

# Affordable Care Act (ACA) Overview: Key Changes to Policies, Processes, and Programs

## Lesson 2: Medicaid Eligibility, Determination, and Programs

Office of Medicaid Policy and Planning



# Introduction



This lesson will complete the training overview of major ACA-driven policies, processes, and programs.

In Lesson 1, you learned about changes to health coverage, the role of the federal Health Insurance Marketplace, navigators, and changes to the Medicaid application process.



This lesson will focus on the impact of new eligibility methodology and other changes in Indiana's Medicaid program due to ACA.

# Objectives



At the end of this training, you should be able to do the following:

- Understand new financial eligibility requirements
- Understand the household composition and income eligibility for Modified Adjusted Gross Income (MAGI) eligibility groups
- Understand the roles of the Division of Family Resources (DFR) and the federal marketplace and how they interact in the eligibility process for Medicaid and financial assistance
- Summarize changes to Medicaid health coverage as it relates to eligibility groups, benefit packages, and services

# Changes in Medicaid Eligibility Determination



Family and Social Services Administration

# Introducing MAGI



ACA mandates a new financial eligibility determination for certain eligibility groups known as Modified Adjusted Gross Income (MAGI).

MAGI is an income methodology that is based on federal taxable income with some modifications.



# The MAGI Tax Household



The MAGI household is generally based on the tax household that would be reported on the federal tax return.

If a family does not plan to file a federal tax return, non-filing rules apply and include the individual, spouse, and the individual's children.

If a child or tax dependent is not required to file a federal tax return, that child's or dependent's income will not be included. However, these individuals will be included in the household size.

# Healthcare Eligibility Overview



The new MAGI methodology will apply to **some**, but **not all** categories of health coverage groups. The following chart shows which groups will use the new MAGI eligibility rules and which will not.

Groups with New MAGI Eligibility Rules:	Groups with Current Eligibility Processing Rules:
<ul style="list-style-type: none"><li>• Parents and/or caretakers</li><li>• Pregnant women</li><li>• Children</li><li>• Healthy Indiana Plan (HIP)</li><li>• Former foster care</li><li>• Children's Health Insurance Program (CHIP)</li><li>• Family planning</li></ul>	<ul style="list-style-type: none"><li>• Aged</li><li>• Blind</li><li>• Disabled</li><li>• Medicaid for Employees with Disabilities (MED Works)</li><li>• Qualified Medicare beneficiary (QMB), Specified low-income Medicare beneficiary (SLMB), and Qualified individual (QI)</li><li>• Long-term care (LTC)</li></ul>

# MAGI and Standard Filing Units



Eligibility for the MAGI groups will be based on *single-person* assistance groups (AGs). This means only one eligible member (i.e., eligible child or eligible adult) will be present in those AGs. The other individuals will be included in the AG as non-eligible or non-participating members.

The AG will consist of individuals based on family relationships and/or tax relationships. The standard filing unit (SFU) process will determine what individuals and whose income is included for each applicant's (or recipient's) AG. SFU is an automated process used to calculate household relationships to build MAGI households.

# MAGI Hierarchy and AG Eligibility



The Indiana Client Eligibility System (ICES) computer system will evaluate the potential healthcare category for the individual and determine whether nonfinancial and financial rules for MAGI categories apply based on information entered by the worker and contained in the case record.



## **MORE INFORMATION**

The hierarchy to determine Medicaid eligibility is listed in the *Overview of New Modified Adjusted Gross Income (MAGI) Methodology and Updates to the Medicaid Hierarchy: Quick Reference Guide (QRG)* prepared for DFR workers.

# MAGI Changes Simplified



The following chart compares how MAGI and non-MAGI eligibility determination differs.

MAGI versus Non-MAGI			
	Income Methodology	Family Composition	Resources
MAGI	Based on taxable income and ACA rules	Based on tax filing unit unless non-filing rules apply	Not counted
Non-MAGI	Current processing rules	Based on people in household and family relationships	Counted (except for new Indiana Former Foster Care group)

# MAGI SFU Calculation



Three SFU rules are considered for each individual to determine filing status. The rule the applicant falls into will determine who is counted in the household.

