**DATE: November 7, 2016**

**OPERATIONS MEMORANDUM #16-11-04**

**SUBJECT:** Change to the Application of the 5 Percent Modified Adjusted Gross Income (MAGI) Disregard for Certain Categories

**TO:** Executive Directors

**FROM:** Inez Titus

Director

Bureau of Operations

**PURPOSE**

To inform County Assistance Offices (CAOs) of changes to the application of the 5 percent MAGI income disregard for MAGI-related Medical Assistance (MA) determinations for certain categories.

**BACKGROUND**

Federal regulation requires a 5 percent income disregard to be applied to MAGI MA determinations when an individual’s income exceeds the MAGI income limit. Currently, the 5 percent disregard is applied to all MAGI MA determinations for which the individual is evaluated.

To comply with the federal regulation, the system will be updated to apply the 5 percent income disregard only for the highest Federal Poverty Income Guideline (FPIG) limit for which the individual is eligible to be evaluated.

**DISCUSSION**

Beginning November 14, 2016, the 5 percent MAGI income disregard will only be applied if an individual is ineligible for MAGI based on income at the highest FPIG for which the individual is evaluated. Currently, the disregard is applied for all MAGI categories for which the individual is potentially eligible.

The change to the application of the 5 percent disregard will impact the following category/program status codes/target type combinations:

* MG27 (T, I, C, Y)
* MG90 (D, N)

The system will continue to cascade to other MA categories if the individual does not meet the FPIG for the category/program status codes/target types listed above.

**NOTE:**  If an individual loses eligibility for MG27 because he/she is no longer receiving the 5 percent income disregard, he/she will NOT be eligible for Transitional Medical Assistance (TMA).

There will be no change to MAGI determinations for children ages 6-18 who are evaluated for MG00Y versus MG19Y. Currently the system does not apply the 5 percent disregard when determining if income is under 100 percent of the FPIG for MG00Y.

No transition process will occur in conjunction with the system change. If an individual is active in one of the impacted category/program status codes, he/she will be re-evaluated based on the new policy at the next case action.

|  |  |  |
| --- | --- | --- |
|  | **Current** | **New** |
| Example #1 | Amy (age 33) and her son, Dylan (age 4), apply for MA. Amy has wages of $2,200 per month. Amy and Dylan are ineligible for MA based on income ($2,200 in wages exceeds the 2016 133% FPIG for two people, $1,776 and the 2016 157% FPIG for two people, $2,096).  When determining eligibility, Amy is evaluated for MG27T and MG91. Dylan is evaluated for MG27C and MG00C. The system applies the 5% disregard to all categories for which Amy and Dylan are evaluated (MG27, MG00 and M91). | Amy (age 33) and her son, Dylan (age 4), apply for MA. Amy has wages of $2,200 per month. Amy and Dylan are ineligible for MA based on income ($2,200 in wages exceeds the 2016 133% FPIG for two people, $1,776 and the 2016 157% FPIG for two people, $2,096).  When determining eligibility, Amy is evaluated for MG27T and MG91. Dylan is evaluated for MG27C and MG00C. The system will apply the 5% income disregard to the category with the highest FPIG for which the individuals is evaluated.  For Amy, the disregard will be applied to the MG91 determination only.  For Dylan, the disregard will be applied to the MG00C determination only. |
|  | **Current** | **New** |
| Example #2 | Mark (age 25) and his daughter, Liz (age 6), apply for MA. Mark has wages of $475 per month. Mark and Liz are eligible for MA based on income.  Mark is authorized MG27T based on his income and the 5% disregard ($475 exceeds the 2016 33% FPIG for two people, $441, but with the disregard of $66.75, his income is brought under the 33% FPIG).  Liz is authorized MG27Y based on Mark’s income and the 5% disregard ($475 exceeds the 2016 33% FPIG for two people, $441, but with the disregard of $66.75, Mark’s income is brought under the 33% FPIG). | Mark (age 25) and his daughter, Liz (age 6), apply for MA. Mark has wages of $475 per month. Mark and Liz are eligible for MA based on income.  Mark is authorized MG91 based on his income. He will be evaluated for MG27T, but will fail this category since the 5% disregard will no longer be applied.  Liz is authorized MG00Y based on Mark’s income. She will be evaluated for MG27Y, but will fail this category since the 5% disregard will no longer be applied. |

**NEXT STEPS**

1. Review this document with appropriate staff.
2. This Operations Memorandum will be obsolete when the Medical Assistance Eligibility Handbook is updated to reflect this information.