Diving Deep on Commonly Encountered Eligibility and Enrollment Issues

Center on Budget and Policy Priorities
February 26, 2014
Section II:

HEALTH COVERAGE FOR YOUNG ADULTS AND STUDENTS
Determining Eligibility Requires Piecing Together Different Rules and Requirements
Mapping Out Different Definitions and Requirements

<table>
<thead>
<tr>
<th>Definition of Child</th>
<th>Dependent Coverage</th>
<th>Qualifying Child or Relative for Tax</th>
<th>Medicaid Household</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>• Biological or adopted</td>
<td>• Qualifying children include biological, step, adopted or foster child, sibling, niece or nephew, or grandchild</td>
<td>• Biological, step or adopted child</td>
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<tr>
<td></td>
<td>• Children must be under 26 to be eligible for dependent coverage</td>
<td>• Children must be under 19 (or 24 if FT student) to be claimed as qualifying child • No age limit on being claimed as a qualifying relative</td>
<td>• No age limit for applying the tax dependent rule to child dependents • For applying the non-filer rule, children are under 19 or at state option, under 19 or 21 if FT student</td>
</tr>
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</table>
Confusion About Coverage Dependent vs. Tax Dependent

• A 24-year-old lives on his own but is a dependent on his parent’s employer plan. Can he qualify for premium tax credits?

• How does the requirement for insurers that offer dependent coverage to cover children up to age 26 affect premium credit eligibility for these adult children?

• If an adult child (age 26 or older) is living in her parents’ home and is properly claimed as a tax dependent by her parents, can she qualify for premium tax credits?
Dependents for Purposes of Coverage

• A *coverage dependent* is the *child* (biological or adopted) of the participant (subscriber) who is under age 26.

• Group health plans and health insurance issuers can choose to define dependents more broadly.

• There can be no additional requirements for considering a child a dependent.
Who Qualifies as a Coverage Dependent?

John
- 24 years old
- Lives on his own
- Earns $30,000
Qualify for Dependent Coverage? Yes

Jane
- 27 years old
- Lives with parents
- In law school
- No earnings
Qualify for Dependent Coverage? No

Leena
- 5 years old
- Lives with aunt
- Under guardianship of her aunt
Qualify for Dependent Coverage? No
Dependents for Purposes of Taxes

• A *tax dependent* is a person, other than the tax filer or tax filer’s spouse, for whom the tax filer can claim an exemption.

• There are two kinds of tax dependents:
  – Qualifying child
  – Qualifying relative
Who Can Be a Qualifying Child?

**Children**
A child can include your child, step child, adopted child, foster child, brother, sister, niece, nephew or grandchild

- Are a U.S. citizen or resident of the U.S., Canada or Mexico
- Live with you for more than half the year
- Under 19 at the end of the year (or 24 if a full-time student or any age if disabled)
- Child doesn’t provide more than half of his own support

In general qualify if...
Who Can Be a Qualifying Relative?

**Other individuals**
Other individuals can include a relative, in-law or a full-time member of your household

- **In general qualify if...**
  - Are a U.S. citizen or resident of the U.S., Canada or Mexico
  - Provide more than 50% of the dependent’s support
  - Be related to you or live in your home all year
  - Make less than $3,950 (in 2014). Generally doesn’t include social security
Can John Be Claimed as a Tax Dependent?

John
- 24 years old
- Lives on his own
- Earns $30,000

Children
A child can include your child, step child, adopted child, foster child, brother, sister, niece, nephew or grandchild

- Are a U.S. citizen or resident of the U.S., Canada or Mexico ✓
- Live with you for more than half the year ✗
- Under 19 at the end of the year (or 24 if a full-time student or any age if disabled) ✗
- Child doesn’t provide more than half of his own support ✗

In general qualify if...
Can John Be Claimed as a Tax Dependent?

John
- 24 years old
- Lives on his own
- Earns $30,000

John cannot be claimed as a tax dependent

Other individuals
Other individuals can include a relative, in-law or a full-time member of your household

In general qualify if...
- Are a U.S. citizen or resident of the U.S., Canada or Mexico: ✔
- Provide more than 50% of the dependent’s support: ×
- Be related to you or live in your home all year: ×
- Make less than $3,950 (in 2014). Generally doesn’t include social security: ×
Can Jane Be Claimed as a Tax Dependent?

