



Determining Households for Medicaid and Premium Tax Credits: Beyond the Basics

Center on Budget and Policy Priorities
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Topics

- How the Marketplace determines households for premium tax credits
- How Medicaid determine households
- How premium tax credit and Medicaid household rules compare



Why Household Size and Composition Matter



Why Household Size and Composition Matter

- Necessary to convert income to a federal poverty level (FPL) standard

Household size	100%	133%	200%	250%	400%
1	\$11,490	\$15,282	\$22,980	\$28,725	\$45,960
2	\$15,510	\$20,628	\$31,020	\$38,775	\$62,040
3	\$19,530	\$25,975	\$39,060	\$48,825	\$78,120
4	\$23,550	\$31,322	\$47,100	\$58,875	\$94,200
5	\$27,570	\$36,668	\$55,140	\$68,925	\$110,280

- Who is in the household determines whose income counts in determining eligibility



Why Household Size and Composition Matter

Annual Household Income		Expected Premium Contribution	
% of FPL	Income Amount ¹	% of Income	Dollar Amount ²
< 133% ³	< \$15,282	2%	< \$306
133 - 150%	\$15,282 - \$17,235	3% - 4%	\$459 - \$689
150 - 200%	\$17,235 - \$22,980	4% - 6.3%	\$689 - \$1,448
200 - 250%	\$22,980 - \$28,725	6.3% - 8.05%	\$1,448 - \$2,312
250 - 300%	\$28,725 - \$34,470	8.05% - 9.5%	\$2,312 - \$3,275
300 - 350%	\$34,470 - \$40,215	9.5%	\$3,275 - \$3,820
350 - 400%	\$40,215 - \$45,960	9.5%	\$3,820 - \$4,366
> 400%	> \$45,960	n/a	n/a

¹ for a household of one (i.e. an individual)

² based on second-lowest priced SILVER health plan in the Exchange

³ residents <133% FPL that would be eligible for Medicaid are ineligible for tax credits



Determining Households for Premium Tax Credits



Households for Premium Tax Credits

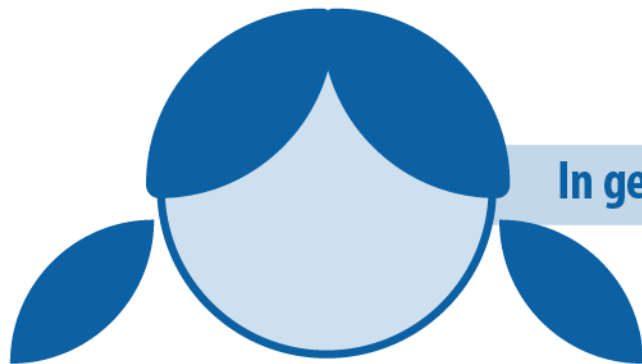
- Household = individuals for whom a taxpayer claims a deduction for a personal exemption
- Taxpayer can claim personal exemption for:
 - Self and spouse
 - Dependents
 - Children and other relatives who meet certain requirements
 - Person may be a dependent even if he files a tax return (as long as he does not claim his own exemption)



Who qualifies as a dependent?

Children

A child can include your child, step child, adopted child, foster child, brother, sister, niece, nephew or grandchild



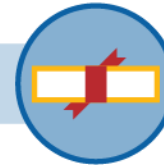
In general qualify if...



Are a U.S. citizen or resident of the U.S., Canada or Mexico



Live with you for more than half the year



Under 19 at the end of the year (or 24 if a full-time student)



Child doesn't provide more than half of his own support



Who qualifies as a dependent?

Other individuals

Other individuals can include a relative, in-law or a full-time member of your household



In general qualify if...



Are a U.S. citizen or resident of the U.S., Canada or Mexico



Provide more than 50% of the dependent's support



Be related to you or live in your home all year



Make less than \$3,900 (in 2013). Generally doesn't include social security



Example: Single Individual

- John lives on his own
- John is not anyone else's dependent and has no dependents

	Counted in HH	HH Size for PTC
	John	
John	✓	1





Example: Married Couple with Children

- Reyes family: married couple with 2 children
- Mom and dad file a joint return and claim both children as dependents



	Counted in HH				HH Size for PTC
	Mom	Dad	Daughter	Son	
Mom	✓	✓	✓	✓	4
Dad	✓	✓	✓	✓	4
Daughter	✓	✓	✓	✓	4
Son	✓	✓	✓	✓	4



Example: Three-Generation Household

- Rose lives with and supports her 60-year-old mother and 7-year-old daughter
- Rose is the tax filer
- Rose can claim her daughter as a qualifying child and her mother as a qualifying relative



