



ASPE

ISSUE BRIEF

HOW STATES CAN IMPLEMENT THE STANDARDIZED MODIFIED ADJUSTED GROSS INCOME (MAGI) CONVERSION METHODOLOGY FROM STATE MEDICAID AND CHIP DATA

INTRODUCTION

The Affordable Care Act changes the way income will be counted for determining Medicaid and CHIP eligibility. Historically, states have calculated eligibility using net income standards incorporating various disregards. After 2014, states, the District of Columbia, and territories (Note: hereafter any reference to “states” includes the District of Columbia and the territories) will assess eligibility using modified adjusted gross income (MAGI) for most populations, and current state specific disregards will be replaced by a general disregard of 5 percent of the current federal poverty level (FPL) for the applicable family size.

The December 28, 2012 State Health Officials’ Letter on Modified Adjusted Gross Income (MAGI) Conversion explains the purpose and options for conversions under Section 2002 of the Affordable Care.¹ As discussed in the Letter, states utilizing the Centers for Medicare and Medicaid Services’ (CMS) recommended Standardized MAGI Conversion Methodology may choose to establish converted thresholds based on Survey of Income and Program Participation (SIPP) data, as calculated by CMS, or based on state data, as calculated by the states. This document explains various considerations for states deciding between SIPP and state data, how to use the eligibility templates provided by CMS for the conversion process, and the steps that states wishing to perform the conversions using state Medicaid and CHIP data will need to follow.

¹Available at <http://www.medicaid.gov/Federal-Policy-Guidance/downloads/SHO12003.pdf>

CONSIDERATIONS FOR STATES DECIDING BETWEEN NATIONAL AND STATE DATA

States evaluating whether to use their own data or SIPP data should consider both the level of detail available in their state data and the effort required to organize and use their state data, as compared to the SIPP. Each data source has its own advantages and disadvantages, both because the availability of specific data elements within state data stores varies and because state policies (and therefore, the relative importance of certain data elements) vary.

As described in the ASPE companion brief *Data Sources for Modified Adjusted Gross Income (MAGI) Conversions*, the Department of Health and Human Services (HHS) has developed a national model to simulate Medicaid eligibility for use in the recommended Standardized MAGI Conversion Methodology using SIPP data. A key feature of the SIPP data is that it contains information on enrolled Medicaid beneficiaries as well as individuals who are likely eligible and therefore is better for estimating the effects of a converted threshold on the net number of people eligible. This model, however, does not capture state-specific, eligibility group specific household composition, income counting or disregard rules, given limitations in the data the SIPP collects and the feasibility of programming for all states. The SIPP model uses one household composition configuration for all states and all eligibility groups, which includes parents, children and siblings. State data could capture these data points using multiple household composition configurations varying for family groups, such as section 1931, and for other AFDC-related eligibility groups (e.g., employing “prohibited deeming” financial responsibility rules under Section 1902(a)(17) of the Social Security Act (the Act)). Similarly, state data would capture the rules employed by states that test multiple configurations of household compositions to give an applicant the greatest possible benefit before finding the individual ineligible.

The SIPP model has selected most frequently used disregards that are captured in the SIPP, which CMS believes will be sufficient for states that use typical disregards. State data has the potential to capture actual disregards used under the state rules, including less frequently used ones and ones not captured in the SIPP. Using state data gives states the opportunity to use a full year of data, if they choose, which could be important in states that experience seasonal variations in eligibility and/or disregards; whereas the SIPP model uses one month of data (the April 2012 cross section of the 2008 SIPP panel). State data will by definition capture the demographics of the enrolled population in the state. The SIPP model is approximating the demographics of each state using a re-weighting strategy whereby certain characteristics relevant for the income conversion process are given more or less weight for each state. Finally, for eligibility groups that have an asset test, the state data should capture this information; whereas the SIPP model will not be using an asset test when selecting cases to use for the calculations.

However, in performing tests with sample state data in our research, we found a number of challenges that states may also encounter. The Standardized MAGI Conversion Methodology requires individual-level data that includes information on eligibility category, income, and total disregard amount. There may be a substantial effort involved in extracting, transforming and loading the data. Some data may not be collected consistently; even if collected, may not be

maintained in history. Furthermore, some data elements present in SIPP may not be present in state data sources, such as stepparent income and parent income for young adults living at home.

