

# A MAGI Primer

## Understanding New Income Eligibility Rules for Colorado’s Public Insurance Programs

SEPTEMBER 2014

The Affordable Care Act (ACA) standardizes the way financial eligibility is determined for the Medicaid and Child Health Plan *Plus* (CHP+) programs as well as for tax credits through health insurance marketplaces.

This brief discusses the reasons for the new modified adjusted gross income (MAGI) standard, explains how MAGI impacts eligibility thresholds and looks at the potential impact on Coloradans.

### Eligibility: Income Matters

Financial eligibility for public insurance and marketplace subsidies is based, in part, on an applicant’s net income.

Before the ACA became law in 2010, each state had its own rules for calculating net income. The different rules dictated how much could be deducted – or “disregarded” – from gross income for expenditures such as child care, child support and work-related expenses in order to arrive at a net income figure.

The ACA does away with all that, replacing the varied

rules and the individual “disregards” with a flat five percentage point disregard. The disregard is applied to a person’s or family’s income as it relates to the federal poverty level (FPL) – a measure that is based on income and the number of people in a household.

Colorado law says that people are eligible for Medicaid if their income is below 133 percent of FPL. When the five percentage point disregard is applied, 133 percent becomes 138 percent.

For a family of four in 2014, 138 percent of FPL is \$32,913. For an individual, it is \$16,105.

### Understanding the New Standards

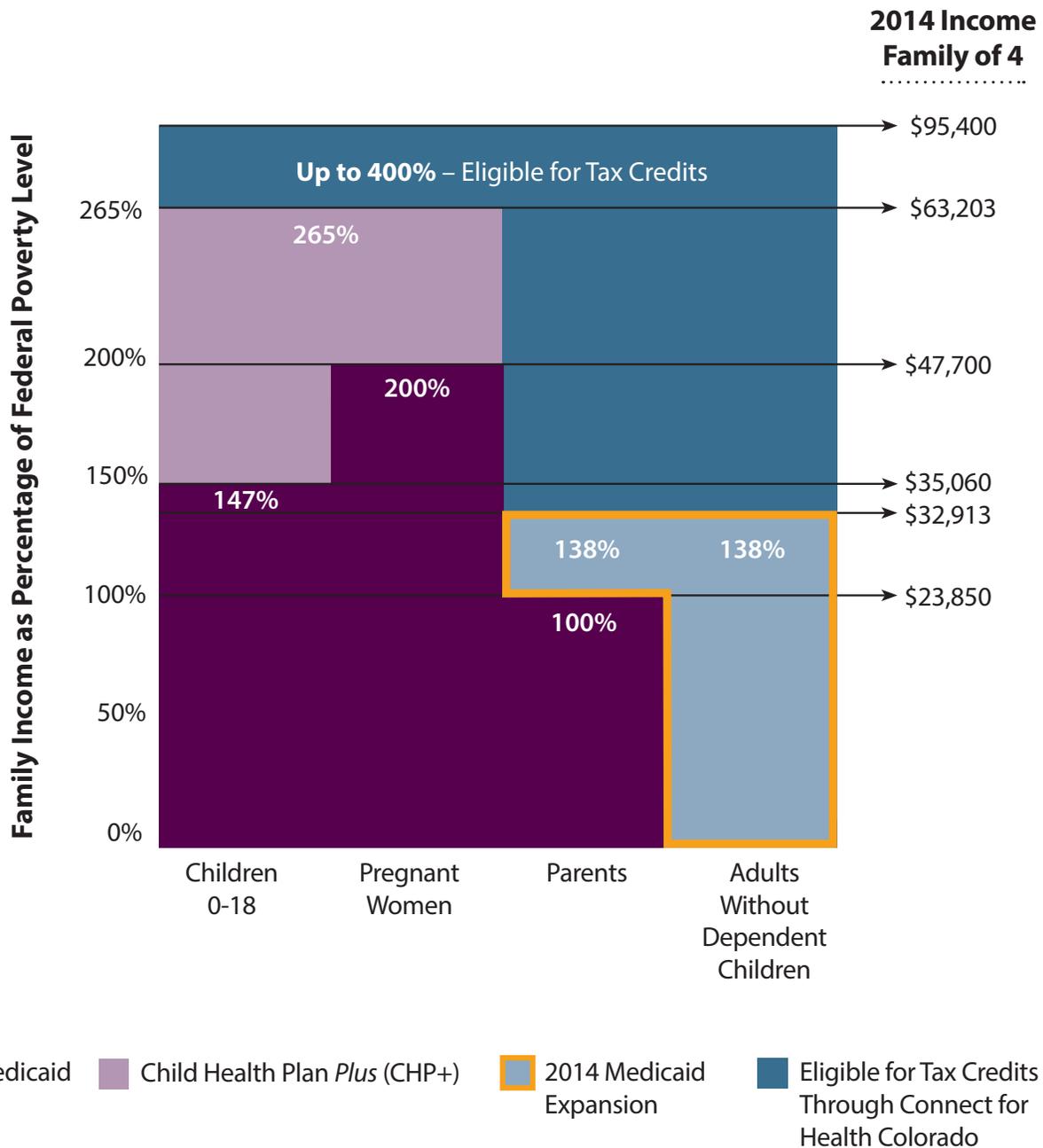
The implementation of MAGI could have resulted in some children and pregnant women becoming ineligible for Medicaid or CHP+.

