Improving SNAP and Medicaid Access: Filling Income Eligibility Gaps to Maximize Health Coverage

Center on Budget and Policy Priorities

CLASP
Policy solutions that work for low-income people

When determining households' program and subsidy eligibility, Medicaid agencies and the federal and state insurance marketplaces count income for most households using the tax-based Modified Adjusted Gross Income (MAGI) methodology. Medicaid generally bases eligibility on monthly income, while marketplaces use annual income to determine eligibility for subsidies. Even in states that have expanded Medicaid, the use of different budget periods can lead to coverage gaps for households whose monthly income is too high for Medicaid but whose annual income is below the poverty line, making them ineligible for subsidies.

Medicaid regulations address this gap by requiring Medicaid agencies to use annual income when monthly income is above the Medicaid eligibility threshold and annual income is below the poverty line. However, not all Medicaid agencies have correctly implemented policies or systems to address these situations. People who fall in the gap may be sent back and forth between the marketplace and Medicaid when they apply or report changes. Medicaid agencies should implement screening questions, policies, and system improvements that ensure eligible beneficiaries receive coverage without gaps.

Regulations

- Medicaid agencies use monthly income to determine applicants' financial eligibility for Medicaid. Agencies can account for predicted changes in income, such as seasonal or temporary work, when determining eligibility. 42 CFR §435.603(h)(1) and (3).
- Medicaid agencies *must* determine eligibility for individuals with monthly income above Medicaid eligibility levels and annual income below the poverty line based on annual income. 42 CFR §435.603(i).[1]

Look Out!

- Under this rule, individuals are only eligible for Medicaid if their annual income is below 100 percent of the poverty line. If annual income is between 100 and 138 percent of poverty, individuals are eligible for marketplace subsidies but ineligible for Medicaid.

Medicaid Applicants

Medicaid applicants may have income that changes throughout the year. They might be temporarily or seasonally employed, or they might be employed for some months of the year and unemployed for others. To ensure accurate eligibility determinations, Medicaid agencies must have effective screening questions to identify these applicants, and policies to use average or annual income where appropriate.

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[1] The same rule applies when differences in how Medicaid and the marketplace determine household size make an individual ineligible for both Medicaid and subsidies. In such situations, Medicaid should determine household size in accordance with marketplace (tax-filing) rules. See Wayne Turner, "When Differences Between Marketplace and Medicaid MAGI Result in Ineligibility for Either Program," National Health Law Program, May 2, 2016, https://9kqpw4dcaw91s37kozm5jx17-wpengine.netdna-ssl.com/wp-content/uploads/2016/05/Difference-in-Marketplace-and-Medicaid-MAGI-Final-5.2.16.pdf.

Screening Questions

Applications for health coverage should include questions that identify applicants with variable income or whose monthly income is not representative of their annual income. Applications should include additional questions for those identified as being in these situations, and the caseworker (or system) should automatically determine eligibility using both monthly and annual incomes based on the information provided in the application.

Applications should ask questions such as:

- Does your income change from month to month, for instance due to temporary employment or seasonal work? If yes:
  - What is your expected income this month, next month, and the month after?
  - What is your expected total income for this year (January through December)?
- Did you recently start a new job or start working more hours? If yes:
  - What was your monthly income before you started a new job or started working more hours?
  - What is your expected total income for this calendar year (January through December)?

Look Out!

- Review the Medicaid application to see how it asks about variable income. The questions must be specific enough to flag situations where monthly income is not representative of annual income and gather enough information to make an eligibility determination using annual income.

Policy

If an applicant states that their income changes due to temporary or seasonal work, agencies can account for predicted changes in income by averaging the applicant's income over several months, including months with high income and months with low or no income.

Example 1

Tanya works for a temp agency and her income fluctuates month to month. When she applies for Medicaid, she documents her income from the past two months and her expected income for the next three months. The Medicaid agency averages those months and determines eligibility based on the average monthly income.

If an applicant states they started a new job or started working more hours, agencies should first evaluate eligibility based on monthly income, and then consider annual income if monthly income exceeds the eligibility threshold.

For accounts transferred from the marketplace to Medicaid, the Medicaid agency should automatically check eligibility based on annual income if the applicant is found ineligible based on monthly income, since the applicant has already been determined ineligible for premium tax credits.

Example 2

Jackson finished college in June and had health insurance through school. In July, he applies for Medicaid and begins a job paying an annual salary equal to 200 percent of the poverty line. He receives his first paycheck in August. His annual income is 83 percent of the poverty line.

The Medicaid agency should first consider Jackson's eligibility for Medicaid by evaluating his monthly income. Since his monthly income is above 138 percent of the poverty line, the Medicaid agency would find him ineligible based on monthly income. However, Jackson reported on his application that he recently started a new job. The Medicaid agency should evaluate his annual income, which is below the poverty line, and find Jackson eligible for Medicaid.

Look Out!

- The Medicaid agency should not require applicants like Jackson to first apply at the marketplace and be denied before approving him for Medicaid.

Medicaid Beneficiaries

These gap-filling rules also apply to Medicaid beneficiaries when they report a change in circumstances, renew their coverage, or when the Medicaid agency conducts a wage match. In many cases, the Medicaid agency will have income information for the whole year and should be able to determine annual income. When monthly income exceeds the eligibility threshold, the agency must consider annual income so eligible beneficiaries don't incorrectly lose coverage.

Example 3

Sandra lost her job last December and began receiving Medicaid in January. In August, she finds a new job with an annual salary equal to 280 percent of the poverty line for her household size. She receives her first check in September. Her annual income this year is 93 percent of the poverty line. She reports her new job to the Medicaid agency.

The Medicaid agency has information on Sandra's annual income, since she's been enrolled in Medicaid since January. The Medicaid agency would first find Sandra ineligible to continue receiving Medicaid based on monthly income, which is now over 138 percent of the poverty line. But it should then apply the gap-filling rule and consider her annual income, which is below the poverty line, and find that Sandra remains eligible for Medicaid.

Example 4

Maria receives Medicaid and has been working at a job that averages 15 hours per week, with income equal to 30 percent of the poverty line. In September, the Medicaid agency's check of wage data shows that Maria's hours recently increased, and she now has monthly income averaging 160 percent of the poverty line, which is over the eligibility threshold.

The Medicaid agency should first attempt to determine Maria's eligibility using annual income. If Maria's future income is uncertain, the agency may request verification of her wages. Maria's annual income is likely below 100 percent of the poverty line, and she should remain eligible for Medicaid.

Advancing Strategies to Align Programs (ASAP)

Advancing Strategies to Align Programs (ASAP) is a joint CLASP-CBPP project designed to assist states with improvements to the administration of SNAP and Medicaid through policy and operational changes at the state and local level. As part of a toolkit highlighting lessons from the project, we're examining key points in the eligibility and enrollment processes and promising practices to improve program access and efficiency.

To view other briefs in this toolkit, visit www.cbpp.org/asap or www.clasp.org/asap.