1. **Why is CMS providing states with MAGI conversions for certain medically needy eligibility groups?**

Historically, states have used methodologies of the former Aid to Families with Dependent Children (AFDC) program to determine Medicaid eligibility for medically needy pregnant women, children, and parents/caretaker relatives. With the transition to MAGI-based methodologies for determining eligibility for categorically needy pregnant women, children, and parents/caretaker relatives, CMS is intends to finalize its regulation providing states with the option to also convert their medically needy income standards for these groups to “MAGI-like” standards, to promote simplification of Medicaid eligibility rules.¹ States that choose this option will avoid the need to apply old AFDC income counting methodologies for these medically needy groups, thus allowing them to have a more streamlined eligibility determination process.

For the MAGI conversions that were required by federal law—those needed for eligibility determinations of categorically eligible pregnant women, children, and parents/caretaker relatives (the MAGI groups) CMS developed a standardized MAGI conversion method and provided conversions to all states in order to reduce the burden associated with performing and implementing the conversions. For the same reason, CMS is also providing states with conversions for the relevant medically needy eligibility groups.

2. **How does the CMS methodology satisfy the maintenance of effort requirement for children?**

States may establish a MAGI-like medically needy income level (MNIL) at any income level up to a “MNIL ceiling” equal to 133 1/3 percent of the income standard adopted by states for coverage of parent and caretaker relatives under 42 CFR 435.110. Because of maintenance of effort requirements in effect for children through September 30, 2019, states will need to make sure that the MAGI-based MNIL for children is no more restrictive than the AFDC-based methodologies that it replaces. The CMS-supplied conversions provide MAGI-based standards that are equivalent in the aggregate to previous AFDC-based standards, which CMS has determined will satisfy maintenance of effort requirements.

3. **What should states do with these conversions?**

Use of the MAGI converted standards for medically needy pregnant women, children, and parents/caretaker relatives is optional for states. States that wish to use these standards for eligibility determinations will need to file a State Plan Amendment with CMS and should submit the SPAs to their regional offices through the routine process. Using MAGI for the non-ABD medically needy will allow states to retire their AFDC eligibility methodologies.

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¹ 78 Federal Register 4611, January 22, 2013.
4. Why are these conversions called “MAGI-like”?

Because the medically needy group is excepted from MAGI, there are certain statutory requirements and options that remain in effect for the medically needy groups. Specifically, although states may use a MAGI-based method to determine household income, in doing so, they must ensure that there is no deeming of income or attribution of financial responsibility that would conflict with section 1902(a)(17)(D) of the Social Security Act. In addition, at state option 1902(r)(2) can still be applied to the medically needy income level after conversion.

5. Which medically needy groups are being converted and why? How did CMS determine which groups in a state could be converted, and what income standards and disregards to use in the conversions?

The medically needy eligibility groups for which CMS will be providing states with MAGI conversions include pregnant women, children under age 18, 18-20 year olds, and parents/caretaker relatives. Because states will continue to use SSI methods to determine eligibility for aged, blind, and disabled individuals, medically needy categories for aged, blind, and disabled are not being converted as part of this effort.

CMS consulted with states in order to determine current eligibility standards and disregards for the relevant medically needy groups.

6. Will there still be a resource test for medically needy eligibility categories?

In contrast to the eligibility categories for which the Affordable Care Act requires the use of MAGI-based methodologies and the elimination of resource tests, the Act does not include any provisions affecting states’ ability to apply a resource test to their medically needy eligibility categories. States that choose to use MAGI-like methodologies for their medically needy groups may continue to use a resource test for these groups. However, states may also choose to effectively eliminate the resource test for any or all medically needy eligibility groups by adopting a less restrictive methodology under section 1902(r)(2) to disregard all of an individual’s resources.

7. How are the conversions being done?

CMS is using the Standardized MAGI Conversion Methodology described in its December 28, 2012 letter to State Health Officials (SHO). Briefly, the Standardized MAGI Conversion Methodology involves calculating the average disregard for people whose net income is within a range defined by the current net income standard and 25 percentage points FPL below the current standard; the average disregard is then added to the current net standard to determine the MAGI eligibility standard.

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8. Can states use their own data or alternative methods to do these conversions?

Yes. States may choose to use their own data for converting the relevant medically needy standards, or choose to use the conversions provided by CMS based on data from the Survey of Income and Program Participation (SIPP). States may also propose alternative methods for the conversions. This is true whether or not states used their own data for prior conversions during Part 1 of the MAGI conversions process.

There is an option for states instead of converting using their own data, in fact instead of converting at all. Because the maintenance of effort requirements of the ACA have expired (except those for children) and use of MAGI-like medically needy income standards is optional, states may find that it is simpler to select a MNIL for adults and adopt any block of income disregards that are needed for children (described below) to comply with ongoing maintenance of effort requirements.

9. States are required to use the same medically needy income level (MNIL) for all populations, but CMS has done separate conversions for each medically needy group often resulting in different converted levels. In addition, there are no conversions for aged, blind, and disabled medically needy groups. How can states use MAGI-like methods for their AFDC-based medically needy groups and still comply with the requirement to use the same MNIL for all groups?

With regard to ensuring the same MNIL for all populations after MAGI conversion, states that wish to use the MAGI-like standards have two choices. They can raise the MNIL that applies to all medically needy populations to the converted MNIL for children, subject to the maintenance of effort requirement for children and the MNIL ceiling described in Question 2 above. The alternative approach is based on the fact that although the MNIL must be the same for all eligibility groups, through 1902(r)(2) states can apply disregards differently for different eligibility groups. Therefore, if the converted medically needy standard income level for children exceeds the state’s MNIL for other adult populations or if the converted MNIL for children exceeds the MNIL ceiling, states may achieve compliance with maintenance of effort requirements by establishing a block of income disregard between the MNIL established by the state for all medically needy populations and the converted medically needy income level standard for children. The difference between these two strategies is that the first one may effectively expand eligibility for populations other than children, while the second one does not.

For example, if a state covers the medically needy group for pregnant women and children up to 100% FPL, and the income standards convert to 107% FPL for pregnant women and 110% FPL for children, the state would have two choices. It could raise the MNIL that applies to all populations to 110% FPL. Alternatively, the state could set the MNIL at 107% FPL and apply a block of income disregard to children between the MNIL and 110% FPL.

10. Will 5% MAGI disregard apply?

The requirement in section 1902(e)(14)(I) of the Social Security Act to apply a disregard of 5 percentage points of FPL when determining Medicaid eligibility does not apply to medically needy
individuals whose eligibility is determined using MAGI-like methods. States may, however, use 1902(r)(2) to apply the 5 percent disregard to the MNIL to further align payment methodologies between programs.

11. How can my state get additional assistance understanding these conversions and what to do with them?

For additional assistance understanding these conversions and how states should use them, please contact Stephanie Kaminsky at Stephanie.Kaminsky@cms.hhs.gov or Gene Coffey at Gene.Coffey@cms.hhs.gov.