



## **MODIFYING THE DEFINITION OF INCOME FOR DETERMINING ELIGIBILITY FOR EXCHANGE SUBSIDIES, MEDICAID, AND CHIP (H.R. 2576)**

### ***Background:***

- The 2010 health care law uses a uniform definition of modified adjusted gross income (“MAGI”) to determine eligibility for Exchange subsidies, Medicaid, and the Children’s Health Insurance Program (CHIP).
- That law’s use of MAGI as the basis of eligibility determinations understates the resources available to some households. The MAGI definition is based on adjusted gross income, a tax law term that excludes, for income tax purposes, a portion of Social Security benefits. As a result, the current health law does not take into account the entire Social Security benefit when determining eligibility for certain types of government-subsidized health insurance.
- This current-law definition results in millions of households being eligible for subsidized health insurance that was designed for those with fewer financial resources. According to the Congressional Research Service (CRS), under current law, a couple with a total income of \$58,840 (400% of the federal poverty level (FPL)) could actually have a lower MAGI (\$19,760) than would a couple with \$22,065 in total income (150% of FPL; MAGI of \$20,065).
- According to a June 21, 2011 [report](#) by the Associated Press, the Chief Actuary for federal health programs, Richard Foster, determined that “[a] married couple could have an annual income of about \$64,000 and still get Medicaid” under the current definition. According to the same article, “Foster says the situation keeps him up at night. ‘I don’t generally comment on the pros or cons of policy, but that just doesn’t make sense.’”

### ***Proposal:***

- Rep. Diane Black (R-TN) has introduced H.R. 2576, which would count the entire Social Security benefit, rather than just the portion that is taxable for income tax purposes, as income for determining eligibility for Exchange subsidies, Medicaid, and CHIP. H.R. 2576 brings the income requirements for these health programs into closer alignment with the measurement of income for other federal social welfare programs, like public housing assistance. H.R. 2576 does not affect the tax treatment of the Social Security benefits. CBO and JCT have estimated that H.R. 2576 would reduce the deficit by \$13.0 billion over ten years.
- As a CRS report notes, “many social programs use a definition of income that is more inclusive than the definition for income taxes. This is because for social programs, the relevant factor for income is not who is responsible for paying the taxes associated with the income, but who is the final recipient of the income.”
- President Obama concedes that the current definition of MAGI for purposes of determining eligibility for government-subsidized insurance needs to be modified and, as part of his debt reduction [plan](#), proposed to include all Social Security benefits in determining income eligibility under the health law.
- While legislation (H.R. 2) that would repeal the health law in its entirety remains pending in the Senate, H.R. 2576 is a bipartisan proposal that Congress and the President can enact right away.