Appendix 1

SNAP Households by Likely MAGI-based Financial Eligibility Status, FY 2008 and FY 2010 (in 000s)

	Fiscal Year 2008			Fiscal Year 2010		
SNAP households with:	**Number of households**	**Share of total SNAP households**	**Share of SNAP households that could have MAGI-eligible members**	**Number of households**	**Share of total SNAP households**	**Share of SNAP households that could have MAGI-eligible members**
MAGI not used in determining eligibility of any household members	**2,896**	**23%**	**n.a.**	**3,524**	**19%**	**n.a.**
Single person, age 65+	1,338	11	n.a.	1,608	9	n.a.
Single person, under 65, SSI recipient	1,316	11	n.a.	1,639	9	n.a.
Married couple, no children, both age 65+	152	1	n.a.	163	1	n.a.
Other, all members 65+ or SSI recipient	89	1	n.a.	114	1	n.a.
All household members certain to have income below Medicaid "applicable income standard" using MAGI rules (all members are eligible for SNAP, gross income below 138% FPL for household size, and no self-employment income or child support paid)	**7,552**	**61%**	**79%**	**11,512**	**63%**	**78%**
Single person	2,487	20	26	4,584	25	31
Single parent with children	3,665	29	38	4,829	26	33
Married couple with children	718	6	8	1,128	6	8
Married couple, no children	198	2	2	296	2	2
More complex household structure, but gross income below 138% FPL for a household of 1	485	4	5	675	4	5
More information needed to determine if members meet the Medicaid "applicable income standard"	**2,004**	**16%**	**21%**	**3,314**	**18%**	**22%**
SNAP-ineligible noncitizen present	663	5	7	1,204	7	8
Other SNAP-ineligible person present	435	3	5	552	3	4
Complex family structure with income above 138% FPL for a household of 1 (but below 138% FPL for respective household size)	280	2	3	404	2	3
Above 138% FPL for respective household size	132	1	1	314	2	2
With self-employment income	325	3	3	533	3	4
With child support payers' deduction	171	1	2	307	2	2
Total	**12,452**	**100%**		**18,350**	**100%**	

Notes: Based on SNAP Quality Control Data for 2008 and 2010. To avoid counting households more than once each row excludes households from earlier rows.

Appendix 2:
Calculating Income Eligibility for SNAP and Medicaid

In 2014, Medicaid will use a methodology for calculating income — called Modified Adjusted Gross Income, or MAGI — in determining eligibility for most people and will keep existing rules for specific categories of coverage such as those serving the aged, blind and disabled populations. Below we highlight key differences in how SNAP and MAGI will count income and calculate household size for eligibility determinations.

Income Sources

MAGI is adjusted gross income (AGI) as determined under the tax code, *plus* any foreign income or tax-exempt interest that a taxpayer receives.[19] AGI includes earned income such as wages, salary, tips, gratuities, etc. and unearned income such as unemployment, interest, dividends, rents and royalties, etc. SNAP also counts all earned income (before payroll taxes and pre-tax benefits are deducted) from all household members and sources, as well as unearned income. Generally, SNAP income determination includes more income sources—making it more likely that SNAP beneficiaries will qualify for Medicaid after states expand Medicaid eligibility. Examples of key differences in income counting between SNAP and Medicaid can be viewed in the following table:

Comparing Income Sources of SNAP and Medicaid Using MAGI

Income Sources	SNAP gross income	Medicaid using MAGI
Earned Income: General Rule	**Mostly Included.** Includes all wages and salary of an employee, income from self-employment, training allowances from vocational and rehabilitative services programs recognized by the state or federal government, Does not include any gain that is not in the form of money payable directly to the household, such as in-kind and certain vendor payments, employer provided child care.	**Mostly Included.** Includes all wages and salary of employee as well as income from self-employment. Major exceptions of earned income excluded from adjusted gross income are listed below and include certain fringe benefits and various cafeteria plan benefits.

[19] Under the tax code, foreign income and tax-exempt interest are generally excluded from adjusted gross income.

