

DATE: September 27, 2013 ~~–Revised 2/24/13–~~

OPERATIONS MEMORANDUM 13-09-04

SUBJECT: Medicaid Eligibility Rule Changes Under the Affordable Care Act (ACA)

TO: Executive Directors

FROM: Tom Strickler
Director
Bureau of Operations

PURPOSE

To inform County Assistance Offices (CAOs) of the policy changes in Medical Assistance (MA) eligibility that are effective statewide with the implementation of the ACA provisions on October 1, 2013.

BACKGROUND

The ACA, signed into law on March 23, 2010, makes several major changes to the MA program, including simplifying enrollment processes by requiring a single, streamlined application for insurance affordability programs (MA and Children's Health Insurance Program (CHIP)), simplifying eligibility determination by using Modified Adjusted Gross Income (MAGI) rules, modernizing eligibility verification procedures by relying primarily on electronic data and ensuring coordination across insurance affordability programs.

DISCUSSION

This document describes the following major provisions of the ACA that must be implemented by October 1, 2013:

- Determination of MA eligibility based on MAGI rules.
- Verification of information through electronic database matches and self-attestation to minimize reliance on paper documentation.
- Changes to the renewal process.
- MA eligibility for individuals under age 26 who were in foster care at any time on or after their 18th birthday (the implementation of this provision will occur in January 2014).
- Hospital-based presumptive eligibility determinations (the implementation of this provision will occur in January 2014).

Determination of MA Eligibility Based on MAGI Rules

Effective October 1, 2013, CAOs are required to determine MA financial eligibility based on MAGI for the following coverage groups:

- Pregnant Women.
- Children ages 0-18.
- Parents/Caretakers of children ages 0-18.

Note: The child must be ages 0-17 OR age 18 and a full-time secondary or vo-tech student for individuals to be considered in the Parents/Caretakers group.

- Women enrolled in SelectPlan.

The following groups will **not** have eligibility determined based on MAGI, but will continue to have eligibility determined by current MA rules:

- Individuals for whom income determinations are not required, such as individuals receiving Supplemental Security Income (SSI), federal and state foster care or adoption assistance recipients and recipients of Breast and Cervical Cancer Prevention and Treatment (BCCPT) services.
- Individuals who are eligible on the basis of being aged, blind or disabled.
- Individuals evaluated for Long Term Care facility services or Home and Community Based Services (HCBS).
- Individuals evaluated for Medicare cost-sharing assistance.
- Individuals evaluated for MA coverage as Medically Needy Only (MNO).
- Individuals evaluated for MA coverage in General Assistance (GA)-related MA categories.

The **MG** category is being introduced to designate individuals who are eligible based on MAGI rules. MAGI budgets will contain only a **single eligible** individual. The following program status codes will be used to indicate specific coverage groups:

- **MG00**—pregnant women and children (under age 1) with income at or below 215 percent of the Federal Poverty Level (FPL), children (ages 1-5) with income at or below 157 percent of the FPL, newly eligible children (ages 6-

18) with income at or below 100 percent of the FPL and children (ages 6-18) currently receiving MA with income at or below 133 percent of the FPL.

○ Target Types:

- **P**-Pregnant Women
- **I**-Children under age 1
- **C**-Children ages 1-5
- **Y**-Children ages 6-18

- **MG18**—pregnant women and children under 1 who are eligible for continued medical coverage despite an increase in income over 215 percent of the FPL.

○ Target Types:

- **P**-Pregnant Women
- **N**-Children under age 1

- **MG19**—children age 6-18 with income between 100 percent and 133 percent of the FPL who were previously eligible under CHIP but are now eligible for MA **OR** who are determined newly eligible for MA.

○ Target Types:

- **Y**-Children ages 6-18

- **MG27**—individuals with income at or below 33 percent of the FPL.

○ Target Types:

- **I**-Children under age 1
- **C**-Children ages 1-5
- **Y**-Children ages 6-18
- **T**-Parents/Caretakers

- **MG71**—individuals eligible for Transitional Medical Assistance (TMA).

○ Target Types:

- **I**-Children under age 1
- **C**-Children ages 1-5
- **Y**-Children ages 6-18
- **T**-Parents/Caretakers

The above categories replace the following category/program status codes:

- PC/PU00.
- PC/PU21.
- PC/PU22.
- PC/PU23.
- PC/PU27.
- PC/PU71.
- PS16.
- PS18.

These category/program status codes will no longer be assigned to individuals who submit applications with an application date on or after October 1, 2013.

