Conversion of Net Income Standards to Equivalent Modified Adjusted Gross Income Standards and Solicitation of Public Input

Starting January 1, 2014, eligibility for Medicaid for most individuals, as well as for the Children's Health Insurance Program (CHIP), will be determined using methodologies that are based on modified adjusted gross income (MAGI), as defined in the Internal Revenue Code of 1986 (IRC). Eligibility for advance payments of premium tax credits for the purchase of private insurance coverage through Affordable Insurance Exchanges (Exchanges) will also use MAGI .These insurance affordability programs are integral to the Affordable Care Act's goal of providing all Americans with quality, affordable health insurance.

The Centers for Medicare and Medicaid Services (CMS) seeks public input on the analysis presented below of two potential methodologies for converting current State Medicaid and CHIP income eligibility standards to equivalent MAGI standards pursuant to sections 2002 and 2101(d) of the Affordable Care Act (see sections 1902(e)(14)(A) and 2102(b)(1)(B) of the Social Security Act). The statute states that the MAGI standards must not be less than the effective income eligibility levels that applied for Medicaid or CHIP under the State plan or under a waiver of the plan on the date of enactment of the Affordable Care Act. The success of the income standard conversion process is important for maintaining coverage, simplifying and streamlining eligibility determinations, and supporting the accurate and efficient administration of the Medicaid and CHIP programs. In order to promote transparency and gain input on the methodologies ultimately proposed, we have prepared this solicitation. We welcome comments from States,

researchers, and other stakeholders as to the feasibility and/or benefits of the two potential approaches to income conversion set forth in this solicitation. We also welcome comments on additional potential approaches.

SUBMISSION OF PUBLIC COMMENTS:

Public comment on the issues discussed in this solicitation may be submitted electronically to the following electronic mailbox: **incomeconversion@cms.hhs.gov**. Comments would be most helpful if received by July 23, 2012.

FOR FURTHER INFORMATION CONTACT:

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I. Background

Starting in 2014, the Affordable Care Act effectively replaces many complex categorical groupings and limitations on coverage with a Medicaid eligibility category for all adults under age 65 with income at or below 133 percent of the Federal poverty level (FPL) (after applying an income disregard equivalent to five percentage points of the FPL for the applicable family size), provided that certain non-financial eligibility requirements, such as citizenship or qualified immigration status, are met. The Affordable Care Act accomplishes this by creating a new mandatory coverage group (hereinafter referred to as the "adult" group) for individuals between age 19 and 64 who are: (1) not pregnant; (2) not eligible for Medicare; and (3) not eligible under any other mandatory Medicaid eligibility group. The Medicaid eligibility changes under the

Affordable Care Act are discussed in section III.A. of the final rule regarding Medicaid eligibility changes under the Affordable Care Act, published in the March 27, 2012 **Federal Register** (77 FR 17144) ("final eligibility rule"). The final rule collapses eligibility categories into four primary groups: children, pregnant women, parents, and the new adult group.

The Affordable Care Act substantially simplifies the rules governing Medicaid eligibility determination for most individuals, including the new adult group. For most Medicaid enrollees, starting in 2014, financial eligibility criteria will be based only on MAGI as defined by Section 36B of the IRC. The term "modified adjusted gross income" is defined as the adjusted gross income increased by (i) any amount excluded from gross income under section 911, and (ii) any amount of interest received or accrued by the taxpayer during the taxable year which is exempt from tax. Section 36B of the IRC is discussed in the final rule regarding Health Insurance Premium Tax Credits under the Affordable Care Act, published in the **Federal Register** (76 FR 50931) (premium tax credit rule). CHIP eligibility will also be based on MAGI. Moreover, aside from a 5 percent FPL across-the-board income disregard for all MAGI populations, there no longer will be any disregards applied, unless an individual falls into an enumerated exception described below.[1] Medicaid income counting and household composition rules based on MAGI and household income are set forth in 42 CFR §435.603 and discussed in section III.B. of the eligibility final rule**.** In this analysis, we refer to the individuals whose income eligibility will be determined using MAGI-based methods as "MAGI

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1 States will continue to apply disregards for MAGI-excepted groups in 2014, including individuals for whom eligibility is based on being age 65 or older or for individuals who are disabled or blind.

populations." In addition to individuals in the new adult group, most pregnant women, children, and parents and other caretaker relatives are MAGI populations.

