

# **DMA ADMINISTRATIVE LETTER NO: 06-13, MAGI-MEDICAID/NCHC HOUSEHOLD DETERMINATION**

**DATE:** August 29, 2013

**SUBJECT:** Determining Household Composition when applying Modified Adjusted Gross Income (MAGI) Methodology.

**DISTRIBUTION:** County Directors  
Medicaid Supervisors  
Medicaid Eligibility Staff

## **I. BACKGROUND**

The Patient Protection and Affordable Care Act of 2010 require the use of new financial methodologies when determining Medicaid and NCHC eligibility for certain program groups. This methodology redefines the financial household by eliminating the use of certain disregards and utilizing the tax filing status of an applicant.

Modified Adjusted Gross Income (MAGI) methodology will be used to determine how income is counted and how household composition and a family size is constructed when determining eligibility. MAGI is the adjusted gross income, with specific exceptions, of a tax filer according to federal tax rules. The applicant's countable income will be a "MAGI-based income."

This is the first of a series of administrative letters that will provide instructions on MAGI-based methodology. The purpose of this administrative letter is to provide instructions on determining the household composition when evaluating eligibility for Medicaid and NCHC. For Medicaid purposes, when the household composition is determined using MAGI, it is referred to as the "MAGI household."

These household composition rules are only applied to Medicaid/NCHC groups that use MAGI methodology to determine household income and eligibility. Federal regulations do not allow MAGI rules to be applied to the following Medicaid groups:

- Supplemental Security Income (SSI) recipient
- Medicaid for the Aged Blind and Disabled (MAA, MAD, MAB) and Medicare Qualified Beneficiaries (MQB),
- Individuals requesting home and community based services such as Community Alternative Program (CAP), Program of All Inclusive Care for the Elderly (PACE), and long term care (including Family and Children's program if long term care budgeting applies),
- Medically Needy (all programs including State Foster Home Fund (HSF) and Medicaid for Families (MAF).

Note: While MAGI rules do not apply to these programs, an individual receiving Medicaid in one of these groups may be included in the MAGI household of an applicant/beneficiary.

## II. POLICY PRINCIPLES

- A. **Financial responsibility rules have significantly changed and no longer apply. MAGI household rules must be applied when determining household composition.**
- B. **The Medicaid/NCHC household is referred to as the “MAGI household.”**
- C. **Currently an individual receiving SSI, IV-E Adoption Subsidy and Foster Care (IAS), Work First Family Assistance (WFFA) or an individual under the age of 19 who is legally married, serving or have served in the military or have been legally emancipated are not included in the needs unit, however they may be included in the MAGI household.**
- D. **There are additional groups in which the eligibility determination is based on other programs rules such as IAS, Breast and Cervical Cancer Medicaid (BCCM), and there are groups that do not require income/asset tests, such as the new Former Foster Care. MAGI rules do not apply to these groups.**
- E. **Each household member will have their own MAGI household.**
- F. **Individuals who live in a household may have a different family size.**
- G. **Although MAGI rules are based on federal tax rules, MAGI is applied whether or not an individual is expected to file a tax return or be claimed as a tax dependent.**
- H. **During the application/redetermination process, the a/b is required answer whether or not they are expected to file a tax return or be claimed as a tax dependent. The client’s responses must be documented. However, verification is not required.**

## III. DEFINITION OF TERMS

The following definitions are for Medicaid/NCHC purposes and how they relate to MAGI and household composition.

**Family Size**-The number of individuals in the MAGI household. This is based on tax household or non-filer household. The number in the family size will determine what income limit is used.

**MAGI Household**-Medicaid and NCHC household as determined using MAGI rules.

**Medicaid Aged child**-Natural, adopted, or stepchild under the age of 19.

**Modified Adjusted Gross Income (MAGI)**-Adjusted Gross Income, with specific exceptions, of a tax filer according to federal tax rules.

**Non-filer**-An individual who is not expected to file a tax return or expected to be claimed as a tax dependent by someone else.

