



ACA LEARNING SERIES

Impact on Massachusetts &
Implementation Activities to Date

**Massachusetts Health Care Training Forum (MTF)
Conference Call – Modified Adjusted Gross Income**

June 11, 2013

A collaborative effort between the
Executive Office of Health and Human Services and the Health Connector

Agenda

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- MAGI Definition
- MAGI Household Composition
- MAGI Income Counting
- Income Related Application Questions
- Data Matching and Reasonable Compatibility
- MAGI Differences for Health Connector and MassHealth
- Commonly Asked Questions
- Scenario Examples

Modified Adjusted Gross Income (MAGI)

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- MAGI is a methodology that **uses federal income tax rules and concepts** to:
 - (1) count income and
 - (2) determine household composition and family size

- Federal income tax rules and concepts of adjusted gross income (with some modifications) are used, but it is not simply a number off a tax return.

- Final Rule can be found at 42 CFR 435.603 and § 1.36B-1 of the Internal Revenue Code

MAGI Household Composition

- MAGI changes the definition of household composition as we know it today.
 - This is one of the biggest changes under MAGI.
 - In today's world "family group" is how household composition is determined and used for eligibility determinations, which generally means all individuals in the same household are counted as a family group.
 - Under MAGI, there is no longer one "family group" rather each individual will have their own household determination.

- Generally, MAGI follows federal tax household rules to determine household composition.
 - For premium tax credits, the tax household is always the household.
 - For MassHealth, tax household rules are used, but some exceptions apply based on family relationships and who lives together.

MassHealth MAGI Household Composition

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- First: Look to tax filer and claimed dependents
- Second: Consider exceptions for dependents, including
 - (1) whether claimed by someone other than a parent,
 - (2) whether living with both parents who do not file jointly, or
 - (3) if claimed by absent parent.If exception met, apply “relationship” rules.
- Married people are always included in the same household if they are living together regardless of if or how they file their taxes.
- Non-filers use “relationship” rules, similar to current MassHealth household composition rules.

MAGI Income Counting

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Many people are expected to benefit from MAGI income counting, which should result in a lower federal poverty level (FPL) than gross income.

- ❑ MAGI takes “Taxable” Adjusted Gross Income, which can be found on IRS Form 1040 (line 37 = AGI), then “modifies” it by adding back in tax-exempt interest and Social Security income.
- ❑ MAGI does NOT count (but MassHealth does currently count) : child support income, pre-tax deductions (e.g. child care expenses or health savings accounts), workers comp, gifts, inheritances, life insurance (non-taxable income).
- ❑ MAGI allows for tax deductions to be subtracted from countable income. A person may deduct what they could on taxes, such as alimony paid, mortgage interest, student loans, and moving expenses.

Income Related Application Questions

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- The new Health Insurance Exchange Integrated Eligibility System (HIX/IES) has been created with intelligence to determine all eligibility rules (including MAGI). The applicant will be expected to answer similar application questions as they do today, with few additions.
- The new single streamlined application will include questions on how the applicant expects to file taxes.
- The application will also ask questions about relationship status, e.g. marriage, parents, siblings.

Income Related Application Questions

- ❑ Same income and demographic questions as today, with some additional questions regarding potential deductions, and tax filing expectations.
- ❑ Example of new questions from single streamlined application:
 - ❑ Do you plan to file a federal income tax return next year? If yes, answer the following three questions.
 - Will you file jointly with a spouse? If Yes, name of spouse _____
 - Do you have any dependents? If Yes, list names of dependents _____
 - Are you claimed as a dependent on someone else's tax return? If Yes, please list the name of the tax filer _____
 - How are you related to the tax filer? _____
 - ❑ **Deductions.** Check all that apply. (If you pay for certain things that can be deducted on a federal income tax return, telling us about them could lower the cost of health insurance. Do not include a cost that was already considered in the answer to net self-employment.)
 - ❑ Alimony Paid \$ _____ How Often? _____
 - ❑ Student Loan Interest \$ _____ How Often? _____

Tax Filing Application Questions

- For MAGI determination, we need to know how a person expects to file federal income taxes for the year in which they are seeking benefits.
- For example, the question asks how you expect to file your taxes “next year”:
 - If you apply in and seek benefits in January 2014, we need to know how you expect to file your 2014 income taxes, which are due to be filed by April 15, 2015.
 - If you apply during open enrollment in October 2014 for benefits to start in 2015, we need to know how you expect to file your 2015 income taxes, which are due by April 15, 2016.

