



Center for Medicaid and CHIP Services

Medicaid and CHIP FAQs: MAGI Conversion

Q1: What methods can states use to execute conversion to modified adjusted gross income (MAGI) as required by the Affordable Care Act?

A1: Effective January 1, 2014, MAGI eligibility rules will be used to determine eligibility for nonelderly, nondisabled eligibility groups. The transition to MAGI also involves converting current net income eligibility standards to MAGI standards. MAGI rules apply regardless of whether a state adopts the new adult eligibility group. The December 28, 2012 Modified Adjusted Gross Income (MAGI) conversion guidance sets out options for a state to use a standardized MAGI conversion methodology (using Survey of Income and Program Participation (SIPP) data or with state data) or to propose an alternative methodology for converting to MAGI.

There are two potential ways of using the standardized MAGI conversion methodology:

- States may choose to have CMS calculate the converted income levels for eligibility groups requiring conversion using state-adjusted data from the Census Bureau's SIPP; or
- States may choose to use their own data as the source for applying the standardized conversion methodology.

For each eligibility group income level that needs to be converted, under the standardized MAGI conversion methodology, individuals whose net income is within 25 percentage points of the FPL below the current income standards will be selected (for example, if the current standard is 80 percent of the FPL, the analysis will include people with incomes between 55 and 80 percent of the FPL). The next step is to calculate disregards as a percent of FPL for each selected individual. The resulting average disregard amount as a percent of FPL is added to the current net income standard to get the converted standard.

For example, if the average disregard is 8 percent FPL, the converted standard would be 88 percent FPL. This basic process is the same regardless of whether SIPP data or state data is used.

Alternatively, states have the option to propose their own method, subject to approval by CMS. States are asked to provide a statement of intent by February 15, 2013 and must submit their MAGI conversion plans by April 30. The December 28, 2012 guidance is available at <http://www.medicare.gov/Federal-Policy-Guidance/downloads/SHO12003.pdf>

Q2: What issues should states consider in choosing which MAGI conversion method and data source to use?

A2: Factors that states might want to consider in choosing an income conversion method and data source include whether the state currently maintains or can easily access the data that are needed to do the conversions, as well as the quality and completeness of the state's data. In addition, states will want to consider whether they have the analytical resources needed to do the conversions with their own data, how long it would take them to run the conversions and how much it would cost to pay a contractor to do the analysis. Finally, states should also consider preferences about using state-adjusted SIPP or state data.

Q3: If a state wants to use the Standardized MAGI Conversion Methodology with its own data, what data elements will it need to use?

A3: Detailed information on how to use state data to apply the standardized conversion methodology is forthcoming, but in general states will need 1) information on **net income** of each person and the **size of the Medicaid eligibility unit** to establish which enrollees fall within the 25 percentage point band below the current net income standard; and 2) data on the **total amount of disregards** for each individual within the 25 percentage point band – if this is not stored as a data element in the state's system, this can be calculated by adding up individual disregards, or as the difference between gross income and net income.

Q4: What type of technical assistance is available to states on MAGI conversion?

A4: Technical assistance for states thinking through their MAGI conversion options is available through the State Health Access Data Assistance Center (SHADAC) at the University of Minnesota. SHADAC is available to help states understand the income conversion methods, the data sources that can be used (SIPP or state data), and factors for states to consider in choosing a methodology. CMS will do conversions for all states using the standardized conversion methodology with SIPP data. States that choose to use state data or that propose a different methodology will need to do the conversions themselves, and SHADAC is available to provide consultation with states as they work through the process. This help is available at no cost to states. States can contact SHADAC for help with income conversion at (612) 486-2439 or by emailing their questions to fmaphelp@shadac.org.

Q5: Can you explain more about how the survey data from the Survey of Income and Program Participation (SIPP) will be reweighted to reflect state demographics for purposes of MAGI conversion?