**Parent**-Natural, adoptive, or step.

**Parent/Caretaker**-Must have a child under the age of **18** in the household.

Note: Medicaid still covers children under the age of 21. However, they are not considered a Medicaid aged child when determining the MAGI household.

**Pregnant Woman**- A pregnant woman's household includes herself plus the number of unborns. When the pregnant woman is included in the household of another, the pregnant woman is counted as one.

**Tax Dependent**- An individual expected to be claimed as a dependent by someone else (whether or not he expects to file taxes) for the taxable year in which a determination is made for Medicaid/NCHC.

**Tax Filer**- An individual who expects to file a tax return for the taxable year in which a determination is made for Medicaid/NCHC.

**Tax Household**-Tax filer (includes married couples filing jointly) and all claimed dependents

**Sibling**-Natural, adoptive, or step

#### **IV. MAGI HOUSEHOLD**

For Medicaid purposes, the MAGI household is determined based on whether the individual is a tax filer, a tax dependent, or a non-filer, as well as certain applicable exceptions. A MAGI household must be constructed for each individual in the household.

##### **A. Tax Household**

If the tax household is used:

1. If the individual is the tax filer, the MAGI household consists of the following:
  - Tax filer
  - Spouse living with the tax filer
  - All persons whom the tax filer expects to claim as tax dependents
2. If the individual expects to be claimed as a tax dependent (whether or not they expect to file taxes), and does not meet any of the tax dependent exceptions (A.3. below), the MAGI household consists of the following:
  - The individual
  - All members of the household of the tax filer who claims the individual as a tax dependent
  - The individual's spouse (if living together and not already included)
3. Tax Dependent Exceptions

If the tax dependent meets one of the following exceptions, apply the non-filer rules in IV.B. below:

- a. The individual is claimed as a tax dependent by someone other than a spouse or a natural, adopted, or stepparent.
- b. A child under the age of 19 is living with parents who do not expect to file a joint tax return. This may include a stepparent.
- c. A child under the age of 19 is claimed as a tax dependent by a non custodial parent.

## **B. Non-filer Household**

If the individual does not expect to file taxes and does not expect to be claimed as a tax dependent, or is a tax dependent who meets one of the exceptions in A.3. above, the MAGI household consists of the following (living in the home):

- The individual
- The individual's spouse
- The individual's natural, adopted, and step children under the age of 19

If individual is under age 19, includes same as above AND (living in the home)

- The individual's natural, adopted and stepparents, and
- The individual's natural, adopted, and step siblings under the age of 19.

## **V. PROCEDURES-DETERMINING MAGI HOUSEHOLD COMPOSITION**

When determining the household composition, a household must be constructed for each individual in the household. This is based on the tax filing status of the individual. Please see attached MAGI Household Composition chart. This chart should be used determining the tax household for every person in the home.

### **A. Does the individual expect to file taxes?**

1. If **No**-Continue to V.B
2. If **Yes**-Does the individual expect to be claimed as a tax dependent by any one else?
  - a. If **No**-The MAGI household is the household of the Tax filer (IV.A. above). See column 1 in the MAGI Household Composition chart.
  - b. If **Yes**- Does the individual meet any of the tax dependent exceptions listed in IV.A.3. above?
    - (1) If **No**-The MAGI household is the tax household (IV.A. above). See column 3 in the MAGI Household Composition chart.
    - (2) If **Yes**-The MAGI household is based on non-filer rules (IV.B. above). See to column 6 in the MAGI Household Composition chart.

**B. Does the individual expect to be claimed as a tax dependent?**

1. If **No**-The MAGI household is the household of a non-filer (IV.B. above). See column 4 in the MAGI Household Composition chart.
2. If **Yes**-Does the individual meet any of the tax dependent exceptions listed in IV.A.3. above?
  - a. If **No**-The MAGI household is the tax household (IV.A. above). See column 2 in the MAGI Household Composition chart.
  - b. If **Yes**-The MAGI household is based on non-filer rules (IV.B. above). See column 5 in the MAGI Household Composition chart.