Determining Medicaid eligibility prior to the Affordable Care Act changes in 2014 is complicated due to a patchwork of multiple mandatory and optional eligibility groups for different "categorical populations." Many States cover 50 or more distinct eligibility groups. Financial eligibility is often determined using methodologies based on other programs, such as the Supplemental Security Income (SSI) and the former Aid to Families with Dependent Children (AFDC) programs, adding further complexity to the eligibility determination process. Currently, States subtract certain types of excluded income, certain income disregards, and certain expenses to compute net countable income. Current income counting methods incorporating disregards result in a higher effective net income standard than the nominal income standards that are identified in State plans and waivers. For example, if a nominal stated income standard in a State plan is 100 percent FPL, an individual with gross income at 110 percent FPL might still be eligible once allowable disregards are taken into account such that the effective income eligibility standard is 110 percent FPL.

To effectuate the change from today's financial methodologies to MAGI-based methods without significantly changing current coverage levels, the Affordable Care Act directs States to establish income eligibility thresholds for populations that are not less than the effective income eligibility levels that applied under the State plan or waiver on the date of enactment of Affordable Care Act (see 1902(e)(14)(A)). The intent is for States to establish MAGI-equivalent standards that protect individuals eligible for

medical assistance under the State Plan or under a waiver prior to 2014 from losing coverage after 2014. The reference in the statute to "populations"[2] means that the analysis regarding "not losing coverage" should be in the aggregate. It would be virtually impossible to ensure that not one individual loses coverage due to the elimination of income disregards without substantially raising income standards beyond the current standards, which would significantly expand coverage beyond the intent of the Affordable Care Act.

Thus, States must convert their current financial eligibility income standards from net standards which incorporate disregards to an equivalent MAGI income standard (income conversion). This income conversion could include the conversion of current financial eligibility income standards from net standards, which incorporate disregards to an equivalent gross standard. We are also exploring the possibility of making adjustments for changes in income counting rules and household composition.

Section 1902(e)(14)(E) of the Act directs each State to submit to the Secretary for approval its proposed MAGI-equivalent standards and the methodologies and procedures to be used in developing such standards (income conversion plans). The income conversion process will generally ensure individuals eligible under net income standards on the date of enactment retain coverage and will set a MAGI-based maximum income standard for each existing eligibility group. MAGI-equivalent income standards used to determine eligibility will also be used to identify which individuals are eligible for

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2 "A State shall establish income eligibility thresholds for *populations* to be eligible for medical assistance under the State plan or a waiver of the plan using modified adjusted gross income and household income that are not less than the effective income eligibility levels that applied under the State plan or a waiver on the date of enactment of the Patient Protection and Affordable Care Act. Section 1902(e)(14)(A) of the Social Security Act (emphasis added).

specific benefits when benefits are tied to specific eligibility groups (e.g., determine the limit for full Medicaid benefits for Section 1931 parents, instead of benchmark benefits under the adult group) or income limits (e.g., full Medicaid benefits for pregnant women, instead of pregnancy-related benefits). Moreover, converted eligibility standards for certain groups (e.g., parents) will demarcate the "entry point" to the new adult group in 2014, which in turn is a prerequisite for any potential enhanced FMAP claim for newly eligible individuals. Simplified methods for assigning that matching rate were proposed in Section II.N.3 of the August 17, 2011 proposed eligibility rule.

