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HAWAII ADMINISTRATIVE RULES

TITLE 17

DEPARTMENT OF HUMAN SERVICES

SUBTITLE 12

MED-QUEST DIVISION

CHAPTER 1724.2

MODIFIED ADJUSTED GROSS INCOME (MAGI) BASED METHODOLOGY

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SUBCHAPTER 1

GENERAL PROVISIONS

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§17-1724.2-1 Purpose. This chapter describes the modified adjusted gross income (MAGI) methodology to determine the income of an individual or household described in chapters 17-1715, 17-1715.1, 17-1716, 17-1717, and 17-1718, under the provisions of the Affordable Care Act of 2010. [Eff 09/30/13] (Auth: HRS §346-14; 42 C.F.R. §§435.4, 435.601, 435.603; 26 C.F.R §1.36B) (Imp: HRS §346-14; 42 C.F.R. §§435.4, 435.601, 435.603; 26 C.F.R §1.36B)

§17-1724.2-2 General requirements. The confidentiality, administrative appeal, fraud, medical assistance recovery, application processing, eligibility review, and adverse action provisions described in subtitle 12 shall pertain to a MAGI-related individual or household that applies for or is eligible under this chapter. [Eff 09/30/13] (Auth: HRS §346-14; 26 C.F.R §1.36B; 42 C.F.R. §§435.4, 435.601, 435.602, 435.603) (Imp: HRS §346-14; 26 C.F.R §1.36B; 42 C.F.R. §§435.4, 435.601, 435.602, 435.603;)

§17-1724.2-3 Application of MAGI income and household size. (a) Eligibility for a MAGI-related applicant shall be based on the MAGI financial methodology effective the date specified in the Hawaii 1115 demonstration waiver but no later than January 1, 2014.

(b) Ongoing eligibility for an individual determined eligible under subsection 17-1715-11(d) on or before December 31, 2013, shall not have eligibility re-determined under the MAGI-based financial methodology until March 31, 2014, or at the next regularly scheduled re-determination of eligibility, whichever is later.

(c) If the household income of an individual determined using the MAGI-based methodology results in ineligibility and the individual household's income determined in accordance with 26 C.F.R. 1.36B-1(e) is below one hundred percent of the FPL, eligibility shall be determined accordingly under 26 C.F.R. 1.36B-1(e). [Eff 09/30/13] (Auth: HRS §346-14; 26 C.F.R §1.36B; 42 C.F.R. §§435.4, 435.601, 435.602, 435.603) (Imp: HRS §346-14; 26 C.F.R §1.36B; 42 C.F.R. §§435.4, 435.601, 435.602, 435.603)

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§17-1724.2-4 MAGI-based income. (a) The MAGI-based methodology identifies the income for a household composition and size substantially based on the IRS Form 1040 "U.S. Individual Income Tax Return".

(b) MAGI-based income shall be calculated using the same financial methodology used to determine the modified adjusted gross income as defined in 26 C.F.R. §1.36B(d)(2)(B) with the following exceptions:

- (1) Count lump sum amounts only in the month received;
- (2) Scholarships, awards, or fellowship grants used for educational purposes (not for living expenses) shall be excluded;
- (3) Certain American Indian/Alaska Native income as defined in 42 C.F.R. §435.603 shall be excluded:
 - (A) Distributions from Alaska Native Corporations and Settlement Trusts;
 - (B) Distributions from any property held in trust that are subject to Federal restrictions and located within the most recent boundaries of a prior Federal reservation or otherwise under the supervision of the Secretary of the Interior;
 - (C) Distributions and payments from rents, leases, rights of way, royalties, usage rights, or natural resource extraction and harvest from:
 - (i) Rights of ownership or possession in any lands described in subparagraph (B); or
 - (ii) Federally protected rights regarding off-reservation hunting, fishing, gathering, or usage of natural resources;
 - (D) Distributions resulting from real property ownership interests related to natural resources and improvements:
 - (i) Located on or near a reservation or within the most recent boundaries of a prior Federal reservation; or
 - (ii) Resulting from the exercise of federally-protected rights relating to such real property ownership interests;

