Constructing a Household and Calculating Income for Purposes of Determining the 5% Aggregate Household Cap

Constructing a Household and Calculating Income

- In all interviewed states, the Eligibility and Enrollment (E&E) System constructs a MAGI household for each individual and verifies household income for several purposes, including determining the 5% aggregate household cap. (*Georgia, Michigan, West Virginia*)

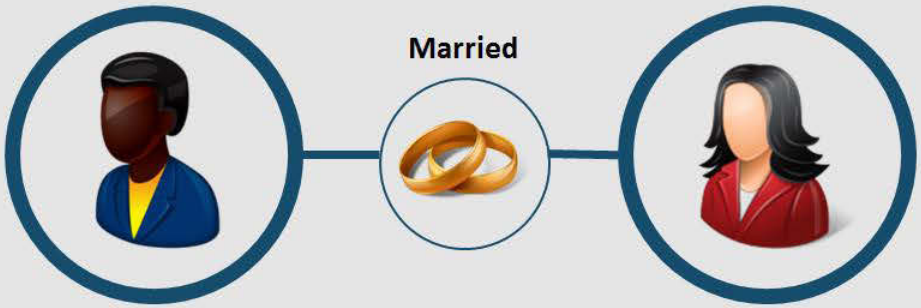
Household composition for purposes of determining eligibility = **Household composition for purposes of calculating 5% aggregate household cap**

- Each household member is assigned a cost-sharing cap based on his or her household size and income.

- In some-households (e.g., MAGI and non-MAGI; filers and non-filers), each individual within the household may have a different household size and income.
  - As a result, an individual could have a cost-sharing cap that is different from other members of the household.

Cost-Sharing Tracking Scenario #1

Meet the Smith family. Joe and Jane Smith are married, live together and file taxes jointly.



Joe and Jane file taxes jointly

Scenario #1: MAGI Household Composition, Income and Caps

Joe and Jane are in the same household and have the same cost-sharing cap

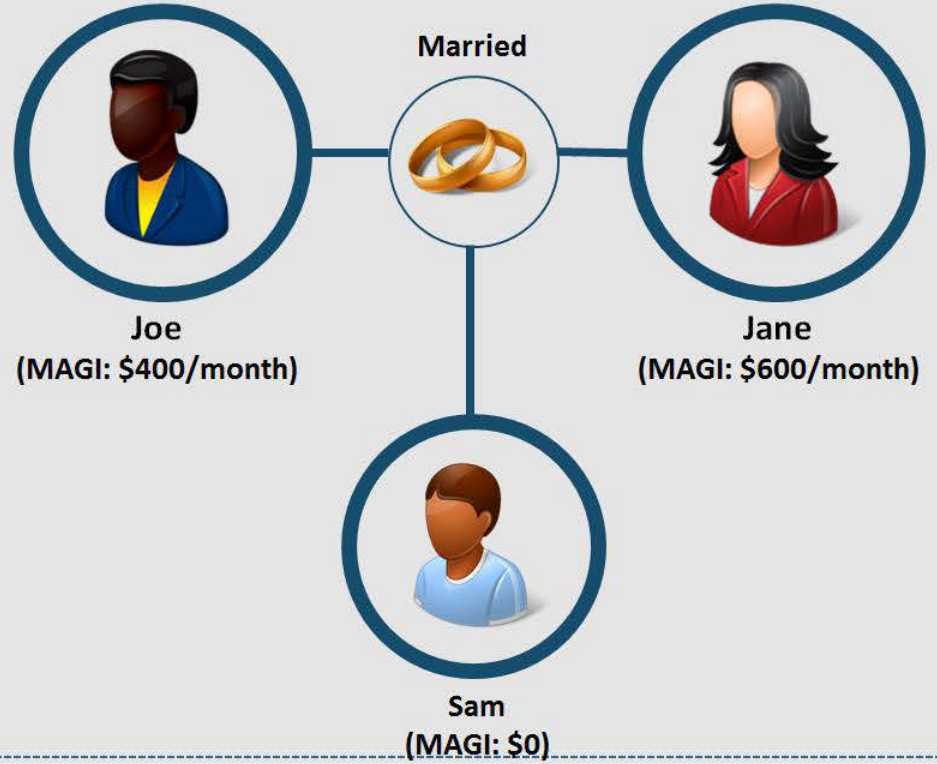
Joe's Household (HH)	Jane's Household
• **HH Members: 2.** Joe + Jane • **HH Income**: $1,000/month (Joe+Jane's income) • **HH Monthly Copayment Cap:** $50/month (5% of $1,000)	• **HH Members: 2.** Joe + Jane • **HH Income**: $1,000/month (Joe+Jane's income) • **HH Monthly Copayment Cap:** $50/month (5% of $1,000)

