



## Health Reform in Translation

### What Is MAGI?

MAGI (Modified Adjusted Gross Income) is a methodology created under the Affordable Care Act (ACA) to determine financial eligibility for Medi-Cal as well as for premium tax credits and cost-sharing assistance through Covered California, the state's health insurance marketplace. The methodology has two components: (1) calculating income; and (2) determining who is in the household. Household income is then compared to the Federal Poverty Level (FPL), which depends on family size, to determine eligibility.

#### Background

Prior to the ACA, Medicaid applicants had to fit into one of several categories in order to be eligible: children, pregnant women, parents and other caretaker relatives in families with children deprived of parental support, seniors, and people with disabilities.<sup>1</sup> Each category had its own income rules and restrictions, and these also varied from state to state.

Because they did not fit any of these categories, most low-income, non-elderly adults without children were not eligible for Medicaid. To help fill this gap, the ACA extended Medicaid to these individuals and created MAGI to determine financial

eligibility across the three major insurance affordability programs: Medicaid, Children's Health Insurance Program (CHIP), and the health insurance marketplaces.<sup>2</sup>

#### How MAGI Changed Eligibility Rules in California

The pre-ACA protocol for Medi-Cal<sup>3</sup> financial eligibility started with gross income and then applied an assortment of deductions and income disregards, such as deductions for earned income, child care, and medical expenses. The pre-ACA rules also limited the value of assets (such as bank accounts and vehicles) adults could have and still be eligible for Medi-Cal.

The new MAGI methodology is based on Adjusted Gross Income (AGI) as defined by the tax code, plus any foreign income, tax-exempt interest, and the full amount of Social Security benefits.

Rather than applying the pre-ACA array of disregards, the Medi-Cal income limits are adjusted to a MAGI-equivalent threshold; then an across-the-board 5% deduction is applied for those who would otherwise not qualify for Medi-Cal. Under MAGI, assets are *not* considered when determining eligibility.

#### Who Is Affected?

For Medi-Cal eligibility, MAGI is used for most non-elderly, non-disabled groups, including children, pregnant women and parents, and adults in the new Medi-Cal expansion category. The former, non-MAGI rules continue to apply to some Medi-Cal categories, such as eligibility based on disability.

MAGI is also now used to determine eligibility for premium tax credits through Covered California, although the rules differ slightly from the Medi-Cal rules. The primary difference is the way household composition is determined. For Covered California, the household always consists of the tax filer and all tax dependents. For Medi-Cal eligibility, the household may be different than the tax-filing unit because: (1) married couples living together are always considered to be in one household whether they file taxes jointly or separately; and (2) children are always considered to be part of the household with the parents and siblings with whom they live, regardless of who claims them as tax dependents.

**MAGI methodology has two components: (1) calculating income; and (2) determining who is in the household.**

Income calculated under the MAGI rules must be compared to the appropriate percentage of the FPL, depending on the eligibility category. For example, adults in the new Medi-Cal expansion are covered up to 133% of the FPL; in practice, they are covered up to 138% FPL because of the across-the-board 5% disregard (see chart).

## In Context

The use of the new methodology presents transition issues. In particular, the elimination of income disregards may result in denial of Medi-Cal for previously eligible individuals in some cases. Nevertheless,

MAGI moves the state closer to streamlined, seamless coordination across insurance affordability programs and creates a pathway for extending Medi-Cal to hundreds of thousands of newly eligible Californians.

