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Testimony Regarding Modified Adjusted Gross Income (MAGI)

For the Robert G. (Bob) Bethell Joint Committee on Home and Community Based Services and KanCare Oversight

November 25, 2013

Thank you, Madame Chair and members of the Committee, for this opportunity to review Modified Adjusted Gross Income (MAGI) methodology for eligibility determinations. My name is Susan Mosier and I am the Medicaid Director for Kansas. The Division of Health Care Finance in the Kansas Department of Health and Environment (KDHE-DHCF) serves as the statutorily designated Single State Medicaid Agency (SSMA) for Kansas. In this role, KDHE-DHCF is responsible for the administration of the Medicaid and CHIP programs in Kansas. The Centers for Medicaid and Medicare Services (CMS) provides federal oversight of these programs.

There are several changes in financial eligibility criteria that are needed in order to comply with federal law. These changes are a result of a new eligibility determination methodology based on tax households. This new eligibility determination methodology is commonly referred to as Modified Adjusted Gross Income (MAGI) methodology. MAGI methodology changes how countable income is determined and how a household is defined. Under current Kansas eligibility rules, certain income is not counted when determining eligibility. This non-counting of certain income is called an income disregard, and income disregards are not permitted in MAGI eligibility determinations. The State went through a process with CMS to convert our current income limits to equivalent income limits under MAGI rules. The goal of this process was to establish MAGI-based income standards that are no more or less than the current income standards. Because the converted MAGI-based income standards are essentially a different way to express our current financial eligibility determination standards, there is no net financial impact to the Medicaid program projected from the implementation of MAGI.

The table attached illustrates MAGI population converted income standards. For children and families, the standard has been revised to no longer disregard \$200 per earner. There are other variables as well, but the primary difference is driven by the change in income disregards.

Thank you for the opportunity to present this to the Committee. I would be happy to stand for questions.

MAGI ELIGIBILITY STANDARDS FOR KANSAS

| GROUP | | Old Standard | New Standard |
|---|-------------|--------------|--------------|
| TANF Adults Medicaid | Upper limit | various* | 33% FPL |
| Pregnant women & infants Medicaid | Upper limit | 150% FPL | 166% FPL |
| Children 1-5 Medicaid | Upper limit | 133% FPL | 149% FPL |
| Children 6-18 Medicaid enhanced match for 113-133% | Upper limit | 100% FPL | 133% FPL |
| Free S-CHIP, age 1-5, 134% FPL to 149% FPL | Upper limit | 149% FPL | 166% FPL |
| Free S-CHIP, age 6-18, > 101% FPL to 149% FPL | Upper limit | 149% FPL | 166% FPL |
| S-CHIP premium, age < 19, 150% FPL to 175% FPL | Upper limit | 175% FPL | 191% FPL |
| S-CHIP premium, age < 19, 176% FPL to 200% FPL | Upper limit | 200% FPL | 218% FPL |
| S-CHIP premium, age < 19, 201% to 225% FPL | Upper limit | 225% FPL | 245% FPL |

MAGI SCENARIOS

Pregnant Woman

Sandra, age 29, is pregnant. She lives with her husband, Tom. Her baby is due in February 2014. She is applying for KanCare for prenatal care.

What is their monthly income?

- Sandra works part time and earns \$1000/month
- Tom works full time and earns \$1600/month
- Their total income is \$2600/month

Using the old rules?

Under the old rules certain income disregards were applied prior to determining the countable monthly income. For Sandra and Tom, a \$400 deduction was applied.

Sandra and Tom were at 135% FPL.

For Pregnant Woman coverage, the limit was 150% FPL.

Sandra is eligible for coverage.

Using MAGI rules?

Under the new rules disregards are not applicable. Total gross income is now used.

Sandra and Tom are at 160% FPL.

For Pregnant Woman coverage, the limit is 166% FPL.

Sandra is eligible for coverage.

MAGI SCENARIOS

Children

Patty and John are married and have two children, ages 7 and 12. They are applying for KanCare coverage for their children.

What is their monthly income?

- Patty works full time and earns 2500/month
- John also works full time and earns 2200/month
- Their total income is \$4300/month

Using the old rules?

Under the old rules certain income disregards were applied prior to determining the countable monthly income. For Patty and John, a \$400 deduction was applied.

Patty and John were at 219% FPL.

For KanCare CHIP coverage the limit was 225%.

Both children were eligible for KanCare CHIP with a \$50/month premium.

Using MAGI rules?

Under the new rules disregards are not applicable. Total gross income is now used.

Patty and John are at 239%FPL.

For KanCare CHIP coverage the limit is 245%.

Both children are eligible for KanCare CHIP with a \$50/month premium.

MAGI SCENARIOS

Low Income Parents and Caretakers

Jill and Joe have three children. They were both laid off from their jobs and have been receiving coverage under the Low Income Families program for the past 6 months. Jill just returned to work.

What is their monthly income?

- Jill works part time and earns \$700/month
- Their total income is \$700/month

Using the old rules?

Under the old rules certain income disregards were applied prior to determining the countable monthly income. For Jill and Joe, a \$334 deduction was applied.

Jill and Joe had countable income of \$366.

For KanCare coverage, the limit for their HH size and location was \$532/month.

The entire family was eligible for KanCare.

Using MAGI rules?

Under the new rules disregards are not applicable. Total gross income is now used.

Jill and Joe have countable income of \$700, or 31% FPL.

For KanCare coverage the limit is 33% FPL.

The entire family is eligible for KanCare .