

The Ryan White HIV/AIDS Program and Understanding Modified Adjusted Gross Income (MAGI) November 20, 2013

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Introduction

- This webcast will focus on the use of modified adjusted gross income (MAGI) for eligibility determinations under the Affordable Care Act and discuss the capacity for Ryan White HIV/AIDS Program (RWHAP) grantees to transition into use of MAGI-based methodologies.

MAGI - A Basic Definition

- MAGI is an income evaluation method used to determine financial eligibility for insurance affordability programs.

MAGI and the Affordable Care Act

- Ryan White HIV/AIDS Program grantees should be aware that under the Affordable Care Act, states must use MAGI-based methodologies to make Medicaid and Children's Health Insurance Program (CHIP) eligibility determinations for most applicants.
- The same methodologies will be used to determine eligibility for premium tax credits and cost-sharing reductions for purchasing a qualified health plan through the Health Insurance Marketplace.
- MAGI-based methodologies must be used regardless of whether a state proceeds with the Medicaid expansion or not.

HRSA Recommendations and MAGI

- HRSA/HIV/AIDS Bureau strongly encourages RWHAP grantees to consider aligning their RWHAP financial eligibility requirements with the new Affordable Care Act MAGI-based methodologies in order to reduce the burden on clients and to support coordination with the eligibility determination processes for insurance affordability programs.

MAGI-Based Methodologies

Overarching Goals

- Align financial eligibility rules across all insurance affordability programs
- Seamless and coordinated system of eligibility and enrollment
- Maintain eligibility of low-income populations, especially children

Alignment of Financial Eligibility Rules in 2014 Based on MAGI

- Eligibility for premium tax credits and cost sharing reductions for coverage through the Marketplace is based on:
 - Modified adjusted gross income
 - Household income
 - These terms are defined in the tax code
- MAGI-based rules will be used for most individuals who apply for Medicaid and CHIP eligibility

What is MAGI?

- MAGI is a methodology for how income is counted and how household composition and family size are determined
- MAGI is not a number on a tax return
- MAGI is based on federal tax rules for determining adjusted gross income (with some modification)
- No asset test or disregards (except across-the-board 5% disregard, bringing income standard for adults to 138%)

Whose Eligibility is Based on MAGI?

MAGI	MAGI-EXCEPTED
Adults	Anyone for whom agency not required to make income determination (e.g., SSI, federal foster care or adoption assistance recipients)
Parents	Individuals eligible on the basis of being aged, blind or disabled
Children	Individuals with long-term care needs
Pregnant Women	Individuals eligible as medically needy
	Eligible for Medicare cost-sharing assistance

Tax Definitions of MAGI

- $\text{MAGI} = \text{Adjusted Gross Income (AGI) plus}$
- Any foreign earned income excluded from taxes
- Tax-exempt interest
- Tax-exempt Social Security income
- Family = Taxpayer (includes married taxpayers filing jointly) and all claimed tax dependents.
- Family size = Number of individuals in the family
- Household income = The sum of the taxpayer's MAGI plus the MAGI of tax dependents in the family if required to file

MAGI in Medicaid and CHIP Definitions of Income

- General rule: Same as tax definitions
 - Taxable income counted for Medicaid and CHIP purposes; non-taxable income not counted
 - Same adjustments to AGI
- Key differences compared to current Medicaid methods:
 - Child support income received is not counted
 - Self-employment and farm income after depreciation and deduction of capital losses counted

Taxable Income Not Counted or Counted Differently in Medicaid and CHIP MAGI

- Scholarships, fellowship grants and awards used for education purposes
- American Indian and Alaska Native (AI/AN) income derived from distributions, payments, ownership interests and real property usage rights
- Lump sum

MAGI in Medicaid and CHIP: Household Composition

- Taxpayers and tax dependents use tax household with limited exceptions
 - This means that in vast majority of cases, household is determined by principles of tax dependency
- Parents, children and siblings are included in same household
 - Stepparents and parents treated the same
 - Children and siblings with or without income included in same household as rest of family
 - Older children included in family if claimed as tax dependent by parents
 - Child income does not count if child not required to file a tax return