## Additional Resources

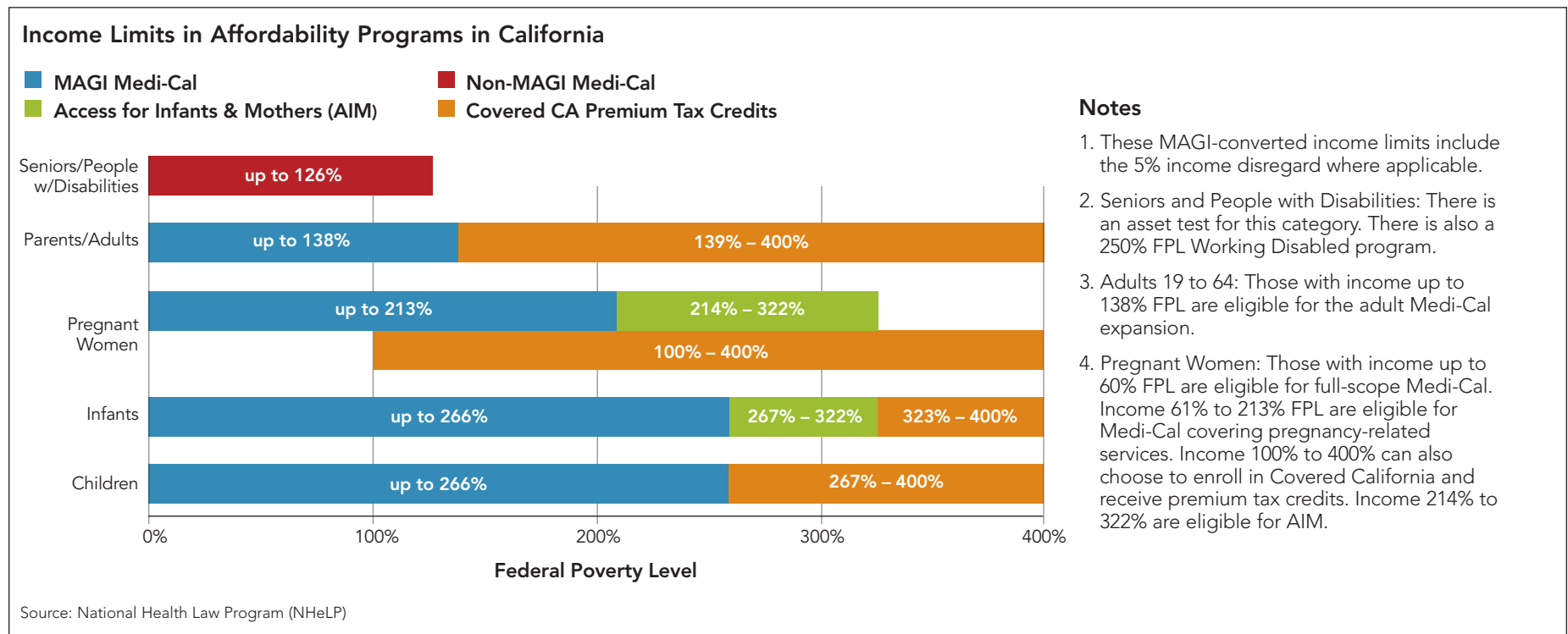
*The Advocate's Guide to MAGI*, [www.healthlaw.org/publications/browse-all-publications/agmagi#.UrDvlfRDuSo](http://www.healthlaw.org/publications/browse-all-publications/agmagi#.UrDvlfRDuSo)

*Modified Adjusted Gross Income Under the Affordable Care Act*, [http://laborcenter.berkeley.edu/healthcare/MAGI\\_summary13.pdf](http://laborcenter.berkeley.edu/healthcare/MAGI_summary13.pdf)

*Getting into Gear for 2014: Shifting New Medicaid Eligibility and Enrollment Policies into Drive*. November 2013. KFF. <http://kff.org/report-section/getting-into-gear-for-2014-shifting-new-medicare-eligibility-and-enrollment-policies-into-drive-section-1-introduction/>

## Endnotes

1. The category "children deprived of parental support" includes children with parents who are absent, unemployed, underemployed, or disabled.
2. In practice, a Supreme Court ruling made the Medicaid expansion optional for states.
3. Medi-Cal is California's Medicaid program.



## Notes

1. These MAGI-converted income limits include the 5% income disregard where applicable.
2. Seniors and People with Disabilities: There is an asset test for this category. There is also a 250% FPL Working Disabled program.
3. Adults 19 to 64: Those with income up to 138% FPL are eligible for the adult Medi-Cal expansion.
4. Pregnant Women: Those with income up to 60% FPL are eligible for full-scope Medi-Cal. Income 61% to 213% FPL are eligible for Medi-Cal covering pregnancy-related services. Income 100% to 400% can also choose to enroll in Covered California and receive premium tax credits. Income 214% to 322% are eligible for AIM.

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