- that income would not be counted for the mother or the child's eligibility. So the source of income that he has that's taxable, it's counted. If it's not, then it's not. And that's sort of -- I hope that's helpful to the question.

>>Jennifer Ryan: Great.

Why don't you continue on with your scenario discussion?

>>Sarah deLone: Okay.

>>Jennifer Ryan: A lot of these questions can be answered through that process.

>>Sarah deLone: For the second scenario, it's meant to just illustrate -- and I'll try to run through this a little quicker to save time for questions -- how differences in treatment of income might work. So here we have, you know, probably typical household: John, a single parent with two, two children ages 6 and 10, whom he claims as tax dependents. Neither of the kids have any income.

John earns \$3,000 per month with a projected annual income of \$36,000 per year. He also receives \$1800 per year, which works out to \$150 per month, in AI/AN income, American Indian/Alaska Native income, which is

taxable in this hypothetical but which is, under our exception rule, is not counted for Medicaid or CHIP purposes.

Again in our hypothetical state, the Medicaid income standard for adults and kids is 133 percent of the FPL and the income standard for CHIP is 200 percent of the federal poverty level.

So if we look at what is the tax household in this case for purposes of Exchange eligibility: we have -- John is the taxpayer and his two children are the tax dependents and they are all in the same tax household. The Medicaid and CHIP household again is gonna to be the same for the taxpayer, John. None of the exceptions apply to the kids so it's gonna to be the same for all of them. The Medicaid and CHIP household is also John and his two children.

His projected -- the household -- projected household annual income for the Exchange purposes is going to include both John's salary as well as the AI/AN income; and, so that's going to total \$37,800 a year, which is just over 204 percent of the federal poverty level for a household size of three.

The current monthly income for Medicaid and CHIP is -- only includes John's salary or his wages, does not include the AI/AN income, and that works out at \$3,000 per month. You would get the same FPL percentage if you used in this scenario the \$36,000 per year. But, it comes out to 194 percent of the federal poverty level for a household size of three. Then we'll subtract the 5 percent across the board disregard and we end up with an FPL for the household income for Medicaid and CHIP purposes of 189 percent of the federal poverty level. So in this hypothetical, the exclusion of the AI/AN income did make a difference. Actually, the 5 percent disregard would have been enough to make the difference here, too, so I might have upped my numbers, upped my numbers a little bit to make it a different hypothetical. But either one of those would have been enough to result in the children being eligible for CHIP. And, the parent is eligible for premium tax credits and cost sharing reduction through the Exchange.

>>Jennifer Ryan: Just a clarifying question. Can, can states grant initial Medicaid eligibility based on projected household income or must they first determine initial eligibility based on current monthly income and then later assess the projected annual?

>>Sarah deLone: Ya'know the -- the requirement is to determine eligibility at initial application based on monthly income. I think we have to think through and work with the states to see whether operationally if that facilitated the process and made sense. So I don't want to give, I don't know, Vikki, if you had a gut reaction.

>>Vikki Wachino: I had assumed that a state that left the option to project annual income which is to determine eligibility there for anyone who fell into that category, not switch back and forth between. It's probably something for us to think about a little bit more.

>>Sarah deLone: Yeah, let's book mark that one and come back to it.

>>Vikki Wachino: Yup, Okay. Great.

>>Jennifer Ryan: Good question. Keep them coming.

>>Vikki Wachino: Okay, go ahead, Sarah.

>>Sarah deLone: So the third scenario is meant – the Lewis family is meant to illustrate one of the differences, one of the situations in which we depart from Medicaid rules, depart from the Exchange rules for purposes of household composition.

And here we have Mary, who is a working grandmother and she claims her daughter, Samantha, who is age 20 and also a full-time student. They were in a state that has opted to – I'm sorry, never mind, getting ahead of myself. Anyway, her daughter, Samantha, age 20, and a full-time student, and her granddaughter, Joy, age two. And, she claims them both as tax dependents. Joy is Samantha's daughter.

