MAGI Income and Program Integrity

- Modified Adjusted Gross Income
- Timing of Income
- Change Reporting
- Lump Sums
- Social Security Income
- Self-Employment Income
- Program Integrity
Modified Adjusted Gross Income (MAGI)
Adjusted Gross Income (AGI)

• Adjusted Gross Income (AGI) is defined by the IRS and reported yearly on your 1040, 1040EZ, or 1040A tax returns

• AGI income is the amount of all countable gross income for the year, minus any allowable deductions

Reminder: Gross income is the amount before any taxes or deductions are taken out
AGI: Allowable Deductions

Allowable deductions per the IRS include:

- Educator expenses
- Health saving account deduction
- Certain business expenses of reservists, performing artists, and fee-based government officials
- Self-employed health insurance deduction
- Penalty on early withdrawal of savings
- Spousal Support/Alimony paid
- IRA deduction
- Student loan interest deduction
- Tuition and fees
AGI: Allowable Deductions

• The IRS puts yearly limits on the amount an individual can claim each year on their taxes

Here are some of the most common claimable deductions:

<table>
<thead>
<tr>
<th>Deduction Type</th>
<th>Criteria</th>
<th>Yearly Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Educational Expenses</td>
<td>Only includes money paid out of pocket for tuition and fees</td>
<td>$4000.00</td>
</tr>
<tr>
<td>Student Loan Interest</td>
<td>Loan must have been used for qualifying educational expenses; only includes interest (not principle) paid</td>
<td>$2500.00</td>
</tr>
<tr>
<td>Self-Employment Tax</td>
<td>Yearly taxes paid to the federal government to fund Social Security and Medicare for self-employed individuals who net more than $400 per year</td>
<td>50% of taxes paid is deductible</td>
</tr>
</tbody>
</table>

For a complete list of deductions, visit: [http://www.hca.wa.gov/hcr/me/Pages/Reference-Guides.aspx](http://www.hca.wa.gov/hcr/me/Pages/Reference-Guides.aspx)
Modified Adjusted Gross Income (MAGI)

Modified adjusted gross income (MAGI) methodology is used to determine eligibility for MAGI-based Washington Apple Health (Medicaid) programs, which include:

- Adults
- Parent/Caretaker Relatives
- Kids
- Kids with Premiums
- Pregnancy Medical
- Alien Emergency Medical
AGI to MAGI

MAGI is the adjusted gross income determined by the Internal Revenue Code (IRC), but increased by:

1. Any amount excluded from gross income under Section 911 of the IRC (this includes earned foreign income and housing)
2. Any amount of interest received during the year that is exempt from tax
3. Any amount of Title II Social Security income or Tier 1 Railroad Retirement income which is excluded from gross income (see Section 86 of IRC)
AGI to MAGI

MAGI is the adjusted gross income determined by the Internal Revenue Code (IRC) but not including:

1. Scholarship or fellowship grants used for education purposes are excluded from income (see WAC 182-509-0335)
2. Income received by American Indian/Alaskan Native individuals (see WAC 182-509-0340)
3. Any income received as a lump sum is only counted in the month in which it is received (see WAC 182-509-0375)
MAGI Methodology

- Countable MAGI is reduced by an amount equal to five percentage points of the federal poverty level (FPL) based on household size to determine net countable income

**Exception**: Parent/Caretaker medical does not receive the 5% FPL deduction unless the recipient is receiving Medicare

- See Washington Administrative Code: 182-509-0300
• Washington Healthplanfinder is programmed to only ask for countable income and deductions through the application process

• Washington Healthplanfinder is programmed to subtract any allowable deductions and the standard 5% FPL deduction for each applicant when determining eligibility
Countable MAGI

Common examples of countable MAGI include:

- Income from salaries, wages, tips and commissions
- Self-employment income minus business expenses
- Unemployment compensation
- Title II Social Security benefits (including retirement, disability, and benefits for survivors)
- Rental income

For more information, see Washington Administrative Codes: 182-509-0325 and 182-509-0330
Non-Countable MAGI

Common examples of non-countable MAGI include, but are not limited to:

- Needs-based assistance from other agencies or organizations (such as temporary assistance for needy families (TANF), diversion cash assistance (DCA), refugee cash assistance (RCA), supplemental security income (SSI), and aged, blind, disabled cash assistance (ABD)
- Child support payments
- Time loss benefits
- Title IV-E and state foster care maintenance payments
- Some veteran’s benefits

