



MAGI: The Other Change to Medicaid Eligibility and What It Means for Florida

Starting January 2014, Florida will begin using the concept of Modified Adjusted Gross Income (MAGI) when determining eligibility for its Medicaid and CHIP programs. More than just a number, MAGI is a new method for counting and calculating income under the Affordable Care Act.¹

Specifically, MAGI will provide a basis for aligning, simplifying and streamlining eligibility across Medicaid, CHIP, and the Premium Tax Credits and Cost-Sharing Reductions available through the new Health Insurance Marketplace.

The most significant impact of MAGI on existing programs will be felt in Medicaid. Currently, each state can use a different method of counting and calculating income in its Medicaid program. By contrast, the concept of MAGI is based on uniform and generally familiar federal income tax-related concepts.

The “translation” between the current system and MAGI is not completely straightforward, however. In fact, as a result of the differences between the two systems, some Floridians who are Medicaid-eligible under current rules will become ineligible in 2014, even if nothing about their situation changes. On the other hand, some who are ineligible under current rules will be able to qualify once MAGI is implemented.

Some Floridians who are Medicaid-eligible under current rules will become ineligible in 2014, even if nothing about their situation changes. On the other hand, some who are ineligible under current rules will be able to qualify.

The intent of the Affordable Care Act was that current Medicaid recipients would not lose their coverage because of MAGI. Because of the complexity involved in the conversion, however, federal and state

agencies have interpreted this expectation that coverage be preserved to apply only to the *total* number covered, rather than to the any particular individual.

The fact that there are “winners” and “losers” as a result of the switch to MAGI is most problematic for the lowest-income working parents, because Florida rejected the expansion of Medicaid to include most non-elderly adults with household incomes up to 138 percent of the Federal Poverty Level (just under \$27,000 for a family of three.) These parents who are no longer Medicaid-eligible as a result of MAGI implementation were supposed to immediately become newly eligible under the Affordable Care Act expansion. Instead, tens of thousands of parents will lose Medicaid eligibility sometime in 2014.

A review of the details of the MAGI methodology and the changes required to implement them are beyond the scope of this brief. Indeed, the new automated eligibility system will perform all of the specific MAGI-related calculations without explanation to the applicant. Nevertheless, a number of important facts about the new system and their relationship to the current system of determining eligibility are noteworthy:

1. MAGI will be used to determine Medicaid eligibility starting in 2014, regardless of whether or not Florida expands its Medicaid program.

Although both MAGI and the expansion of Medicaid to include most adults with household incomes up to 138 percent of the poverty level are elements of the Affordable Care Act, they are entirely separate concepts, and their implementation can occur independently from one another. Furthermore, although states have the option to decline to expand Medicaid as a result of the U.S. Supreme Court’s July 2012 decision in response to the legal challenge to the law, that decision did not affect the requirement that states convert to MAGI for Medicaid eligibility determination purposes.

2. Not all Medicaid recipients will have their eligibility determined using MAGI.

MAGI will be used to determine eligibility for children, parents and caregiver relatives of dependent children, and pregnant women. Furthermore, if the Florida Legislature does elect to expand Medicaid at some point, MAGI would be used to determine which Floridians are newly eligible as a result of expansion.

However, the eligibility of most seniors, people with disabilities, children in the foster care system and some others will, generally *not* be determined using MAGI. These Floridians will continue to have their eligibility determined using current rules. However, it must be noted that some who do not qualify under current rules might nevertheless qualify under MAGI, and vice versa.²

3. The first – but by no means the only – step in the switch from the current system to MAGI was converting the income limits for the various Medicaid (and CHIP) eligibility groups.

The income limits for current Medicaid eligibility groups³ were converted to new income limits under MAGI. For example, under the current system, children ages 1 through 5 are eligible for Medicaid up to 133 percent of the poverty level. Under MAGI, the new limit is 140 percent of poverty.

The increase is related to the fact that, under the current system, certain income amounts are deducted or disregarded from the eligibility determination calculation on a case-by-case basis. Under MAGI, however, these individualized income deductions or “disregards” are no longer part of the process (although certain tax-related deductions may come into play as part of the calculation of MAGI). Instead, the new converted MAGI income limits factor in the average amount of income disregarded for affected recipients under the old system. This explains why the income limit for children ages 1 to 5 increased by an amount equal to 7 percent of the federal poverty level (from 133 to 140 percent). Because that 7 percent is an average of sorts, the expected effect is that although some would lose eligibility under MAGI, the same number of currently ineligible individuals would gain it. So although *total* enrollment numbers are not expected to change under MAGI, each individual would be affected differently.

In addition to the conversion of income limits under MAGI, the Affordable Care Act *also* includes a provision that makes the real income limit for each Medicaid eligibility group even higher. That provision requires that an *additional* amount equal to 5 percent of the poverty level be disregarded from the income calculation when determining eligibility under MAGI. Unlike income disregards under the current system, that 5 percent applies uniformly to everyone. Therefore, for example, the final, real income limit for children ages 1 through 5 in 2014 will be 145 percent of poverty (rather than 140 percent).