Mary earns \$4,500 a month at \$54,000 per year. Samantha has a part-time job and she earns \$300 per month for a total of \$3600 per year. And we're just going to say the Medicaid standard across-the-board for all of them again is 133 percent of the federal poverty level. I didn't include a CHIP income standard because you'll see when we get to the punch line it's irrelevant.

So if we go to the next slide, again, first step is to see what are our households; what do they look like. Well, the tax household is gonna be ,of course, the same for everybody. The tax household for purposes of determining eligibility for the Exchange is gonna be Mary, the taxpayer, and her two tax dependents, Samantha and Joy.

The Medicaid and CHIP households, as I might have mentioned but it's worth -- earlier -- is worth pausing on to re-emphasize here -- Medicaid and CHIP -- although often that Medicaid/CHIP household for every family member will be the same, it's not always the case. In analyzing the family composition for Medicaid and CHIP, it's really important to look at each individual family member and think about how do the rules apply. It's very easy to get mixed up if you try and do them all at once and together.

So first we'll look at Mary, sort of the head of household, the taxpayer, the taxpayer in this situation. Under our rules the taxpayers follow the same rules as they do, as are applied for purposes of Exchange eligibility. And so her household is herself as the taxpayer and her claimed tax dependents,

Samantha and Joy. So Mary's Medicaid household is Mary, Samantha and Joy.

Samantha is a tax dependent in our, in our scenario and we consider whether any of the tax -- the exceptions for tax dependents apply. And they don't. Samantha is not being claimed by a non-custodial parent. Samantha's father is not living in the household. And Samantha is being claimed by her parent. So none of the exceptions apply. And so Samantha's household under our rules is the same as the household of the taxpayer who is claiming her as a dependent, which is the same as is the case under the Exchange, for the Exchange. So Samantha's household is also Mary, Samantha and Joy.

Joy is being claimed as a tax dependent, but she does fall into one of the exceptions. She's being claimed as a tax dependent; not obviously by a spouse - she's two - nor by her parent, Samantha; she's being claimed by her grandmother. So she falls into an exception. So we look to the rules for non-filers for Joy and under the non-filer rules, who is included in a household is a spouse. There's none for Joy in this case. Any siblings? She doesn't have siblings. And her parents...so Samantha is the only parent she has in this household. So Joy's household is her mother, Samantha, and herself.

So then as we go to the next slide, we have to look at what -- before we can determine each family's eligibility, we have to look at -- figure out what the household income is. So for the tax household, for purposes of Exchange eligibility, we want to look at projected annual income. And under our rule, which is the same as the rules that are applied for the Exchange, it's every, every family members' MAGI counts; but in the case of tax dependents, it only counts if they're required to file a tax return.

So Mary's required to file a tax return, as she does, and her annual income is \$54,000 a year. Samantha doesn't earn enough to be required to file a tax return, so her income doesn't count for purposes of the annual -- projected annual income for the tax household. So \$54,000 per year, the tax household income -- the household income, I should say -- for Exchange purposes is 291 percent of the federal poverty level for a household size of three.

Then we need -- we have to go look at each of the Medicaid households. So in the case of Mary, it's the same. The same rules apply; the same rule about whether Samantha's income applies or not. It doesn't apply. So for Mary's Medicaid household, which is the same as her tax household, we have monthly income of -- and again here we're looking for monthly income, not projected annual -- monthly income is \$4500 a month.

Household size of three; that comes out to 291 percent of the federal poverty level. We subtract the across-the-board 5 percent FPL disregard and we come up with an income, household income of 287 percent of the federal poverty level.

Samantha -- I'm just going to sort of speed up here to get to the questions. Samantha, she's, she's considered to have the same household as her mother. Her household income is gonna be the same as her mother's household income. And so that's going to also come out to be 287 percent of the federal poverty level.