For more information, see Washington Administrative Code 182-509-0320
Example: Dan and Barb are married and have one child, Jenny. Their monthly income and deductions are:

Dan: $1600 L&I Benefits
Barb: $1250 Net Self-Employment
Barb: $35 Student Loan Interest

• When Washington Healthplanfinder asks questions about income on the application, there is nowhere to include Dan’s L&I income as it is non-countable
Example Continued

In Washington Healthplanfinder, Barb answers “Yes” to the self-employment question
In Washington Healthplanfinder, Barb answers “Yes” to the student loan interest question.
On the next page in Washington Healthplanfinder, Barb’s self-employment income information can be entered:

**Self Employment Income**

Please enter the current estimated net monthly income (profits once business expenses are paid) from self-employment.

**Barb Doe**

<table>
<thead>
<tr>
<th>TYPE OF COMPANY</th>
<th>NAME OF COMPANY</th>
<th>NET MONTHLY AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporation</td>
<td>Barb’s Flowers</td>
<td>$1,250.00</td>
</tr>
</tbody>
</table>

Add More
On the next page in Washington Healthplanfinder, Barb’s student loan interest amount can be entered:

<table>
<thead>
<tr>
<th>Deductions</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Barb Doe</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Other Deductions</strong></td>
<td></td>
</tr>
<tr>
<td>MONTHLY SPOUSAL MAINTENANCE</td>
<td>$ 0.00</td>
</tr>
<tr>
<td>MONTHLY PRE-TAX RETIREMENT AMOUNT</td>
<td>$ 0.00</td>
</tr>
<tr>
<td>MONTHLY INTEREST ON STUDENT LOANS</td>
<td>$ 35.00</td>
</tr>
<tr>
<td>ANNUAL TOTAL OF THE FOLLOWING DEDUCTIONS.</td>
<td>$ 0.00</td>
</tr>
<tr>
<td>• MOVING COSTS SINCE JANUARY OF CURRENT YEAR</td>
<td></td>
</tr>
<tr>
<td>• EDUCATOR EXPENSES</td>
<td></td>
</tr>
<tr>
<td>• DOMESTIC PRODUCTION ACTIVITIES</td>
<td></td>
</tr>
<tr>
<td>• CLAIMABLE BUSINESS EXPENSES</td>
<td></td>
</tr>
<tr>
<td>• PENALTY ON EARLY WITHDRAWAL OF SAVINGS</td>
<td></td>
</tr>
</tbody>
</table>
Example Continued

Washington Healthplanfinder automatically calculates MAGI based on the income information that the individual has provided on the application:

$1250.00 (income)
- $35.00 (deduction)
- $83.71 (5% FPL deduction for HH size 3)

$1,131.29 per month

• The household is eligible for Washington Apple Health
Timing of Income
Timing of Income

Washington Healthplanfinder asks the applicant to provide income from the current month.

If the applicant’s income changes from month to month, the applicant can either provide:

- Averaged monthly income over a period of time; or
- Actual monthly income
Example: Timing of Income

Bob has a household size of 1 and is applying for health coverage in August

- Bob is a farmer who works 3 months out of the year (July-September)

- He makes $12,000/year or $4,000 per month during the months of July-September

- Bob has options when reporting his income
Example Continued

Option 1:

• Bob can report actual income

• During the month of application, Bob’s income can be reported as $4000.00 per month

• When Bob stops earning in October, he can then report $0.00 income

• At the time of application, this would make Bob ineligible for Washington Apple Health coverage until October
Example Continued

Option 2:

• Bob’s income can be averaged over the course of the year: $12,000/12 = $1000 per month

• This option would make the client eligible for WAH throughout the year

Note: Bob does not have the option to report $0.00 all year to qualify for WAH coverage
Change Reporting
All WAH recipients are required to report any change of income over $150 per month that is expected to last longer than 30 days.

**Exception**: Pregnant women and children, who were income eligible at the time of application, are exempt from reporting income changes through their certification period as they have “continuous eligibility”.
Example 1: Change Reporting

Susie is approved on WAH for Adults. At the time of application in October 2015, she was making a salary of $1000 per month. In December 2015, Susie earns a Christmas bonus of $500.

• Susie is not required to report this increase in income for the month of December. Even though it is over $150 for the month, it is not expected to last longer than 30 days

• Susie remains eligible for WAH for Adults
Example 2: Change Reporting

Ricardo has a household size of 1. In December 2015, Ricardo made $1200 and was approved for WAH for Adults. During the month of December, Ricardo worked part time due to the holidays. In January 2016, Ricardo returns to work full time and is now making $2400 per month.