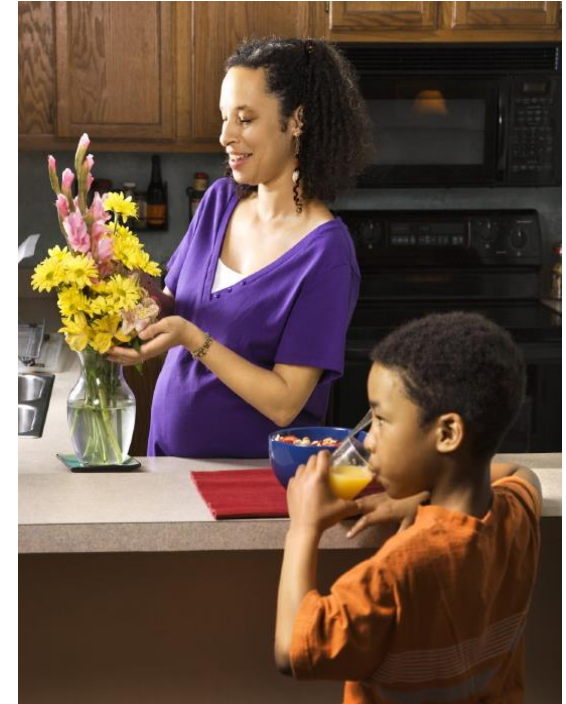
	Counted in HH			HH Size for PTC
	Rose	Daughter	Mother	
Rose	✓	✓	✓	3
Daughter	✓	✓	✓	3
Mother	✓	✓	✓	3



Example: Child Claimed by Non-Custodial Parent

- Lisa lives with her son and files taxes as a single individual
- Non-custodial dad claims son

	Counted in HH			HH Size for PTC
	Lisa	Son	Dad	
Lisa	✓			1
Son		✓	✓	2
Dad		✓	✓	2





Example: Non-Married Parents

- Dan and Jen live together with their 2 children, Drew and Mary
- Dan and Jen both have income
- For taxes, Dan claims the children, Jen files on her own



	Counted in HH				HH Size for PTC
	Dan	Jen	Drew	Mary	
Dan	✓		✓	✓	3
Jen		✓			1
Drew	✓		✓	✓	3
Mary	✓		✓	✓	3



Households for Premium Tax Credits

- Household includes individuals even if they are ineligible for premium tax credits
 - Special rule for households that include individuals who are not lawfully present
- Household is based on *expected* tax filing status for tax year in which advance premium tax credit is being claimed
 - Household is not based on previous tax return
 - Life changes will affect household (and credit amount)



Household Changes that Affect Eligibility for the Premium Tax Credit

- Birth/adoption or death
 - Premium credit should be recalculated to reflect new household size and, potentially, new benchmark
 - At reconciliation, the year-end household and income are used
- Divorce or Legal Separation
 - Allocate premium for benchmark, premium paid, and APTC in any proportion; if no agreement, 50/50.



Household Changes that Affect Eligibility for the Premium Tax Credit

- Marriage
 - Problem: Two people each earning \$20,000 marry
 - Pre-marriage: 174% FPL. Contribution = \$1,021 (5.1%)
 - Married: 258% FPL. Contribution = \$3,312 (8.3%)
 - Solution: Alternative calculation that accounts for pre-marriage months
- Separation
 - Cannot file as married filing separately
 - Allocate APTC 50/50; subject to repayment limit



Determining Households for Medicaid



Determining Households for Medicaid

- Individual-based determination
 - Members of a family could have different household sizes
- Three categories of individuals
 - Tax filers not claimed as a tax dependent
 - Tax dependents
 - Non-filers and not claimed as a tax dependent
- Based on expected tax filing status



Medicaid Rule for Tax Filers

- Household = tax filer and all persons whom taxpayer expects to claim as a tax dependent
 - For married couples filing jointly, each spouse is considered a tax filer



Medicaid Rule for Tax Dependents

- Household = household of tax filer claiming the dependent
- 3 exceptions: In these cases, apply the rule for non-filers:
 - Tax dependent who is not a child or spouse of the taxpayer
 - Children living with both parents who are unmarried
 - Children claimed as tax dependent by a non-custodial parent



Medicaid Rule for Non-filers and Those Not Claimed as a Dependent

- For adults:
 - Household = individual plus, if living with individual, spouse and children
- For children:
 - Household = child plus siblings and parents (including step-parents) living with child
- At state option, children are either
 - Under age 19, or
 - Under age 19, or full-time students under age 21