CMS is committed to helping States implement the income conversion without undue administrative burden, ensuring a smooth transition for beneficiaries, States, and providers, and ensuring the appropriate assignment of enhanced matching rates when the new provisions of the Affordable Care Act become effective on January 1, 2014. We are therefore soliciting comments from States and the public to inform the development of income conversion guidance. The income conversion methods should meet the following objectives:

• Accurately establish new income standards which protect current coverage levels once MAGI-based methods are implemented;

• Rely on data that resides in existing State eligibility systems to the extent possible, and accommodate the State-to-State variation in such systems so that States can implement based on the same guidance; and

• Minimize burdens on States, and achieve the goal of efficient administration of State programs.

We have identified two potential methodologies to achieve the income conversion required under the statute and we invite public comment on these approaches, as well as any other approaches that would achieve the goals identified above.

In September 2011, we awarded a contract to the RAND Corporation to evaluate the income conversion methodologies set forth in this staff analysis. RAND, with its subcontractors State Health Access Data Assistance Center (SHADAC) and the National Conference of State Legislators (NCSL), are working with ten pilot States to test the feasibility of the methodologies included in this solicitation. CMS will use these results as well as the comments we receive from this Solicitation to develop guidance on methodologies to convert income standards. We intend to issue guidance on income conversion this year. We further intend to provide technical support to States as they implement their MAGI conversions.

A. Affected Eligibility Groups or Populations

In section III.A. of the eligibility final rule, we consolidated eligibility groups included in multiple statutory provisions into three simplified regulatory sections: at §435.110 (parents and other caretaker relatives)[3], §435.116 (pregnant women)[4], and

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3 Eligibility under the following sections of the Act would be consolidated in the simplified parent/caretaker relative group: 1902(a)(10)(A)(i)(I) and 1931(b) and (d) of the Act (low-income families).

4 Eligibility under the following sections of the Act would be consolidated in the pregnant women groups: 1931 (low income families), 1902(a)(10)(A)(i)(III) (qualified pregnant women); 1902(a)(10)(A)(i) (IV), (poverty related pregnant women); 1902(a)(10)(A)(ii)(I) (optional coverage of pregnant women who meet AFDC financial requirements); 1902(a)(10)(A)(ii)(IV) (optional coverage of institutionalized pregnant women); and 1902(a)(10)(A)(ii)(IX) (optional coverage of poverty-level related pregnant women).

§435.118 (children under age 19).[5] For each of these consolidated groups, States will derive the highest MAGI-converted standard for all of the eligibility groups subsumed in the new category to establish a new maximum eligibility threshold for the group. For children, this threshold must at least be maintained until 2019, and States may choose to maintain the maximum threshold for all other populations after 2014. As set forth in §§ 435.110, 435.116 and 435.118 of the final eligibility rule, maximum eligibility thresholds will be the higher of March 23, 2010 and December 31, 2013 income standards for each eligibility group under the Medicaid State plan or 1115 demonstration. Under the final eligibility rule, for the eligibility groups specified below, States will need to convert current income standards for mandatory categories to MAGI-equivalent standards, and depending on their current eligibility rules, may also need to convert the income standards for optional income categories. These income conversions would set the maximum eligibility levels for the mandatory and optional groups in the State in 2014, including:

1. 42 CFR 435.110 (parents and caretaker relatives).

2. 42 CFR 435.116 (pregnant women) (both the income standard to determine eligibility under this group and an income limit to determine for whom full benefits are available under this group).

3. 42 CFR 435.118 (children under age 19 with separate income standards for children under age 1, aged 1-5, and aged 6-18)); and

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5 Eligibility under the following sections of the Act would be consolidated in the simplified kids group: 1931 (low-income families); 1902(a)(10)(A)(i)(III)(qualified children who meet AFDC financial eligibility criteria); 1902(a)(10)(A)(i)(IV) and 1902(a)(10)(A)(ii)(IX) (infants); 1902(a)(10)(A)(ii)(IV) (institutionalized children).