Comparing Income Sources of SNAP and Medicaid Using MAGI		
Income Sources	**SNAP gross income**	**Medicaid using MAGI**
Self-employment	*Includes* all revenues, any gains from the sale of any capital good or equipment, payment from a roomer or boarder averaged over the whole year. *Excludes* the costs in producing the income, however, cost do not include items such as losses from previous periods, money set aside for retirements, personal expenses such as transportation to and from work and depreciation.[20] [21]	*Considers* all revenues. *Excludes or adjusts* for various business expenses, including but not limited to depreciation, business-related travel and entertainment expenses (up to a limit), purchase of capital equipment, employee pay, interest payments, and business use of a personal home. If deductions exceed income, losses can be used to offset other business income, up to a limit.
Income used for various pre-tax benefits funded by an employee's elective salary reduction (such as flex-spending plans)	*Includes* all earned income before voluntary pre-tax benefits are deducted for employer-provided benefits.	*Does not include (with some limits)* employer contributions to employee benefits made pursuant to salary reduction agreements between the employer and the employee in which the employee agrees to contribute a portion of his or her salary on a pre-tax basis to pay for the qualified benefits. Salary reduction contributions are not actually or constructively received by the employee. Therefore, those contributions are not considered wages for that employee for federal income tax purposes.
Unearned Income: General Rule	**Mostly included.** Exceptions include public assistance vendor payments for child care, medical and energy assistance; HUD, state or local housing authority payments; third party payments on behalf of a household using funds not owed the household; many kinds of educational assistance (loans, scholarships and grants, though the rules are complex; and other loans due in at least 60 days.	**Often excluded or adjusted.** Examples of unearned income that is excluded from adjusted gross income are listed below. In general, any interest received or credited to an account that can be withdrawn is counted as income for tax purposes. Some interest however, is non-taxable, such as interest from state or municipal bonds, interest on savings bonds used for educational purposes, and interest from exempt-interest dividends.
Social Security and equivalent Tier 1 railroad benefits	*Included.*	*Included.*

[20] 7 CFR § 273.11

[21] States have the option to simplify self-employment income determination for SNAP by developing a method to calculate the cost of doing business and using a flat percentage, a figure based on average costs, or some other method. (AL, AK. CA, DE, GA, ID, IA, KS, MD, MI, OH, OK, OR, SC, SD, UT, WA and WY use this option as of 2010, according to FNS)

Comparing Income Sources of SNAP and Medicaid Using MAGI		
Income Sources	**SNAP gross income**	**Medicaid using MAGI**
Need-based assistance payments that are partially or fully federally funded (includes the major benefit programs)	*Included.*	*Excluded.*
Child Support received	*Included.*	*Excluded.*
Veterans' benefits	*Included (as unearned income).*	*Excluded.* Does not include in income any veterans' benefits paid under any law, regulation, or administrative practice administered by the Department of Veterans Affairs (VA). (IRS Pub. 525)
One-time payment of a personal injury award	*Excluded.*	*Excluded* in general except in the case of amounts attributable to (and not in excess of) deductions allowed under section 213 (relating to medical, etc., expenses) for any prior taxable year, gross income does not include — (2) the amount of any damages (other than punitive damages) received (whether by suit or agreement and whether as lump sums or as periodic payments) on account of personal physical injuries or physical sickness; (3) amounts received through accident or health insurance (or through an arrangement having the effect of accident or health insurance) for personal injuries or sickness (other than amounts received by an employee, to the extent such amounts (A) are attributable to contributions by the employer which were not includible in the gross income of the employee, or (B) are paid by the employer); (4) amounts received as a pension, annuity, or similar allowance for personal injuries or sickness resulting from active service in the armed forces of any country or in the Coast and Geodetic Survey or the Public Health Service, or as a disability annuity payable under the provisions of section 808 of the Foreign Service Act of 1980; and (5) amounts received by an individual as disability income attributable to injuries incurred as a direct result of a terroristic or military action (as defined in section 692 (c)(2)). (26 USC 104)

Comparing Income Sources of SNAP and Medicaid Using MAGI		
Income Sources	**SNAP gross income**	**Medicaid using MAGI**
Income tax refunds	*Excluded.*	*Excluded* (with very minor exception). Refunds of state income taxes are included in income if a filer itemized deductions in the previous tax year and deducted their state income taxes. Most low-income people itemize only if they own homes or have large medical expenses.
EITC	*Excluded.*	*Excluded.*
Workers' Compensation	*Included.*	*Mostly excluded.* Amounts received as workers' compensation for an occupational sickness or injury are fully exempt from tax if they are paid under a workers' compensation act or a statute in the nature of a workers' compensation act. The exemption also applies to survivors of someone receiving workers' comp. Exemption does not apply to retirement plan benefits received based on your age, length of service, or prior contributions to the plan, even if retired because of an occupational sickness or injury (26 USC 104)
Prizes, gifts and irregular income of more than $30 over three months	*Included.*	*Excluded.*
Student financial assistance funded under the federal Higher Education Act	*Excluded.*	*Excluded.*
Other student aid used to pay for tuition, fees, books, supplies, required fees (including loan origination fees), or insurance premiums.	*Excluded.*	*Excluded.*
Work study	*Excluded*, under most circumstances.	*Excluded.*
Foster care payments	*Excluded* if child is considered a boarder and excluded from the household, unless household includes child as member, in which case payments are included.	*Excluded* for foster care providers, payments received from a state, political subdivision, or a qualified foster care placement agency for providing care to qualified foster individuals in your home generally are not included in income. However, must include in income payments received for the care of more than 5 individuals age 19 or older and certain difficulty-of-care payments. (IRS Pub. 17)

