INCOME OVERVIEW

1. The MAGI Methodology and Insurance Affordability Programs

The Affordable Care Act (ACA) requires that financial eligibility for all insurance affordability programs be determined using the Modified Adjusted Gross Income (MAGI) Methodology. This means that for certain Medicaid categories, the Children's Health Insurance Program (CoverKids) and the Advance Premium Tax Credits (APTCs) offered on the Exchange, household income determined using the MAGI methodology will apply across all three programs. The primary difference with income counting rules for the three programs is that Medicaid and CHIP determine eligibility based on monthly income, while the Exchange uses annual income to determine APTC eligibility.

MAGI methodology is based on federal tax rules. In general, when determining eligibility, taxable income is counted and non-taxable income is excluded. Expenses that are allowed under federal tax rules are allowed in Medicaid eligibility determinations. The MAGI methodology also eliminates the use of disregards based on household characteristics, e.g. the earned income disregard. A general 5% disregard of household income is permitted, but only if it impacts eligibility. See the *Expenses* and *The 5 Percent FPL Disregard for MAGI* policy.

2. General Income Types

Income types that are countable for TennCare Medicaid, TennCare Standard and CoverKids coincide with income types that are reported under the Income section on IRS Form 1040. Countable income under the MAGI methodology includes income included in any of the following 12 income types:

1. Job (Wages, tips, etc…)
2. Self-employment
3. Social Security benefits
4. Unemployment
5. Retirement
6. Pension
7. Capital Gains
8. Investment Income
9. Rental or Royalty Income
10. Farming or Fishing income
11. Alimony Received
12. Other income:
    a. Canceled debts
    b. Court awards
    c. Jury Duty pay
    d. Cash Support
    e. Gambling, prizes or awards

3. Exceptions

The MAGI methodology is used to determine income eligibility for all insurance affordability programs: Medicaid, CHIP (CoverKids) and the APTCs offered through the Exchange. The income counting rules are generally the same, except for 3 types of income (retained Medicaid policy):

- Amounts received as lump sums are counted as income only in the month received;
- Scholarships, awards or fellowship grants used for education purposes and not for living expenses are excluded from income; and
- American Indian/Alaska native exceptions.

4. Medicaid Safe Harbor

Legal Authority: 42 CFR 435.603(i)

If an individual is determined financially ineligible for a MAGI TennCare Medicaid category, and is then determined to have household income below 100 percent FPL by the Federally Facilitated Marketplace (FFM), Medicaid financial eligibility will be determined in strict accordance with the income counting rules in the FFM.

Income determinations for Medicaid Safe Harbor individuals is accepted as determined by the FFM and TennCare Medicaid eligibility is granted as long as the individual meets all non-financial requirements.

5. Counting Income

Eligibility is determined based on monthly income. All income must be converted to a monthly figure. The following formulas are used to convert income to a monthly amount.

a. **Hourly Work:** Multiply the hourly wage by the number of hours the individual worked or is expected to work in a week to determine the weekly earnings figure.

b. **Weekly Income:** Multiply weekly income by 4.3 to determine monthly income.

c. **Bi-Weekly Income:** Multiply the amount received every two weeks by 2.15 to determine the monthly amount.

d. **Semi-Monthly Income:** Add the two semi-monthly amounts together to determine the monthly amount.

e. **Annual Income:** Divide the full amount of annual income by 12 to determine the average monthly amount.