Implementation Guide:
Medicaid State Plan Eligibility
MAGI-based Methodologies – Territories

Contents

MAGI-Based Methodologies – Territories

POLICY CITATION

Statute: 1902(e)(14)

BACKGROUND

Overview

This reviewable unit (RU) describes the Modified Adjusted Gross Income (MAGI)-based methodologies, used to determine financial eligibility for MAGI-based groups in Medicaid. It includes available options with regard both to household composition (including family size) and to household income. The RU for each eligibility group which uses MAGI-based methodologies includes a statement referencing these methodologies and an option to view this RU upon request. This RU is applicable only in the territories; a separate RU, **MAGI-Based Methodologies**, is applicable to the 50 states and the District of Columbia.

In general, when making financial eligibility determinations for certain Medicaid eligibility groups and for the Children's Health Insurance Program (CHIP), territories must use a financial methodology based on MAGI, which is defined in section 36B(d)(2) of the Internal Revenue Code of 1986 (26 CFR 1.36B). MAGI-based methodology rules are codified at 42 CFR 435.603. These rules are used to determine financial eligibility for most individuals in Medicaid, including children, adults age 19-65, parents, and pregnant women. MAGI-based rules are not used to determine Medicaid eligibility for MAGI-excepted individuals described in 42 CFR 435.603(j), such as:

- Individuals whose eligibility for Medicaid is being determined based on being 65 years old or older, or having blindness or a disability,
- Individuals being evaluated for coverage as medically needy, and
- Individuals for whom the agency does not have to make an income determination.

The MAGI-based methodology has two principal components: household composition and household income.

MAGI-based Household Composition

The MAGI-based household composition rules, which are described at 42 CFR 435.603(f), define who is included in an individual's household. They are used both to determine whose income is counted toward total household income and to establish family size when making an eligibility determination.

Determining who is Included in the Household

When determining household composition in the territories, the rules for non-filer rules are used. As described at 42 CFR 435.603(f)(3), the individual's household includes:

- The individual,
- The individual's spouse (if living with the individual),
- The individual's children under age 19 (if living with the individual), and

- If the individual is a child under age 19, the individual's parents and siblings under age 19 who live with the individual.

Option: Age of a Child. Territories have the option to expand the definition of child, for MAGI-based household composition purposes only, to include both children under age 19 and individuals aged 19 and 20 who are full-time students.

Family Size

Family size is the number of persons counted as members of an individual's household when comparing household income to the applicable income standard based on a percentage of the federal or local poverty level or to a fixed income threshold. For the purpose of determining a pregnant woman's eligibility, family size will reflect all members of the pregnant woman's household, including herself, plus the number of children she is expecting.

Option: Family Size of a Pregnant Woman in the Household. For the family size of non-pregnant individuals who have a pregnant woman in their household, territories have the option to count the pregnant woman as either one person (herself only), two persons, or to count her as one person plus each expected child, if more than one.

MAGI-based Household Income

The Medicaid MAGI-based household income rules define what income is counted in an individual's income, whose income is counted toward an individual's household income and over what budget period the income is counted for Medicaid eligibility determinations and other purposes where income is used.

MAGI-based Income

MAGI-based income means income calculated using the financial methodologies defined in section 36B(d)(2)(B) of the Code (26 CFR 1.36B), with the following differences:

- Exclude scholarships, fellowship grants and awards used for education purposes.
- Exclude payments derived from American Indian/Alaska Native lands, natural resources, trust settlements or traditional/cultural activities
- Count lump sum income only in the month received.

Option: Threshold for Counting Child's Income. Consistent with 42 CFR 435.603(d)(2), a child's income is not counted toward household MAGI-based income if the child is in the household with one or both parents and the child's income does not exceed the tax filing threshold. For this purpose, territories have the option to use the IRS tax filing threshold, with or without adjustments reflecting the territory's standard of living, or the territory's own tax filing threshold.

Budget Period

The budget period is the period of time over which household income is determined in making a financial eligibility determination. Because Medicaid eligibility is determined as of the point in time at which an application is received or a renewal is processed, the budget period is generally the month for which eligibility is being determined. Current monthly household income is calculated based on the total countable income expected to be received during that month by certain individuals included in the applicant's household. Ongoing financial eligibility is similarly based on an individual's current monthly household income in successive months.

Option: Projected Annual Household Income. For current Medicaid beneficiaries, once an initial determination of eligibility at application has been made, territories have the option to use projected annual income and family size for the remainder of the calendar year to make subsequent determinations of financial eligibility. This option can be implemented in one of two ways:

1. Territories may count projected annual income for the entire calendar year (January through December), including income from prior months, or
2. Territories may consider projected income only for the remaining months in the calendar year, which would include future income only.

When this option is applied to a beneficiary whose monthly income has increased over the course of the year above the applicable monthly income standard, but who remains eligible through the end of the calendar year under this option, the individual's financial eligibility will need to be re-evaluated at the end of the calendar year. This re-evaluation will be effective for January of the following year in accordance with 42 CFR 435.916(d), regardless of the date of the next scheduled renewal. This is treated as an anticipated change in circumstances, as the individual's projected annual income for the upcoming year likely will be different than the projected annual income determined for the current year.