MAGI in Medicaid and CHIP: Differences in Household Composition

- Extended family – Family members and unrelated individuals claimed as a tax dependent by a taxpayer other than a parent or spouse (e.g., grandchild, niece, taxpayer's parent)
- Children of non-custodial parents – Children claimed as tax dependent by non-custodial parent
- Children of unmarried parents – If living together with child

Rules for Non-Filers

- Mirror rules for tax filers to maximum extent
- Spouses, parents, stepparents and children living together included in same household
- “Child” defined as under age 19. State option to also include individuals age 19 and 20 who are full-time students
- Rules for non-filers also apply to tax dependents excepted from general rule to use tax definition of household

MAGI Budget Period (“Point in Time”)

- Premium tax credit and cost sharing reductions for coverage through Marketplace based on annual income
- Medicaid and CHIP base determination on current monthly income, with state option to consider predictable changes in income at initial determination
- State option to use projected annual income for remainder of year for ongoing eligibility of beneficiaries

Preventing Potential Coverage Gaps in the Final Rule

- If differences between Medicaid and tax definition of MAGI results in coverage gap, tax definitions are used without exceptions
- Ensures that regardless of differences in income counting, household composition and point-in-time methodologies, coverage is maintained

Establishing Filing Requirements and Tax Dependency Relationships

- Filing requirements and tax dependency based on reasonable expectations at time of determination
- If taxpayer cannot reasonably establish tax dependency relationship, inclusion of tax dependent in household determined in accordance with non-filer rules

Scenario 1 - Jones Family The General Rule Applied

- John and Joan Jones are a married couple. They file jointly and claim Joan's son by a first marriage, JP, age 17, as a tax dependent
- John and Joan together currently earn \$2,300 per month, with projected annual income of \$27,600
- Joan's ex-husband pays \$500 per month in child support
- JP works 4 hours every Saturday, earning roughly \$135 per month
- Medicaid income standard = 133% FPL for adults and children ages 6 to 18; CHIP income standard = 200% FPL

Scenario 1 - Jones Family

- Tax and Medicaid Household = John, Joan and JP
- Child support income does not count
- JP's income does not count (< filing threshold for dependents)
- Household income = 149% FPL for a household size of 3*

* Medicaid/CHIP household income after applying the across-the-board 5% FPL disregard = 144% FPL.

Scenario 1 - Jones Family

- Joan and Joan are eligible for premium tax credits and cost sharing reductions through Marketplace
- JP is eligible for CHIP

Scenario 2 - John Doe Differences in Treatment of Income

- John is a single parent with 2 children, ages 6 and 10, whom he claims as tax dependents
- John earns \$3,000 per month, with projected annual income of \$36,000
- John also receives \$1,800/year (\$150/month) in taxable AI/AN income, which is not counted for Medicaid/CHIP purposes
- Medicaid income standard = 133% FPL for adults and children ages 6 to 18; CHIP income standard = 200% FPL

Scenario 2 - John Doe

- Tax household = John and 2 children
- Medicaid/CHIP household = Same
- Projected annual income for Exchange purposes =
 $\$36,000 + \$1,800 = \$37,800 = 204\%$ FPL for
household size of 3
- Current monthly income for Medicaid/CHIP =
 $\$3,000$ per month = 194% FPL for household size of
3 minus 5% FPL = 189% FPL

Scenario 2 - John Doe

- John is eligible for premium tax credits and cost sharing reductions based on income = 204% FPL
- Both children are eligible for CHIP

Scenario 3 - Lewis Family Differences in Household Composition

- Mary Lewis is a working grandmother who claims her daughter (Samantha), age 20 and a full-time student, and granddaughter (Joy), age 2, as tax dependents
- Mary earns \$4,500/month (\$54,000/year)
- Samantha earns \$300/month (\$3,600/year)
- Medicaid income standard = 133% FPL