4. Optional eligibility groups, if covered by the State prior to enactment of the Affordable Care Act, as follows:

- Section 1902(a)(10)(A)(ii)(I) of the Act for optional coverage of parents/caretaker relatives, if the effective income standard for such individuals is above the mandatory converted standard for §435.110.
- Section 1902(a)(10)(A)(ii)(XIV) of the Act and 42 CFR 435.229 for optional targeted low-income children under age 19 (if the effective income limit exceeds the requirement in §435.118 for this group).
- Section 1902(a)(10)(A)(XVII) of the Act for independent foster care adolescents under age 21 (if income is considered because the State has not disregarded all income for this group or the effective income limit is above 133 percent FPL applying a 5 percent FPL disregard).
- Section 1902(a)(10)(A)(ii)(I) and (IV) of the Act and 42 CFR 435.222 for reasonable classifications of children under age 21 (if income is considered because the State has not disregarded all income for this group or the effective income limit is above 133 percent FPL applying a 5 percent FPL disregard).

States with a separate CHIP for children or pregnant women also will need to convert their CHIP income standard to a MAGI-equivalent standard, if a net income standard currently is used. In addition, States that use an 1115 demonstration to cover adults without dependent children or to increase the income standard for other MAGI-included populations above the minimum required levels under title XIX or title XXI also will need to convert the income standards for such demonstrations, whether they continue

such demonstrations or waivers beyond December 31, 2013 or they transfer the populations into State plan coverage. This is because the 1115 demonstration MAGI-equivalent income standard will set the new maximum income standard allowed for the population covered under the 1115 demonstration, even if that maximum is applied only to a State plan eligibility group. For example, if a State covered parents in a mandatory coverage group to 75% FPL but in a waiver up to 100%, the State would have to convert both of these income standards for parents. The higher converted income level would set the maximum income standard permitted for parents in the State. If the State terminated its waiver, the maximum income standard could be applied to the mandatory coverage group for parents.

B. Possible Income Standard Conversion Methodologies

The following two descriptions are methodology options for income conversion that CMS is considering. However, we do not believe this list is exhaustive. We are soliciting public comment on these options and further invite comments on hybrid approaches as well as alternative methodologies for achieving income conversion.

1. Average Disregard Method

The average disregard method quantifies the average difference between the current net and gross income of each group and uses this average as a proxy disregard in order to establish the new MAGI-equivalent income standard. If a State retains data on gross and net income for individuals, it can utilize this methodology applied to State

administrative data to establish new MAGI-equivalent income standards for each group. We note, also, that this methodology could be applied using an outside data source such as the US Census Bureau's Survey of Income and Program Participation (SIPP)[6] for example, for a State that does not have the necessary data in its eligibility system. If it was calculated using an outside data source, the methodology could potentially make adjustments for changes in income counting rules and household composition rules resulting from the change from Medicaid's current methodologies to MAGI.

Whichever data source is used, the gross income for each individual in a group (either in the enrolled population or a sample of that population) would be calculated, as well as the net income after the application of disregards, under current standards. Differences between the current net income and gross income over the entire group or sample would be examined to determine one single average difference ("average disregard") between the current net income determinations and gross income determinations. This average disregard would be added to the nominal current income standard to calculate a new gross income standard, which would be stated as a percent of the FPL.

A variation on the average disregard method is the major average disregard method. This uses a similar mathematical approach as the average disregard method, i.e., averaging disregards from State administrative data on the enrolled population, except that it only utilizes the major or most commonly used disregards for an eligibility group by State. In other words, smaller, infrequently-used disregards would be omitted from

6 The SIPP is survey of roughly 90,000 individuals and families in the US conducted by the Census Bureau focusing on receipt of public programs and other household and family characteristics.

the calculation to simplify the analysis with little expected effect on accuracy. This methodology adds the average value of the major disregards to the net standard to derive a MAGI-equivalent standard for a specific eligibility group. Again, weighting of disregards occurs automatically when the average is taken. Unlike the average disregard method, which assumes that all disregards are counted in the conversion process, the major average disregard method assumes there may be some reasons to ignore certain disregards. Examples of minor, time-limited, or seldom-used disregards include earnings from work related to the decennial census, grants made by the State legislature due to certain disasters such as a bridge collapse, hurricane-related earnings, and State kinship guardianship assistance payments. This methodology assumes States have adequate data on specific disregards to identify major and minor ones for use in the calculation.