States must track incurred copayments against the 5% cap across the entire Smith household. Let's assume a state were tracking the cap on a monthly basis:

- When Jane visits the hospital, she incurs a copayment of $15. The amount remaining under Jane's monthly aggregate copayment cap is decreased by $15. Jane's remaining monthly copayment cap is now $35 ($50-$15).
- The amount remaining under Joe's aggregate copayment cap must also be decreased by $15 because Jane is part of Joe's household. Joe's remaining copayment cap is also $35 ($50-$15).
- If Joe incurs a copayment in the same month of $5, both Jane and Joe's remaining copayment cap is reduced to $30 ($35-$5).
- In a household with the same cost sharing obligation, if one person hits the cap the entire family hits the cap.

Cost-Sharing Tracking Scenario #2

Meet the Smith family. Joe and Jane Smith are married, live together and file taxes jointly. They are the biological parents of Sam (age 10) and they claim Sam as a tax dependent.



Joe and Jane file taxes jointly

They claim their son, Sam, as a tax dependent

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Scenario #2: MAGI Household Composition With Child

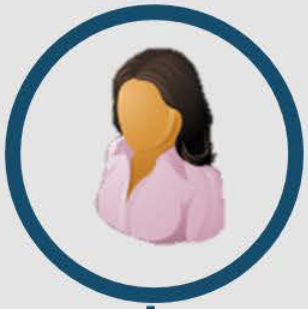
Joe and Jane are in the same household and have the same cost-sharing cap. Sam is a child and is not subject to co-payments.

Joe's Household (HH)	Jane's Household (HH)	Sam's Household (HH)
• **HH Members: 3.** Joe + Jane + Sam • **HH Income**: $1,000/month (Joe+Jane's income) • **HH Monthly Copayment Cap:** $50/month (5% of $1,000)	• **HH Members: 3.** Joe + Jane + Sam • **HH Income**: $1,000/month (Joe+Jane's income) • **HH Monthly Copayment Cap:** $50/month (5% of $1,000)	• **HH Members: 3.** Joe + Jane + Sam • **HH Income**: $1,000/month (Joe+Jane's income) • **HH Monthly Copayment Cap:** No cost sharing obligation = $0

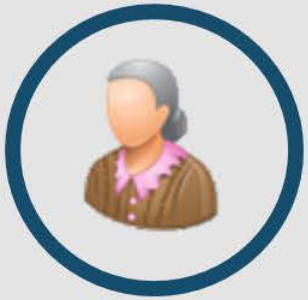
- When Jane visits the hospital, she incurs a copayment of $15. The amount remaining under Jane's monthly aggregate copayment cap is decreased by $15. Jane's remaining monthly copayment cap is now $35 ($50-$15)
- The amount remaining under Joe's aggregate copayment cap must also be decreased by $15 because Jane is part of Joe's household. Joe's remaining copayment cap is also $35 ($50-$15).
- Jane's incurred co-payments do not impact Sam because Sam is a child and has no cost sharing obligations.

Cost-Sharing Tracking Scenario #3

Meet the Jones family. Maria Jones lives with her Aunt Joanne (66 y/o).



Maria
(MAGI:
$500/month in
earned income)



Jane's Aunt, Joanne
(Non-MAGI:
$300/month in
unearned Income)

- ✓ Maria claims her Aunt Joanne as a tax dependent
- ✓ Aunt Joanne is over age 65 and eligible under non-MAGI rules
- ✓ Aunt Joanne's income is over the tax filing threshold

Scenario #3: MAGI/Non-MAGI Household Composition, Income and Caps

Maria and Joanne have different household compositions and cost-sharing caps

Maria's Household	Joanne's Household
• **HH Members: 2.** Maria + Joanne • **HH Income:** $800/month (Maria + Joanne's income) • **HH Monthly Copayment Cap:** $40/month (5% of $800)	• **HH Members: 1.** Joanne only • **HH Income:** $300/month (Joanne's income) • **HH Monthly Copayment Cap:** $15/month (5% of $300)

Joanne's incurred cost-sharing counts toward Maria's cap, but Maria's incurred cost-sharing does not count toward Joanne's cap because Maria is not counted in Joanne's household.

