

## Child Support and the Affordable Care Act Medicaid

*This fact sheet series is intended to be used by state and tribal child support directors and their lead policy staff, to assist in their analysis of their jurisdictions' medical support policies, regulations and practices in light of the Affordable Care Act. The series contains information on existing Affordable Care Act laws and regulations, as enacted by the Internal Revenue Service (IRS) and the Centers for Medicare and Medicaid Services (CMS). The ACA provides many new options for parents seeking health care coverage for their children and themselves. While the ACA does not amend Title IV-D of the Social Security Act, understanding how it works can help state, tribal, and local child support agencies develop policies and procedures to meet the needs of the families they serve.*

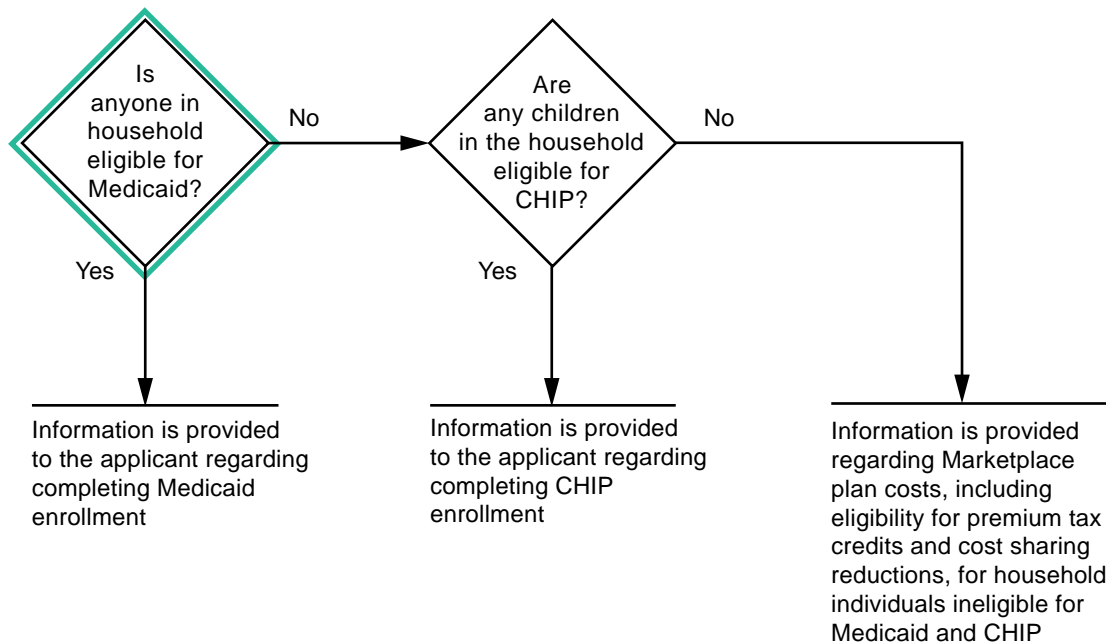
The Affordable Care Act made important changes to the Medicaid program. Though the Affordable Care Act did not amend Title IV-D, child support's role continues to evolve in cases where parents and/or their children are eligible for Medicaid. In general, to align with the Affordable Care Act, child support jurisdictions may want to consider the following:

- If a child is eligible for and enrolls in Medicaid, you may opt to not seek an order or enforce additional coverage.<sup>1</sup>
- When the dependent is eligible for or enrolled in Medicaid, generally neither parent should be ordered to seek medical coverage for the dependent through the Marketplace since the parents will not be eligible for premium tax credit or cost sharing reduction subsidies to help pay for Marketplace coverage.<sup>2</sup>
- It may be appropriate to pursue an order for the custodial parent to apply for medical coverage — including Medicaid and the Children's Health Insurance Program (CHIP) — on behalf of his or her children.
- You should carefully consider how ordering noncustodial parents to provide additional medical coverage for a child covered by Medicaid may impact the amount of support noncustodial parents can pay or their compliance with the child support order.

## Changes to the Medicaid Program and Intersections with Child Support

When individuals or families apply for coverage through the Marketplace, the Marketplace assesses their eligibility for Medicaid and CHIP first. If they are eligible for either program, the Marketplace stops looking at their eligibility for Marketplace plans or subsidies because they are not eligible for premium tax credits or cost sharing reductions. Instead, the Marketplace shares the application information with the appropriate agency or advises the applicants to contact their Medicaid or CHIP office to complete the application process. The Medicaid or CHIP agency will provide the applicants with additional information regarding their eligibility and coverage. See Figure 1 below, for a pictorial representation of this decision-making process.