To the extent that disregards vary within an eligibility group, taking the average over all enrollees in a group (or a representative sample of enrollees) will ensure that the different disregards applied will be weighted appropriately. The advantages of this methodology are that it is conceptually and mathematically straightforward, can be based on State-specific or national survey data, and can account for household composition and income counting rule changes. The limitations of the major average disregard approach are that it may be difficult for States to retrieve disregard information on particular individuals to make the calculation.

Example:

The following is an example using mock data to illustrate how the methodology

would work as well as potential individuals that would gain and/or lose eligibility under the methodology. We note that if actually utilized, this methodology could rely upon State data, and, if so, would only include current enrollees. However, to illustrate how this approach could affect individuals who are not eligible for coverage under current rules, we include such individuals in this example. We reiterate that this methodology could be done using a data source, such as the SIPP.

This example assumes a net income standard of $110 or 12.5 percent of the FPL. It then converts each individual's disregarded amount into an FPL percent and averages those to find an average disregard of 3.7 percent. Adding the average disregard amount to the net income standard, the methodology yields a gross monthly income threshold of 16.2 percent FPL or $142.50. The example applies the net and gross income standards to the same group of people, demonstrating that under the net standard six individuals are eligible, but under the gross standard using this method, seven individuals are eligible, four of whom were eligible under the net standard.

Assume that Current Net Income Threshold is 12.5 percent FPL (approximately $110)

A	B	C	D	E	F	G	H
Person	Gross Income	Disregard Amount	Net Income	Is person eligible? (Net Income < 12.5% FPL ($110))	Disregard as a percent of FPL	Gross Income Standard = 12.5% +3.7%=16.2% FPL	Eligible Gross? (Gross Income < $142.50)
1	$100	$20	$80	Y	2.3%	$142.50	Y
2	$150	$50	$100	Y	5.7%	$142.50	N
3	$135	$15	$120	N	N/A	$142.50	Y
4	$125	$0	$125	N	N/A	$142.50	Y
5	$150	$40	$110	Y	4.5%	$142.50	N

A	B	C	D	E	F	G	H
Person	Gross Income	Disregard Amount	Net Income	Is person eligible? (Net Income < 12.5% FPL ($110))	Disregard as a percent of FPL	Gross Income Standard = 12.5% +3.7%=16.2% FPL	Eligible Gross? (Gross Income < $142.50)
6	$200	$60	$140	N	N/A	$142.50	N
7	$125	$10	$115	N	N/A	$142.50	Y
8	$110	$50	$60	Y	5.7%	$142.50	Y
9	$115	$15	$100	Y	1.7%	$142.50	Y
10	$120	$20	$100	Y	2.3%	$142.50	Y
				6	Avg: 3.7%% FPL		7

It is important to note that the number of individuals with gross income under the MAGI-converted standard may be more or less than the number of individuals whose net income was below the pre-Affordable Care Act income standard. People with higher than average disregards will be at risk for losing eligibility, while individuals with low disregards will be most likely to gain eligibility as a result of the conversion from the net income standard to a MAGI-based standard. We would expect that this approach would result in a similar number of people determined to be eligible for coverage as under the current net income approach. However, unlike the second method, described below, there is nothing about this method that would guarantee this outcome.

Note also that the example above assumes a family size of 1 for all the applicants. If applicants from varied family sizes were taken into account, the dollar value shown in column E ($110) and in column G ($142.50) would scale with family size.

2. Same Number Net and Gross Method

The same number net and gross method would account for the major disregards each State has in place by determining an income standard using MAGI-based methods which would be reasonably estimated to result in the same number of individuals (not necessarily the same individuals) being determined eligible as would be determined eligible according to the State's current net income standard. This method focuses on the outcome rather than the process for the conversion.