AFFECTED ELIGIBILITY GROUPS, MINIMUM AND MAXIMUM THRESHOLDS, AND ELIGIBILITY TEMPLATES

In section III.A. of the March 23, 2012 Final Rule on Eligibility Changes Under the Affordable Care Act (March 2012 final eligibility rule), CMS consolidated eligibility groups included in multiple statutory provisions into the first three simplified regulatory sections listed below, and established the new eligibility group for low-income adults²:

- §435.110 - Parents and Other Caretaker Relatives³
- §435.116 - Pregnant Women⁴
- §435.118 - Children under age 19⁵
- §435.119 – Adult Group.

For each of the first three consolidated groups, the final rule requires states to use the highest converted MAGI-equivalent standard for any of the prior eligibility groups subsumed in the consolidated group to establish a new income eligibility standard for the consolidated group. For children, this income standard must be maintained at least until October 1, 2019. For adults, states may choose to maintain the converted income standard after Calendar Year (CY) 2013, lower their income standard to statutory minimums, or select a new income standard in between the minimum and the converted income standard.

As set forth in §§ 435.110, 435.116 and 435.118 of the March 2012 final eligibility rule, the converted income eligibility standards will be based on the highest income standards in effect on March 23, 2010 or December 31, 2013 for each included eligibility group under the Medicaid state plan or 1115 demonstration. States that currently cover optional eligibility groups that are not MAGI-exempt will also need to convert the income standards for those optional eligibility groups. These income conversions will set the maximum eligibility levels for the mandatory and optional MAGI groups in the state in CY 2014. Mandatory and optional groups for aged, blind,

² 77 FR 17143-17217 (March 23, 2012), available at <http://www.gpo.gov/fdsys/pkg/FR-2012-03-23/pdf/2012-6560.pdf>

³ Eligibility under the following section of the Act would be included in the simplified parent/caretaker relative group: 1931 of the Act (low-income families).

⁴ Eligibility under the following sections of the Act would be consolidated in the pregnant women group: 1902(a)(10)(A)(i)(III) (qualified pregnant women); 1902(a)(10)(A)(i)(IV) (poverty level related pregnant women); 1902(a)(10)(A)(ii)(I) (optional coverage of pregnant women who meet AFDC financial requirements); 1902(a)(10)(A)(ii)(IV) (optional coverage of institutionalized pregnant women); 1902(a)(10)(A)(ii)(IX) (optional coverage of poverty-level related pregnant women); and 1931 (pregnant women with no dependent children in low-income families).

⁵ Eligibility under the following sections of the Act would be consolidated in the simplified kids group: 1902(a)(10)(A)(i)(III) (qualified children who meet AFDC financial eligibility criteria); 1902(a)(10)(A)(i)(IV) (children < 1 years old), 1902(a)(10)(A)(i)(VI) (children 1-5 years old), 1902(a)(10)(A)(i)(VII) (children 6-18 years old); 1902(a)(10)(A)(ii)(IX) (optional coverage of poverty-level related infants); 1902(a)(10)(A)(ii)(IV) (institutionalized children); and 1931 (children < 19 in low-income families).

or disabled individuals, the medically needy, and the Medicare Savings Program are MAGI-exempt; and current income and resource counting methods, standards, and disregards will continue to apply for these groups.

States that use an 1115 demonstration to increase the income standard for other MAGI-included populations above the minimum required levels under title XIX or title XXI or to cover adults without dependent children also will need to convert the income standards for such demonstrations, whether they continue such demonstrations beyond December 31, 2013 or transfer the populations into state plan coverage. The 1115 demonstration MAGI-based income standard will set the new maximum income standard allowed for the population covered under the 1115 demonstration, even if that maximum is applied only to a state plan eligibility group. For example, if a state covers parents/caretaker relatives in a mandatory state plan coverage group to 75 percent of FPL but in an 1115 demonstration up to 150 percent of FPL, the state would have to convert both of these income standards for parents/caretaker relatives. The higher converted income level would set the maximum income standard permitted for parents/caretaker relatives in the state plan under section 1931. If the state terminated its demonstration, the maximum income standard could be applied to the mandatory coverage group for parents/caretaker relatives.