Data Matching- Electronic Verification

- ACA requires states to leverage electronic data sources to verify information and streamline applications, so that paper verifications are used as a last resort.
- Electronic data matching will be used to check self-attested income. For many reasons, it is expected that we will not be getting perfect matches with income a person reports and what income the electronic sources provide. Therefore, the concept of “Reasonable Compatibility” (RC) was developed and is included in the federal regulations.
- Simply speaking, when there is a discrepancy between the self-reported information and the electronic match, the RC process allows us to determine whether the two are “close enough”, so that we can consider the information as verified so that no further verification is needed.

Reasonable Compatibility

- Reasonable Compatibility will be used to determine if the self-attested income and the electronic match amount are ‘close enough’ so that they can be considered to be verified amounts; therefore the person will not have to submit any paper verifications.
 - **Premium Tax Credits:**
 - If the claimed income is higher than the income from the available data source, the income will be reasonably compatible and no verification will be required.
 - If the claimed income is lower than the income from the available data source, the income be reasonably compatible if they are within 10% of each other. If they are not within 10% of each other, verification will be requested.

Reasonable Compatibility (cont'd)

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- **MassHealth:**
 - If the two numbers are either both above or both below a certain income threshold, they are considered to be Reasonably Compatible.
 - For example, if both the self-attested amount and the match amount are under 133% FPL, no matter how close or far apart they are, it will not impact benefits and therefore be considered Reasonably Compatible.
 - If those two are not both above or below the same FPL, if they are within 10% of each other, they are considered to be Reasonably Compatible.
- In both cases, the self-reported income amount and not the electronic match amount would be used to determine benefits and premium amounts, if any.

Non-Tax Filers or No Electronic Data Match

- What happens if someone doesn't file taxes or cannot get an electronic data match of their income?
 - **MassHealth**: **No change** to verify income. For those people who do not file taxes, who we cannot get a data match for income, or who are not considered Reasonably Compatible, income verification can be submitted as it is done today.
 - **Premium Tax Credits**: Paper verifications can be submitted, as is done for MassHealth today.
 - *NOTE: In order to receive Premium Tax Credit a person must file taxes for the year that Premium Tax Credits are received.*
 - *Married couples must also file a joint tax return.*

Verifications

- If we are unable to verify your information with electronic data sources, you may be required to submit paper verifications.
- The same things used for verifications today will be acceptable in 2014, such as pay stubs, Social Security letters, last year's federal tax return, & pension award letter.

Coverage Effective Date

- When the Connector cannot verify information required to confirm eligibility, the Connector must provide 90 days to resolve the inconsistency. During the 90-day period, the Connector must proceed with the eligibility determination using the attested information and allow for enrollment into a Qualified Health Plan if qualified.
- To align, MassHealth plans to use similar approach of granting initial 90 day approvals when data matches are not available to verify information OR when data match info is not reasonably compatible with self attested info.
- The initial approvals will be for benefits based upon an applicant's self-attested circumstances, for up to 90 days.
 - Applicant will receive a Request for Information notice to provide verifications within 90 day period.

MAGI Differences for Premium Tax Credits and MassHealth

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- ❑ Premium Tax Credits' household is always tax household – MassHealth has exceptions.
- ❑ Premium Tax Credits requires projected annual income- MassHealth requires current monthly income calculation.
- ❑ Some income counted for Premium Tax Credits but not for MassHealth (i.e. lump sums (except for month received), American Indian/Alaska Native distributions, certain scholarships/grants).