This alternative approach could not be done using State administrative data; rather, it would use outside data from nationally representative surveys such as the SIPP, the HHS' Medical Expenditure Panel Survey (MEPS), the Current Population Survey (CPS) or other nationally representative data sources.[7] National data sources that do not have adequate State samples to rely solely on the specific State observations would be adjusted to reflect State eligibility rules and demographics. For example, the data could be adjusted to reflect State-specific distributions of characteristics such as age, income, race, insurance status, and employment status. Other adjustments could be made to account for sample size issues and under-representation with such national data.

The first step of this method would be to apply State-specific eligibility rules to survey data to estimate the number of individuals who would be eligible for each eligibility group (e.g, parents/Caretaker Relatives, pregnant women, children <1, 1-5, and 6-18) during a given time period based on the current net income standard. The number

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7 The MEPS is a survey focusing on the health care expenses and diseases and conditions of roughly 30,000 adults and children in the US. The CPS is a monthly survey of households conducted by the Census Bureau focusing on the labor force, employment, unemployment, persons not in the labor force, hours of work, earnings, and other demographic and labor force characteristics.

of individuals estimated to be eligible under the current methods would be the "eligibility target." Then the State would use the same hypothetical populations to determine the gross eligibility threshold within each group that would result in the same estimated number of eligibles in the group. Each individual's gross income would be divided by 100 percent FPL for the applicable family size to express gross income as an FPL percentage and the sample would be sorted on the basis of this gross income measure. Finally, the State would estimate the gross income distribution within the group, and estimate a gross income threshold that would result in the same number of eligibles as the eligibility target calculated using the non MAGI income determination methods.

An advantage of this methodology is that using an outside data source would allow adjustments for changes in Medicaid/CHIP eligibility due to changes in household composition and income counting rules resulting from change to MAGI-based standards. Moreover, using an outside data source could be less burdensome for States. A potential limitation of this methodology is that the use of Census rather than State-specific data may be difficult to explain to stakeholders.

Example:

The following example assumes a net income standard of 12.5 percent of the FPL ($110) and finds that two individuals are eligible based on that income standard (persons 1 and 2). The method converts the gross income amounts into a percentage of the FPL and re-sorts the individuals from lowest to highest. The method then finds a new gross income standard 14.2 percent FPL ($125) by making the same number of individuals eligible (two) based on their gross incomes.

Step 1: with **survey data**, estimate the number of people eligible:

A Respondent	B Gross Income $	C Disregard Amount	D Net Income $	 Net Income % FPL	E Estimated to be eligible based on net income?
1	$100	$20	$80	9.1%	Yes
2	$150	$10	$140	15.9%	No
3	$135	$15	$120	13.6%	No
4	$110	$50	$60	6.8%	Yes
5	$115	$15	$100	11.4%	Yes
6	$120	$30	$90	10.2%	Yes
7	$150	$50	$100	11.4%	Yes
8	$125	$10	$115	13.1%	No
Number Eligible					5

Step 2: Sort the data according to gross income.

A Respondent	B Gross Income $	C Gross Income % FPL	E Estimated to be eligible based on gross income?
1	$100	11.4%	Yes
4	$110	12.5%	Yes
5	$115	13.1%	Yes
6	$120	13.6%	Yes
8	$125	14.2%	Yes
3	$135	15.3%	No
2	$150	17.0%	No
7	$150	17.0%	No
Number Eligible			5

Step 3: Choose the lowest MAGI-based threshold that produces the same number of people estimated to be eligible (in this example, 5)

Result: The MAGI-based threshold is 14.2 percent FPL.

After re-sorting the data by gross income, the new threshold is set at 14.2 percent FPL (or $125) so that two people are eligible (same number eligibles using gross income as using net income. Although in theory the threshold could be set anywhere between

14.2 percent and 15.3 percent, it may make sense to take the lowest value—so that the result does not appear arbitrary. Again, it is important to note that this is a simplified example where all applicants have a family size of one. If applicants from varied family sizes were taken into account, the dollar value shown for 12.5 percent FPL and for 14.2 percent FPL would scale with family size.