- Because Ricardo is expected to continue working full time, he is required to report the increase in his wages per month as they are over $150 and expected to last longer than 30 days.

- Ricardo is no longer eligible for WAH for Adults.
Example 3: Change Reporting

In October 2015, Roger made $1500 working part time. He was approved on WAH for Adults and his wife, Jessica was approved on WAH Pregnancy Medical.

- In January 2016, Roger gets a new full-time job and is now making a salary of $5000 per month
- Because the change in income is over $150 and expected to last longer than 30 days, Roger is required to report the change in income
- Roger is no longer eligible for WAH for Adults due to the increase in income. Jessica was eligible for WAH Pregnancy Medical at the time of application and remains eligible for coverage through her certification period.
Lump Sums
Lump Sums

• A lump sum payment is money that an individual receives as a one-time payment.

• Lump sum payments are only countable if received in the month of application.
Lump Sums

Examples of lump sums include, but are not limited to:

- Insurance settlements
- Inheritance
- Lottery winnings
- One time gifts

**Note:** while the lump sum is not countable income ongoing, any interest earned off of the lump sum is countable income.

See Washington Administrative Code: 182-509-0375
Example 1: Lump Sums

Susan is a private contractor. She is only paid when she completes a project. Susan worked all of last year, and she received two payments one for $20,000 and one for $40,000.

• Because this is self-employment income that is expected to last as long as she is working, this is not considered a lump sum and is countable income

• Due to the fluctuating income, it is in Susan’s best interest to average the income over a 12 month period, making her total monthly income $5000 per month minus self-employment business expenses
Example 2: Lump Sums

Donnie is a rancher and once a year, he takes his cattle to be sold at auction. This year, Donnie sold $125,000 worth of cattle at one auction.

- This is **not** a lump sum
- This is self-employment income and is countable
- It is in Donnie’s best interest to report his averaged self-employment income minus business expenses.
Example 3: Lump Sums

Debbie is active on Washington Apple Health for Adults as of December 2015. In March 2016, Debbie’s Great Aunt Alice passes away and leaves her an inheritance of $25,000.

- This income was not received in the month of application and is not expected to last longer than 30 days as Debbie will receive a one-time payment

- This is a lump sum and is non-countable income

- Debbie remains active on Washington Apple Health for Adults
Social Security Income
For WAH eligibility, all Title II Social Security income is countable (including any amount which is excluded from gross income for tax purposes - see Section 86 of IRC)

This includes:

• Retirement benefits
• Disability benefits (SSDI)
• Dependent benefits
• Survivor Benefits
Supplemental Security Income (SSI)

- Supplemental Security Income (SSI) is a needs-based cash assistance program for aged, blind, and disabled persons (including children) who have limited income and resources.

- SSI is a Title XVI benefit and is non-countable income under MAGI methodology.

- SSI is a standardized amount that changes each year.

- In 2016, the SSI amount is $733 per month.
SSDI vs SSI

SSDI
• Must meet SSA’s disability criteria
• An individual must be “insured” due to contributions made to FICA based on earnings of the individual, their spouse or parents (work quarter based)
• After receiving SSDI for two years, recipients become eligible for Medicare coverage

SSI
• Must meet SSA’s disability criteria
• Must have limited income and resources
• Covered by Medicaid
• Usually a standardized amount (2016 = $733/month)
Self-Employment Income
Self-Employment Income

- Self-employment income is income earned by a person from running a business, performing a service, selling items that are made or reselling items with the intent to make a profit.

- Self-employment can be full time or part time and include: independent contractors, sole proprietors, partnerships, and corporations.
Self-Employment Income

Some common types of self-employment include:

• Farming/fishing
• Driving a taxi cab
• Baby sitting or running a licensed daycare
• Providing lodging for roomers or boarders
• Odd jobs including mowing lawns, house painting, etc.
• Operating an adult family home

For more information, see Washington Administrative Code: 182-509-0365
Self-Employment Income

- Any allowable business expenses per the IRS on a Schedule C, E, 1065, 1120, 1120s are allowable deductions from gross self-employment income

- When reporting self-employment income in Washington Healthplanfinder, clients should be reporting their net income (income after allowable business expenses)
Example: Self-Employment Income

Maria is a licensed at home daycare provider. She has a sole-proprietorship and files a Schedule C to report her income.
Example Continued

Maria reports her income and allowable IRS expenses on her Schedule C. This determines her net monthly self-employment income.