Overview of MAGI Rules

MAGI Household Composition

Under the ACA, household composition for MAGI determinations is based primarily on tax households. The following terms/definitions are being introduced for household composition for individuals whose eligibility will be determined under MAGI rules:

- **Tax Filer**—an individual who expects to file a tax return for the taxable year in which an initial determination or renewal of eligibility is being made.
- **Tax Dependent**—an individual who expects to be claimed as a tax dependent by another taxpayer for the taxable year in which an initial determination or renewal of eligibility is being made.
- **Non-Filer**—an individual who does not expect to file a tax return and does not expect to be claimed as a tax dependent for the taxable year in which an initial determination or renewal of eligibility is being made.
- **Out-of-the-Household Individual (OOTH)**—an individual who lives outside of the applicant/recipient's household, but is expected to be included on the household's tax return OR an individual who will claim a member of the applicant/recipient household as a tax dependent.
- **Child**—For MG00 category, any child age 18 and younger. For MG27 category, a child under age 18, or age 18 and a full-time secondary or vocational education student.

Note: The terms “Tax Filer” or “Tax Dependent” always refer to the expected status for the current coverage year, and not to any prior filing status.

If an individual is considered a **Tax Filer**, the MAGI household composition includes:

- The Tax Filer.
- All claimed Tax Dependents of the Tax Filer.
- The spouse living with the Tax Filer.

If an individual is considered a **Tax Dependent**, the MAGI household composition includes:

- The Tax Dependent.
- The claiming Tax Filer.
- The spouse of the claiming Tax Filer (if living in the household).
- All other claimed Tax Dependents of the Tax Filer.
- The Tax Dependent’s spouse (if living with the Tax Dependent).

If an individual is considered a **Non-Filer**, the household composition includes:

- The Non-Filer.
- The spouse of the Non-Filer who lives in the household.
- The Non-Filer’s children (biological, adopted or step) age 18 and under who live in the household.

If a child is considered a **Non-Filer**, the household composition includes:

- The child Non-Filer.
- The child Non-Filer’s parents (biological, adoptive or step) who live in the household.
- The child Non-Filer’s siblings (biological, adoptive or step) age 18 and under who live in the household.

Note: An individual who is both a Tax Filer and a Tax Dependent will be considered a Tax Dependent.

Note: An individual claimed as a Tax Dependent can be claimed by only one Tax Filer. Tax Dependents **cannot** claim Tax Dependents.

There are several situations where individuals considered Tax Filers or Tax Dependents would not be considered under the rules listed above for the corresponding group, but would be considered under Non-Filer rules. These exceptions are:

1. An individual considered a Tax Dependent who expects to be claimed by someone other than a spouse or parent (biological, adopted or step).

Example: Dorothy and Stan have legal custody of their grandson, Matt (age 6). Dorothy and Stan claim Matt as their Tax Dependent. Matt's MAGI household composition will use Non-Filer rules and will include Matt only.

2. A child considered a Tax Dependent who lives with both parents, but parents will not file jointly and only one parent will claim the child as a dependent.

Example: Elizabeth and William are not married but are living together and are the parents of Dylan (age 4). Elizabeth and William will not file jointly and Elizabeth will claim Dylan as a Tax Dependent. Dylan's MAGI household composition will use Non-Filer rules and will include Dylan, Elizabeth and William.

3. A child considered a Tax Dependent who is claimed by a non-custodial parent.

Example: Ned and Caitlin are divorced and do not live together. Caitlin has primary physical custody of their son, Rob (age 10). Ned claims Rob as a Tax Dependent. Rob's MAGI household composition will use Non-Filer rules and will include Rob and Caitlin. Ned will not be counted in the MAGI household.

4. A child considered a Tax Dependent whose parents are married and who will file jointly but who has one parent who lives outside of the household due to separation or pending divorce. Additionally, the parent living outside of the household will not be counted in the budget.

Example: George and Lucy are married and will file taxes jointly, claiming their son, Colin (age 9). George and Lucy are separated and George is living outside of the household. Colin's MAGI household will be Lucy and Colin only.

5. An individual who cannot provide proof of their Tax Dependents or who does not disclose tax household information.

Example: Anne (age 49) states on her application that she will claim her daughter, Susan (age 28), and her son, Ian (age 15), on her tax return. Due to Susan's age, the CAO can request that Anne provide proof that she claims Susan as a Tax Dependent. If Anne does not provide proof, the CAO will use Non-Filer rules to determine Anne's MAGI household.

Married couples living together will be included in the household of the other spouse regardless of whether they expect to file a joint tax return or whether one spouse expects to be claimed as a tax dependent by the other spouse.

When determining a household including a pregnant woman, the pregnant woman is counted as herself plus the number of children she is expected to deliver.