And then for Joy, we have a different household. We have Samantha and Joy. And in this case, Samantha is not in a household with her mother. We're looking at Joy's eligibility. Samantha is in the shoes, if you will, of the head of household. She's in the parent's shoes here. So her income counts. Even though she's not required to file a tax return, her income counts.

Mary's income -- Mary is not in the household, so Mary's income doesn't count for her granddaughter's eligibility. The only source of income then is \$600 a month, comes out to 49 percent of the federal poverty level for a household size of two, subtract the 5 percent and we end up with a household income for Joy of 44 percent of the federal poverty level. So we end up with the final slide. The final scenario slide, I should say; Mary and Samantha being eligible for involvement in the Exchange and Joy with, ya'know, premium tax credit support and Joy is eligible for Medicaid.

>>Jennifer Ryan: Great.

I'm going to, I'm going to ask you a couple questions as people think about their other questions while we're talking here.

Are the children in scenario 2 -- going back to scenario 2 for a moment, required to take CHIP or would they be permitted to sign up for family coverage through their father through the Exchange?

>>Sarah deLone: They are. If you're eligible for CHIP, you're not eligible for APTC.

>>Vikki Wachino: That's part of our policy and the statute that establishes that if someone is eligible for minimum essential coverage, which could be Medicaid, it could be CHIP, it could be affordable employer-sponsored coverage, that makes them ineligible for premium tax credits in the Exchange. And it's a, a key statutory provision that was designed to make sure that people maintained existing sources of coverage and didn't move inappropriately to the Exchange.

>>Sarah deLone: Right.

I will say, and it's outside, I don't know whether it's outside of the -- certainly my area of expertise, but there is definitely a lot of thinking going on about how to -- and where there are families -- there will be many situations, many families who have some family members in one program and other family members in another. Most typically would be, for example, parents in the Exchange and the kids in either Medicaid or CHIP or potentially both. Ya'know, there'll be other -- there will be situations with obviously families, ya'know, one in the employer coverage and another in the Exchange. But there's a lot of thinking going on about, you know, what are the possibilities, what kind of flexibility, what kind of creativity that can be brought to bear to have plans that span the different programs or that families can still enroll in the same plan and I'm not going to offer where those discussions you know, sort of where they are leading but I think it's a footnote to note that you should know.

>>Vikki Wachino: That's exactly right. We're doing significant policy thinking here about how to make sure that families can stay in the same plans even though their sources of coverage are split across, for example, CHIP and the Exchange in the example the questioner asked about.

>>Jennifer Ryan: Sarah, just a couple questions about determining households and who is in it. Going back to, actually, earlier to your presentation and who is included in a household. It listed parents, children and siblings. But which, which siblings are included in the household. Like, for example, what if the, the mother and the aunts live in the household? Which siblings would be counted together in the family and that I think depends on the situation, right?

>>Sarah deLone: Yes, it depends. If you have a, if you have -- it's hard to answer that question in the abstract. If you have a, if you're in the tax filing rules -- it's actually easier if you are in the non-filing rules. But if you are in the tax filing rules, if you, if you are a child whose being claimed by your parent as a tax dependent, who is -- the siblings that are going to be in your household are gonna be all of those siblings also claimed as a tax dependent by your parents.

If your aunt and your cousin are also claimed as tax dependents, they will be in your household also. Even though the aunt and the cousin would be an exception and they would have a different Medicaid/CHIP household, they would be in your household as a, as a child. So really if you're a, if you're a, if you're a child who is being claimed as -- by a parent as a tax dependent and let's say, and let's assume you are not a child being claimed by non-custodial parent, that, that would take you -- something that would take you out of those rules.



In the typical situation, the siblings that are in your household -- anybody else that's in your household. It's going to be your parents or anybody else claimed as a dependent. So you can have a similar situated family. If you had, maybe has, let's say, a 20-year-old sibling and in one family and a, and a 15-year-old. And in one family both kids are claimed as tax dependents. And in one family the 20-year-old is not claimed as a tax dependent. They've already moved out. They're on their own. Then you would -- or there's not a, you know, full-time student, for example, then you would end up with, ya'know, the sibling not being in the tax household.

