

Medicaid Eligibility Procedure Letter No. 105

Effective Date: January 15, 2015

OAC Rules: 5160:1-4-01

To: All Medicaid Eligibility Manual Holders

From: John B. McCarthy, Director

Subject: MAGI-Based Medicaid: Income and Household Income

Reason for Change: In response to recent CMS audit findings, the Ohio Department of Medicaid (ODM) is providing clarification regarding when to include tax dependent income in MAGI Medicaid household income.

Prior Policy: Current policy addresses when minors are considered tax dependents but does not address when adults are considered tax dependents. In addition, the current tax filing threshold in the Ohio Benefits Worker Portal (OBWP) uses one income threshold or tax filing threshold to determine if the income of a tax dependent should be included in the MAGI household income. If a tax dependent's income is over the threshold, OBWP counts the tax dependent's income in the MAGI household income.

New Policy: Tax dependents will be considered those who meet the definition of qualifying child or qualifying relative based on IRS tax code 26 U.S.C. § 152. This will ensure that both children and adults who should be considered tax dependents are correctly included in the MAGI Medicaid household income. The OBWP will be updated to recognize such relationships.

In addition, tax filing thresholds differ depending on income source. Therefore, the OBWP will be updated to take into consideration the tax dependent's income source(s) and will include additional tax filing thresholds or "standards." These changes are based on 26 U.S.C. § 6012, IRS Publication 501, and IRS Publication 929. The income sources will fall into one of four categories. Those categories are:

1. Earned income ONLY – tax dependent's only income is from employment
2. Unearned income ONLY – this does NOT include Social Security Retirement, Survivors, and Disability Insurance (RSDI) or Supplemental Security Income (SSI) and should be used when the tax dependent's only income is unearned

3. Combination of earned or unearned income
4. Social security income – when the tax dependent’s ONLY income is from RSDI. SSI is excluded from the MAGI Medicaid household income.

Action Required: Until the OBWP is updated, the CDJFS is required to review whether any named tax dependents listed on a Medicaid application are qualifying children or qualifying relatives. If the dependents named on the application are qualifying children or qualifying relatives, the CDJFS is required to use the Tax Dependent Income Calculator to determine if a tax dependent’s income will be included or excluded from the MAGI household income. The Tax Dependent Income Calculator has been created to use the correct income standards. These new income standards are the tax exemption amounts referenced in 26 USC § 6012 and published in IRS Publication 501.

Workers will be informed of these changes via an Ohio Benefits Worker Portal Announcement, a monthly ODM Eligibility Technical Assistance video conference, and the ODM Eligibility Technical Assistance newsletter. Workers will be given instructions on how to use the Tax Dependent Income Calculator and complete manual budgets.

Please contact ODM Eligibility Technical Assistance at Medicaid_Eligibility_TA@Medicaid.Ohio.gov for further assistance or clarification regarding the processing of specific cases. If additional assistance is needed, please contact the OB Help Desk at dasohioIE.maintenance@das.ohio.gov or by calling 866-846-4528.

This information is also available on the Internet and may be accessed at: www.medicaid.ohio.gov.