Scenario 3 - Lewis Family

- Tax household = Mary, Samantha and Joy
- Medicaid/CHIP households
 - Mary = Same as tax household = Mary, Samantha and Joy
 - Samantha = Same Mary's household = Mary, Samantha and Joy
 - Joy = Samantha and Joy (exception: non-filer rules apply)

Scenario 3 - Lewis Family

- Projected annual income for tax household = Mary's income (Samantha not required to file) = \$54,000 per year = 291% FPL for household size of 3
- Medicaid household income (current monthly)
 - Mary = Same as tax household = \$4,500/month = 291% minus 5% = 286% FPL for household size of 3
 - Samantha = Same Mary's income = 287% FPL
 - Joy = Samantha and Joy (exception – non-filer rules apply) = \$600/month = 49% FPL for household size of 2 minus 5% FPL = 44% FPL

Scenario 3 - Lewis Family

- Mary and Samantha are eligible for enrollment in the Marketplace
- Joy is eligible for Medicaid

Illinois' Ryan White MAGI Implementation Process **Income Documentation**

- In preparation for the Affordable Care Act, Illinois Ryan White **ADDED** a new requirements for **ALL** applicants eligibility process of, which included:
 - Clients will be required to submit a **federal tax return** from the most recent year
 - For clients that did not file a tax return = a **Mock MAGI Worksheet** has been created for use

Illinois' Ryan White MAGI Implementation Process

- Timeline:
 - Launch of MAGI Income model was set for July 15, 2013
 - Redesign of the online electronic application process to mirror the new MAGI model took place between May – July 2013
 - Multiple training opportunities for clients, case managers, and providers two weeks prior to the July 15 launch. Trainings were webinar based
 - Allowed transitional period to for documentation from July 15 thru October 1, 2013. Currently the state is fully compliant with MAGI calculation/documentation

What IS included in Illinois MAGI:

- **Wages, Salaries, tips, etc.**
- **Taxable Interest**
- **Tax Exempt Interest**
- **Ordinary Dividends**
- **Qualified Dividends - Tax Exempt**
- **Taxable Refunds of State/Local Income Taxes**
- **Alimony or Other Spousal Support Received**
- **Business Income**
- **Capital Gains**
- **Other Gains**
- **IRA Distributions - Taxable Amount**
- **Veteran's Pension or Disability**
- **Private Retirement, Pension, or Disability**
- **Rental Real Estate, partnerships, S Corporations, Trusts, etc.**
- **Farm Income**
- **Unemployment Income**
- **Retirement Income from Social Security (SSA)**
- **Disability Income from Social Security (SSDI)**
- **Other Income (Jury Duty Pay, Gambling Winnings)**



Not included in Illinois MAGI calculations:

- Supplemental Income from Social Security (SSI)
- Child Support Received
- Workers Compensation
- Alimony Paid
- Qualified Dividends - Tax Exempt
- Health Savings Account
- Student Loan Interest Deduction
- Domestic Production Activities
- Deductible Part of Self Employment Tax
- Self Employed SEP, SIMPLE Plans
- Self Employed Health Insurance Deduction
- Penalty on Early Withdrawal of Savings
- Monetary Gifts
- Educator Expenses
- Business Expenses
- Moving Expenses
- IRA Deductions
- Tuition and Fees





Mock MAGI Worksheet

Only for use with applicant's who have not filed a Tax Return for the most recent Tax Year

ALL Fields MUST be completed, or form will be considered incomplete.
Supporting documentation required if applicable