- 1 Is the individual a taxpayer who is not claimed as a tax dependent?
- 2 Is the individual claimed as a tax dependent?
- 3 If the individual is not covered in Rule One or Rule Two, non-filing rules are used. The SFU includes the household relationships based on the new non-filing rules.

# MAGI SFU Rule One



## 1 Is the individual a taxpayer who is not claimed as a dependent?

- If the answer is NO, proceed to Rule Two.
- If the answer is YES, stop and use the following for SFU:
  - The taxpayer
  - The taxpayer's spouse, if he or she is living with the taxpayer\*
  - The taxpayer's claimed dependents

\*Once a determination is made on whose income is included for each person, the actual income amounts will be determined using the Internal Revenue Service (IRS) rules and exceptions.

# MAGI SFU Rule Two



## ② Is the individual claimed as a tax dependent?

- If the answer is NO, proceed to Rule Three.
- If the answer is YES, proceed with the following questions:
  - Is the individual claimed by someone other than a spouse or a parent (biological, adopted, or step)?
  - Is the individual a child under the age of 19 who lives with both parents, but the parents do not expect to file taxes jointly, and only one parent claims the child as a tax dependent?
  - Is the individual a child under age 19 who is claimed as a tax dependent by a noncustodial parent?
- If the answer to any of the above questions is YES, proceed to Rule Three.

# MAGI SFU Rule Two (continued)



If all of the answers for Rule 2 are NO, use the following for the SFU:

- The tax dependent
- The tax dependent's claiming taxpayer if he or she is living with the individual
- The claiming taxpayer's other tax dependents if they are living with the individual
- The taxpayer's spouse if he or she is filing jointly and living with the individual
- The tax dependent's spouse if he or she is living with the individual

# MAGI SFU Rule Three

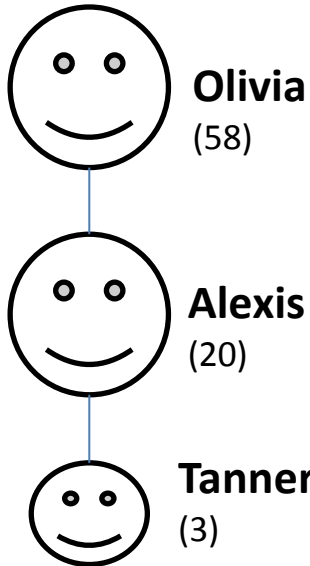


**③ If the individual is not covered in Rule One or Rule Two, non-filer rules are applied.** The SFU includes the following (if living with the individual):

- The individual
- The individual's spouse
- The individual's children (biological, adopted, and step)
- The individual's parent(s) and child sibling(s) (biological, adopted, and step) if the individual is a child under age 19

**Note:** Each individual will fall into one of the three rules. If the individual does not fall under Rule One or Rule Two, then he or she always falls under Rule Three.

# SFU Rules Scenario Example



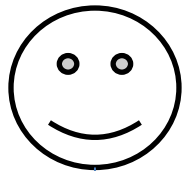
## One Household

- Olivia = Taxpayer
- Alexis = Tax Dependent of mother Olivia
- Tanner = Tax Dependent of grandmother Olivia

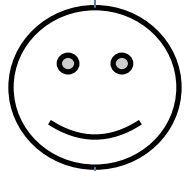
This family is a common multi-generational household with Olivia, age 58, as the primary taxpayer who has filed an Indiana Application for Health Coverage for her entire family. She has two dependents: Alexis, her 20-year-old daughter who is in college, and Tanner, her three-year-old grandson.

Once the appropriate household information about tax filing is entered, the SFU rules will calculate each person's filing status. For each person, SFU will check the three primary rules you just learned. We will explore the impact on each individual in this family.