For the non-filer rules, it's actually much simpler. And it's siblings that are living with you that are -- you know, living together with you and that would include half-siblings and step siblings that are also under the age of a child in that state, which is always going to be under 19. And then, if the state has picked up the option to also consider as children 19 and 20 year olds who are full-time students, it would include siblings of those ages also. If the sibling is not living in the household, they would not be in the same.

>>Jennifer Ryan: Sarah, you mentioned a couple of times in, in cases where the non-custodial parent is not claiming the child as a dependent. Can you just play out a scenario when, when you do have a parent living in another state and they are claiming that child as a dependent even though the child's living in Maryland and the non-custodial is in North Carolina?

>>Sarah deLone: Sure, sure. This is one that gave us a lot of heartburn sort of working through and trying to figure it out. And it's really, really fundamentally motivated by a recognition that the custodial parent, particularly where parents are living in different states, the custodial parent really needs, ya'know, two things. The custodial parent needs to be able to take action to file and get health coverage for the child that they are taking care of and that's living with them. The other is an access issue. Ya'know, although lots of work is going on with sort of interstate coordination around sort of Medicaid across state lines, it's a problem obviously to get coverage if your non-custodial parent lives in a different state. It's, ya'know. going to be hard to get access to coverage. So really that's a meaningless coverage for a child to get Medicaid through a non-custodial parent in a different state.

So for those combination of reasons we felt like it was important for the custodial parent to be able to apply for based on their own income the -- for coverage for the child. But since the custodial parent is not claiming the child as a tax dependent, you don't have the tax -- you don't have tax rules to use. There's not that tax relationship. So that's why we use the non-filer rules which would put the child in the family with the custodial parent as

well as any other siblings. If the custodial parent had remarried it would also include the stepfather or stepmother.

>>Jennifer Ryan: Okay, great.

Just a clarification on scenario 3 -- and I'm going to try to find that slide quick. Can you just explain again how the household size works out to size of three for Mary and Samantha but only a size of two for Joy? Can you say that one again?

>>Sarah deLone: Sure. It's a size of three for Mary and Samantha because all three family members are in each of their households. So Mary, is it? Mary -- this is why you really -- it feels like it's confusing but when you, when you, if you look at the household and look at our -- the rules, person by person -- and if we had a lot more time we could sort of explain the rationale behind each rule because they actually -- I know and I sort of empathize, they feel really complex but they're really, they're pretty clear. They are actually pretty linear. Although there's a lot of lines to follow, they're pretty linear. And there's sort of very strong and compelling policy and statutory basis behind each of them.

But so, if you look at Mary. She is a taxpayer and the same -- the general rule applies to her, which is that herself and all claimed dependents are in her family. So she is herself and Samantha, her daughter, and her granddaughter, are all in her family. There's three of them.

Samantha is a claimed tax dependent and none of the exceptions apply. So the general rule here again is to follow the same definitions of family in households that are applied in the tax code for Exchange purposes because those are the ones -- in our rule it's written as you apply the same ones that are applied to the taxpayer claiming the child as a dependent.

But it's -- that, that means, therefore, it's the same as the tax rules that are, the definitions that are, that are applied for the Exchange. So, again, you have Samantha is in the same household as her mother, who's claiming her as a tax dependent. Her mother; Mary's household is Mary, Samantha and Joy. So household is three.

Joy is an exception to the general rule because Joy is being claimed as a tax dependent by somebody other than a spouse or a parent. She's being claimed as a tax dependent by her grandmother. So for Joy we go and look at our non-filer rules, which are in paragraph (f)(3). And those basic rule is that spouses are in the same household and then where either a single parent or a married couple that have kids, the kids are also -- they're all in the same household. And it adds with -- tax filing families -- it doesn't matter whether you are a step-parent or, you know, a regular parent, for

lack of a better word, a step-sibling, a half sibling. All those degrees of relationship in that sense count.