Figure 1 - Marketplace Medical Coverage Options Decision Tree



The Affordable Care Act changed the definition of a Medicaid household. The most significant changes include:

- Individuals who live together may be part of different Medicaid households based on their relationship to one another.
- An individual's Medicaid household may be different from his household for premium tax credits and cost sharing reductions for Marketplace coverage.

Under the ACA, Medicaid eligibility is determined based on the Medicaid household's modified adjusted gross income (MAGI).<sup>3</sup>

- There is no longer an asset test for Medicaid eligibility.<sup>4</sup>
- Children's Medicaid eligibility is determined by comparing their Medicaid household's modified adjusted gross income with the federal poverty level for their household size.
- A household's modified adjusted gross income does not include child support it receives.

The Act gives states the option of expanding Medicaid coverage to income-eligible adults whether or not they have a Medicaid-eligible child in their home.

- Medicaid eligibility for adults in expansion states is based on their Medicaid household's modified adjusted gross income, as compared to the federal poverty level for their household size.
- Many low-income, noncustodial parents in the child support caseload may be eligible for Medicaid if their state of residence opted to expand Medicaid.
- Adults who would have been eligible for Medicaid if their state had expanded Medicaid are exempt from the Affordable Care Act's individual responsibility provisions.<sup>5</sup>

## Child Support and the Affordable Care Act: Medicaid

Figure 2 right provides the federal poverty level information for 2014. Households with modified adjusted gross income (MAGI) below 138 percent of the federal poverty level are potentially eligible for Medicaid coverage. You can find the annual poverty measures on the HHS website.<sup>6</sup>

When a dependent is eligible for Medicaid or CHIP, you should determine whether ordering parents to provide medical insurance is in the best interests of the child and family. It may not be appropriate to seek an order for additional medical support beyond Medicaid.

| Household Size | 138 percent of federal poverty level |
|----------------|--------------------------------------|
| 1              | \$16,105                             |
| 2              | \$21,707                             |
| 3              | \$27,310                             |
| 4              | \$32,913                             |
| 5              | \$38,519                             |

Figure 2: 138 percent of the federal poverty level, based on household size<sup>7</sup>

## **Q&A** Answers to frequently asked questions from the child support community.

### **1** How does the Affordable Care Act define a child's Medicaid household?

In general, a child's Medicaid household is comprised of the child and all siblings and parents living with the child (including stepparents, and step and half-siblings). If the child's parents are unmarried but both live in the same household as the child, the child's Medicaid household includes both parents.

Generally, a noncustodial parent living apart from his or her child is not part of the child's Medicaid household. If the noncustodial parent claims the child as a dependent for federal tax purposes, the child is part of the noncustodial parent's household for purposes of determining eligibility for premium tax credits and cost sharing reductions for Marketplace insurance. However, if the child is eligible for Medicaid, whether or not the child is actually enrolled, neither parent is eligible for premium tax credits or cost sharing reductions.

### **2** Medicaid eligibility is now determined based on the Medicaid household's modified adjusted gross income. What is modified adjusted gross income?

Modified adjusted gross income (MAGI) is a federal tax term. MAGI is comprised of the tax household's Adjusted Gross Income (line 37 on IRS form 1040), plus foreign income, plus tax-exempt interest, plus non-taxable Social Security benefits. MAGI does not include child support as income for the receiving parent nor as a deduction from the paying parent's income.

### **3** Can either parent apply for Medicaid on behalf of the dependent, even if the parent is not living with dependent?

Yes, but it's a qualified yes. The child's Medicaid eligibility is determined based on the child's Medicaid household. The noncustodial parent could apply for Medicaid for the child, but the child's Medicaid household could include siblings and other parents, including stepsiblings and stepparents. The noncustodial parent may not be the parent in the best position to apply for Medicaid for the child. Instead, you could pursue an order requiring the custodial parent to apply for health insurance through the Marketplace for the children, with the expectation that they may be eligible for Medicaid or CHIP.

### **4 Many children in our caseload are eligible for Medicaid or CHIP. We usually attempt to secure medical coverage for the child through the noncustodial parent's employer. If the noncustodial parent does not have insurance available through his or her employer, should we pursue an order for the noncustodial parent to obtain insurance coverage for the child through the Marketplace?**

In general, when a child is eligible for Medicaid or CHIP, neither parent should be ordered to purchase Marketplace coverage for the child. The parents will not be eligible for premium tax credits or cost sharing reductions to assist with paying the child's medical costs.