**Part I: Income**

<table>
<thead>
<tr>
<th>Line</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the “Statutory employee” box on that form was checked</td>
<td>115,554</td>
</tr>
<tr>
<td>2</td>
<td>Returns and allowances</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Subtract line 2 from line 1</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Cost of goods sold (from line 42)</td>
<td>115,554</td>
</tr>
<tr>
<td>5</td>
<td>Gross profit. Subtract line 5 from line 3</td>
<td>0.00</td>
</tr>
<tr>
<td>6</td>
<td>Other income, including federal and state gasoline or fuel tax credit or refund</td>
<td>115,554</td>
</tr>
<tr>
<td>7</td>
<td>Gross income. Add lines 5 and 6</td>
<td>115,554</td>
</tr>
</tbody>
</table>

**Part II: Expenses.** Enter expenses for business use of your home only on line 30.

<table>
<thead>
<tr>
<th>Line</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>8</td>
<td>Advertising</td>
<td>2,600</td>
</tr>
<tr>
<td>9</td>
<td>Car and truck expenses (see instructions)</td>
<td>12,500</td>
</tr>
<tr>
<td>10</td>
<td>Commissions and fees</td>
<td>0.00</td>
</tr>
<tr>
<td>11</td>
<td>Contract labor (see instructions)</td>
<td>0.00</td>
</tr>
<tr>
<td>12</td>
<td>Depletion</td>
<td>0.00</td>
</tr>
<tr>
<td>13</td>
<td>Depreciation and section 179 expense deduction (not included in Part III) (see instructions)</td>
<td>0.00</td>
</tr>
<tr>
<td>14</td>
<td>Employee benefit programs (other than on line 19)</td>
<td>15,000</td>
</tr>
<tr>
<td>15</td>
<td>Insurance (other than health)</td>
<td>8,500</td>
</tr>
<tr>
<td>16</td>
<td>Interest:</td>
<td>8,500</td>
</tr>
<tr>
<td>16a</td>
<td>Mortgage (paid to banks, etc.)</td>
<td>2,900</td>
</tr>
<tr>
<td>16b</td>
<td>Other</td>
<td>0.00</td>
</tr>
<tr>
<td>17</td>
<td>Legal and professional services</td>
<td>560.00</td>
</tr>
<tr>
<td>18</td>
<td>Office expense (see instructions)</td>
<td>3,200</td>
</tr>
<tr>
<td>19</td>
<td>Pension and profit-sharing plans</td>
<td>0.00</td>
</tr>
<tr>
<td>20</td>
<td>Rent or lease (see instructions):</td>
<td>0.00</td>
</tr>
<tr>
<td>20a</td>
<td>Vehicles, machinery, and equipment</td>
<td>0.00</td>
</tr>
<tr>
<td>20b</td>
<td>Other business property</td>
<td>0.00</td>
</tr>
<tr>
<td>21</td>
<td>Repairs and maintenance</td>
<td>4,000</td>
</tr>
<tr>
<td>22</td>
<td>Supplies (not included in Part III)</td>
<td>5,500</td>
</tr>
<tr>
<td>23</td>
<td>Taxes and licenses</td>
<td>10,000</td>
</tr>
<tr>
<td>24</td>
<td>Travel, meals, and entertainment:</td>
<td>0.00</td>
</tr>
<tr>
<td>24a</td>
<td>Travel</td>
<td>0.00</td>
</tr>
<tr>
<td>24b</td>
<td>Deductible meals and entertainment (see instructions)</td>
<td>0.00</td>
</tr>
<tr>
<td>25</td>
<td>Utilities</td>
<td>1,600</td>
</tr>
<tr>
<td>26</td>
<td>Wages (less employment credits)</td>
<td>24,000</td>
</tr>
<tr>
<td>27</td>
<td>Other expenses (from line 48)</td>
<td>10,000</td>
</tr>
<tr>
<td>27a</td>
<td>Other expenses (from line 48)</td>
<td>0.00</td>
</tr>
<tr>
<td>27b</td>
<td>Reserved for future use</td>
<td>0.00</td>
</tr>
<tr>
<td>28</td>
<td>Total expenses before expenses for business use of home. Add lines 8 through 27a</td>
<td>81,350</td>
</tr>
<tr>
<td>29</td>
<td>Tentative profit or (loss). Subtract line 28 from line 7</td>
<td>24,204</td>
</tr>
<tr>
<td>30</td>
<td>Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829</td>
<td>0.00</td>
</tr>
</tbody>
</table>
Example Continued