For additional information regarding MAGI eligibility groups, see Attachment 1, [The Medicaid and Children's Health Insurance Program Eligibility Groups in 2014](#).

Table 1, sets forth maximum income eligibility standards for each eligibility group that will need to be converted to a MAGI equivalent income standard, as well as the minimum income standards for section 1931 and for full coverage of pregnant women in accordance with the January 22, 2013 notice of proposed rulemaking, Medicaid, Children's Health Insurance Programs, and Exchanges: Essential Health Benefits in Alternative Benefit Plans, Eligibility Notices, Fair Hearing and Appeal Processes for Medicaid and Exchange Eligibility Appeals and Other Provisions Related to Eligibility and Enrollment for Exchanges, Medicaid and CHIP, and Medicaid Premiums and Cost Sharing (78 FR 4594) (January 2013 proposed rule)⁶.

Table 1. Maximum Allowable Eligibility Thresholds

Determining Maximum Allowable Eligibility Thresholds		
2014 eligibility group	Current eligibility groups	Maximum standard in 2014
MANDATORY ELIGIBILITY CATEGORIES		
Parents and caretaker relatives (42 CFR 435.110)	Section 1931 Section 1115 demonstrations	Higher of: 1) The effective income standard as of 3/23/10 (or 12/31/13, if higher), converted to MAGI-based standard; or 2) The State's AFDC income standard in effect as of July

⁶ Available at <http://www.gpo.gov/fdsys/pkg/FR-2013-01-22/pdf/2013-00659.pdf>

Determining Maximum Allowable Eligibility Thresholds		
2014 eligibility group	Current eligibility groups	Maximum standard in 2014
		16, 1996 increased by no more than the increase in the CPU-U between July 16, 1996 and the effective date of such increase.
Pregnant women – pregnancy related coverage (42 CFR 435.116)	Sections 1902(a)(10)(A)(i)(IV), 1902(a)(10)(A)(ii) (IX) Section 1115 demonstrations	Higher of: 1) The highest effective income standard in effect under the State plan or waiver as of 3/23/10 (or 12/31/13, if higher), converted to MAGI-based standard; or 2) 185% FPL.
Pregnant women – full Medicaid coverage (42 CFR 435.116)	Section 1902(a)(10)(A)(i)(III) Section 1931	Highest effective income standard under section 1902(a)(10)(A)(i)(III) or under section 1931 in effect under the State plan or waiver as of 3/23/10 (or 12/31/13, if higher), converted to a MAGI-based standard.
Children under age 1 (42 CFR 435.118)	Sections 1902(a)(10)(A)(i)(III) and (IV) Section 1902(a)(10)(A)(ii)(IX) Section 1931 Section 1115 demonstrations	Higher of: 1) 185% FPL; or 2) Highest effective income level in effect under the State plan or waiver as of 3/23/10 (or 12/31/13, if higher), converted to a MAGI-based standard
Children ages 1 through 5 (42 CFR 435.118)	Sections 1902(a)(10)(A)(i)(III) and (VI) Section 1931 Section 1115 demonstrations	Higher of: 1) 133% FPL; or 2) Highest effective income level in effect under the State plan or waiver as of 3/23/10 (or 12/31/13, if higher), converted to a MAGI-based standard
Children ages 6 through 18 (42 CFR 435.118)	Sections 1902(a)(10)(A)(i)(III) and (VII) Section 1931 Section 1115 demonstration	Higher of: 1) 133% FPL; or 2) Highest effective income level in effect under the State plan or waiver as of

Table 5: Conversion Example, Fixed Dollar Thresholds

(1) ID	(2) Number in Family	(3) Net Income	(4) Net Income, % of FPL	(5) In Marginal 25 Range (34-59% FPL)?	(6) Total Disregards	(7) FPL	(8) Disregards/FPL
1	1	\$400	43%	Yes	\$90	\$931	9.7%
2	1	\$500	54%	Yes	\$0	\$931	0.0%
3	2	\$700	56%	Yes	\$220	\$1,261	17.4%
4	2	\$625	50%	Yes	\$50	\$1,261	4.0%
5	2	\$400	32%	No	\$90	\$1,261	NA
6	2	\$325	26%	No	\$115	\$1,261	NA
7	3	\$800	50%	Yes	\$290	\$1,591	18.2%
Average Disregard Amount							$= (9.7 + 0 + 17.4 + 4.0 + 18.2) / 5$ $= 9.9\%$