**VI. EXAMPLES-CONSTRUCTING THE MAGI HOUSEHOLD**

Construct the MAGI household for each individual:

**A. Annie's Household**

**Annie (35), Annie's son Jacob (10) and Annie's daughter Miley (7) are in the household. Annie does not expect to file taxes or be claimed as a tax dependent.**

1. Annie's household

Does Annie expect to file taxes? **No.**

Does Annie expect to be claimed as a tax dependent? **No**

**Annie's Household is established using the non-filer rules: Annie, Jacob, and Miley**

2. Jacob's household

Does Jacob expect to file taxes? **No.**

Does Jacob expect to be claimed as a tax dependent? **No**

**Jacob's household: Jacob, Annie and Miley (non-filer rules)**

3. Miley's household

Does Miley expect to file taxes? **No**

Does Miley expect to be claimed as a tax dependent? **No**

**Miley's household: Miley, Annie and Jacob (non-filer)**

Household Determination

	MAGI Household	Annie	Jacob	Miley	Family Size
Applicant	Annie	x	x	x	3
	Jacob	x	x	x	3
	Miley	x	x	x	3

**B. Mary’s household**

**Mary (51), Mary’s son Bill (22), Mary’s Nephew Ned (10) and Mary’s niece Nancy (10) are in the household. Mary claims all as tax dependents.**

1. Mary’s household

Does Mary expect to file taxes? **Yes**  
 Does Mary expect to be claimed as a tax dependent? **No**  
**Mary’s Household is her tax household: Mary, Bill, Ned and Nancy**

2. Bill’s household

Does Bill expect to file taxes? **No**  
 Does Bill expect to be claimed as a tax dependent? **Yes**  
 Does Bill meet any of the tax dependent exceptions (IV.A.3.)? **No**  
**Bill is over the age limit and not eligible for coverage unless he wants to apply for eligibility on basis of disability (non-MAGI) or for Family Planning (FPW).**  
**Bill’s household for FPW: Mary, Bill, Ned and Nancy (the tax household of the filer who claims him as a dependent)**

3. Ned’s household

Does Ned expect to file taxes? **No**  
 Does Ned expect to be claimed as a tax dependent? **Yes**  
 Does Ned meet any of the tax dependent exceptions (IV.A.3.)? **Yes**  
 Ned expects to be claimed by someone other than a spouse or a biological, adopted, or stepparent. See IV.A.3.a. above. The household consists of himself and his sibling. Non-filer rules apply (IV.B.).  
**Ned’s Household: Ned and Nancy**

4. Nancy’s household

Does Nancy expect to file taxes? **No**  
 Does Nancy expect to be claimed as a tax dependent? **Yes**  
 Does Nancy meet any of the tax dependent exceptions (IV.A.3.)? **Yes**  
 Nancy expects to be claimed by someone other than a spouse or a biological, adopted, or stepparent. See IV.A.3.a. above. The household consists of herself and her sibling. Non-filer rules apply (IV.B.).  
**Nancy’s Household: Nancy and Ned**

Household determination

Applicant	MAGI Household	Mary	Bill	Ned	Nancy	Family Size
Mary		x	x	x	x	4
Bill		x	x	x	x	4
Ned				x	x	2
Nancy				x	x	2

**C. Carol's Household**

**Carol (49), Carol's daughter Marcia (17), Marcia's daughter, Lily (2), are in the household. Carol claims all as tax dependents.**

1. Carol's household

Does Carol expect to file taxes? **Yes**

Does Carol expect to be claimed as a tax dependent? **No**

**Carol's Household is her tax household: Carol, Marcia, and Lily**

2. Marcia's household

Does Marcia expect to file taxes? **No**

Does Marcia expect to be claimed as a tax dependent? **Yes**

Does Marcia meet any of the tax dependent exceptions (IV.A.3.)? **No**

**Marcia's Household is the tax household of the person who claims her as a dependent: Marcia, Carol, and Lily**

3. Lily's household

Does Lily expect to file taxes? **No**

Does Lily expect to be claimed as a tax dependent? **Yes**

Does Lily meet any of the tax dependent exceptions (IV.A.3.)? **Yes**

Lily expects to be claimed by someone other than a spouse, or biological, adopted, or stepparent. See IV.A.3.a. above. Lily is being claimed by her grandmother. Non-filer rules apply (IV.B.).

