Modified Adjusted Gross Income - MAGI 101

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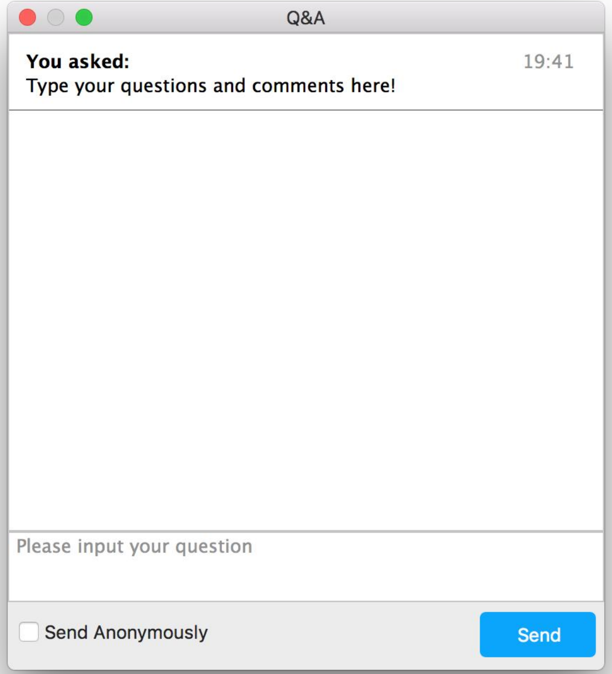
NATIONAL HEALTH LAW PROGRAM

Housekeeping – Q&A and Chat

- Please use the Q&A box for all **questions** to the panelists
    - Click on the Q&A icon at the bottom of the screen
- We will answers questions at each section break and at the end
- Webinar is being recorded. Everyone who registered will receive a link to the recording
- If you have a **technical issue**, please use the chat function



About the National Health Law Program

- National non-profit committed to improving health care access, equity, and quality for low-income and underserved individuals and families
- Federal, State & Local Partners in 50 states, D.C., and P.R.
  - Poverty & legal aid advocates
  - Health Law Partnerships
  - Disability rights and justice and sexual and reproductive health, rights, and justice advocates
- Strategy Areas: Federal Policy, California Policy, Enforcement & Litigation
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What We Will Cover

Part I

- What is MAGI
- When MAGI applies
- How to count income

Part II

- How to determine household size
  - Marketplace
  - Medicaid
- Exceptions and special rules

What is MAGI?

- **Modified Adjusted Gross Income** is a methodology for determining financial eligibility across multiple Insurance Affordability Programs
- Replaces existing income counting and disregards and household rules for many Medicaid eligibility categories
- Based upon the total household income as a percentage of the Federal Poverty Level (FPL) for a household of that size

Why MAGI?

- Used to streamline eligibility determinations across multiple Insurance Affordability Programs (IAPs)
- Implements ACA single streamlined application and no wrong door
- Applies to:
  - Medicaid
  - Children's Health Insurance Program (CHIP)
  - Basic Health Plans (BHP)
  - Marketplace subsidies
    - Premium Tax Credits (PTCs)
    - Cost Sharing Reductions (CSRs)

MAGI in Medicaid

MAGI

- Low-income adults age 19-64
- Pregnant women*
- Children up to age 19 (or 21 if full time student, at state option)
- Parent or Caretaker Relative

Non-MAGI

- Aged
- Blind
- Disabled
- Foster care/former foster children
- Qualified Medicare Beneficiary (QMB)
- Specified Low Income Medicare Beneficiary (SLMB)
- Qualified Individual (QI)

(Not a complete list)

While the statute uses "pregnant women," NHeLP recognizes that not all pregnant people are women.

The Two Faces of MAGI

MAGI rules to calculate:

- What income gets counted
- Who is in the household and the household size

MAGI rules for income

- Based upon the tax household
- Total household income = the sum of MAGI for everyone in the household **required to file** a federal income tax return
- Eligibility is based upon the total household income as a percentage of the Federal Poverty Level (FPL) for a household of that size

Medicaid/CHIP vs. Marketplace MAGI

- Current monthly income vs. projected annual income
- Income exceptions for Medicaid
  - Lump sum payments
  - Self employment deductions
  - Special rules for lottery winnings
- Married
  - Joint filing requirement for PTCs (with exceptions)
  - Same Medicaid household if living together
- When different methodologies make an individual ineligible for either program, Marketplace prevails

Definitions

- **Tax filer** – someone who files federal income taxes and who claims the personal exemption amount (e.g., is not claimed as a dependent by someone else)
  - Spouses filing jointly are both tax filers
- **Dependents**
  - Qualifying child
  - Qualifying relative
- Some people are required to file a federal income tax return (based on income/filing status)
- Dependents who file taxes are not tax filers (e.g., kid with a summer job)

Who must file federal income taxes?