So her household is her herself. Joy's household is herself and her mother. Mary is neither a mother, a parent, nor a sibling to Joy. So she is not in Joy's Medicaid household. So there you just have Samantha and Joy and the household size is two.

>>Jennifer Ryan: Great.

Just one more clarification on that scenario. How come Joy wouldn't be eligible for CHIP instead of Medicaid at age two?

>>Sarah deLone: Because her household, her household income is 44 percentage -- 44 percent of the federal poverty level and in any state, including our hypothetical state, that's below the income standard for Medicaid.

>>Jennifer Ryan: Just a couple of people sent in a clarification here on the income level for Mary, that it's 291 percent gross before the disregard and then after the disregard actually 286 percent, not 287.

>>Sarah deLone: Oh, my goodness, basic math. People have their calculators. 91 minus 5 is 86 is true, last time I checked. Nobody tell my son. (Laughter)

>>Jennifer Ryan: It will destroy all of your math homework helping.

>>Sarah deLone: It will. It will. Pretty low to start with.

>>Jennifer Ryan: We've got about 9 minutes left. Sarah, I've opened a can of worms on the non-custodial parent issue, so can you say a little bit more about the situation where there's joint custody among the parents?

>>Sarah deLone: Sure. Where there's joint custody, we got a, we got a number of comments on the proposed rule because we didn't account for situations in which there might be shared or joint custody arrangements. And so what we did was to provide clarity by turning to the same, and we provided sort of clarification in the Final Rule, following the tax rules actually for who's considered to be the custodial parent. And that's whichever the child spends more nights with. So in those situations, that's, that parent is the parent that's considered to be the custodial parent.

>>Jennifer Ryan: Great.

>>Vikki Wachino: We also got a question, Sarah, about household composition and how household composition under the Final Rule compared to Medicaid household composition rules historically. Do the old Medicaid household composition rules just go away and are replaced?

>>Sarah deLone: Yes! (Laughter) For, for, you know, not for obviously the MAGI-accepted populations which is, ya'know, under SSI rules, your

household of one or two it's sort of a different ballgame. But, yes, basically the existing ASCC based Medicaid household composition rules go away.

>>Vikki Wachino: Well, there are so few yes or no questions on Medicaid eligibility. (Laughter) It's nice that we hit on one.

>>Jennifer Ryan: We have a few questions that have come in about the role of the Hub and what, what services that's going to provide. And I'm kind of looking to Anne Marie to see whether she can give us maybe a broad answer on what our expectations are for the Hub going forward.

>>Anne Marie Costello: Well, this is the second time today I've received questions from the state about when will they know what the Hub will deliver. Here are contractors and developers working on the Hub, and policy and IT staff working hand-in-hand first with the federal agencies who are first up that are required under the statute to provide information. So that includes IRS, the Social Security Administration to support validation of Social Security numbers and citizenship. And then the Department of Homeland Security to support electronic verification of immigration status, who are also looking at the Social Security Administration exploring, based on the information already given Medicaid agencies today, you know, what's possible to pull into the house.

So there is a balance of policy work and IT work going on so that programming can happen and that they can be connected to the Hub; plus details about data elements, ICG development, ya'know, the tools that are needed by your systems staff. We don't have a timeline yet for that, but all of that is under development.

>>Jennifer Ryan: Great. And, we had another question, Anne Marie, that came in, kind of moving over to -- maybe you can say a few words about the development that's underway regarding the joint application and when and how did we plan to release that? Not specifically when, ya'know, but sometime soon we plan to release that and what will be the process going forward and then say a little bit about our thinking about how we're going to ensure that, that consumers get an adequate explanation of the different tools

>>Anne Marie Costello: I've been looking at some of the questions coming in. There's questions on applications. What kind of tools we might create for consumers. What kind of tools might be created for states to adopt that they can help people figure out their modified adjusted gross income. I also saw a question that said will we be creating business rules to share with states that they can use in the programming of their systems to develop, you know, to derive modified adjusted gross income.