C. Implementation Timing

As noted above, we are currently working with RAND to evaluate the income conversion methodologies set forth in this analysis. Together with the results from this solicitation, we will develop guidance on methodologies to convert income standards. We intend to issue guidance on income conversion this year.

Once we issue guidance, States will submit a State Conversion Plan for Secretarial approval pursuant to section 1902(e)(14)(E) of the Act. We intend to work closely with States on the timing and development of State Conversion Plans, and to offer technical assistance as needed. All State Plan Amendments modifying income conversions based on the approved Conversion Plan will be due in 2013.

II. Solicitation of Public Input

Below we describe specific questions for which we seek input. We also welcome additional comments on questions other than those posed below.

A. General Questions

(1) Should one conversion methodology be adopted for every State or by some categorization of States or should States be able to choose from two or more alternatives, with CMS approval?

(2) How should CMS and States measure the accuracy of the conversion methodologies to set policy, particularly with respect to the statutory directive to ensure that individuals eligible for Medicaid and CHIP using pre-Affordable Care Act standards and financial methodologies remain eligible under the new MAGI-equivalent standards and MAGI-based methodologies? How should successful conversion be measured?

(3) To what extent do States have the information needed to accomplish each of the described income standard conversion methodologies? How much State variation exists in this regard? How accurate and comprehensive are available data?

(4) What methodology should CMS use to validate income conversions actually done by States? For example, an approach could be to have States provide a detailed description of their methods and code and the most detailed results possible for each eligibility group. CMS could then review each State's submissions and ask for additional information if any of the results or methods raised concerns about possible miscalculations.

B. Methodology Questions

(1) What are the pros and cons of each methodology? Which would be easier or harder, more or less feasible to implement?

(2) What are the pros and cons of using a methodology that account for changes in income counting rules and household composition?

(3) What is an appropriate time frame ("review period") from which States should pull cases? To prevent seasonal variation or other skewing of the data, is a 12-month review period needed, or could a shorter period be considered?

Average Disregard/ Major Average Disregard Methodology

(1) What criteria should CMS use to assess which disregards can or should be ignored? Should the major average disregard methodology ignore disregards for income that will no longer be counted in MAGI?

(2) When evaluating the frequency or aggregate value of disregards used by applicants and beneficiaries, do any adjustments need to be made for age, family size, or other demographic factors? Should use of disregards be averaged by categorical population (as identified in section 1905(a) of the Act), by eligibility group, or by some other grouping or some other basis? Should multiple conversion factors be required within the same group to account for different types of income disregards (such as earned versus unearned)?

(3) The income standards for many AFDC-related groups are actual amounts by family size. Also, in some cases disregards scale with family size. Should multiple conversion factors be required within the same group to account for family size?

(4) How should different disregards for applicants versus beneficiaries be handled?

Same Number Net and Gross Method

(1) If the national data set used is reweighted to look like a State, what variables should be used for reweighting? What other types of adjustments should be made to the data source to account for sample size issues, under-reporting (i.e., undercount of Medicaid eligibles) and other such issues that make such sources less reliable at a State level?

(2) When re-sorting income levels, should the threshold be set using the lowest possible value, the highest or some value in between? (e.g., in example above-- 14.2 percent, 15.3 percent or some value in between)?

(3) What are the advantages and limitations of the available national surveys for use as an outside data source?

- The Current Population Survey (CPS)
- The Survey of Income and Program Participation (SIPP)
- The American Community Survey (ACS)

Does the benefit of using a survey such as the SIPP with monthly income data that mirrors the income time period used to calculate Medicaid eligibility outweigh the downside of using a survey that is not large enough to represent each State without re-weighting to reflect State demographics? What other surveys should be considered?

(4) In light of the fact that at any given point there will be a different number of individuals enrolled, what specific period of time should be used to implement the same number of net and gross method?