

**County of San Diego, Health and Human Services Agency (HHS)A)
Medi-Cal Program Guide (MPG) Special Notice (SN)**

Health Care Reform (HCR) Medi-Cal

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Issue Date:

May 18, 2015

Effective Date:

Upon Receipt

Background:

The Affordable Care Act (ACA) requires that staff apply a new budget methodology based on Modified Adjusted Gross Income (MAGI) to determine eligibility for certain households requesting Medi-Cal assistance. The MAGI methodology is used to determine whose income counts and how to count income for each applicant/beneficiary.

Purpose:

To inform staff of whose income counts and how to count income for each applicant/beneficiary.

Policy:

In compliance with federal and state regulations, staff are required to evaluate all applicants and beneficiaries for MAGI using the new methodology who are potentially eligible to the following MAGI Medi-Cal groups:

- Children's
- Parents and Caretaker Relatives
- Pregnant Women
- New Adult

The MAGI methodology does not apply to:

- aged, blind, disabled individuals, not eligible to MAGI
- long term care, not eligible to MAGI
- Medicare Savings Program (QMB, SLMB, QI-1)
- Former Foster Care Children's (FFCC) Program

Procedure:

Determining Whose Income Counts

MAGI is based upon the Internal Revenue Service (IRS) rules for Adjusted Gross Income (AGI) with the addition of untaxed Social Security, untaxed interest income, and untaxed foreign earned income, the sum of which is referred to as MAGI for Medi-Cal and Premium Tax Credit (PTC) eligibility determination purposes.

To evaluate the Adjusted Gross Income (AGI), adjustments must be made to the gross income. Deductions to the AGI include:

- Educator expenses
- Moving expenses
- Penalty on early withdrawal of savings
- Alimony paid
- Student loan interest paid

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- IRA contributions
- Tuition and Fees

Once AGI is determined, the modification to the AGI is completed as follows:

AGI (line 37 of the 1040 tax form) + Foreign Income + Tax Exempt Income <u>+Non-Taxable Social Security Benefits</u> MAGI

SDI (not in lieu of UIB- see example below), Veteran's benefits, and child support income are not counted under the MAGI methodology.

SDI Example: If a disabled individual was laid-off (in a circumstance where they would otherwise receive UIB but is getting SDI instead), it is considered unemployment benefits and they will receive a 1099 because those benefits would be taxable. In contrasting example, if someone becomes disabled and must leave their job because the doctor says they can no longer perform those duties, or they are temporarily off of work for surgery and rehabilitation, the SDI is considered a disability benefit, is not taxable and they will not receive a 1099.

Additional desk aids to [Desk Aid 56](#) have been added that include additional information on income and income deductions as follows:

- [Desk Aid 56A](#) – Income Counted for MAGI and PTC
- [Desk Aid 56B](#) – Income NOT Counted for MAGI and PTC
- [Desk Aid 56C](#) – Allowable Income Deductions for MAGI and PTC
- [Desk Aid 56D](#) – American Indian/Alaskan Native (AI/AN) Exceptions for MAGI and PTC

The HH income is the MAGI of the tax payer (and joint filer) plus that of any dependents who are required to file a tax return. To determine whose income counts, you must first determine HH composition. [SN 13-09 Addendum I](#) and [Desk Aid 67](#) provide guidance on determining HH composition. In addition, [Desk Aid 70](#) is now available in the MPG to assist staff with determining individual HH composition. Once the HH composition has been determined, staff is able to determine whose income counts for each individual in the MAGI Medi-Cal HH.

Note: Under the new MAGI HH rules, step-parents and step-children are included in each other's HH, if living together.

HH income is the sum of the MAGI-based income of every individual included in the individual's HH. There are a few exceptions:

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Income of...	Is...
children (regardless of age) who are tax dependents of his or her natural, adopted or step-parent	not counted in the tax HH unless he or she is expected to be required to file a tax return, whether or not the individual files a tax return
tax dependents who are not the children of the tax filer	
tax dependents who are not the children (natural, adopted, or step) of the tax filer who meet one of the tax dependent exception rules	counted in their own MAGI HH whether or not he or she is expected to be required to file a tax return
non-filer children (under 19 years of age or 21 if full-time students) living with their parents	not counted in the HH unless he or she is expected to be required to file a tax return
non-filer adults	counted in the HH whether or not he or she is expected to be required to file a tax return

Note: Social Security benefits are not counted for purposes of determining whether a child or tax dependent will be required to file a tax return. If a child or tax dependent with Social Security benefits is not required to file a return, any Social Security benefits he or she receives are not counted.

[Desk Aid 71](#) – Whose Income Counts in the Income Calculation for MAGI, provides a flow chart to determine whose income counts and when does it count

Important Reminder

Eligibility staff are not authorized to interpret tax rules or inform individuals about what constitutes taxable income, deductions or expenses. Staff should not make decisions as to whether certain income is taxable or not. When information is submitted verbally, staff should ask the consumer what their taxable income types and amounts or adjusted gross income amounts are, including untaxed Social Security, untaxed interest income and untaxed foreign earned income, then submit those amounts to the CalHEERS (CH) system. CH will verify the information provided through the Federal Data Services hub (hub). The CH results will inform staff of whether the reported income is or is not reasonably compatible.

If the applicant/beneficiary has a question regarding a specific type of income, staff may advise the applicant/beneficiary to consult with their accountant, tax advisor, or the IRS at 1-800-829-1040 or on line at www.irs.gov. They can also call the source/issuer of their income to ask whether or how much of their income is taxable.

E-Verified Income

All Medi-Cal applications and redeterminations must be run through the hub to electronically verify the applicant's/beneficiary's attested income information prior to requesting paper verification. No application may be denied until it has been run at least one-time through the hub during a time when the hub is available.

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At intake, if the income information from the hub is not reasonably compatible with the income reported on the application, staff must conduct an *ex-parte* review to obtain the required information from the applicant or family members' Medi-Cal file and through other social services programs for the applicant or family members, such as Covered California, CalFresh, California Work Opportunity and Responsibility to Kids (CalWORKs), or other data sources. If staff is unable to verify income through the hub or *ex-parte*, they will need paper verification. Staff will follow the established two 10-day contacts for request of verification/information.

Non-MAGI

Staff may use CalHEERS electronic verification for the following data elements:

- Social Security Number
- DOB
- Death/Deceased
- Medicare Enrollment, Non-ESI MEC
- Citizenship
- Immigration Status
- State Residency
- Incarceration Status

Attested income that is e-verified for MAGI/PTC purposes cannot be used for non-MAGI cases due to the Share of Cost determination. Staff must request documentation of income if not verified by the Social Security Administration (SSA) or Employment Development Department (EDD) through an Income Eligibility Verification System (IEVS).

Impact/s:

Automation

None

Forms and Document Capture

None

Programs Affected

Medi-Cal

Quality Control (QC)

Upon resumption of Medi-Cal desk reviews, QC will cite the appropriate error when requirements outlined in this material are not followed.

Management Reporting

None

References:

[MEDIL 15-03](#)

[ACWDL 15-15](#)

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DHCS CountyOps

Sunset Date:

This policy will be reviewed for continuance by 05/17/2016

Approval for Release:



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Eligibility Operations