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- (E) Payments resulting from ownership interests in or usage rights to items that have unique religious, spiritual, traditional, or cultural significance or rights that support subsistence or a traditional lifestyle according to applicable Tribal Law or custom; and
 - (F) Student financial assistance provided under the Bureau of Indian Affairs education program.
- (4) Child support income shall be excluded.
- (c) Countable income is the sum of the income categories reported on the IRS Form 1040 and subsequent additions by the IRS to include:
- (1) Wages, salaries, tips, etc.;
 - (2) Taxable interest;
 - (3) Tax-exempt interest;
 - (4) Ordinary dividends;
 - (5) Qualified dividends;
 - (6) Taxable refunds, credits, or offsets of state and local income taxes;
 - (7) Alimony received;
 - (8) Business income or (loss);
 - (9) Capital gain or (loss);
 - (10) Other gains or (losses);
 - (11) Taxable amount of IRA distributions;
 - (12) Taxable amount of pensions and annuities;
 - (13) Rental real estate, royalties, partnerships, S corporations, trusts, etc.;
 - (14) Farm income or (loss);
 - (15) Unemployment compensation;
 - (16) Taxable amount of social security benefits; and
 - (17) Other income.
- (d) Adjusted gross income is the subtraction of exemptions reported on the Form 1040 and subsequent additions by the IRS from the countable income to include:
- (1) Educator expenses;
 - (2) Certain business expenses of reservists, performing artists, and fee-basis government officials;
 - (3) Health savings account deduction;
 - (4) Moving expenses;
 - (5) Deductible part of self-employment tax;
 - (6) Self-employed SEP, SIMPLE, and qualified plans;
 - (7) Self-employed health insurance deduction;

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- (8) Penalty on early withdrawal of savings;
- (9) Alimony paid;
- (10) IRA deduction;
- (11) Student loan interest deduction;
- (12) Tuition and fees; and
- (13) Domestic production activities deduction.

(e) The modified adjusted gross income is the adjusted gross income reported on the Form 1040 to include:

- (1) Foreign income excluded from taxes;
- (2) Tax-exempt interest; and
- (3) Tax-exempt social security income.

(f) The modified adjusted gross household income is the sum of the MAGI-based income of the individual in a taxfiler's household for the taxable year except for the income of:

- (1) An individual included in his or her natural, adopted or step parent household who is not required to file a tax return, regardless of whether or not they file a return;
- (2) Tax dependent other than a spouse or biological, adopted or step child who is not required to file a tax return whether or not they file a return. [Eff 09/30/13] (Auth: HRS §346-14; 26 C.F.R §1.36B; 42 C.F.R. §§435.4, 435.115, 435.601, 435.602, 435.603) (Imp: HRS §346-14; 26 C.F.R §1.36B; 42 C.F.R. §§435.4, 435.115, 435.601, 435.602, 435.603)

§17-1724.2-5 MAGI-related disregards. Except for the income conversion percentage as determined by the CMS, applied only to the highest income threshold under a MAGI-based group, the department shall not apply any income or expense disregards. [Eff 09/30/13] (Auth: HRS §346-14; 26 C.F.R §1.36B; 42 C.F.R. §§435.4, 435.601, 435.602, 435.603) (Imp: HRS §346-14; 26 C.F.R §1.36B; 42 C.F.R. §§435.4, 435.601, 435.602, 435.603)

§§17-1724.2-6 to 17-1724.2-10 (Reserved).

SUBCHAPTER 2

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HOUSEHOLD COMPOSITION

§17-1724.2-11 Purpose. This subchapter identifies and describes the MAGI-based households as defined in 26 C.F.R §1.36B(d)(2)(B) of the Code to determine eligibility for medical assistance. [Eff 09/30/13] (Auth: HRS §346-14; 26 C.F.R §1.36B; 42 C.F.R. §435.603) (Imp: HRS §346-14; 26 C.F.R §1.36B; 42 C.F.R. §435.603)

§17-1724.2-12 General requirements. The MAGI household composition is based on tax households, with certain exceptions. The household consists of the taxpayer, including married taxpayers filing jointly, and all individuals who are or expect to be claimed as tax dependents. [Eff 09/30/13] (Auth: HRS §346-14; 26 C.F.R §1.36B; 42 C.F.R. §§435.4, 435.601, 435.602, 435.603) (Imp: HRS §346-14; 26 C.F.R §1.36B; 42 C.F.R. §§435.4, 435.601, 435.602, 435.603)

§17-1724.2-13 MAGI-related households. (a) The MAGI-related household as described in 42 C.F.R. §435.603 consists of the following individuals:

- (1) A taxfiler who:
 - (A) Expects to file a tax return for the taxable year in which an initial determination or renewal of eligibility is being made; and
 - (B) Does not expect to be claimed as a tax dependent by another taxfiler;
- (2) A tax dependent who:
 - (A) Expects to be claimed as a tax dependent by another taxfiler; and
 - (B) Is part of the household of the taxfiler who is claiming the individual as a tax dependent;
- (3) A non-taxfiler who:
 - (A) Is not required to file a tax return; and
 - (B) Does not expect to be claimed as a tax dependent.