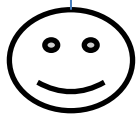
# Identifying the Taxpayer



**Olivia**  
(58/  
Taxpayer)



**Alexis**  
(20/Tax  
Dependent)



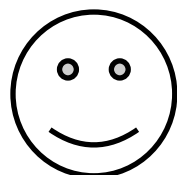
**Tanner**  
(3/Tax  
Dependent)

Medicaid Eligibility For	Household Eligibility Determination Method	Olivia	Alexis	Tanner	Group Size
Olivia	Tax Filer Rules (Rule 1)	<b>Eligible Adult</b>	<b>Counted Adult</b>	<b>Counted Child</b>	3

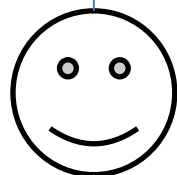
We know Olivia is a Taxpayer. When we start applying the three rules, we find she fits Rule One because she is a taxpayer. The SFU calculation for her AG says to count the taxpayer, the taxpayer's spouse (if he or she is living with the taxpayer), and the taxpayer's claimed dependents.

- This means Olivia is the primary taxpayer in the household.
- Since it is only Olivia and her two dependents in the household, her group size is three.

## Determining the SFU for Alexis



**Olivia**  
(58/  
Taxpayer)



**Alexis**  
(20/Tax  
Dependent)



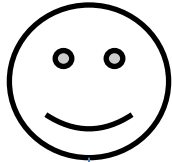
**Tanner**  
(3/Tax  
Dependent)

Medicaid Eligibility For	Household Eligibility Determination Method	Olivia	Alexis	Tanner	Group Size
Olivia	Tax Filer Rules (Rule 1)	<b>Eligible Adult</b>	<b>Counted Adult</b>	<b>Counted Child</b>	3
Alexis					

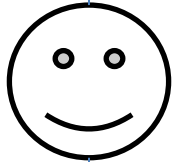
Alexis is a tax dependent of Olivia. She automatically does not fit into Rule One. Rule Two asks: Is the individual claimed as a tax dependent?

- If the answer is NO, proceed to Rule Three.
- If the answer is YES, proceed with the qualifying questions.

# Determining the SFU for Olivia



**Olivia**  
(58/  
Taxpayer)



**Alexis**  
(20/Tax  
Dependent)



**Tanner**  
(3/Tax  
Dependent)

Medicaid Eligibility For	Household Eligibility Determination Method	Olivia	Alexis	Tanner	Group Size
Olivia	Tax Filer Rules (Rule 1)	<b>Eligible Adult</b>	<b>Counted Adult</b>	<b>Counted Child</b>	3
Alexis					

Alexis is a tax dependent. The following questions apply:

- Is the individual claimed by someone other than a spouse or a parent (biological, adopted, or step)?
- Is the individual a child under 19 years who lives with both parents, but the parents do not expect to file taxes jointly, and only one parent claims the child as a tax dependent?
- Is the individual a child under 19 and claimed as a tax dependent by a noncustodial parent?

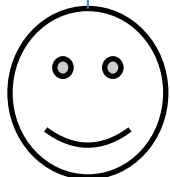
If the answer to any of the questions is YES, proceed to Rule Three.

If the answer to any of the questions is NO, stop and use Rule Two.

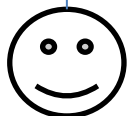
# Completing Alexis' Determination



**Olivia**  
(58/  
Taxpayer)



**Alexis**  
(20/Tax  
Dependent)



**Tanner**  
(3/Tax  
Dependent)

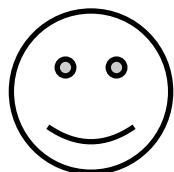
Medicaid Eligibility For	Household Eligibility Determination Method	Olivia	Alexis	Tanner	Group Size
Olivia	Tax Filer Rules (Rule 1)	<b>Eligible Adult</b>	<b>Counted Adult</b>	<b>Counted Child</b>	3
Alexis	Tax Filer Rules (Rule 2)	<b>Counted Adult</b>	<b>Eligible Adult</b>	<b>Counted Child</b>	3

Alexis meets the standards for Rule Two. Her SFU is one of the following:

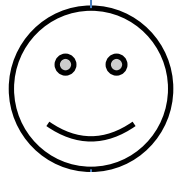
- The tax dependent
- The tax dependent's claiming taxpayer if he or she is living with the individual
- The claiming taxpayer's other tax dependents if they are living with the individual
- The taxpayer's spouse if he or she is filing jointly and living with the individual
- The tax dependent's spouse if he or she is living with the individual

In the table, Alexis' group size will be three because Rule Two allows Alexis to count herself, Olivia as her claiming taxpayer, and Tanner as the other dependent to Olivia in the household.