Please refer to [Attachment 1](#) for a list of MAGI Household Examples.

Please refer to [Attachment 2](#) for a Desk Guide for MAGI Household Composition.

Household Income Determination

CAOs must determine MA financial eligibility based on the household income and household size. MA financial eligibility will continue to be based on current **monthly** household income. Income averaging rules will be maintained.

Household income is the sum of income of every individual included in the individual's household.

The ACA required states to evaluate current MA income limits and convert current income limits to new limits based on FPL for MAGI determinations. The converted FPL limits take into account the loss of the current income deductions and incentives. Below are the current and converted FPL limits for the mandatory MAGI coverage groups:

| Coverage Group | Current FPL Limit | Converted FPL Limit |
|------------------------------|-------------------|---------------------|
| Pregnant Women | 185 percent | 215 percent |
| Children (<1) | 185 percent | 215 percent |
| Children (1-5) | 133 percent | 157 percent |
| Children (6-18) | 100 percent | 133 percent |
| Parents/Caretakers | 27 percent | 33 percent |
| Women enrolled in SelectPlan | 185 percent | 214 percent |

Note: Please refer to [Attachment 3](#) for detailed income limits.

Income excluded in MA eligibility determination:

- Income of a child or a tax dependent if they are not required to file a tax return.

Note: Please refer to [Attachment 4](#) for the Tax Dependent Criteria and to [Attachment 5](#) for the Filing Requirements for Tax Dependents.

- Child support
- Workers' compensation
- Veterans Administration benefits

Note: Military retirement pay is **NOT** excluded.

- Depreciation of business expenses
- Scholarships, awards, or fellowship grants used for education and not for living expenses
- American Indian/Alaska Native income

Note: An amount received as a lump sum is counted as income only in the month received.

Note: Caseworkers must enter income in eCIS even if it is excluded because income excluded from MAGI determinations may still be counted for MAGI-exempted MA and/or other benefits.

Income Disregards and Tax Deductions

An individual who has countable income and expects to file a federal tax return for the current year can receive tax deductions from that income based on allowable deductions that are reported on Form 1040 (page 1 for the 2012 Form 1040) under Adjusted Gross Income. Individuals may submit a copy of a Form 1040 they filed with the IRS as verification of these deductions, but the form is not required. If an individual provides pay stubs as income verification, CAOs must allow tax deductions for allowable expenses from the list below (if they are verified).

The allowable tax deductions (as reported on Form 1040) are the following:

- Student loan interest deduction.
- Self-employed health insurance deduction.
- Deductible part of self-employment tax.
- Health savings account deduction.
- Educator expenses.
- Certain business expenses of reservists, performing artists and fee-basis government officials.
- Job-related moving expenses.
- Self-employed SEP, SIMPLE and qualified plans.
- Penalty on early withdrawal of savings.
- Alimony paid.
- IRA deduction.
- Tuition and fees.
- Domestic production activities deduction.

For self-employed individuals who provide prior year federal tax returns as verification of income, CAOs must use the amount indicated in the Gross Income line of Schedule C (line 7 on the 2012 Schedule C) and allow any applicable employment expenses listed on Schedule C.

The only income disregard applied in MAGI income determination is five percent of the applicable FPL for the applicable family size. Because MAGI budgets are built with a single eligible individual, the five percent disregard will vary depending on the budget's target.

Example: A pregnant woman applies for MA for herself, her 9-year-old son and her 3-year-old daughter. She indicates she files taxes and will claim her two children as tax dependents. The five percent disregard will be calculated for each as:

- Pregnant woman – five percent of the 215 percent FPL for a household of 4.
- 9-year-old son – five percent of the 133 percent FPL for a household of 4
- 3-year-old daughter – five percent of the 157 percent FPL for a household of 4.

Resources

Resources are not counted in MA eligibility determinations based on MAGI.

Verification Requirements

In situations where self-attestation is not permitted, CAOs must not require individuals to provide additional documentation if it can be obtained electronically or the information obtained electronically is reasonably compatible with information provided by an individual on the application.

Caseworkers are required to conduct an *ex parte* review of information at every MA application and renewal in accordance with [OPS121004](#) before requesting paper documentation from the individual.

If unable to obtain verifications electronically, caseworkers must determine if self-attestation is acceptable or if the applicant/recipient must provide verifications necessary to determine eligibility. See below (“Verification Requirements for Factors of Eligibility”) for situations where self-attestation must be accepted.

Verification Requirements for Factors of Eligibility

CAOs must verify:

- Social Security Number (SSN).

CAOs must verify each applicant’s SSN except for applicants who are not eligible to receive an SSN and those with well-established religious objections. See MAEH 950.1 (Enumeration-General Policy) for additional clarification regarding situations where an individual does not need to provide an SSN.