- When Aunt Joanne visits the hospital she incurs a copayment of $15. The amount remaining under Aunt Joanne's monthly aggregate copayment cap will be decreased by $15. Aunt Joanne's remaining monthly copayment cap is now $0 ($15-$15).
- Maria's aggregate copayment cap must also be decreased by $15 because Aunt Joanne is part of Maria's household. The amount remaining under Maria's copayment cap is now $25 ($40-$15).
- If Maria incurs a $10 copayment, that amount is subtracted from Maria's cap but not from Joanne's cap because Maria is not in Joanne's household.

Constructing a Household: Key Takeaways

- Household composition for the purposes of determining eligibility is the same as household composition for purposes of calculating the 5% aggregate household cap.
- Each household member's incurred cost-sharing (premiums and copayments) must be counted against the cap of all the other household members in the member's household.
- In some circumstances, individuals living together may be in different MAGI households and therefore may have different household sizes, incomes and cost-sharing caps.

Calculating the 5% Aggregate Household Cap

- Two interviewed states assign the actual 5% household income cap for each individual. *(Georgia and Michigan)*

Joe's Household

- **HH Members: 2.** Joe + Jane
- **HH Income**: $1,000/month (Joe+Jane's income)
- **HH Monthly Copayment Cap:** $50/month (5% of $1,000)

Jane's Household

- **HH Members: 2.** Joe + Jane
- **HH Income**: $1,000/month (Joe+Jane's income)
- **HH Monthly Copayment Cap:** $50/month (5% of $1,000)

Calculating the 5% Aggregate Household Cap

- One interviewed state identifies household income, compares income against a set of Tiers and charges a flat copayment for each Tier. *(West Virginia)*

Example: A state could calculate a copayment cap amount based on the lower end of an income range within a Tier and use a household of one.

Tier	Copayment Limit
Tier 1 (0-50% FPL)	$0/month
Tier 2 (51-100% FPL)	$24/month (Cap amount based on 5% of 51% of the FPL for a household of 1)
Tier 3 (101-138% FPL)	$50/month (Cap amount based on 5% of 101% of the FPL for a household of 1)

Jane and Joe's Household Income = $1,000/month
= 102% FPL

HH Monthly Copayment Cap: $50/month (Tier 3)

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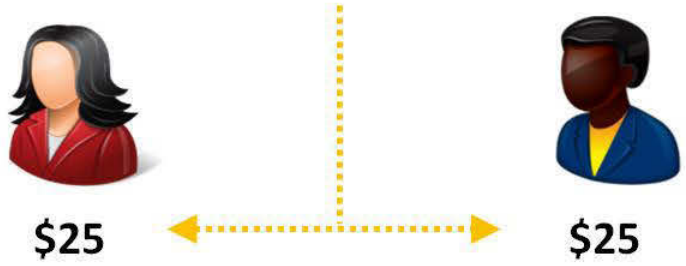
Alternative Approaches to Calculating the Cap

A state could allocate the cap amount by pro-rating the 5% cap across all household members. State would no longer need to aggregate incurred copayments across household members.

Joe and Jane's Household

Joe and Jane each have a household cap of **$50/month**



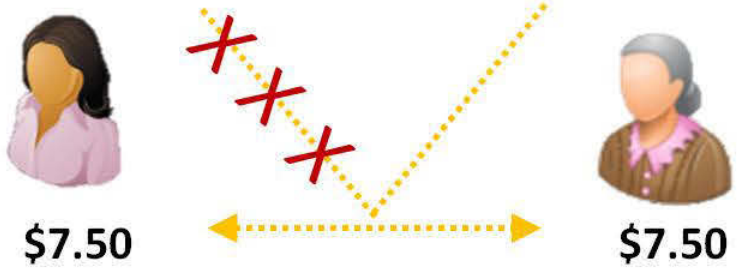
A state could divide the household cap evenly across household members so Joe and Jane have a cap amount of $25/month each.