Table 1 below lists the current and new income limits for the current Medicaid eligibility groups in Florida whose eligibility will be determined using MAGI. The comparison is to some extent “apples-to-oranges” in nature, because the current income limits do not factor in any disregards that might apply, with the exception of the earned income disregard that applies to working parents. However, the MAGI income limits are the real amounts that will apply starting in 2014.

**Table 1 –Income Limits for Family-Related Medicaid Eligibility Groups:
Under Current System vs. Under MAGI (including the additional 5% disregard)**

Eligibility Group	Current System vs. Under MAGI	Income Limit as % of Poverty Level	Family Size					
			1	2	3	4	5	6
MEDICAID								
Infants (under age 1)	Current	200%	\$1,915	\$2,585	\$3,255	\$3,925	\$4,595	\$5,265
	MAGI	211%	\$2,020	\$2,727	\$3,434	\$4,141	\$4,848	\$5,555
Children ages 1 through 5	Current	133%	\$1,273	\$1,719	\$2,165	\$2,610	\$3,056	\$3,501
	MAGI	145%	\$1,388	\$1,874	\$2,360	\$2,846	\$3,331	\$3,817
Children ages 6 through 18	Current	100%	\$958	\$1,293	\$1,628	\$1,963	\$2,298	\$2,633
	MAGI	138%	\$1,321	\$1,784	\$2,246	\$2,709	\$3,171	\$3,633
Parents and caretaker relatives (of dependent children under age 19)	Current – No Earned Income	19%	\$180	\$241	\$303	\$364	\$426	\$488
	Current –All Earned Income	50% ⁴	\$560	\$682	\$806	\$928	\$1,052	\$1,176
	MAGI	35%	\$337	\$452	\$567	\$683	\$799	\$915
Pregnant women	Current	185%	N/A	\$2,391	\$3,011	\$3,631	\$4,250	\$4,870
	MAGI	196%	N/A	\$2,533	\$3,190	\$3,847	\$4,503	\$5,160
CHIP (Florida Healthy Kids, MediKids, Title XXI Children’s Medicaid)								
Children ages 1 through 18 & over income for Medicaid	Current	200%	\$2,011	\$2,714	\$3,418	\$4,121	\$4,825	\$5,528
	MAGI	210%	\$1,915	\$2,585	\$3,255	\$3,925	\$4,595	\$5,265

4. The types of income that are counted (and the way they are counted) when determining eligibility under MAGI will also be different than under the current system.

For most individuals, MAGI will simply be equal to Adjusted Gross Income, which is reported on federal income tax forms (for example, on Line 37 of IRS Form 1040.)

On one hand, certain types of income (child support, workers' compensation, cash assistance) will not be counted at all under MAGI. On the other hand, a significant portion of the earnings of the lowest-income working parents that is not counted under the current system will now be included in the eligibility calculation. Specifically, the first \$200 of earnings is currently ignored, as well half of the remainder. Under MAGI, all of this income is counted in the eligibility calculation (although the 5 percent FPL across-the-board income disregard applies.) As a result, more families who rely, for example, on child support income will qualify for Medicaid, while fewer working parents will qualify (unless the legislature approves Medicaid expansion).

On one hand, certain types of income (child support, workers' compensation, cash assistance) will not be counted at all under MAGI. On the other hand, a significant portion of the earnings of the lowest-income working parents that is not counted under the current system will now be included in the eligibility calculation. Specifically, the first \$200 of earnings is currently ignored, as well half of the remainder. Under MAGI, all of this income is counted in the eligibility calculation (although the 5 percent FPL across-the-board income disregard applies.)

On a related note, Florida adults applying for Medicaid are currently subject to an "asset test", under which an individual with assets worth more than \$2,000 cannot qualify for Medicaid. This restriction has prevented many extremely low-income Floridians who had no hope of otherwise obtaining coverage from qualifying for Medicaid. Under MAGI, adults will no longer be subject to an asset test. (Children are already exempt from any such test.)

5. The switch to MAGI includes several other changes from the current system and MAGI, such as differences in how household composition and size are determined.

Other aspects of Medicaid eligibility determination will change as well under MAGI. For example, eligibility will continue to be based on income that is adjusted for household size. However, MAGI makes changes to who is counted for purposes of the household. In most cases, who is in the household is determined using tax rules.⁵

6. Because of the number and nature of the differences between the current system and MAGI, prior experience of who is and is not Medicaid-eligible alone is not enough to determine how eligibility may change under MAGI.