Other Medicaid Rules Affecting Household Size and Composition

- Married couples living together are included in each other's household regardless of filing status
- Pregnant women counted as 2 people (or more if multiple births) with state option to:
 - Count pregnant woman as 1 or 2 (or more) people in determining household size of her family members



Example: Single Individual

- John lives on his own
- John is not anyone else's dependent and has no dependents

	Counted in HH	HH Size for Medicaid
	John	
John	✓	1



Example: Married Couple with Children

- Reyes family: married couple with 2 children
- Mom and dad file a joint return and claim both children as dependents

	Counted in HH				HH Size for Medicaid
	Mom	Dad	Daughter	Son	
Mom	✓	✓	✓	✓	4
Dad	✓	✓	✓	✓	4
Daughter	✓	✓	✓	✓	4
Son	✓	✓	✓	✓	4



Example: Three-Generation Household

- Rose lives with and supports her 60-year old mother and 7-year old daughter
- Rose is the tax filer and claims her daughter and mother as dependents

	Counted in HH			HH Size for Medicaid
	Rose	Daughter	Mother	
Rose	✓	✓	✓	3
Daughter	✓	✓	✓	3
Mother			✓	1

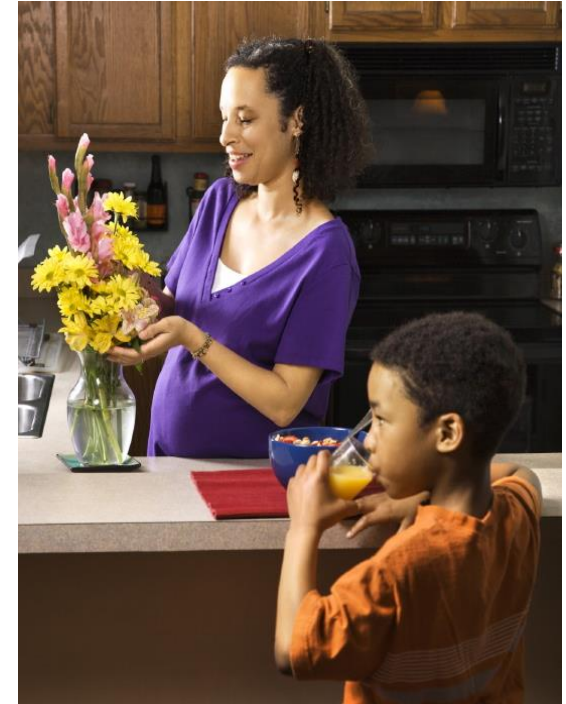




Example: Child Claimed by Non-Custodial Parent

- Lisa lives with her son and files taxes as a single individual
- Non-custodial dad claims son

	Counted in HH			HH Size for Medicaid
	Lisa	Son	Dad	
Lisa	✓			1
Son	✓	✓		2
Dad		✓	✓	2





Example: Non-Married Parents

- Dan and Jen live together with their 2 children, Drew and Mary
- Dan and Jen both have income
- For taxes, Dan claims the children, Jen files on her own



	Counted in HH				HH Size for Medicaid
	Dan	Jen	Drew	Mary	
Dan	✓		✓	✓	3
Jen		✓			1
Drew	✓	✓	✓	✓	4
Mary	✓	✓	✓	✓	4