Individuals 1, 2, 3, 4, and 7 have incomes in the marginal 25 percentage point range, and are used for conversion. To determine the converted FPL-based threshold the state would add the average disregard amount for people in the marginal 25 percentage point range (9.9 percent) to the original FPL-based threshold (59 percent) to get a new threshold, in this case 69 percent of FPL. Subsequently, the state would translate this FPL-based amount into a set of fixed dollar thresholds, which remain fixed over time. This final step is illustrated in column 5 of Table 6.

Table 6: Final Conversion Step, Fixed Dollar Thresholds

(1) Family Size	(2) Original, Fixed Dollar Threshold	(3) Monthly FPL	(4) Converted, FPL-Based Threshold	(5) Converted, Fixed Dollar Threshold [=(3)*(4)]
1	\$600	\$930.83	69%	\$642
2	\$725	\$1,260.83	69%	\$870
3	\$890	\$1,590.83	69%	\$1,098

Appendix 1

2013 POVERTY GUIDELINES
ALL STATES (EXCEPT ALASKA AND HAWAII) AND D.C.

ANNUAL GUIDELINES

FAMILY SIZE	PERCENT OF POVERTY GUIDELINE								
	100%	120%	133%	135%	150%	175%	185%	200%	250%
1	11,490	13,788	15,281.70	15,511.50	17,235.00	20,107.50	21,256.50	22,980.00	28,725.00
2	15,510.00	18,612.00	20,628.30	20,938.50	23,265.00	27,142.50	28,693.50	31,020.00	38,775.00
3	19,530.00	23,436.00	25,974.90	26,365.50	29,295.00	34,177.50	36,130.50	39,060.00	48,825.00
4	23,550.00	28,260.00	31,321.50	31,792.50	35,325.00	41,212.50	43,567.50	47,100.00	58,875.00
5	27,570.00	33,084.00	36,668.10	37,219.50	41,355.00	48,247.50	51,004.50	55,140.00	68,925.00
6	31,590.00	37,908.00	42,014.70	42,646.50	47,385.00	55,282.50	58,441.50	63,180.00	78,975.00
7	35,610.00	42,732.00	47,361.30	48,073.50	53,415.00	62,317.50	65,878.50	71,220.00	89,025.00
8	39,630.00	47,556.00	52,707.90	53,500.50	59,445.00	69,352.50	73,315.50	79,260.00	99,075.00

For family units of more than 8 members, add \$4,020 for each additional member.

MONTHLY GUIDELINES

FAMILY SIZE	PERCENT OF POVERTY GUIDELINE								
	100%	120%	133%	135%	150%	175%	185%	200%	250%
1	957.50	1,149.00	1,273.48	1,292.63	1,436.25	1,675.63	1,771.38	1,915.00	2,393.75
2	1,292.50	1,551.00	1,719.03	1,744.88	1,938.75	2,261.88	2,391.13	2,585.00	3,231.25
3	1,627.50	1,953.00	2,164.58	2,197.13	2,441.25	2,848.13	3,010.88	3,255.00	4,068.75
4	1,962.50	2,355.00	2,610.13	2,649.38	2,943.75	3,434.38	3,630.63	3,925.00	4,906.25
5	2,297.50	2,757.00	3,055.68	3,101.63	3,446.25	4,020.63	4,250.38	4,595.00	5,743.75
6	2,632.50	3,159.00	3,501.23	3,553.88	3,948.75	4,606.88	4,870.13	5,265.00	6,581.25
7	2,967.50	3,561.00	3,946.78	4,006.13	4,451.25	5,193.13	5,489.88	5,935.00	7,418.75
8	3,302.50	3,963.00	4,392.33	4,458.38	4,953.75	5,779.38	6,109.63	6,605.00	8,256.25

Produced by: CMCS/CAHPG/DEEO