Example 1

Maria's and Joanne's Households

Maria has a household cap of **$40**

Joanne has a household cap of **$15**



A state could divide the household cap evenly across household members based on the *lower* household cap amount. Each individual's cap is $7.50.

Example 2

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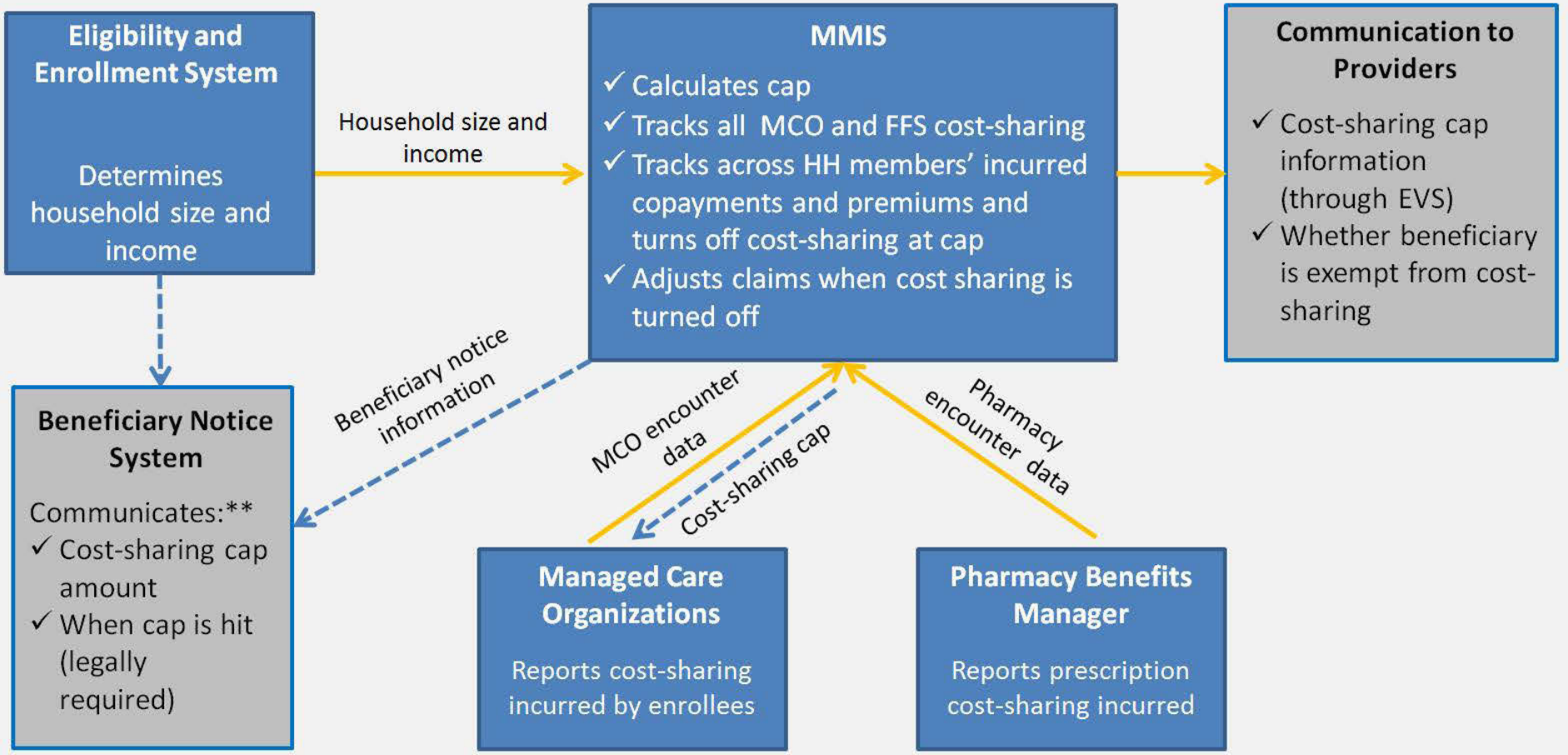
Tracking Incurred Copayments of Each Household Member: Example Process Flow*

Different IT systems interact throughout the tracking process



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*Process flow is simplified and does not include all systems involved in the tracking process.
**System responsible depends on State.