To prevent this from happening, states were required to increase eligibility thresholds for children and pregnant women to account for all of the disregards that their

**Table 1. Medicaid and CHP+ Eligibility in Colorado, as Percentage of FPL, 2013 and 2014<sup>1</sup>**

	Children (0-18)		Pregnant Women		Adults (19-64)	
	Medicaid	CHP+	Medicaid	CHP+	Parents of Dependent Children (Medicaid)	Adults without Dependent Children (Medicaid)
Colorado Eligibility Standards, 2013	133%	250%	185%	250%	100%	10% (capped)
Colorado Eligibility Standards without MAGI, 2014	133%	250%	185%	250%	133%	133%
Colorado MAGI Eligibility Standards, 2014	142%	260%	195%	260%	133%	133%
Colorado MAGI Eligibility Standards, Adjusted for Five Percent Income Disregard, 2014	147%	265%	200%	265%	138%	138%

**Graph 1. Eligibility Levels for Medicaid, CHP+ and Tax Credits for Private Insurance, Colorado, 2014**



Note: Medicaid and CHP+ eligibility levels reflect new methods of calculating income under the Affordable Care Act and modified adjusted gross income (MAGI). Does not include eligibility for Medicaid Long-Term Services and Supports.

Medicaid and CHP+ enrollees previously claimed. The federal government provided states with options to calculate the new income standards for these groups.<sup>2</sup> Colorado elected a method that averages the previous disregards.

The formula laid out by the federal government to determine these new thresholds is complicated, but the end result is summarized in Table 1.

The first row of Table 1 displays Colorado's eligibility standards in 2013, prior to MAGI. The second row displays these same standards, but reflects Colorado's Medicaid expansion to parents and adults without dependent children, which was effective January 1, 2014. The third row displays the thresholds adjusted for children and pregnant women. The fourth row includes the new five percentage point disregard on top of the adjustment.

Graph 1 shows the current eligibility standards, allowing for quick comparison.

## Conclusion

MAGI, the ACA's new income eligibility standard, is meant to inject consistency in how states decide if someone is income-qualified for Medicaid or CHP+.

To prevent any loss of coverage resulting from the new way of calculating income, the federal government also provided states with options for calculating income standards for children and pregnant women. These changes are not intended to affect the overall number of people eligible for Medicaid or CHP+.