CAOs must not deny or delay benefits to an otherwise eligible individual pending issuance or verification of the individual’s SSN by SSA.

Those who are not applying for MA or receiving MA are not required to provide SSNs.

- U.S. Citizenship/Immigration Status.

- Income.

CAOs must request paper documentation only if income verification cannot be obtained electronically or information obtained electronically is inconsistent and the individual cannot give a reasonable explanation of the inconsistency.

- Tax Deductions.

If an individual does not provide verification of deductible expenses, no deduction will be given.

Note: Individuals can submit a copy of their most recently filed Form 1040 as verification of tax deductions that have not changed from the previous year. If an individual has lost their most recent Form 1040, they can request a free tax transcript through the IRS by visiting www.irs.gov, calling 1-800-908-9946 or by submitting a request form at a local IRS Tax Center. Individuals can also provide statements from financial institutions or receipts of paid expenses.

CAOs must accept self-attestation unless there is a reason to question an applicant's statement for:

- Pregnancy.
- Residency.
- Household Composition.
- Caretaker Relative.
- American Indian/Alaska Native status.

If the CAO finds information that is inconsistent with what the individual reports, the caseworker must contact the individual to provide verification.

Reasonable compatibility means that income information provided by an individual and available to CAOs through other sources is relatively consistent and does not vary significantly or in a way that is meaningful for eligibility. Reasonable compatibility must be used when determining income eligibility for MA determinations based on MAGI rules. The threshold for reasonable compatibility is five percent.

Scenarios for Reasonable Compatibility:

- If reported income and information obtained electronically through a data source are both above, at or below the applicable income standard, they are considered reasonably compatible.

Example: James is applying for MA for his son, Alex (age 13). He reports income of \$400 a week, which equals \$1,600 a month. The Work Number shows income for James as \$1,700 a month.

The income limit for MA for a two-person household is \$1,720 a month.

Alex is determined eligible for MA without requesting paper verification of current income because the information reported and received electronically is below the MA eligibility level.

- If an individual reports income BELOW the applicable FPL but the data source indicates income ABOVE the applicable FPL.
 - If the reported income and data source income are within five percent of each other, use the income reported by the DATA SOURCE.

Example: Joseph is applying for MA for his son, Jaden (age 12). He reports income of \$1,700 a month. The Work Number shows income for Joseph as \$1,780 a month.

The income limit for a two-person household is \$1720 a month.

Because the difference between reported income and information received electronically is less than five percent, the income reported is considered to be reasonably compatible with the information obtained electronically. No additional verification is required from Joseph.

- If the reported income and the data source income are NOT within five percent of each other, additional documentation/explanation is needed.

Example: Susan is applying for MA for her daughter, Jamie (age two months). She reports income of \$400 a week, equaling \$1,600 a month.

Exchange 2 shows Unemployment Compensation for Susan as \$2,800 a month.

The income limit for a two-person household is \$2,392 a month.

Because the difference between reported income and information received electronically is greater than 5 percent, the income reported is not reasonably compatible with the information obtained electronically. A caseworker must request paper documentation before income determination is made.

- If an individual reports income ABOVE the applicable FPL but the data source indicates income BELOW the applicable FPL.

Reasonable compatibility standard is not a factor. Additional documentation must be provided.

Example: Michelle is applying for MA for her son, Jacob (age six months). She reports income of \$700 a week, equaling \$2,800 a month. The Work Number shows income for Michelle as \$1,700 a month.

The income limit for a two-person household is \$2,392 a month.

Reasonable compatibility is not a factor. A caseworker must request paper documentation before income determination is made, as reported income is above the income limit but the data source indicates income below the income limit.

Remember: Eligibility must not be denied for individuals who are cooperating in obtaining the verification.

Renewals

Beginning October 1, 2013, all MA budgets due for renewal that contain individuals who meet the criteria for eligibility determinations under MAGI rules must be evaluated under MAGI rules.

Renewals for MAGI MA will be completed once every 12 months. MAGI budgets will not be enrolled in Semi-Annual Reporting (SAR).

Renewal forms (PA600R, PA600CH, PA600WD, PA600SP-R) will be revised to collect information necessary for MA determinations based on MAGI. Fields will be added to collect the following information:

- An individual's Tax Household
- An individual's deductible tax expenses
- Authorized Representative
- Former Foster Care Information

When a renewal form is received at the CAO, the CAO must complete an *ex parte* review of the case as the ACA requires that MAGI renewals must be processed without requiring additional information from the individual if the CAO is able to obtain eligibility information via electronic sources (IEVS, PACSES, The Work Number, etc.). If the CAO is unable to verify reported information via electronic sources, a PA253 must be generated to the individual requesting only the information required for the eligibility determination.