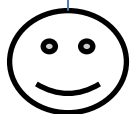
## Determining Tanner's SFU



**Olivia**  
(58/  
Taxpayer)



**Alexis**  
(20/Tax  
Dependent)



**Tanner**  
(3/Tax  
Dependent)

Medicaid Eligibility For	Household Eligibility Determination Method	Olivia	Alexis	Tanner	Group Size
Olivia	Tax Filer Rules (Rule 1)	<b>Eligible Adult</b>	<b>Counted Adult</b>	<b>Counted Child</b>	3
Alexis	Tax Dependent Rules (Rule 2)	<b>Counted Adult</b>	<b>Eligible Adult</b>	<b>Counted Child</b>	3
Tanner	Non-Filer Rules (Rule 3)	<b>Excluded Adult</b>	<b>Counted Adult</b>	<b>Eligible Child</b>	2

Tanner is the final person in the scenario. As a dependent, we can omit Rule One. Although he is a dependent, he is under the age of 19 and claimed as a tax dependent by someone other than a parent. This means he can answer Yes to one of Rule Two's sub-questions and must go into Rule Three. Tanner is able to count his mother and himself, but will not count his grandmother. In this case, his group size is 2.

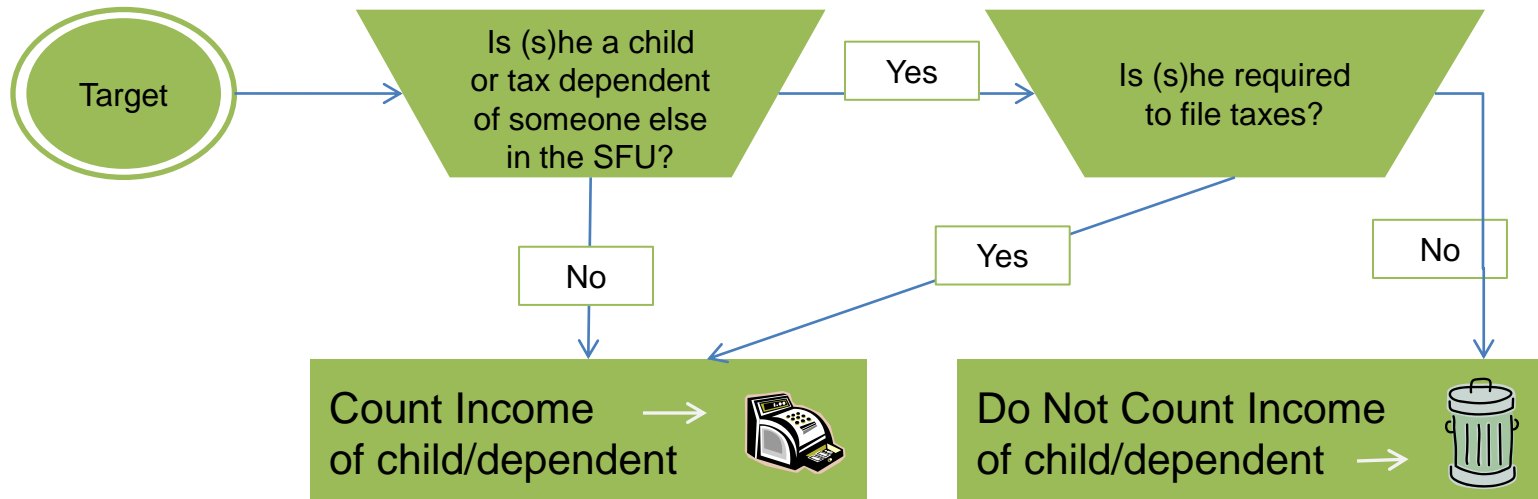
# MAGI Income Scenario



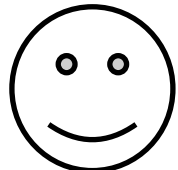
Once filing status and group size are determined, income for each household member is calculated. Two basic rules govern when not to count income:

- If an individual is in his or her parent's SFU and is not required to file, the individual's income is not counted.
- If a dependent is in his or her taxpayer's SFU and is not required to file, the individual's income is not counted.

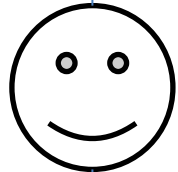
A graphic explanation of this is shown in the following flow chart:



# Counting Income



**Olivia**  
(58/  
Taxpayer)



**Alexis**  
(20/Tax  
Dependent)



**Tanner**  
(3/Tax  
Dependent)

Medicaid Eligibility For	Olivia	Alexis	Tanner	Group Size
Olivia	Counted	Not Counted	Not Counted	3
Alexis	Counted	Not Counted	Not Counted	3
Tanner	Not Considered	Counted	Not Counted	2

Determine whose income is counted for **each** person. Applying rules from the previous slide, the assumptions outlined in the chart can be made.

The most confusing item in the chart is the inclusion of Alexis' income for Tanner. Although Alexis is not required to file a tax return, her income does count for Tanner. According to the non-filing rules, Tanner can count parents and siblings that are living with him, but not his grandmother, Olivia.

# MAGI Income



Medicaid income eligibility for most groups will be based on MAGI. Currently, Indiana counts child support, Supplemental Security Income (SSI), veterans benefits, and workers' compensation. For eligibility effective January 1, 2014, Indiana will not count these in MAGI income eligibility. It will be more important for you to understand what is **not** counted effective 2014. The following items will not be counted for MAGI income eligibility:

- Child support
- SSI
- Veterans' benefits
- Workers' compensation
- Nominal cash support for dependents
- American Indian and Alaskan Native tribal income
- Educational income (used for school tuition and books)

# Income Determination



Once a determination is made on whose income is included for each person, the actual income amounts need to be determined using the MAGI income rules.

The previous slide discussed income types that will **not** be part of the calculation; but, there are deductions and income disregards as well. These will be discussed further on the next two slides.

# Deductions



Certain deductions will be applied to MAGI Income calculations, including the following:

- Alimony paid
- Interest paid on a student loan
- Tuition and fees
- Educator expenses
- Health savings account (HSA) deductions
- Some self-employment expenses

Deductions are now part of the Indiana Application for Health Coverage.



# Income Disregards



Remember, Medicaid health coverage eligibility is still based on an individual's monthly income at the time of his or her application. The new rules eliminate many of the income disregards currently used by Indiana. However, the applicable income standards have been converted to account for the elimination of specific disregards. This has raised the income standard federal poverty level (FPL) based on the elimination of the disregards.

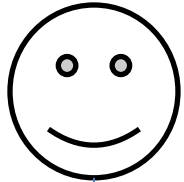
Also, a 5% disregard is subtracted from the countable income if the individual would otherwise be ineligible for Medicaid, HIP, or CHIP. (If a child, the 5% disregard is first applied to Medicaid. If still ineligible, the 5% disregard will then be applied to CHIP, if otherwise ineligible).