- For dependents (2025):
  - Unearned income of more than $1,350
  - Earned income of more than $15,750
  - Both earned and unearned income, if the total is more than larger of $1,350 or earned income (up to $15,300) plus $450
- For non-dependents (2025) w/ gross income at least:
  - $15,750 (under 65 years)
  - $17,550 (65 years or older)
- Requirements differ for blind, aged
  - See IRS Pub. 501

Examples:

- If your child earns $14,000 per year at a summer job, that income does not count toward the household income

- If your child earns $15,800 per year at a summer job, that income will count toward the household income

- If your child receives $1,400 per year in dividend income over the year that would count toward the household income

- If your child receives $10,000 per year in Social Security benefits, that income does not count toward the household income

What income is counted?

Counted

- Taxable wages/salary
- Self-employment
- Social Security benefits (SSDI, retirement)
- Unemployment benefits
- Alimony received
- Most retirement benefits (incl. VA pensions)
- Interest (incl. tax-exempt)
- Rental income

Not Counted

- Child support received
- Supplemental Security Income (SSI)
- Workers' compensation payments
- Veteran's benefits (service-related disability)
- Gifts/Inheritances

How to count income

- IRS tax rules (mostly) govern what income is counted
- **STEP 1**: Determine Adjusted Gross Income (AGI) from the 1040 tax form:
    1. Add all income on Form 1040
    2. Subtract all adjustments
    3. Total = AGI on Line 11a

AGI → MAGI

- **STEP 2**: Make adjustments to AGI to calculate MAGI

AGI, **PLUS**

- Excluded Foreign Income
- Tax Exempt Interest
- Non-taxable Social Security benefits

= **M(odified)AGI**

Social Security vs. Supplemental Security

Social Security

- Social Security income provided under Title II of the Social Security Act (SSA) includes Social Security Disability Insurance (SSDI), retirement income, and survivor's benefits.
- These forms of income are taxable and counted in MAGI.

Supplemental Security Income (SSI)

- Supplemental Security Income (SSI) is provided under Title XVI of the SAA. It is designed to help persons who are aged, blind, or disabled, who are very low income and have limited assets.
- SSI is not taxed and does not count towards MAGI.

Social Security Income Counting

- **Tax filers** – ALL Social Security income (taxable + non-taxable) will count towards the total household MAGI

- **Dependents** - Social Security income is counted towards the total household MAGI only if the dependent is required to file a federal income tax return

Income Counting & Medicaid Income Exceptions

- Certain additional types of scholarship/fellowship income excluded for Medicaid
- Certain additional types of American Indian income excluded for Medicaid
- Lump Sum Income: only counted in month received for Medicaid; included in annual income for PTC calculation
- Special Medicaid rules for lottery winnings

Annual income vs. current monthly income

- **Marketplace Eligibility** (PTCs/CSRs): Projected annual income
- **Medicaid Eligibility**: Current Income (Point-in-time)
  - **Applicants:** Current monthly income & family size
  - **Recipients**: State may use current monthly income/family size or projected for remainder of calendar year
  - **Applicants/Recipients**: State may adopt method to included prorated future income or increases or decreases in income/family size. Adequate evidence must be provided.

MAGI Rules for Income Review

- What income gets counted
  - No asset test; 5% disregard applies in Medicaid/CHIP
  - Married couples must file jointly for PTCs (with some exceptions)
- Current monthly income vs. projected annual income
- Income = AGI + add-ins (Modified)
- Total household income = sum of MAGI for everyone in the household **required to file** a federal income tax return
- Eligibility is based on total household income as a percentage of the FPL for a household of that size

Household composition and size

Why Household Size Matters

- **Household composition** = identifying individuals who are members of the household
- **Household size** = sum total of countable menbers in the household
- However, there are <u>different rules</u> for determining who is in the household and how to count them for Marketplace and Medicaid

It can get complicated!

General Principles

- **Conduct** a person-by-person analysis
- **Determine** the Marketplace and Medicaid household for each individual
  - Marketplace household will be the same for all members
  - Medicaid household may vary
- **Ask**: Who is seeking an eligibility determination?
  - Remember: You can apply on behalf of someone else
  - Remember: You do not have to be eligible to be counted as a member of a Marketplace or Medicaid household

The Marketplace Household

- **General rule: Tax filer(s) + dependents**
  - Includes qualifying child and/or qualifying relative
  - Includes dependents who expect to file federal income taxes
  - Spouses must file jointly to qualify for PTCs/CSRs*

The Medicaid household

- **General rule** – the Medicaid household is the same as the Marketplace household
  - **Tax filer(s) + dependents**

But there are separate Medicaid rules and exceptions that may apply!