Comparing Premium Tax Credit and Medicaid Household Definitions



Comparing the Rules

Medicaid

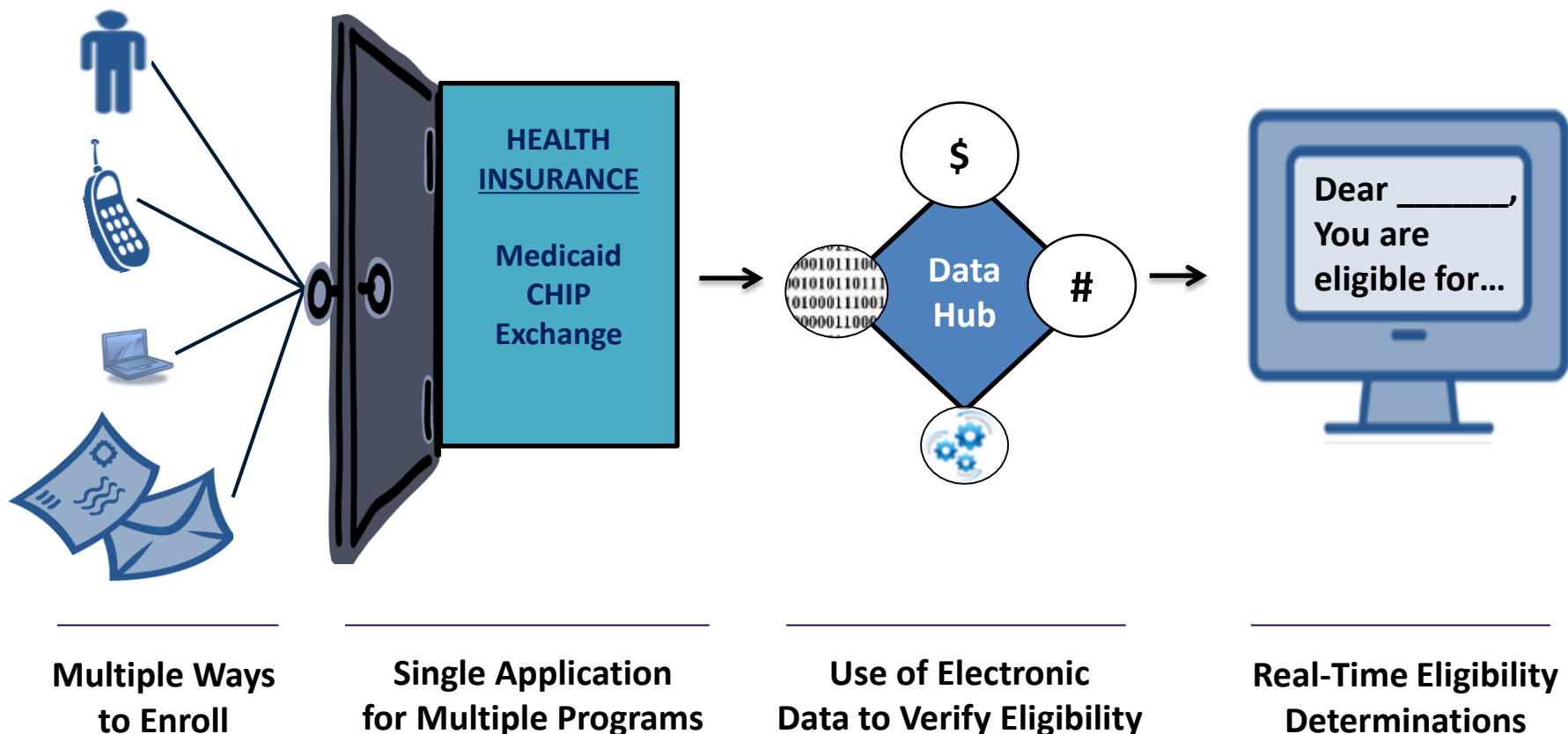
- Household does not always equal tax unit
- Individual determination of household – may vary across family members
- State options in defining households

Premium Tax Credits

- Household equals tax unit
- Members of tax unit have same household size
- Consistent rules across all states



Coordinated Process Require Streamlining of Household and Income





Example: Single Individual

- John lives on his own
- John is not anyone else's dependent and has no dependents

	Medicaid	PTC
John	1	1



Example: Married Couple with Children

- Reyes family: married couple with 2 children
- Mom and dad file a joint return and claim both children as dependents

	Medicaid	PTC
Mom	4	4
Dad	4	4
Daughter	4	4
Son	4	4





Example: Three-Generation Household

- Rose lives with and supports her 60-year old mother and 7-year old daughter
- Rose is the only earner and claims her daughter and mother as dependents



	Medicaid	PTC
Rose	3 (Rose, daughter, mom)	3 (Rose, daughter, mom)
Daughter	3 (Rose, daughter, mom)	3 (Rose, daughter, mom)
Mother	1 (mom)	3 (Rose, daughter, mom)



Example: Child Claimed by Non-Custodial Parent

- Lisa lives with her son
- Non-custodial dad claims son and applies for coverage

	Medicaid	PTC
Lisa	1 (Lisa)	1 (Lisa)
Son	2 (Son, Lisa)	2 (Son, dad)
Dad	2 (Son, dad)	2 (Son, dad)





Example: Non-Married Parents

- Dan and Jen live together with their 2 children, Drew and Mary
- Dan and Jen both have income
- For taxes, Dan claims the children, Jen files on her own



	Medicaid	PTC
Dan	3 (Dan, Drew, Mary)	3 (Dan, Drew, Mary)
Jen	1 (Jen)	1 (Jen)
Drew	4 (Dan, Drew, Mary, Jen)	3 (Dan, Drew, Mary)
Mary	4 (Dan, Drew, Mary, Jen)	3 (Dan, Drew, Mary)



Key Takeaways

- Households for premium credits and Medicaid will not necessarily match people's actual living situation
- Household rules could split families into different coverage programs



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