Option: Reasonably Predictable Changes in Income. When determining current monthly household income or projected annual household income for applicants/new enrollees and current Medicaid beneficiaries, territories may adopt a reasonable method to account for:

- A reasonably predictable increase in future income, family size, and/or household composition; and/or
- A reasonably predictable decrease in future income, family size and/or household composition.

The reasonable method for considering future changes is an optional strategy for territories to mitigate the impact of fluctuating income or anticipated changes in household composition on both applicants' and beneficiaries' eligibility. Examples of reasonably predictable changes include recurring seasonal employment or a new job with a signed employment contract. Uncertain future changes, such as a job prospect that is not yet finalized or a change in marital status that is not yet finalized may not be considered as a reasonably predictable change.

Territories have flexibility to develop reasonable methodologies for including a prorated portion of reasonably predictable future income that works in the context of their eligibility and enrollment systems. Most typically, the methodology utilizes an individual's projected household income over the next 12 months, divided by 12 to derive monthly income. Current calendar year income (i.e., January to December) cannot be used for this methodology (unless the determination is being made in January). For example, if an individual applies in July of 2017, using the reasonably predictable changes in income methodology, the territory would need to look at income from July 2017 through June 2018 (using annual income for calendar year 2017 is not permitted).

One way to determine if projected income for the next 12 month period is reasonably predictable is to ask the individual if she expects her annual income for the current year and her annual income for the following year to be about the same. If so, the individual's income over the next 12 month period is likely to be both reasonably predictable and the same as her current annual income. For example, the individual attests that projected annual income for the current calendar year (2017) is $12,500 and projected annual income for the next calendar year (2018) is also about $12,500.

Poverty Level

In determining the eligibility of an individual using MAGI-based methods, the territory may elect to use the local poverty level in place of the federal poverty level. The territory indicates which poverty level is used in the **Income Standards-Poverty Level - Territories** RU.

<u>Other MAGI Rules</u>

In determining eligibility for the group for individuals eligible for family planning services, territories have additional flexibilities regarding both MAGI-based household composition and income counting, as described in 42 CFR 435.603(k). These flexibilities are described in the **Individuals Eligible for Family Planning Services** RU. The use of any other less restrictive income methodologies or income disregards under sections 1902(r)(2) and 1931(b)(2)(C) of the Act are not permitted when determining the income of individuals using MAGI-based methodologies.

Territories cannot apply a resource test in determining eligibility for groups that use MAGI-based methodologies.

INSTRUCTIONS

A. <u>Household Composition</u>

- **A.1.** has a statement that household composition for all individuals is defined in accordance with the non-filer rules at the cited regulation.
- **A.2.** has a statement that the family size for the eligibility determination of a pregnant woman includes the pregnant women plus each of the children she is expected to deliver.
- **At A.3.,** select one of the three options to indicate how the family size is determined for households that include a pregnant woman.
- At **A.4.**, select one of the two options to indicate the age of children used to establish household composition under the non-filer rules.

B. <u>Household Income</u>

- **B.1.** has a statement that financial eligibility for new applicants is based on current monthly income and family size.
- At **B.2.,** select one of the two options to indicate the budget period for determining financial eligibility for current beneficiaries.
- At **B.3.**, indicate, ***Yes*** or ***No***, if the territory considers reasonably predictable changes in future income and/or family size when determining current monthly or projected annual household income.

    - If ***Yes***, select one or both of the options.
        - For each option selected, describe the reasonable methodology used to account for and verify such change in the text box provided.
- **B.4.** has a statement that the income is calculated using the financial methodologies defined in a section of the Internal Revenue Code, with certain exceptions.
- **At B.5.,** select one of the options to indicate which tax filing threshold is used for determining if the child's income is considered.
- **B.6. and B.7.** describe rules which must be followed when determining financial eligibility using MAGI-based methodologies.
- At **B.8.,** there is a statement that the territory may elect to use either a local poverty level or the federal poverty level in setting its MAGI-based income standard.
    - If you wish to view the RU in which this decision is made, select the ***View Approved Version of Income Standards-Poverty Level-Territories*** link.
    - The **Income Standards-Poverty Level-Territories** RU will appear if there is an approved version in the MACPro system.
    - If there is no approved version of the RU in MACPro, a screen will appear with the following message: "There is no approved version of this reviewable unit in MACPro available to display."
    - Select the ***MAGI-Based Methodologies-Territories*** link to return to the **MAGI-Based Methodologies-Territories** RU.

C. <u>Resource Test</u>
There is a statement that no resource test is applied to eligibility groups that use MAGI-based methodologies.

D. <u>Additional Information (optional)</u>
You may describe the state's methodology for counting joint tax filers in each other's households when they do not live together.

Please consult with CMS before adding any other information concerning this RU.

REVIEW CRITERIA

For each option selected at B.3., the description of the methodology used to account for and verify changes in income and family size must be clear and reasonable.