**Lily's Household: Lily and Marcia**

Household Determination

	MAGI Household	Carol	Marcia	Lily	Family Size
Applicant	Carol	x	x	x	3
	Marcia	x	x	x	3
	Lily		x	x	2

**D. Rose's household**

**Rose (48), Rose's daughter Alice, (17), Alice's daughter Kitty (1), are in the household. Rose claims Alice as a tax dependent. Kitty is claimed by her father Dennis (20), who does not reside in the household.**

1. Rose's household

Does Rose expect to file taxes? **Yes**

Does Rose expect to be claimed as a tax dependent? **No**

**Rose's Household is the tax household: Rose and Alice**

2. Alice's household

Does Alice expect to file taxes? **No**

Does Alice expect to be claimed as a tax dependent? **Yes**

Does Alice meet any of the tax dependent exceptions? **No**

**Alice's Household is the tax household of the person who claims her as a dependent: Alice and Rose**

3. Kitty's household

Does Kitty expect to file taxes? **No**

Does Kitty expect to be claimed as a tax dependent? **Yes**

Does Kitty meet any of the tax dependent exceptions (IV.A.3.)? **Yes**

Kitty expects to be claimed by a non-custodial parent. See IV.A.3.c. above. Non-filer rules apply (IV.B.).

**Kitty's Household: Kitty and Alice**

Household Determination

Applicant	MAGI Household	Rose	Alice	Kitty	Family Size
	Rose	x	x		2
	Alice	x	x		2
	Kitty		x	x	2



**E. Dennis' Household**

**Dennis (20) and Dennis' daughter Lynn (3) are in the household. Dennis claims Lynn as a tax dependent. Dennis also claims his other daughter Kitty (1) who lives in the household with her mother (see example D above, Rose's household).**

1. Dennis' household

Does Dennis expect to file taxes? **Yes**

Does Dennis expect to be claimed as a tax dependent? **No**

**Dennis' Household is his tax household: Dennis, Lynn and Kitty.**

2. Lynn's household

Does Lynn expect to file taxes? **No**

Does Lynn expect to be claimed as a tax dependent? **Yes**

Does Lynn meet any of the tax dependent exceptions (IV.A.3.)? **No**

**Lynn's Household is the tax household of the person who claims her as a dependent: Lynn, Dennis and Kitty.**

Household Determination

	MAGI Household	Dennis	Lynn	Kitty	Family size
Applicant	Dennis	x	x	x	3
	Lynn	x	x	x	3

**F. Jan’s household**

**Jan (45), her boyfriend Phil, (49), Jan’s son Mike (16), Phil’s Son Brett (14), Jan and Phil’s daughter, Emma (4) are in the household. Jan claims Mike as a tax dependent. Phil claims Brett and Emma as tax dependents.**

1. Jan’s household

Does Jan expect to file taxes? **Yes**

Does Jan expect to be claimed as a tax dependent? **No**

**Jan’s Household is her tax household: Jan and Mike. Jan and Phil are not married, so Phil is not included in Jan’s household.**

2. Phil’s household

Does Phil expect to file taxes? **Yes**

Does Phil expect to be claimed as a tax dependent? **No**

**Phil’s Household is his tax household: Phil, Brett, and Emma. Phil and Jan are not married, so Jan is not included in Phil’s household**

