THE 5 PERCENT FEDERAL POVERTY LIMIT DISREGARD FOR MAGI

Legal Authority: 42 CFR 435.603; Tenn. Comp. R. & Regs. 1200-13-20

1. Overview

The Affordable Care Act (ACA) requires that financial eligibility for certain TennCare Medicaid and CoverKids categories be determined using the Modified Adjusted Gross Income (MAGI) methodology. The MAGI methodology eliminates all characteristic-specific income disregards, such as the earned income disregard, dependent care disregard or child support disregard. Instead, a 5% Federal Poverty Level (FPL) disregard will be applied to any individual in a MAGI TennCare Medicaid, TennCare Standard or CoverKids category when the disregard would make the individual eligible. These individuals are those whose household income is within 5 FPL percentage points of the highest income standard for which they can obtain TennCare Medicaid, TennCare Standard or CoverKids eligibility under MAGI-based income rules. The 5% FPL disregard does not apply to the TennCare Medicaid Medically Needy categories.

2. Policy Statement

A 5% FPL disregard is applied to applicants’ household income in the TennCare Medicaid, TennCare Standard and CoverKids categories that use the MAGI methodology to determine financial eligibility. The 5% disregard does not apply to TennCare Medicaid Medically Needy categories.

Children and pregnant women whose household income is within 5 percentage points of a TennCare Medicaid or TennCare Standard category will receive the 5% disregard in order to be determined eligible for TennCare Medicaid or TennCare Standard rather than be determined eligible for CoverKids.

3. Application of the Disregard to TennCare Medicaid and TennCare Standard

The 5% FPL disregard is provided by converting 5% of the FPL to a dollar amount based on the Eligibility Determination Group (EDG) size. The dollar amount is subtracted from the applicant’s/enrollee’s household modified adjusted gross income.

Applicants whose household income is within the following ranges will be made eligible by applying the 5% FPL disregard:

a. Children Aged 0-1 Years Old: Household income is between 195% and 200% FPL;
b. Children Aged 1-5 Years Old: Household income is between 142% and 147% FPL;
c. Children Aged 6-18 Years Old: Household income is between 133% and 138% FPL;
d. Pregnant Women: Household income is between 195% and 200% FPL;
e. TennCare Standard Uninsured: Household income is between 211% and 216% FPL; and
f. Caretaker Relatives: The 5% disregard is the individual’s Modified Adjusted Gross Income amount minus the actual dollar amount of 5% of 100% FPL for the appropriate household size.

4. Disregard Budget Examples

a. Example 1

A pregnant woman applies for TennCare Medicaid. She has no spouse or other children living in the home. The income standard for the Pregnancy MAGI category is $2,748 (195% FPL, EDG size of 2). The 5% FPL disregard equals $71 ($1,410 x 0.05 = $70.50 or $71). The applicant’s monthly household modified adjusted gross income is $2,800. The applicant will receive the disregard, $2,800 - $71 = $2,729, making her eligible for the Pregnancy MAGI category.

b. Example 2

Mary and her two children Steven, age 4, and Carrie, age 9, apply for coverage. Mary is pregnant and expecting one baby. Mary pays taxes and claims Steven and Carrie as dependents. Since she is pregnant, Mary’s EDG size is 4 and the two children’s EDG sizes are 3. Mary earns $2,400 per month at her job. Mary is determined eligible in the Pregnancy MAGI category, Steven is determined eligible in the Child MAGI 1-5 category, but Carrie is ineligible for the Child MAGI 6-18 category because her income is over the income eligibility threshold. The 5% FPL disregard is applied to Carrie’s household income, which brings her under the income eligibility threshold for the Child MAGI 6-18 category and she is determined eligible.

i. Mary: Income eligibility threshold in the Pregnancy MAGI category for EDG size of 4 = $4,185. Household income is $2,400 which is less than $4,185, so she is eligible.

ii. Steven: Income eligibility threshold in the Child MAGI 1-5 for EDG size 3 = $2,525. Household income is $2,400 which is less than $2,525, so he is eligible.

iii. Carrie: Income eligibility threshold in the Child MAGI 6-18 for EDG size 3 = $2,365. Household income is $2,400 which is greater than $2,365. Without the disregard, Carrie would be ineligible due to being over income. We determine the disregard amount by taking 5% of $1,778 (100% FPL for EDG size of 3), which is $88.90 or $89. The 5% disregard reduces her household income to $2,311 ($2,400 - $89). Her household income is now less than the income eligibility threshold, so she is determined eligible.

The above examples are current as of February 2019

5. Application of Disregard to CoverKids

Applicants whose household income is within the following ranges will be made income eligible for CoverKids by applying the 5% FPL disregard:
a. CoverKids Children: Household income is between 250% and 255% FPL, and  
b. CoverKids Pregnant Woman: Household income is between 250% and 255% FPL.

Note: Pregnant women and children with income in the ranges described above for TennCare Medicaid categories will receive the 5% FPL disregard so that they are eligible for TennCare Medicaid, rather than being determined eligible for CoverKids.
### Document Title
The 5 Percent Federal Poverty Limit Disregard For MAGI

**First Published**: 10.30.2014

### Revision History

<table>
<thead>
<tr>
<th>Revision Date</th>
<th>Section</th>
<th>Section Title</th>
<th>Page Number(s)</th>
<th>Reason for Revision</th>
<th>Reviser</th>
</tr>
</thead>
<tbody>
<tr>
<td>03.04.2016</td>
<td>3.</td>
<td>Application of the Disregard to TennCare Medicaid and TennCare Standard</td>
<td>1-2</td>
<td>Non-Substantive Change</td>
<td>AK</td>
</tr>
<tr>
<td>02.27.2017</td>
<td>3.</td>
<td>Application of the Disregard to TennCare Medicaid and TennCare Standard</td>
<td>1-2</td>
<td>Non-Substantive Change</td>
<td>RH</td>
</tr>
<tr>
<td>03.05.2018</td>
<td>3.</td>
<td>Application of the Disregard to TennCare Medicaid and TennCare Standard</td>
<td>1-2</td>
<td>Non-Substantive Change</td>
<td>TN</td>
</tr>
<tr>
<td>03.18.2019</td>
<td>3.; 4.; 5.</td>
<td>Application of the Disregard to TennCare Medicaid and TennCare Standard; Disregard Budget Examples; Application of Disregard to CoverKids</td>
<td>1-3</td>
<td>Non-Substantive Change</td>
<td>SN</td>
</tr>
<tr>
<td>03.18.2019</td>
<td></td>
<td>Legal Authority</td>
<td>1</td>
<td>Policy Clarification</td>
<td>TN</td>
</tr>
</tbody>
</table>