You should carefully consider how ordering additional coverage for a child eligible for Medicaid or CHIP may impact the amount of, or compliance with, the child support ordered. The child's household may benefit more from adequate and consistent child support payments.

### **5 If a child is covered by Medicaid and we establish an order that requires the noncustodial parent to provide medical insurance for the child, must the child be removed from Medicaid?**

No. A child's insurance status does not impact their Medicaid eligibility. A Medicaid recipient may also be enrolled in private health care coverage. However, if a child is enrolled in Medicaid, you may opt to not seek an order for additional coverage.

### **6 Does the Affordable Care Act change our responsibility for establishing and/or enforcing medical support for children receiving foster care services under Title IV-E or Title XIX?**

No. If you currently establish and/or enforce medical support for children in out-of-home placements, nothing in the Affordable Care Act changes your role and responsibility.

You may be interested to know that the Affordable Care Act requires states to provide young adults under age 26 with free health care coverage — generally Medicaid — if they were still in foster care at the time they “aged out” of the foster care system.

### **7 In states that are expanding Medicaid eligibility, low-income adults may now be eligible for Medicaid based on their income. Will we have a responsibility to open cases in these instances?**

Many states are electing to expand eligibility for Medicaid, which is an option under the Affordable Care Act. In expansion states, low-income adults may be eligible for Medicaid. These would not be appropriate cases for the Medicaid agency to refer to the child support agency because where there are no children, there is no eligibility for child support services. Additionally, you may not use child support Federal Financial Participation (FFP) to pursue Medicaid reimbursement for this expanded Medicaid-eligible population.

## 8 In Medicaid expansion states, custodial and noncustodial parents may be income-eligible for Medicaid coverage for themselves. In non-expansion states, similarly situated low-income parents would be exempt from the individual shared responsibility payment for failing to maintain health insurance coverage for themselves. Should we establish and/or enforce a medical support obligation for a parent who is eligible for Medicaid based on income?

There is no specific federal regulation regarding the establishment or enforcement of a medical support obligation for a parent who is Medicaid-eligible. You should look to your state guidelines and enforcement rules regarding low-income parents. However, you should consider the efficacy and cost-effectiveness of establishing or enforcing a medical support order against parents who are Medicaid-eligible, particularly if they have a child who is also eligible for Medicaid.

The Marketplace categorizes an individual as income-eligible for Medicaid when the individual's income is below 138 percent of the federal poverty level. When a noncustodial parent is Medicaid-eligible, child support programs may consider various options.

- You may choose to exempt Medicaid-eligible or Medicaid-enrolled noncustodial parents from medical support obligations.
- You could establish policies that place similar medical support obligations on Medicaid-eligible custodial and noncustodial parents; for example, requiring parents to share the costs of their child's medical expenses as part of the child support order rather than pursuing an order that requires either parent to obtain medical coverage for the child.
- You could require a Medicaid-eligible custodial or noncustodial parent to provide employer-sponsored coverage if it is available at no cost.

When the noncustodial parent is Medicaid-eligible, it may be more appropriate to pursue an order where the custodial parent maintains health insurance for the child. If the custodial parent is meeting the child's medical needs, requiring the noncustodial parent to secure additional coverage may reduce the noncustodial parent's ability to pay child support. The custodial parent may place a higher value on receiving consistent child support payments than secondary medical coverage for the child.

## References

1. See AT-10-10 for more information about state options.
2. See fact sheet #4, Premium Tax Credits and Cost Sharing, for information regarding Marketplace subsidies.
3. See fact sheet #3, Health Insurance Affordability, for more information on MAGI.
4. Exception: If the individual is eligible for Medicaid due to age or disability, the pre-Affordable Care Act Medicaid rules regarding income and assets apply.
5. Under the Affordable Care Act, all adults and members of their family must either have minimum essential coverage; have an exemption from the requirement to have minimum essential coverage; or make an individual shared responsibility payment when they file their federal income tax return.
6. Some written materials reflect the threshold as 133 percent of the federal poverty level. Both are correct. Medicaid provides a 5 percent income disregard when determining eligibility. Some states set financial eligibility thresholds higher for certain categories of Medicaid. See fact sheet #3, Health Insurance Affordability, for more information about MAGI.
7. U.S. Department of Health and Human Services. Poverty Guidelines, Research, and Measurement. Retrieved from <http://aspe.hhs.gov/poverty/index.cfm>