Maria’s net self-employment income is also reported on line 12 of her 1040.
Example Continued

In Washington Healthplanfinder, this yearly amount needs to be divided by 12 and entered: $24,204/12 = $2,017/month
Example Continued

Maria also claims tax deductions of self-employment tax and self-employed health insurance deduction on her 1040

<table>
<thead>
<tr>
<th>Line</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>27</td>
<td>Deductible part of self-employment tax</td>
<td>480.00</td>
</tr>
<tr>
<td>29</td>
<td>Self-employed health insurance deduction</td>
<td>1200.00</td>
</tr>
</tbody>
</table>

Adjusted Gross Income

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see separate instructions.
Washington Healthplanfinder asks about these additional adjusted gross income deductions.
Input monthly deductions amounts into Healthplanfinder:

- Self-employment Tax: $480/12 = $40/month
- Self-employment Health Insurance Deduction: $1200/12 = $100
Example Continued

Washington Healthplanfinder automatically calculates the client’s MAGI based on the information input into the system:

- $2017.00  Self-employment income
- $40.00  Self-employment tax deduction
- $100.00  Self-employment health insurance deduction
- $66.38  5% FPL deduction for household size 2

$1,810.62 income per month

- Maria is not eligible for Washington Apple Health
Self-Employment Income

Other types of business income and expenses are similarly reported on separate schedules and net amounts reported on an individual’s 1040

<table>
<thead>
<tr>
<th>Business Type</th>
<th>Expense Schedule</th>
<th>1040 Line Reporting Net Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sole Proprietorship</td>
<td>Schedule C</td>
<td>Line 12</td>
</tr>
<tr>
<td>Rental Income</td>
<td>Schedule E</td>
<td>Line 17</td>
</tr>
<tr>
<td>Partnership</td>
<td>Schedule 1065</td>
<td>Line 17</td>
</tr>
<tr>
<td>Corporation</td>
<td>Schedule 1120/1120S</td>
<td>Line 17 + Line 7*</td>
</tr>
</tbody>
</table>

*Note: Most corporations pay wages to the individual (reported on Line 7) in addition to net income/loss (reported on Line 17)
Self-employment Income

Because of the nature of self-employment income, it is usually more beneficial to an individual to report the year’s average of self-employment income from their tax return.

However, if an individual’s business has been operating for less than a year or last year’s tax return does not reflect current income, applicants can determine their monthly net self-employment income based on an average of their most recent three month profit and loss.
If you have any questions regarding your particular circumstances, please consult a tax professional.

For assistance locating a tax professional:

• Call Washington Information Network at 2-1-1

• Go online to Washington Health Benefit Exchange
  http://www.wahbexchange.org/current-customers/your-1095-a-statement/tax-preparation-resources/
Program Integrity
Program Integrity

Health Care Authority audits indicate that there are a number of cases where clients are inaccurately reporting their income.

Ensure that you are assisting the client in reporting their correct gross monthly income as prompted on the Washington Healthplanfinder application.

Clients who are less than forthcoming in reporting their income will be audited through a post eligibility review and will be required to provide verification of their actual income.
Program Integrity

Intentional under reporting of income to qualify for insurance coverage is insurance fraud and may result in severe penalties for the assister, the provider, and the applicant.

The penalties can include but are not limited to:

- Loss of coverage
- Provider referral to the Office of Program Integrity
- Termination of privileged user access in Washington Healthplanfinder
- Criminal prosecution under Washington State Law
Reporting Suspected Fraud

If you suspect that an applicant, navigator, or assister is being less than forthcoming when reporting circumstance or income, protect yourself and report any suspected fraud.

If you have any questions, concerns, or to report any suspected fraud, please contact

For Washington Apple Health:  
WAHEligibilityFraud@hca.wa.gov

For Qualified Health Plans:  
Compliance@wahbexchange.org
## Resources

- **HCA Training & Education:**
  [http://www.hca.wa.gov/hcr/me/Pages/Webinars,-Video,-and-Presentations.aspx](http://www.hca.wa.gov/hcr/me/Pages/Webinars,-Video,-and-Presentations.aspx)

- **Report fraud for Washington Apple Health:**
  [WAHEligibilityFraud@hca.wa.gov](mailto:WAHEligibilityFraud@hca.wa.gov)

- **Report fraud for Qualified Health Plans:**
  [Compliance@wahbexchange.org](mailto:Compliance@wahbexchange.org)

- **Apple Health (Medicaid) Manual:**