MAGI Excluded Populations

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- Federal rules generally exclude the below population groups from using MAGI:
 - People who need Long-Term Care
 - Individuals aged 65+
 - SSI recipients
 - Title IV-E recipients (MassHealth children receiving Adoption Assistance or Foster Care payments)
 - People eligible via an Express Lane Agency income findings
 - People eligible for Medicare cost sharing assistance (Medicare Buy-In)
 - People with disabilities*

* Note: MassHealth is currently in process of discussing with CMS how certain advantageous components of MAGI may apply to disabled members and applicants.

How will income be verified if someone is no longer employed?

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- For newly-applying individuals, the HIX/IES system will data match what the individual reports as income to federal income data sources (IRS tax data) for verification purposes.
- The data matching will also use existing state data matching, including Department of Labor and Workforce Development, to verify unemployment income.

What if a person is a seasonal worker and their income changes in the middle of the year?

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- The online and paper applications will be collecting income information and ask questions about seasonal employment and the months in which income is received, then use it to determine an average monthly amount for MassHealth or an annual amount for Premium Tax Credits eligibility purposes.

What if a person is self-employed?

- In today's world, self-employed already apply last year's tax return for an eligibility determination. This is similar process for MAGI, so they should see little change.
- If an individual is self-employed and the tax return is not reflective of the current income, he or she can submit a profit and loss statement to verify income.

How will premiums be affected?

MassHealth

- There should be little or no impact to how premiums or premium assistance is calculated for MassHealth. In the new world, today's Family Group for premium billing and premium assistance rules will be mirrored for premium and premium assistance calculations. *
- Simply speaking, we will not use MAGI household composition for premium billing or premium assistance. We will use the current family group that we use today for the calculation.

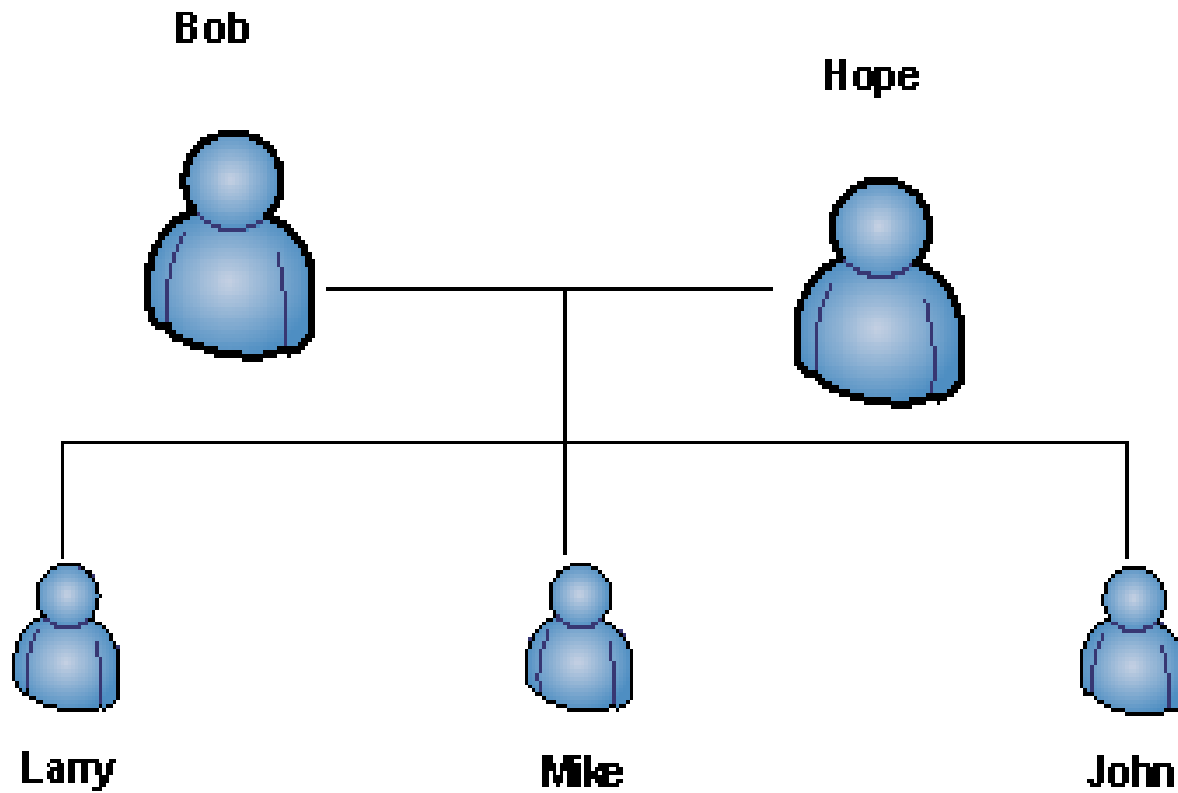
**Note: MassHealth is currently in process of discussing with CMS.*