Determining Household Size

Medicaid will consider relationship and the composition of the tax filing unit in order to calculate household size for the purpose of determining MAGI-based financial eligibility for individuals. Generally, Medicaid will group spouses, parents, step-parents and children in determining household size for individuals. Additionally, the household of a tax filer who is not claimed as tax dependent by anyone else will include the tax filer and his/her tax dependents. Pregnant women are counted as two household members when calculating financial eligibility for the pregnant woman herself, but when determining the eligibility of other household members, states have the option of calculating the pregnant woman as either one or two individuals in determining the household's size.

SNAP use households to determine financial eligibility for the program and benefit amounts. A SNAP household consists of individuals who live together in the same residence and who customarily purchase and prepare food together. Some related individuals must be counted in the SNAP household unit if they are living together (regardless of whether they purchase and prepare meals together): examples include spouses and children up to age 22.

Some categories of individuals are not eligible for SNAP and may not be included as a member of a SNAP household, but may meet Medicaid qualifications. These include unemployed childless adults who have exhausted their three months of SNAP benefits (unless the 3-month time limit is waived in the area in which the adult lives) or have failed to meet work requirements, workers who are on strike, and intentional SNAP program violators. When an individual is excluded from a household, SNAP applies different rules to determine whether all of the excluded person's income is included in determining the household's income or whether a pro-rata portion is included. Medicaid would include income from these individuals, and they would be counted in the household size.

Most students living away from home also are ineligible for SNAP and therefore are not counted toward the household size, and their income is not assigned to the household for purposes of SNAP eligibility. Students living away from home could be eligible for Medicaid, and they would be subject to regular income and household rules in MAGI.

Undocumented immigrants are ineligible for both SNAP and Medicaid. SNAP is more inclusive than Medicaid in the eligibility of lawfully present immigrants. In general, non-citizens who entered the United States for humanitarian reasons and qualified legal immigrant adults who have been in the U.S. for at least five years meet the immigration requirement for SNAP. In addition, legal immigrant children and people receiving disability-related benefits meet the immigration requirement without having to wait five years.[22] The ACA does not change current federal immigrant eligibility restrictions for Medicaid. These restrictions include a five-year waiting period for most lawfully residing immigrants before they can qualify for Medicaid.[23] Some states have taken the option to eliminate the five-year wait for lawfully residing immigrant children and pregnant women.

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[22] Stacy Dean and Dorothy Rosenbaum, "Implementing New Changes to the Food Stamp Program: A Provision by Provision Analysis of the 2002 Farm Bill," Center on Budget and Policy Priorities, August 2002, http://www.cbpp.org/8-27-02fa.pdf, pp. 17-20.

[23] Title XXI of the SSA as amended by Section 214 Children's Health Insurance Program Reauthorization Act of 2009.

Both SNAP and Medicaid have special income counting rules for households that include both eligible and ineligible individuals based on their citizenship or immigration status (mixed-status families). SNAP gives states options for counting the income of ineligible immigrants and people not wishing to disclose their immigration status; all but three states have taken an option that counts a prorated amount of such as individual's income toward the household income.[24] If Medicaid uses the income counting methodology that will be used to determine the income of mixed-status families for premium credits, Medicaid will establish the poverty status of a family by comparing a reduced family income to the poverty threshold for the family size excluding the ineligible family members. Family income would be reduced by the ratio of the poverty threshold appropriate to the family size *excluding* ineligible members to the poverty threshold appropriate to the family size *including* ineligible members. These differences would result in Medicaid counting a larger share of an ineligible immigrant's income toward the family's income than SNAP does.[25]

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[24] United States Department of Agriculture. "Supplemental Nutrition Assistance Program State Options Report: Tenth Edition," accessed at: http://www.fns.usda.gov/snap/rules/Memo/Support/State_Options/10-State_Options.pdf.

[25] This assumes Medicaid will align its methodology with the required methodology for counting income for premium credits, as defined in Section 1402 (e) of the Patient Protection and Affordable Care Act.