3. Mike’s household

Does Mike expect to file taxes? **Yes**

Does Mike expect to be claimed as a tax dependent? **Yes**

Does Mike meet any of the tax dependent exceptions (IV.A.3.)? **No**

**Mike’s Household is the tax household of the person who claims him as a dependent: Mike and Jan**

4. Brett’s household

Does Brett expect to file taxes? **No**

Does Brett expect to be claimed as a tax dependent? **Yes**

Does Brett meet any of the tax dependent exceptions? **No**

**Brett’s Household is the tax household of the person who claims him as a dependent: Brett, Phil, and Emma**

5. Emma’s household

Does Emma expect to file taxes? **No**

Does Emma expect to be claimed as a tax dependent? **Yes**

Does Emma meet any of the tax dependent exceptions (IV.A.3.)? **Yes**

Emma is living with two parents, but the parents do not expect to file a joint tax return. See IV.A.3.b. above. Non-filer rules apply (IV.B.).

**Emma’s Household: Emma, Jan, Phil, Mike and Brett**

Household Determination

Applicant	MAGI Household	Jan	Phil	Mike	Brett	Emma	Family Size
	Jan		x		x		
Phil			x		x	x	3
Mike		x		x			2
Brett			x		x	x	3
Emma		x	x	x	x	x	5

## G. Patsy's household

**Patsy (45), Patsy's daughter Cindy (20), and Patsy's son Greg (16), are all in the household. Patsy does not expect to file taxes or be claimed as a tax dependent.**

1. Patsy's household

Does Patsy expect to file taxes? **No**

Does Patsy expect to be claimed as a tax dependent? **No**

**Patsy's household is established using the non-filer rules: Patsy and Greg. Cindy is not included in the household because she is not a Medicaid age child or sibling under age 19.**

2. Cindy's household

Does Cindy expect to file taxes? **No**

Does Cindy expect to be claimed as a tax dependent? **No**

**Cindy's household: Cindy**

3. Greg's Household

Does Greg expect to file taxes? **No**

Does Greg expect to be claimed as a tax dependent? **No**

**Greg's Household: Greg and Patsy. Cindy is not included in the household because she is not a Medicaid age child or sibling under age 19.**

Household Determination

	MAGI Household	Patsy	Cindy	Greg	Family size
Applicant	Patsy	x		x	2
	Cindy		x		1
	Greg	x		x	2

## H. Whitney's Household

**Whitney (45), Whitney's sons, Paul (15) and Jason (12) are in the household. Jason receives SSI benefits. Whitney claims both her sons as tax dependents.**

1. Whitney's household

Does Whitney expect to file taxes? **Yes**

Does Whitney expect to be claimed as a tax dependent? **No**

**Whitney's household is her tax household: Whitney, Paul and Jason**

2. Paul's household

Does Paul expect to file taxes? **No**

Does Paul expect to be claimed as a tax dependent? **Yes**

Does Paul meet any of the tax dependent exceptions (IV.A.)? **No.**

**Paul's household is the tax household of the person who claims him as a dependent: Paul, Whitney and Jason.**

Although Jason is a SSI recipient and MAGI methodology does not apply when determining his eligibility, he is included in the family size when determining eligibility for another applicant/beneficiary.

Household Determination

	MAGI Household	Whitney	Paul	Jason	Family Size
Applicant	Whitney	x	x	x	3
	Paul	x	x	x	3
	Jason				(SSI recipient)

## I. Sandy's Household

**Sandy (45), her husband Ben (46), and their pregnant daughter Samantha (17) are in the household. Sandy, Ben and Samantha do not expect to file taxes nor be claimed as tax dependents.**

1. Sandy's household

Does Sandy expect to file taxes? **No**

Does Sandy expect to be claimed as a tax dependent? **No**

**Sandy's household is established using non-filer rules: Sandy, Ben and Samantha.**

2. Ben's household

Does Ben expect to file taxes? **No**

Does Ben expect to be claimed as a tax dependent? **No**

**Ben's Household is established using non-filer rules: Ben, Sandy and Samantha**

3. Samantha's household

Does Samantha expect to file taxes? **No**

Does Samantha expect to be claimed as a tax dependent? **No**

**Samantha's Household is established using non-filer rules: Samantha, her unborn, Sandy and Ben. Since she is pregnant, the unborn is counted in her household.**