Examples of eliminated disregards include the following:

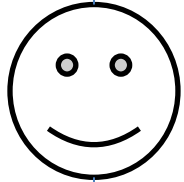
- \$90 earned income
- Child care expense

# MAGI Income Scenario

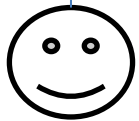
## MAGI Income



**Olivia**  
(58/  
Taxpayer)



**Alexis**  
(20/Tax  
Dependent)



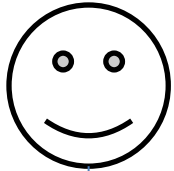
**Tanner**  
(3/Tax  
Dependent)

Medicaid Eligibility For	MAGI	Olivia	Alexis	Tanner	Group Size
Olivia	\$4,500/mo	Counted	Not Counted	Not Counted	3
Alexis	\$300/mo	Counted	Not Counted	Not Counted	3
Tanner	\$8/mo	Not Considered	Counted	Not Counted	2

In the scenario, the family entered attested income amounts on the Indiana Application for Health Coverage. Results of a MAGI income calculation for each person are shown in the MAGI column above.

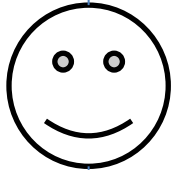
Remember that Olivia's income is not considered for Tanner because of the non-filing rules, and Alexis does not count income for herself because she is not required to file taxes.

# Total Income



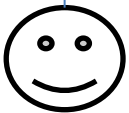
**Olivia**

(58/  
Taxpayer)



**Alexis**

(20/Tax  
Dependent)



**Tanner**

(3/Tax  
Dependent)

Medicaid Eligibility For	MAGI	Olivia	Alexis	Tanner	Total Counted Income	Group Size
Olivia	\$4,500/mo	<b>Counted</b>	<b>Not Counted</b>	<b>Not Counted</b>	\$4,500/mo	3
Alexis	\$300/mo	<b>Counted</b>	<b>Not Counted</b>	<b>Not Counted</b>	\$4,500/mo	3
Tanner	\$8/mo	<b>Not Considered</b>	<b>Counted</b>	<b>Not Counted</b>	\$300/mo	2

When MAGI income amounts for each person are combined and applied to the individual's SFU, the total amount of income for each individual is calculated as shown in the Total Counted Income column.

Example: Tanner's SFU counts Alexis' \$300/mo income, but does not count his or his grandmother's. Therefore, his monthly income is \$300.

# Check Your Understanding



Take a moment to check your ability to answer the following questions.

- What do the acronyms SFU and MAGI stand for?
- How does MAGI differ from the non-MAGI calculation of financial eligibility?
- Name three groups which will use the new MAGI eligibility rules and four non-MAGI aid categories.
- What is the relationship of SFUs, FPLs, and healthcare coverage?

# Check Your Understanding



## **What do the acronyms SFU and MAGI stand for?**

MAGI stands for Modified Adjusted Gross Income and is a method to determine eligibility for insurance affordability programs effective January 1, 2014. MAGI calculates financial eligibility based on an IRS standard filing unit (SFU), an automated process used to calculate household relationships to build MAGI households. MAGI eligibility is based on single-person AGs.

## **How does MAGI differ from the non-MAGI calculation of financial eligibility?**

The new MAGI method is based on ACA rules and a taxable income and family composition based on a tax filing unit. It does not count resources in income. Non-MAGI uses current rules to calculate eligibility and is based on household composition and family relationships. There is a resource (asset) test (with the exception of the new AG group for former foster care children up to age 26).

# Check Your Understanding



**Name three groups which will use the new MAGI eligibility rules and four non-MAGI aid categories.**

MAGI: Parents and/or Caretakers, Pregnant Women, Children

Non-MAGI: Aged, Blind, and Disabled (ABD), Medicaid for Employees With Disabilities (MED Works), Qualified Medicare Beneficiary (QMB), Specified Low-Income Medicare Beneficiary (SLMB), and Qualified Individual (QI), Long-term care (LTC)

**What is the relationship of SFUs, FPLs, and healthcare coverage?**

Medicaid income eligibility for most groups will be based on MAGI. For each applicant, the SFU identifies the tax filing status and tax relationships to determine the size of household. A computerized program applies the MAGI rules to determine eligible income for each AG and matches this to healthcare options. Each option has a specific criteria for the FPL and the AG it serves. If an AG does not meet Medicaid eligibility, the calculation also computes eligibility for tax assistance options.