Appendix 3: SNAP Income Data Are Recent and Reliable

SNAP income data for families and childless adults are no more than six months old and have been verified and documented. Such SNAP households are required to participate in an interview with a state eligibility worker at initial application and at least once annually. Because SNAP verification and reporting rules are strong and states are subject to SNAP Quality Control and associated penalties, the data are very reliable.

- **Under SNAP regulations, states must verify the income of household members.** Some other items of SNAP eligibility can be verified at state option or only if they are questionable, but states are *required* to verify the income of SNAP household members. This typically means that states either have collected paper documentation from the family (i.e., pay stubs) or have a highly reliable data match (such as with Social Security or Unemployment Insurance data, or with a private company like "the Work Number"). If these types of verification are not available, states must pursue a collateral contact to verify the income the household reports. Only when all attempts to verify income have failed because the source of the income has failed to cooperate can the state certify the household based on the best available information (i.e., without income verification). (See 7 C.F.R. 273.2(f).)

- **SNAP reporting rules ensure that income data will be no more than six months old.** Households are required to inform the state if their income climbs above 130 percent of the poverty level. States use "simplified reporting" to ensure that households that participate in SNAP do, in fact, remain eligible. Under SNAP rules, a household must notify the state agency any time its income exceeds 130 percent of the federal poverty line (the SNAP program's gross income limit). In addition, households must file a report or recertify their benefits based on their current circumstances at least every six months. Significant changes in a household's income must be verified. (See 7 C.F.R. 273.12.)

- **States follow these rules meticulously because of the risk of penalty under the SNAP Quality Control (QC) System.** States pull a sample of participating cases each month, and a state QC reviewer conducts a rigorous review of the accuracy of the SNAP eligibility and benefit determination. The reviewer interviews the household in person and collects new documentation of the household's actual income and other circumstances during the sample month. If the information indicates that the household should not have been eligible, or received too high (or too low) a benefit under the state's certification and reporting rules, an error is recorded. Federal re-reviewers conduct a subsequent review of a subset of these cases to ensure compliance. States can be sanctioned based on high error rates. A state would be at risk for an error if a household's income had exceeded 130 percent of poverty and the household had not reported the change within the proper timeframes.

The SNAP error rate currently is the lowest on record, at 3.80 percent in 2011. (Together, payments to ineligible households and overpayments to eligible households accounted for 2.99 percent, and underpayments accounted for the rest.) USDA research has found that only one to two percent of SNAP households are ineligible, and among those ineligible, half had income below 130 percent of the poverty level.[26] For more information on the SNAP Quality Control system, see http://www.fns.usda.gov/snap/qc/default.htm.

[26] See http://www.fns.usda.gov/ora/menu/Published/SNAP/FILES/ProgramIntegrity/HouseholdWell-Being.pdf.

Appendix 4:
Methods

We used the USDA's Food and Nutrition Service (FNS) 2008 and 2010 SNAP Quality Control (QC) data sets to estimate the income-eligibility of members of SNAP households under the ACA.[27] This data set includes a representative sample of SNAP case files that are thoroughly reviewed to assess the accuracy of SNAP eligibility and benefit determinations. Nationally about 50,000 cases are sampled and reviewed each year. FNS uses these reviews to establish state-level payment error rates. Each year FNS releases a public use data file.[28]

The QC data set provides detailed information about earned and unearned income for each individual in a SNAP household unit. It also contains information about each SNAP household member's relationship to the SNAP head of household, as well as information about people who are excluded from the SNAP household because they are not eligible. Our analysis uses these characteristics, income, and relationship variables to classify households into the mutually exclusive groups found in Appendix Table 1.

We were not able to account for individuals who live outside the home but may be in the tax filing units of SNAP household members, because the QC data only capture those people currently living in the household surveyed. Examples of such individuals could include a spouse living separately and persons temporarily absent from the household such as students in college or people in military service. We believe these situations are relatively rare and that including individuals living elsewhere would only affect Medicaid eligibility if such people have a significant amount of income.

In addition, the QC data do not provide information about pre-tax employee contributions toward items such as child care costs, retirement savings, commuting costs, health care premiums, and flexible spending accounts, which are excluded from MAGI. Accordingly, our analysis does not account for these income exclusions from MAGI; if they *were* accounted for, that would lower the income of a substantial number of SNAP households below the level recorded for the household in SNAP records, and hence would increase the share of SNAP households whose income under MAGI is below 138 percent of the poverty line and who consequently qualify for Medicaid.

[27] We used both 2008 and 2010 datasets because SNAP participation in 2010, the most recent year for which these data were available at the time we completed the analysis, was significantly affected by the recession and policy changes that temporarily lifted the program's time limit for childless adults.

[28] The annual QC data files are available at http://hostm142.mathematica-mpr.com/fns/.