Household Determination

Applicant	MAGI Household	Sandy	Ben	Samantha	Family Size
	Sandy	x	x	x	3
	Ben	x	x	x	3
	Samantha	x	x	x +1	4

## **VII. EFFECTIVE DATE AND IMPLEMENTATION**

### **A. Applications**

Apply household composition rules to all applications for coverage beginning January 1, 2014. Open enrollment for Medicaid under MAGI rules begins on October 1, 2013. If ineligible under current Medicaid rules, then evaluate for eligibility under MAGI. Coverage under MAGI programs can begin no earlier than January 1, 2014.

### **B. Redeterminations**







Apply policy for redeterminations effective January 1, 2014.

If you have any questions regarding this information, please contact a Medicaid Program Representative.

Carol H. Steckel, MPH  
Director

(This material was researched and written by Ena Lightbourne, Policy Consultant, Medicaid Eligibility Unit)

# MAGI ~ Household Composition

1	2	3	4	5	6
Will Applicant <b>file</b> Taxes?  <b>Yes</b>	Will Applicant <b>file</b> Taxes?  <b>No</b>	Will Applicant <b>file</b> Taxes?  <b>Yes</b>	Will Applicant <b>file</b> Taxes?  <b>No</b>	Will Applicant <b>file</b> Taxes?  <b>No</b>	Will Applicant <b>file</b> Taxes?  <b>Yes</b>
Will applicant be a tax <b>dependent</b> for anyone else?  <b>No</b>	Will applicant be a tax <b>dependent</b> for anyone else?  <b>Yes</b>	Will applicant be a tax <b>dependent</b> for anyone else?  <b>Yes</b>	Will applicant be a tax <b>dependent</b> for anyone else?  <b>No</b>	Will applicant be a tax <b>dependent</b> for anyone else?  <b>Yes</b>	Will applicant be a tax <b>dependent</b> for anyone else?  <b>Yes</b>
	Does the Applicant meet any of the <b>exceptions*?</b>  <b>No</b>	Does the Applicant meet any of the <b>exceptions*?</b>  <b>No</b>		Does the Applicant meet any of the <b>exceptions*?</b>  <b>Yes</b>	Does the Applicant meet any of the <b>exceptions*?</b>  <b>Yes</b>
					

HH is Applicant, live-in spouse and Applicant's other tax dependents	HH is the HH of the taxpayer claiming Applicant as a dependent plus Applicant's spouse, if married	HH is applicant/beneficiary, spouse in the home, and children in home under age 19. <b><u>If applicant/recipient is under age 19:</u></b> Also includes: live-in parent(s) and live-in siblings under age 19
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**\*EXCEPTIONS:** Is the Applicant/Beneficiary:

1. A tax dependent of someone other than spouse or parent?
2. Under age 19 and living with both parents who will **not** file jointly?
3. Under age 19 and will be claimed by a non-custodial parent?

### **Types of Medicaid/NCHC Households**

**Tax Household** – Used as Medicaid/NCHC when applicant/beneficiary is tax filer or tax dependent and not exceptions apply. The household includes:

- Tax Filer(s)
- Tax Dependents of Tax Filer(s)
- Spouse of applicant/beneficiary, if in the home and not in the tax household

**Non-filer household** – Used when applicant/beneficiary is not tax filer or tax dependent or meets one of the exceptions.

The household includes:

- Individual, and if living in the home:
- Individual's spouse
- Individual's natural, adoptive and step children under age 19

If individual is under age 19, includes same as above AND

- Individual's natural, adoptive and step parent(s) in the home
- Individual's natural, adoptive and step siblings in the home under age 19