Connector

- Monthly premiums will be assessed based on the MAGI income as well as the cost and tier of the selected health plan.
- Depending on where an individual's income falls on the FPL chart, the monthly premium may be higher or lower.
 - Example: An individual with MAGI at 330% FPL will likely pay a higher premium than an individual with MAGI income at 140% FPL.

MAGI – Household Composition Scenarios

Married couple with three children in common who file taxes jointly

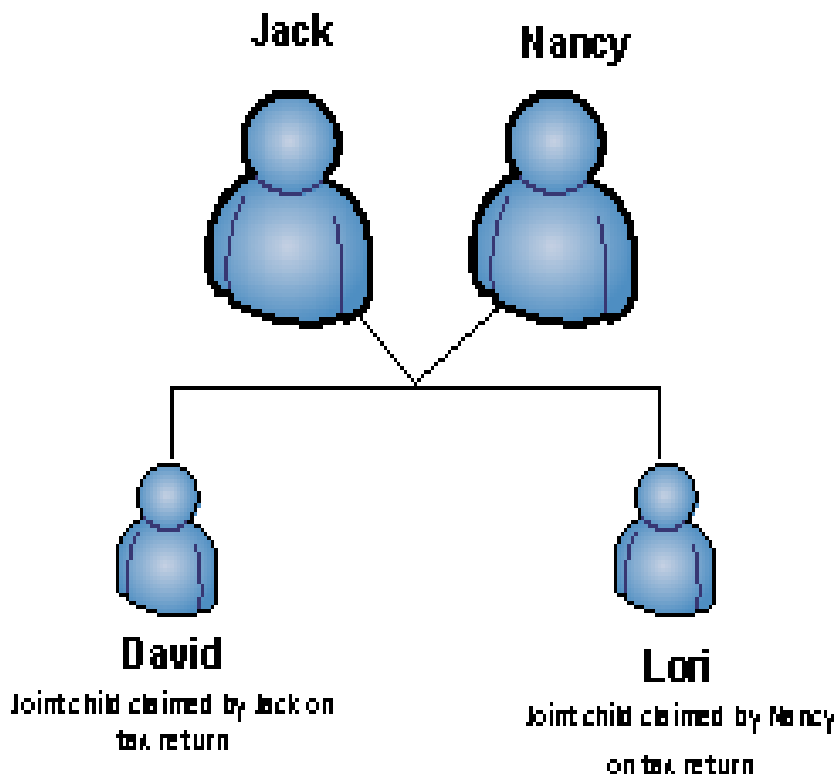


Current Household:
Bob, Hope, Larry, Mike, & John

MAGI Tax Household:
Bob, Hope, Larry, Mike, & John

MAGI Medicaid Household:
Bob, Hope, Larry, Mike, & John

Unmarried couple with two children in common. Each parent claims one child on their separate tax returns



Current Household:

Jack, Nancy, David, & Lori

MAGI Tax Households:

Jack's Household = Jack & David

Nancy's Household = Nancy & Lori

David's Household = Jack & David

Lori's Household = Nancy & Lori

MAGI Medicaid Households:

Jack's Household = Jack & David

Nancy's Household = Nancy & Lori

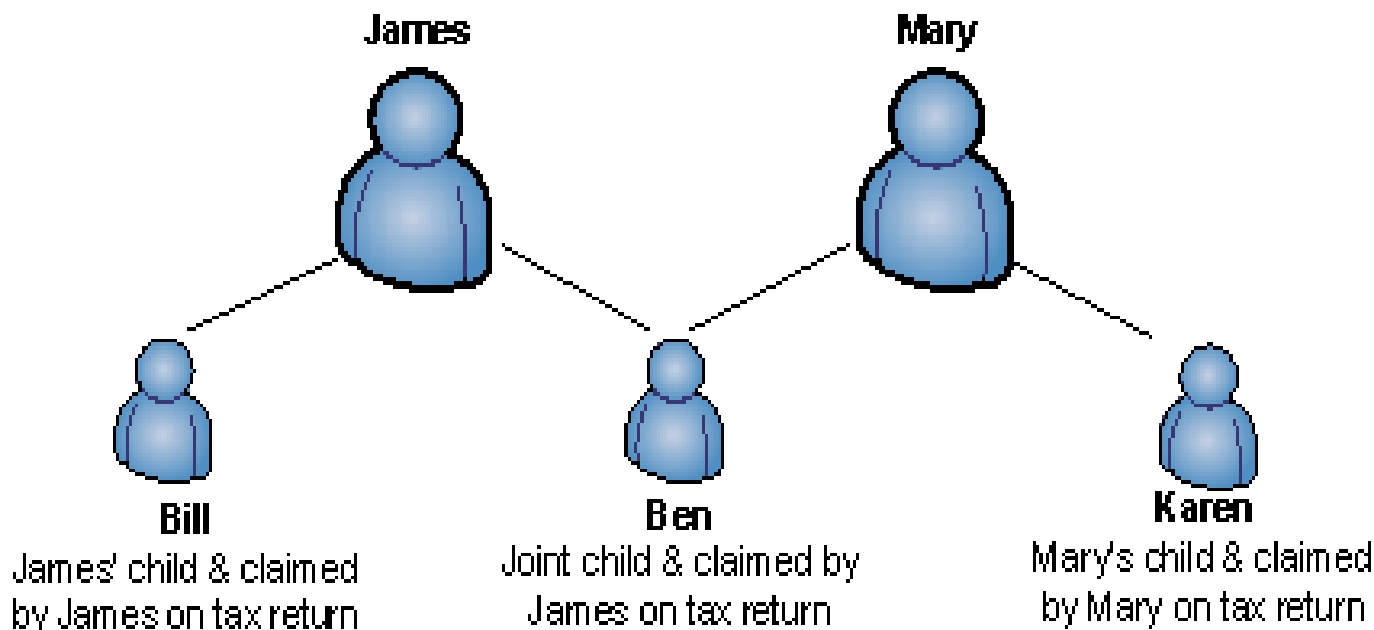
David's Household =

Jack, Nancy, David, & Lori

Lori's Household =

Jack, Nancy, David, & Lori

Unmarried couple with one child in common. Each parent also has their own child. Dad claims his child & joint child on his tax return. Mom claims her child on her tax return



Current Household:

James, Mary, Bill, Ben, & Karen

MAGI Tax Households:

- James' Household** = James, Bill, & Ben
- Bill's Household** = James, Bill, & Ben
- Mary's Household** = Mary & Karen
- Karen's Household** = Mary & Karen
- Ben's Household** = James, Bill, & Ben

MAGI Medicaid Households:

- James' Household** = James, Bill, & Ben
- Bill's Household** = James, Bill, & Ben
- Mary's Household** = Mary & Karen
- Karen's Household** = Mary & Karen
- Ben's Household** = James, Bill, Mary, Karen, & Ben

THANK YOU!