



Questions of the Day: Coordination between Medicaid and Premium Tax Credits

Do people whose income is between 100 and 138 percent of the poverty line have a choice of eligibility between Medicaid and premium tax credits?

No. People who are eligible for “minimum essential coverage” including most categories of Medicaid are not eligible for premium tax credits. People with incomes between 100 and 138 percent of the poverty line who are determined eligible for Medicaid would thus not be eligible for premium tax credits. However, if they are not eligible for Medicaid because their state hasn’t expanded or for another reason, they could qualify for premium tax credits.

Are there types of Medicaid coverage that don’t disqualify people from receiving premium tax credits?

Yes. There are certain limited types of Medicaid coverage that are not considered “minimum essential coverage.” Eligibility for limited Medicaid coverage would not disqualify people from receiving premium tax credits. (They would still have to meet the criteria for eligibility, including having income between 100 and 400 percent of the poverty line.) The types of limited Medicaid coverage that are not minimum essential coverage are coverage only for family planning services, tuberculosis-related services, pregnancy-related services, and coverage of treatment of emergency medical conditions.

What happens when someone living in a state that hasn’t expanded Medicaid receives advance payments of premium tax credits, because he thought his income would be over the poverty line, but ends up with income below the poverty line? Does he have to pay back all the advance payments he received when he files his taxes?

No. There is a special rule that applies in this situation. As long as the Marketplace estimated at the time of enrollment that his income would be between 100 and 400 percent of the poverty line and he was otherwise eligible for premium tax credits, he won’t have to pay back the advance payments he received during the year.

What happens when someone who lives in a state that has expanded Medicaid receives advance payments of premium tax credits, but her actual income ends up being 125 percent of the poverty line, which would have made her eligible for

Medicaid? Does she have to pay the advance payments back when she files her taxes?

No. She would still be considered eligible for premium tax credits because the Marketplace found she was not eligible for Medicaid based on her estimated income, and her final income is between 100 and 400 percent of the poverty line, which is within the eligibility range for premium tax credits.

What if someone who is receiving advance payments of premium tax credits is found retroactively eligible for Medicaid after reporting a drop in income? Does she have to pay back advance payments of premium tax credits received during the retroactive period because she was eligible for Medicaid during those months?

No. The IRS rules for premium tax credits say that people receiving advance payments who are determined to be eligible for Medicaid on a retroactive basis are treated as being eligible for minimum essential coverage no earlier than the first day of the first calendar month after approval of the Medicaid application. The IRS rules have a helpful example to illustrate this rule. In the example, “F” is receiving advance payments when she loses her part-time job. She applies for Medicaid on April 10, 2015. Her application is approved on May 15, 2015, retroactive to April 1. In this example, F is not considered to have minimum essential coverage until June 1, 2015, the first day of the calendar month after approval of her Medicaid application.

When someone’s income falls below the poverty line, what income does the IRS use to calculate their premium tax credit?

As we explained in our answer to a previous question, the IRS has a special rule that applies in this situation. As long as the Marketplace estimated at the time of enrollment that the household’s income would be between 100 and 400 percent of the poverty line and the household was otherwise eligible for premium tax credits, the fact that the household’s income fell below the poverty line doesn’t mean the household will have to pay back all the premium tax credits it received. In determining the final credit amount, the IRS will use the household’s MAGI-based income as reported on its tax return.

How does reconciliation of advance payments of the premium credits work for someone whose annual income ends up below the poverty line?

Here’s an example. Let’s assume John is a student in a state that has not expanded Medicaid in January 2014. When he applied for premium tax credits, his projected income from his part-time job was \$13,000 for the year, which is over the \$11,490 poverty line for a single individual. John does not work as many hours as he thought he would and his actual income ends being about \$11,000. When the IRS reconciles his premium tax credits, it will use his actual income even though it is slightly below the poverty line.



If a woman receiving premium tax credits becomes pregnant and eligible for Medicaid based on her pregnancy, does she have to change her coverage?

Medicaid coverage for pregnant women (sometimes referred to as pregnancy-related Medicaid) is not considered minimum essential coverage regardless of whether the state covers all Medicaid services or just those related to the woman’s pregnancy. Therefore the availability of this coverage would not affect a woman’s eligibility for premium tax credits. She could choose to remain in her qualified health plan.

Are women enrolled in Medicaid pregnancy-related coverage going to have to pay a penalty because their coverage is not considered minimum essential coverage?

No, at least in 2014. The preamble to the Treasury rule on minimum essential coverage says that the Treasury Department and the IRS “anticipate issuing guidance providing that women covered with pregnancy-related Medicaid for a month in 2014 will not be liable for the shared responsibility payment for that month.”

Could a pregnant woman enroll in Medicaid coverage for pregnant women and receive premium tax credits?

In theory, yes. The Medicaid coverage would be secondary to the coverage through the qualified health plan. However, right now the enrollment and eligibility systems may not support enrollment in both programs.