Name		Number of Legal Dependents Included in totals:	
Date of Birth / /	Did client file a Tax Return for the most recent Tax Year? (If yes, Tax Returns are required along with current income documents if applicable)		Y / N <input type="checkbox"/> Check One <input type="checkbox"/>
SS# - - <small>If you do not have a Social Security Number, enter 000-00-0000</small>			
<i>*Types listed in ALL CAPS are not calculated in MAGI, but are required*</i>		<i>*For any income losses, enter negative \$ amount*</i>	
Income Sources - Total Monthly \$ Amount for all Legal Household Members *ADDITIONAL DOCUMENTATION REQUIRED			
Wages, Salaries, tips, etc.	*	Pensions & Annuities (Veteran or Employer Based)	*
Taxable Interest		Pensions, Retirements, or Disability)	
Tax Exempt Interest		Rental real estate, partnerships, S Corporations, Trusts, ect.	
Ordinary Dividends		Farm income or loss	
Taxable refund of State/Local Income Taxes		Unemployment Income	*
Alimony/other Spousal Support Received	*	Retirement Income from Social Security (SSA)	*
Business Income/Loss		Disability Income from Social Security (SSDI)	*
Capital Gain/Loss		SUPPLEMENTAL INCOME FROM SOCIAL SECURITY (SSI)	Specialty Line A
Other Gains/Losses		Other income (Jury Duty, Gambling Winnings)	*
IRA Distributions - Taxable amount		CHILD SUPPORT RECEIVED, WORKERS COMP. MONETARY GIFTS	Specialty Line B
Total Column 1		Total Column 2	
Total Income		(Total #1 + Total #2)	
Non MAGI (Not calculated but, required) - Total Monthly \$ Amount for all Legal Household Members			
Educator Expenses		Penalty on Early Withdrawal of Savings	
Business Expenses		Alimony Paid	
Health Savings Account		IRA deduction	
Moving Expenses		Student Loan Interest Deduction	
Deductible Part of Self Employment Tax		Tuition and Fees	
Self Employed SEP, SIMPLE plans		Domestic Production Activities	
Self Employed Health Insurance Deduction			
Total Column 3		Total Column 4	
Total Non MAGI		(Total #3 + Total #4)	
Add Specialty Line A +		(SSI)	
Add Specialty Line B +		(Child Supp, Work Comp, etc.)	
NON MAGI SUBTOTAL		Total Non MAGI + Spec Line A + Spec Line B	
-		=	
Total Income	minus	Non MAGI Subtotal	equals
			\$ FINAL MAGI
Notes			

Illinois' MOCK MAGI Worksheet

- All fields must have an entry, zero for any that do not apply to client
- For any income losses, place a negative number in the field
- Incomes listed in ALL CAPS are required fields, but are NOT calculated in MAGI
- Client signature required
- Dated within the last 90 days

NOTE The Program is in the process of partnering with Illinois Unemployment Income Benefits Office for access to their income verification system.

Any fraudulent information reported could result in corrective action from the Ryan White Part B Program, to include possible removal.

Client Signature

Date

Revised 10/25/13

Illinois Ryan White's MAGI Guide

New Income Documentation Requirements – must meet one of the three selections below

- 1. If you filed a Federal Tax Return for the most recent tax year:**

**Federal
IRS
1040**



**- AND -
All that apply**



- 2. If you have filed an Extension for the most recent tax year:**

**Mock
MAGI
Worksheet**

- AND -

**IRS 4868
Documentation
of Extension**



**- AND -
All that apply**



- 3. If you did not file a tax return for the most recent tax year:**

**Mock
MAGI
Worksheet**

write in notes section –
“Did not file tax return”



**- AND -
All that apply**



Dated within the last 90 days:

- 2 different Pay Stubs
- Unemployment Benefit Statement
- Alimony Received
- IRA Distributions
- Jury Duty Pay

The current year's:

- Social Security Award Letter
- Private or Veteran's Pension Award Letter
- Private or Veteran's Disability Award Letter

More Information

- For more information on the eligibility final rule:
<http://www.medicaid.gov/AffordableCareAct/Provisions/Eligibility.html>
- Visit the HIV/AIDS Bureau webpage, “Ryan White and the Affordable Care Act: What You Need to Know:”
<http://hab.hrsa.gov/affordablecareact/>
- Visit the TARGET Center:
<https://careacttarget.org/library/affordable-care-act-ryan-white-hivaids-program>
- Find more resources at:
<http://www.hrsa.gov/affordablecareact/index.html>

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