# Overview of Program Changes



Family and Social Services Administration

# Overview of Programs and Services



As a result of ACA, aid categories have been consolidated, some applications have been revised, and financial eligibility methodology and some required/optional groups have changed.

In the next section, we will identify some current and new programs in the Indiana Health Coverage Programs (IHCPs) and key changes to Medicaid. You will learn more about current IHCPs:

- Hoosier Healthwise (HHW)
- Traditional Medicaid
- HIP
- Hospital Presumptive Eligibility (HPE)


# Hoosier Healthwise (HHW)



HHW is a part of Indiana's Medicaid program serving the following:


- Parents/caretakers
- Pregnant women
- Children under 19
- CHIP

Individuals eligible and enrolled in HHW select a Managed Care Organization (MCO).



### DETAILS

Many of the aid groups that serve children in the HHW program were modified to break children into age groups and to account for the MAGI adjusted FPL rates.



The logo for the Hoosier Healthwise Health Care Program features a row of seven colorful crayons (grey, blue, pink, purple, yellow, blue, green) arranged in a slightly curved line. Below the crayons, the text 'Hoosier Healthwise' is written in a bold, sans-serif font, with 'Health Care Program' in a smaller font underneath.

# Traditional Medicaid



Traditional Medicaid operates on a fee-for-service (FFS) basis and serves the following groups:

- Aged, Blind, and Disabled (ABD)
- Long-term care (LTC)
- Certain unqualified aliens or those whose immigration status remains unverified (for emergency services only)
- Recipients of waiver or hospice services
- Dual-eligibles (Medicare and Medicaid recipients)
- Former Foster Care
- Women eligible on the basis of breast or cervical cancer
- Persons with spend-down

MAGI rules do not impact these individuals.

# Healthy Indiana Plan



The HIP demonstration was extended to operate through 2014. The program covers adults aged 19 - 64 under two separate categories: Caretaker or Non-Caretaker Adults. Participants are enrolled in an MCO to receive a managed healthcare plan with a health-savings-type account (called a POWER account).

Enrollment in the HIP program remains limited to a set number of individuals.



## DETAILS

HIP uses a MAGI-based income methodology with a 100% FPL maximum. Down from 200% FPL.

Members no longer have to be uninsured for six months in order to qualify.



# Hospital Presumptive Eligibility



A new requirement of ACA is to allow hospitals to determine presumptive eligibility for the following:

- Medicaid-eligible children
- Low-income parents/caretakers
- Family planning
- Pregnant women
- Former foster care children up to age 26

Hospital Presumptive Eligibility (HPE) will not include individuals who would be eligible for CHIP or HIP. HPE will not apply to anyone already covered by Medicaid or a Presumptive Eligibility (PE) program.



## DETAILS

HPE for an individual will last until the last day of the month following the month of determination or until the day of full determination. During this time, members claims will be paid fee for service. Their benefits will depend on the HPE category they fall into.

Individuals will select an MCO when they complete a full Medicaid application.

# Communicating with Clients



As these ACA-mandated changes take place, you and your colleagues will have questions. The following references will help you review and locate answers:

- The ***Quick Reference Guide: Medicaid Categories*** identifies aid categories and eligibility criteria, if the category follows MAGI rules and the program that serves the category.
- The ***Quick Reference Guide: Overview of the New Modified Adjusted Gross Income (MAGI) Methodology and Updates to the Medicaid Hierarchy*** describes MAGI and non-MAGI rules, AGs, SFUs, and how the Medicaid Hierarchy is applied in determining eligibility.
- The ***ACA Communication Directory and General Call Script*** will provide answers to questions and help you understand where to direct clients for additional information. This is an important tool to ensure all clients receive the same message.

# Summary



In this training, you learned the following:

- Understand new financial eligibility requirements, MAGI household composition, determination methods, and the resulting impact for Medicaid and non-Medicaid healthcare assistance
- Changes to Medicaid health coverage as it relates to groups, programs, categories, and benefit packages

# Congratulations



You are at the end of this training. Thank you for your time and participation.