A5: To produce reliable state-level results, income conversions using SIPP data will be based on the entire national sample that has been re-weighted to account for state demographic characteristics. The purpose of the reweighting is to ensure that the analysis is done using a population whose characteristics are similar to each state's actual population. The variables used in reweighting include age, parent status, gender, race/ethnicity, total household income as a percentage of the FPL, types of unearned income (whether the household has any unearned income and whether it includes child support), and whether or not an individual has child care expenses. The re-weighting will be done separately for each state and will ensure that the distribution of these characteristics (and combinations of these characteristics) matches state totals from the Census Bureau's Current

Population Survey. In some states, a few of these categories will need to be combined due to small sample size. CMS will be releasing a brief on SIPP and the re-weighting adjustments.

Q6: How will populations that are currently eligible based on net income, but will not qualify based on MAGI in 2014, be treated? Will these individuals have an opportunity to enroll in another insurance affordability program after March 31, 2014 or their next redetermination, whichever is later?

A6: As stated under section 1902(e)(14)(D)(v), if the application of the new MAGI-based methods would be the cause of an existing Medicaid beneficiary's (i.e., one determined eligible based on current methods and enrolled in the program prior to January 1, 2014) becoming ineligible for continued coverage based on income, the individual retains Medicaid eligibility until March 31, 2014 or the next scheduled renewal, whichever is later. If, at the appropriate time, an individual is determined to no longer qualify for the current eligibility group, under longstanding Medicaid rules the individual's eligibility must be assessed under other possible eligibility groups before Medicaid eligibility may be terminated (see §435.930(b) and §435.916(f)). In accordance with 435.1200, if the individual is no longer Medicaid eligible, the state agency must evaluate the individual for potential eligibility for enrollment in a qualified health plan (QHP) through the Affordable Insurance Exchange, or Marketplace, and for CHIP.

Since the eligibility rules for Medicaid, CHIP and enrollment in a QHP through the Marketplace are aligned, we do not expect that the evaluation for potential eligibility for these other programs to pose a burden on state agencies. Once determined to be potentially eligible for another program, the regulations call for ensuring that the information concerning the potentially eligible individual is transferred electronically to the other program. For more information see our March 23, 2012 final rule at <http://www.gpo.gov/fdsys/pkg/FR-2012-03-23/pdf/2012-6560.pdf>

Q7: With respect to MAGI conversion, how will the 5% disregard be applied?

A7: The Affordable Care Act established an income disregard equal to five percentage points of the FPL disregard "for the purposes of determining income eligibility" for individuals whose eligibility is based on MAGI. In our final rule issued July 15, 2013, we provide that the disregard is applied to the income calculation of individuals only to the extent that the disregard matters for the purposes of determining eligibility for Medicaid or CHIP under MAGI-based rules—that is, those for whom the application of the disregard means the difference between being eligible for Medicaid or CHIP and being ineligible. The final rule is available at <http://www.gpo.gov/fdsys/pkg/FR-2013-07-15/pdf/2013-16271.pdf>

The disregard matters for purposes of determining Medicaid or CHIP eligibility only in cases where individuals have MAGI-based income that is above the highest applicable income standard under the program (Medicaid or CHIP), but would be within that income standard if the disregard were applied. This is the case only when the MAGI-based income is no higher than five percent of the FPL higher than that income standard. The disregard would not be applied for a determination of the particular eligibility group in which the individual qualifies, but only for overall eligibility for Medicaid or CHIP. We understand that this policy changes how disregards have been applied in the past, but believe this policy should be administratively simple to apply, for example, by applying the disregard at the point before a decision of ineligibility based on income would otherwise be made. This also ensures that the disregard does not reduce the "newly eligible" population for whom the increased federal matching rate is available.

For example, in a state that extends coverage to the new adult group, if a parent applied and has MAGI-based income within five percentage points of the FPL above the net income standard for the mandatory parent/caretaker relative group, the disregard would not apply because the disregard would not be needed for eligibility. The parent could be made eligible in the adult group instead. In that same state, if a parent applied with MAGI income within five percentage points of the FPL above the net income standard for the adult group (133% FPL), the five percent disregard would be applied to ensure that the parent could obtain eligibility in Medicaid and the parent would be made eligible in the adult group.

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