Note: *Ex parte* reviews are not limited to MAGI budgets. All MA budgets should have an *ex parte* review completed at SAR and/or renewal. Additional instruction for *ex parte* reviews can be found in [OPS121004](#).

The ACA requires that eligibility notices be sent to individuals at renewal. Notices will now be issued at renewal for all MA budgets regardless of whether there is a change to category or benefit package.

Additionally, the ACA expands the reconsideration time-frame for MA budgets to 90 days. If an individual submits a renewal form to the CAO within 90 days of the MA budget closure, a new application form is not required.

When processing renewals for both MAGI and non-MAGI MA budgets, the CAO should assure that the renewal dates for all benefit types (including SNAP and TANF) are aligned. See [OPS110701](#) and [PMA16167376](#) for further guidance relating to budget alignment.

Transitional Medical Assistance (TMA)

The ACA introduced new requirements for TMA (also known as Extended Medical Coverage (EMC) in Pennsylvania) based on MAGI rules. MA coverage under TMA is limited to four months. The changes in TMA are as follows:

- 1) To be eligible for TMA, a household must meet the following criteria:
 - The MG27 (or PC/PU27) budget was discontinued due to an increase in EARNED income **OR** spousal support that caused household income to exceed the FPL for the household size.
 - The budget group received MA in an MG27 (or PC/PU27) category in at least three of the six months right before the MAGI budget was stopped.

- If an MG27 (or PC/PU27) budget meets the above criteria, TMA (MG71) will be authorized for the budget group for four months. A renewal date will be set for the last day of the fourth month of TMA (not including the processing month). TMA will replace the current Extended Medical Coverage (EMC).
- 2) For existing EMC (PC/PU71) budgets that submit a SAR or renewal or have a maintenance action performed on them on or after October 1, 2013, the CAO must take the following actions:
- For an EMC budget with a SAR or a maintenance action processed between October 1, 2013 and December 31, 2013: when eligibility is run, eCIS will convert the PC/PU71 budget to MG71, which will continue for four additional months.
 - For an EMC budget with a SAR or maintenance action processed on or after January 1, 2014: when eligibility is run, the EMC budget will close with appropriate notice and eligibility for budget members will be explored under MAGI rules.
 - For an EMC budget due for renewal after October, 1 2013, the PC/PU71 budget will close due to the expiration of 12 months of EMC eligibility and eligibility for budget members will be explored under MAGI rules.
- 3) For TANF budgets (C/U) that close after October 1, 2013 and are eligible for Transitional Cash Assistance (TCA), the transitional cash category (C/U71) will stay open for four months to accommodate TMA. The budget will receive three months (six payment dates) of TCA, but will not convert to MG71 for the last month of TMA coverage. The renewal date will be set for the last day of the fourth month of TMA coverage. An MA renewal packet will be mailed to clients to evaluate for ongoing MA after the expiration of TMA.

Medicaid for Former Foster Care Recipients
(Beginning January 1, 2014)

The ACA requires the implementation of a new MA eligibility group for individuals who were in foster care and enrolled in MA at any time on or after their 18th birthday. The implementation of this provision will occur on January 1, 2014. The category/program status code PC40 will be assigned to the individuals in this group.

The individuals eligible for MA coverage under the Former Foster Care category are those who:

- Are under age 26

- Are not eligible and enrolled in MA
- Were receiving MA in federal or state-funded foster care on or after their 18th birthday.

Note: This group is for Former Foster Care recipients only. Individuals who received Adoption Assistance and Permanent Legal Custodians (PLC) are not eligible for MA in this group.

For those who are eligible under the Former Foster Care category (PC40), there is no income or resource determination.

Even though this category is not effective until January 1, 2014, the information indicating that they aged out of foster care must be entered into CIS beginning October 1, 2013.

Further information about the Former Foster Care category will be forthcoming.

Hospital-Based Presumptive Eligibility

Under the ACA provisions, hospitals will be allowed to make presumptive eligibility determinations for individuals who will be eligible for MA under the ACA requirements. Additional information about hospital-based presumptive eligibility will be released before implementation in January 2014.

SYSTEM PROCESSING

A series of Daily Statuses will be issued to explain system processing of the above policy changes.

NEXT STEPS

1. Share and review this information with appropriate staff members.
2. Please contact your Area Manager if you have questions regarding this Operations Memorandum.
3. This Operations Memorandum will become obsolete upon release of revised *Handbook* changes.

Attachments