So sort of going in order, we have done a great deal of work based on the final rule, the NPRM and then the Final Rule; and, so the requirements to determine eligibility. We've also done a lot of work with the federal agencies where we'll be doing the data matching because those two things have to come hand-in-hand in the development of the application because we've to make sure we ask the right questions so that the information can be verified to the greatest extent electronically.

So we have developed a set of data elements which we're now vetting through the coverage learning collaborative and another work group. And based on those data elements, we are working on draft models of paper applications and also have started, just in the infancy, of wire frames for an online application. So that is moving through.

So I don't have a delivery date, but we're working soon. But they will be available for public comment and to states to know and other stake holders to know that we are working and engaging with states and beneficiary stake holders; and the development of not only the data elements but also on how you would craft an application so consumers can have a positive experience.

In the development of the application, we are also looking at what kind of tools and messaging are needed, particularly in an online environment. So that someone can sort of start from the point of: 'how do you figure out your current income in this new world of modified adjusted gross income?' So can we have an income wizard or calculator that could be available?

To the last -- to one of the other questions I saw, which asked specifically, about how CMS can help states, support states in their systems development and will there be business rules. We are working on a number of tools. I am told they are called app artifacts that can be shared with systems development; so things like use cases and business rules. We've not yet done business rules for modified adjusted gross income. But that is on the list of things that we will be developing because we, we understand, we don't want 50 states having to figure out the same thing 50 different times. So we're trying to help create tools here centrally. --But also as states are at different phases of their systems development, one of the requirements is for them to share and so that other states can reuse what's produced. So we have an effort going on around that.

So I hope that's helpful.

>>Jennifer Ryan: Yup, thanks very much.

I'm gonna throw out one more kind of weedy question to Sarah before we close for today. We had a few questions come in, Sarah, about the definition of care taker relative and then also sort of how, how step-parent

income is treated and the main rules for step-parent income. One question that came in is, isn't it true that some states really deem only a portion of step-parent income today?

>>Sarah deLone: Yes, step-parent income today is governed by AFDC rules and states whether or not they have a so-called law of general applicability. Don't ask me why it's called that. I have no idea. But it's states with those laws do hold step-parents sort of financially responsible for their step-children to the same extent as parents and in those states step-parent income is counted.

In other states there is some complex formula under AFDC and my understanding about how that works at a very grainy level is not in depth. I think it's applied differently in different states. I think some states may essentially count no step-parent income but I don't want anybody to quote me on that. It's a morass and it's a mess. That I think, is probably safe to say.

Under the, under the regulations that were finalized earlier this month, all of those rules get set aside in 2014 and step-parents' income is counted the same as any other parent's income, adopted or natural birth parent income. So step-parents, ya'know -- so, that's it. It's, it's applied the same and all those sort of complex DME rules and what portion is and isn't counted becomes uniform, the same across all states.

>>Jennifer Ryan: Okay, great. I think it's time for us to close it out for today. Thank you all very much. Thank you to our great presenters. I think they are very informative. Thank you all for sending in your questions today. Even if we weren't -- you know, there was no possible way we could answer all of them, but we are keeping track of the questions that are coming in and trying to incorporate them in future presentations. So please do keep those questions coming.

As noted earlier, the webinar information will be posted on [Medicaid.gov](http://Medicaid.gov), hopefully, within a few days after this webinar. Our next webinar is coming up -- whoop, I didn't go to the last slide -- next Thursday we'll have another webinar, Thursday, April 5, at 3 p.m. Eastern Standard Time. And the discussion next week will be around coordination across Medicaid, CHIP, and the Affordable Insurance Exchanges. I know that one will be of great interest to many people. So we'll look forward to that. You can, you can register for that webinar also going to [Medicaid.gov](http://Medicaid.gov) and the link is here on your slides. So thanks very much, everyone, and we'll look forward to talking with you next week.