Be on the alert for…

- Individuals who do not expect to file federal income taxes or be claimed as a dependent (aka non-filers/non-dependents)
  - Separate rules apply to determine their Medicaid household
- Pregnant women* – three sets of rules on how to count them!
- Married couples who live together, but file taxes separately
  - Under Medicaid rules, they are in the same household
  - Under Marketplace rules, they are not eligible for PTCs*

Two big Medicaid exceptions for dependents:

- Child claimed by only one parent when:
  - Both parents live together (but are not married or file jointly), or
  - The child is claimed by the non-custodial parent

- Dependent relatives (other than spouse or child of the tax filer)

- **For these, apply the separate Medicaid rules for non-filers/non-dependents**

Rules for non-filers/non-dependents
(apply also to the 2 big exceptions for dependents)

For **adults**, the Medicaid household consists of:

- The individual;
- The individual's spouse if living with the individual;
- The individual's children* if living with the individual.

For **children,*** the Medicaid household consists of:

- The child;
- The child's parent(s) if living with the child;
- The child's sibling(s)* if living with the child;
- The child's spouse, if living with the child;
- The child's children,* if living with the child.

***Under 19, or under 21 for full time students (at state option)**

Analyzing the Medicaid household

- Who is seeking an eligibility determination?
- Is this person a tax filer or claimed as a dependent?
  - If neither, apply the separate Medicaid rules for non-filers/non-dependents
- Do any exceptions or other separate rules apply?
  - Dependents
    - Children claimed by only one parent
    - Dependents who are neither the spouse nor the child of the tax filer
  - Married couples who live together but file separately
  - Pregnant women*

Example #1– Medicaid: General Rule -- tax filer(s) + dependents

George and Louise are married. They file a joint federal income tax return. They have one teenage child, Lionel, whom they claim as a dependent (qualifying child).

Marketplace household is three (George, Louise, Lionel)

George’s Medicaid household is three (George, Louise, Lionel)
Louise’s Medicaid household is three (George, Louise, Lionel)
Lionel’s Medicaid household is three (George, Louise, Lionel)

Example #2 – Child claimed by one parent - unmarried filing separately

George and Louise are unmarried and live together. They file separate federal income tax returns. They have one teenage child, Lionel, who lives with them. George claims Lionel as a dependent (qualifying child). Louise files her own tax return.

George's Marketplace household is two (George, Lionel)
Louise's Marketplace household is one (Louise)
Lionel's Marketplace household is two (George, Lionel)

George's Medicaid household is two (George, Lionel)
Louise's Medicaid household is one (Louise)
Lionel's Medicaid household is three (George, Louise, Lionel)

Example #2 – explanation

George and Louise are unmarried and live together. They file separate federal income tax returns. They have one child teenage child, Lionel, who lives with them. George claims Lionel as a dependent (qualifying child). Louise files her own tax return.

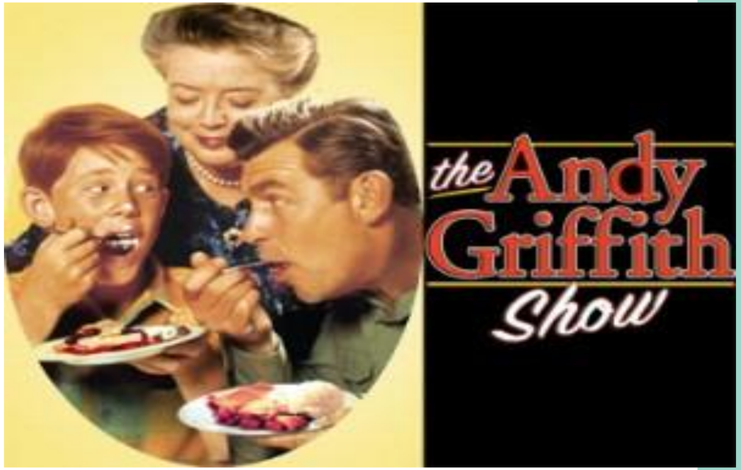
George is a tax filer with a dependent.
Louise is a tax filer with no dependents.

Lionel is claimed as a dependent by one parent, which is his Marketplace household. However, for Medicaid apply the rules for non-filers/non-dependents.

Lionel's Medicaid household includes the parent(s) he lives with.

Example #3 –
Dependent relatives – Medicaid household

Andy and Opie are father and son, who live with Aunt Bee. Andy is a tax filer who claims Opie as a dependent (qualifying child) and Aunt Bee as a dependent (qualifying relative).