The Colorado Health Institute estimates that, under the new rules, nearly 25,000 Coloradans will potentially have their income counted under this new method to determine their eligibility for public insurance or

## Mă'-jeye

### Modified Adjusted Gross Income

*For an acronym of just four letters, MAGI is pretty troublesome to pronounce. It's not Maggie. It's not Mag-eye. Here are the rules:*

- Short 'a', as in 'cat'
- The 'g' is pronounced like a 'j'
- Long 'i', as in 'rabbi'

marketplace subsidies.<sup>3</sup>

Still, the full impact of the new MAGI standard will become clearer moving forward. This guide boils down the complexities of the new standards so that policymakers, advocates and enrollment workers on the front lines have a MAGI reference.

## Endnotes

<sup>1</sup> Note: This table does not display presumptive eligibility (PE) criteria since PE does not currently incorporate the MAGI standards. The Colorado Department of Health Care Policy and Financing plans to align PE standards with MAGI in December 2014.

<sup>2</sup> Centers for Medicare and Medicaid Services (2012). "Conversion of Net Income Standards to MAGI Equivalent Income Standards." Dec. 28, 2012. <http://www.medicaid.gov/Federal-Policy-Guidance/downloads/SHO12003.pdf>

<sup>3</sup> Colorado Health Institute analysis of the 2012 American Community Survey. Limited to individuals reporting Medicaid, CHP+ or no insurance. Includes children ages 0-18 between 251-265% of FPL and adults 19-64 between 134-138% of FPL. Medicaid and CHP+ MAGI standards went into effect in October 2013, while adult Medicaid standards were implemented in January 2014.

# More Resources

The Colorado Health Institute provides a wide range of data and analysis related to public health insurance programs, including Medicaid and Child Health Plan Plus (CHP+). Recent reports include:

- **The Colorado Eligibility Atlas: Mapping the Uninsured**
- **Health Insurance Status of Colorado Adults**
- **Colorado Children's Health Insurance Status**
- **More Dental Insurance: Enough Dental Care?**



The Colorado Eligibility Atlas  
Mapping the Uninsured

MAY 2014

Informing Policy. Advancing Health.

**Health Insurance Status of Colorado Adults** JULY 2014

**How Many Uninsured Adults are Eligible for Medicaid?**

The number of Colorado adults who are eligible for Medicaid has increased, reflecting sweeping changes in state and federal health policy.

Colorado and 26 other states passed legislation in 2013 to expand Medicaid eligibility for adults as part of the Affordable Care Act. This means that more adults without health insurance (Medicaid) became eligible for Medicaid for the first time.

12 percent of Colorado's 10.5 million residents are eligible for Medicaid because the income limit has increased from 100 percent to 133 percent of the federal poverty level (FPL).

The change went into effect January 1, 2014. The result: nearly 210,000 uninsured Colorado adults became more eligible for Medicaid.

The Colorado Health Institute (CHI) monitors the impact of health policy on the number of Coloradans who are uninsured – particularly those who are eligible for but not enrolled in Medicaid or public insurance programs. So we set out to estimate the number of adults who were eligible for Medicaid at the start of the year. We report on how many more adults – about 100,000 – have since enrolled in Medicaid.

Coloradans that are newly eligible also were eligible to public insurance or pay out of the Medicaid expansion based on 2012 American Community Survey (ACS) data. These included the newly eligible as well as people who were already eligible for health insurance.

The number of Medicaid adults that up from 47,000 to 258,000 when comparing last year's CHIP+ awards. Of the 258,000 CHIP+ adults, about 100,000 are currently uninsured. Of the 158,000 CHIP+ adults, about 100,000 are currently uninsured. Of the 158,000 CHIP+ adults, about 100,000 are currently uninsured.

Figure 1. New and Existing Medicaid Adults by Age Group (Comparing 2013 and 2014)

0-17	23,510
18-64	47,593
65+	186,899

Legend: ■ Medicaid Eligible for Medicaid (2014) ■ Newly Eligible for Medicaid (2014)

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**Colorado Children's Health Insurance Status** FACT SHEET NOVEMBER 2013

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DECEMBER 17, 2013

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