Table 2 below compares four different scenarios intended to illustrate how eligibility calculations and determinations may change under MAGI:

Table 2 – Eligibility Determination Scenarios: Current System vs. MAGI				
Based on a single parent with two children - no current deductions or disregards other than those shown				
	A	B	C	D
Monthly Household Income (Cash)	\$300	\$800	\$800	\$800
Source of Income	Unemployment compensation	Earnings from a job	\$400 in child support and \$400 in earnings	Child support
Income Counted Under Current System	All \$300 is counted	The first \$200 is ignored, as is ½ of the rest, leaving \$300 that is counted	\$100 of the earnings is counted, and \$350 of the child support is counted	\$750 of the total is counted
Eligibility Calculation Under Current System	\$300 is less than the current income limit of \$303	\$300 is less than the current income limit of \$303	\$450 is more than the current income limit of \$303.	\$750 is more than the current income limit of \$303
Current Eligibility Determination	Eligible	Eligible	Ineligible	Ineligible
Income Counted Under MAGI	All \$300 is counted (- 5% disregard)	All \$800 is counted (- 5% disregard)	Only the \$400 in earnings are counted (-5% disregard)	None of the \$800 is counted (-5% disregard)
Eligibility Calculation Under MAGI	\$285 is less than the MAGI income limit of \$486	\$720 is more than the MAGI income limit of \$486	\$380 is less than the MAGI income limit of \$486	\$0 is less than the MAGI income limit of \$486
MAGI Eligibility Determination	Eligible	Ineligible	Eligible	Eligible

As Table 2 illustrates, some who are eligible under current rules will be ineligible under MAGI, and vice versa. As stated previously, the conversion from the current system to MAGI was to be accomplished

without causing recipients to lose coverage, but because of the complexity involved, this was interpreted to mean that the *overall* number of recipients should not drop as a result of the conversion.

In particular, the eligibility group most harmed by the conversion to MAGI will be working parents. As shown in Column B, because much of the income of certain⁶ working parents is disregarded under the current system, a working single parent with two children earning \$800 a month is currently eligible for Medicaid. Under MAGI, however, the same parent would not be eligible, and (s)he would lose eligibility for Medicaid sometime in 2014.⁷

A practical lesson learned from these examples is that informally determining whether an individual who is currently ineligible for Medicaid may become eligible under MAGI in 2014 will be difficult, if not impossible. These determinations can in fact only be made using the automated eligibility system. Even those who believe they will not become eligible without Medicaid expansion may benefit from applying, for several reasons.⁸

A practical lesson learned from these examples is that informally determining whether an individual who is currently ineligible for Medicaid may become eligible under MAGI in 2014 will be difficult, if not impossible.

7. Based on Florida’s plan for implementing MAGI, the current income rules will continue to apply in Medicaid and CHIP until the end of 2013. MAGI will be used to evaluate new applications for 2014 and beyond. Furthermore, those eligible under the current system will remain eligible at least through June 2014.

Floridians denied eligibility based on applications submitted in 2013 could see a different result if they apply in 2014. Although the new Health Insurance Marketplace began accepting applications in October 2013, and although the Marketplace is already making preliminary assessments about whether those who are ineligible for Premium Tax Credits may instead be eligible for Medicaid or CHIP, Florida in particular will not change its own application until December 16, 2013.

At the same time, because of challenges with the changes to and linkages between Medicaid, CHIP and the Marketplace, Florida has exercised a federal option to extend the renewal period so that renewals that would otherwise occur between January and May 2014 will instead occur later. Although details are unavailable as of this writing, the result is that no one who is eligible under the current system should lose eligibility due to MAGI before July 1, 2014.⁹ (Even so, Florida should take the additional step of “grandfathering” working parents’ eligibility for a full year, in keeping with the intent of the Affordable Care Act not to cause loss of eligibility.)

This report was researched and written by Greg Mellowe. Karen Woodall is Executive Director of FCFEP and Alan Stonecipher is Communications Director.

Endnotes

- ¹ See Internal Revenue Code, § 36B(d)(2)(B), and 42 CFR §435.603.
- ² Medicaid eligibility for those who potentially fall into both groups - MAGI and non-MAGI - is supposed to be automatically determined using both sets of criteria, but it may be necessary for some to submit two different applications.
- ³ The conversion to MAGI applies to family-related eligibility groups, which currently include children, parents and caregiver relatives and pregnant women.
- ⁴ Because of the earned income, the income limit under the current system translates to different percentages of the federal poverty level (FPL) depending on family size. The \$806 monthly income limit for a family of three is equivalent to 50% FPL.
- ⁵ Even under MAGI, there are some differences between the determination of who is in the household for purposes of Medicaid vs. Premium Tax Credits in the Marketplace.
- ⁶ Only working parents with gross earned income (i.e., before applying any disregards), less \$90, that is below 100% FPL can qualify for the earned income disregard.
- ⁷ A recipient's eligibility under the current system does not automatically end as of January 2014, but rather when the eligibility period runs out or the recipient's eligibility is recertified. In addition, recertification will be postponed for many recipients.
- ⁸ In addition to those who may in fact be Medicaid-eligible regardless of their expectations to the contrary, those with incomes below 138% FPL denied Medicaid will be assured that they are not subject to a penalty for not having coverage, and a small number may in fact be eligible for Premium Tax Credits through the Marketplace.
- ⁹ See <http://www.medicaid.gov/AffordableCareAct/Medicaid-Moving-Forward-2014/Targeted-Enrollment-Strategies/targeted-enrollment-strategies.html>.