Marketplace household is three (Andy, Opie, Aunt Bee)

Andy's Medicaid household is three (Andy, Opie, Aunt Bee)
Opie's Medicaid household is three (Andy, Opie, Aunt Bee)
Aunt Bee's Medicaid household is one (Aunt Bee)

Example #3 – explanation

Andy and Opie are father and son, who live with Aunt Bee. Andy is a tax filer who claims Opie as a dependent (qualifying child) and Aunt Bee as a dependent (qualifying relative).

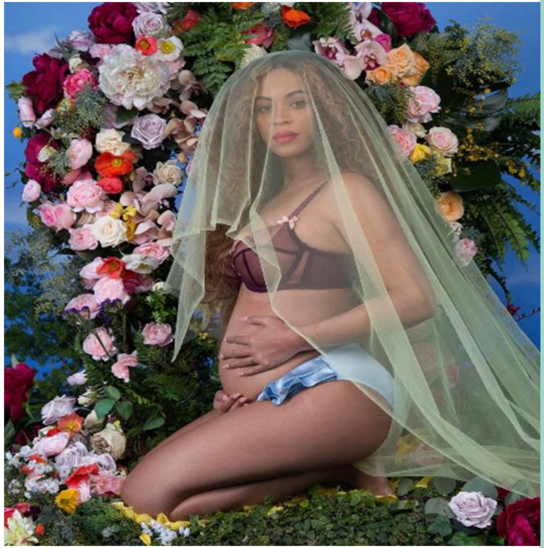
Why? Because Aunt Bee is claimed as a tax dependent, but is neither a spouse nor a child of the tax filer (Andy).

Apply the rules for non-filers/non-dependents. Aunt Bee's Medicaid household consists of just her (since she has no spouse or minor children).

Special rules for pregnant people

- Marketplace rule – a pregnant woman* is counted as one person
- In Medicaid, if a pregnant woman* is seeking an eligibility determination, they are counted as one person plus the number of children expected to deliver
- However, if a pregnant woman* is in the household of someone who is seeking an eligibility determination, states can opt to count them as one person, two people, or one person plus the number of children expected to deliver

Example #4 – pregnant individual seeking eligibility determination



Beyonce is pregnant and expecting twins. She lives in Wheeling, WV with her husband Jay Z. They file a joint federal income tax return, and claim no dependents.

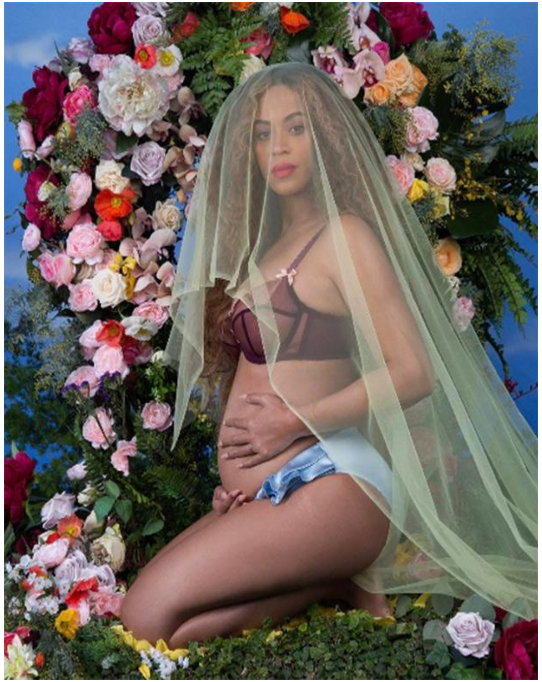
Beyonce's Marketplace household is two (Beyonce and Jay Z)

Beyonce's Medicaid household is four (Beyonce, two children expected to deliver, and Jay Z)

Example #5 – pregnant individual in the household of someone else seeking an eligibility determination

Beyonce is pregnant and expecting twins. She lives in Wheeling, WV with her husband Jay Z. They file a joint federal income tax return, and claim no dependents.

WV counts pregnant women* as one person, regardless of how many babies are expected, when she is in the household of someone seeking an eligibility determination.



Beyonce's Marketplace household is two
Beyonce's Medicaid household is four

What is Jay Z's Medicaid household?

Tips for MAGI determinations

1. Who is seeking an eligibility determination?
2. Separate determinations for Marketplace and Medicaid households
3. What is the income for each household member?
4. What income counts toward the total household income?
5. Only count a dependent's income if that dependent is required to file federal income taxes.
6. Watch out for pregnant people!
7. Watch out for children!
8. Learn your state specific rules.
9. Misapplying MAGI may result in wrongful denials or terminations

NHeLP's MAGI Resources

- The Advocate's Guide to MAGI
- MAGI Household Quick Reference Guide
- Q&A: Differences Between Marketplace and Medicaid MAGI
- Fact Sheet – IRS Updated Guidance on HCBS Difficulty of Care Payments
- MAGI, Streamlined Applications, and Medicaid Family Planning Expansions

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