(b) The household size used for initial determination or re-determination of eligibility for medical assistance for:

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- (1) A taxfiler's household includes all individuals who the taxfiler expects to claim as tax dependents which may include but is not limited to:
 - (A) The taxfiler's spouse;
 - (B) The taxfiler's biological, adopted, or step child under age nineteen;
 - (C) The taxfiler's natural, adopted and step parent and natural, adoptive, half and step siblings up to age nineteen or in the case of full-time students under age twenty one;
 - (D) Children described in section (B) and (C) not residing with the taxfiler (non-custodial parent) based on a:
 - (i) Court order or binding separation, divorce or custody agreement establishing physical custody contracts; or
 - (ii) In the absence of an order or agreement or shared custody agreement, the custodial parent with whom the child spends the most nights;
 - (E) When the taxfiler cannot reasonably establish if a tax dependent is being claimed by another taxfiler for the taxable year in which Medicaid is being sought, the inclusion of the dependent shall be determined according with that of the individual non-taxfiler not claimed as a tax dependent; and
 - (F) An individual not identified in paragraph (b)(1)(A) to (D);
- (2) A non-taxfiler's household includes the following individuals residing with the non-tax filer not expected to be claimed as a tax dependent of another taxfiler:
 - (A) The non-taxfiler's spouse; and
 - (B) The non-taxfiler's natural, adopted and step children under age nineteen or in the case of full-time student up to age twenty-six;
- (3) A married couple residing together shall be included in the same household, regardless of whether:
 - (A) They expect to file a joint tax return; or

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- (B) One spouse is claimed as a tax dependent by the other spouse.
[Eff 09/30/13] (Auth: HRS §346-14; 26 C.F.R. §1.36B; 42 C.F.R. §§435.4, 435.601, 435.602, 435.603; 42 U.S.C. §300gg-14) (Imp: HRS §346-14; 26 C.F.R. §1.36B; 42 C.F.R. §§435.4, 435.601, 435.602, 435.603; 42 U.S.C. §300gg-14)

§§17-1724.2-14 to 17-1724.2-18 (Reserved).

SUBCHAPTER 3

BUDGET PERIODS

§17-1724.2-19 Purpose. This chapter identifies and describes the budget period for mandatory MAGI-related individuals and households to determine eligibility for medical assistance under the provisions of the Affordable Care Act of 2010.
[Eff 09/30/13] (Auth: HRS §346-14; 26 C.F.R. §1.36B; 42 C.F.R. §§435.4, 435.601, 435.602, 435.603) (Imp: HRS §346-14; 26 C.F.R. §1.36B; 42 C.F.R. §§435.4, 435.601, 435.602, 435.603)

§17-1724.2-20 Budget periods. (a) The budget period for determining income and family size for:

- (1) An applicant or household shall be based on the current monthly household income and household size.
- (2) A beneficiary or household previously determined eligible using the MAGI-based methodology shall use either of the following:
 - (A) Current monthly household income and household size; or
 - (B) Income based on the projected annual household income and family size for the remainder of the current calendar year.

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(b) In determining the current monthly income or the projected annual household income and household size for an applicant or beneficiary, the department shall adopt a reasonable percentage to account for an increase or decrease in income in accordance with income and eligibility verification requirements which takes into account:

- (1) Income and eligibility verification requirements as stipulated in chapter 17-1714; or
- (2) Self-attestation when reasonably compatible with other electronic data obtained by the department, as applicable.
[Eff 09/30/13](Auth: HRS §346-14; 26 C.F.R §1.36B; 42 C.F.R. §§435.4, 435.601, 435.602, 435.603) (Imp: HRS §346-14; 26 C.F.R §1.36B; 42 C.F.R. §§435.4, 435.601, 435.602, 435.603)

§§17-1724.2-21 to 17-1724.2-25 (Reserved).