Jane
- 27 years old
- Lives with parents
- In law school, no earnings

Children
A child can include your child, step child, adopted child, foster child, brother, sister, niece, nephew or grandchild

In general qualify if...
- Are a U.S. citizen or resident of the U.S., Canada or Mexico
- Live with you for more than half the year
- Under 19 at the end of the year (or 24 if a full-time student or any age if disabled)
- Child doesn’t provide more than half of his own support
Can Jane Be Claimed as a Tax Dependent?

Jane
- 27 years old
- Lives with parents
- In law school, no earnings

Jane can be claimed as a tax dependent

Other individuals
Other individuals can include a relative, in-law or a full-time member of your household

In general qualify if...

- Are a U.S. citizen or resident of the U.S., Canada or Mexico
- Provide more than 50% of the dependent’s support
- Be related to you or live in your home all year
- Make less than $3,950 (in 2014). Generally doesn’t include social security
Can Leena Be Claimed as a Tax Dependent?

Leena
- 5 years old
- Under guardianship of her aunt

Leena can be claimed as a tax dependent

Children
A child can include your child, step child, adopted child, foster child, brother, sister, niece, nephew or grandchild

- Are a U.S. citizen or resident of the U.S., Canada or Mexico
- Live with you for more than half the year
- Under 19 at the end of the year (or 24 if a full-time student or any age if disabled)
- Child doesn’t provide more than half of his own support

In general qualify if...
What Coverage Choices Does John Have?

John
- 24 years old
- Lives on his own
- Earns $30,000
- Can be a coverage dependent
- Tax filer, not claimed as a dependent

Parents’ Coverage
- John can get on his parents’ plan because he is under 26.
- The offer does not make John ineligible for a Premium Tax Credit.

Marketplace Coverage
- John can apply for Premium Tax Credits and Cost-Sharing Reductions.
- His expected contribution for the benchmark plan is $2,545 per year.
What Coverage Choices Does Jane Have?

Jane
- 27 years old
- Lives with parents
- In law school
- No earnings
- Cannot be a coverage dependent
- Claimed as tax dependent by parents

Parents’ Coverage
- Jane cannot get on her parents’ coverage because she is not under 26 years old.

Student Coverage
- Jane can enroll in her university’s student health plan.
- This qualifies as Minimum Essential Coverage but doesn’t make Jane ineligible for PTCs.

Marketplace Coverage
- Jane can apply for Medicaid or PTCs.
- Her parents’ income will be counted towards her eligibility because she is their dependent.
What Coverage Choices Does Leena Have?

Leena
- 5 years old
- Under guardianship of her aunt
- Not a coverage dependent on her aunt’s employer plan
- Claimed as tax dependent by aunt

Aunt’s Coverage
- Leena is not eligible to enroll in her aunt’s coverage because her aunt’s employer does not offer dependent coverage for non-children.

Medicaid / Marketplace Coverage
- Leena will be eligible for Medicaid.
- Her aunts’ income will be not counted because Leena is a dependent who is not the child of the taxpayer (her aunt).
Confusion About When to Apply Definitions of “Child” in Determining Medicaid Households

• How does Medicaid determine the household of an adult claimed by her parents as a tax dependent?
  – Is she a separate household?
  – Or is she the household of her parents who claim her?
Who Is in a Medicaid Household?

If an individual expects to be a:

<table>
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<tr>
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<th>Tax Dependent</th>
<th>Non-Filer / Non-Dependent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual’s household is:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Tax filer and all persons whom taxpayer expects to claim as a dependent</td>
<td>Individual’s household is:</td>
<td>For adults:</td>
</tr>
<tr>
<td></td>
<td>• The household of the tax filer claiming individual as a dependent</td>
<td>• Household is the individual plus, if living with individual, spouse and children</td>
</tr>
<tr>
<td></td>
<td></td>
<td>For children:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Household is the child plus siblings and parents (including step-parents) living with child</td>
</tr>
<tr>
<td>SPECIAL RULES</td>
<td>EXCEPTIONS</td>
<td>At state option, children are either</td>
</tr>
<tr>
<td>• For married couples filing jointly, each spouse is considered a tax filer</td>
<td>• Tax dependents not a child or spouse of the taxpayer</td>
<td>• Under age 19, or</td>
</tr>
<tr>
<td>• Married couples living together are always in each other’s household regardless of how they file</td>
<td>• Children living with both parents not expected to file a joint return</td>
<td>• Under age 19, or full-time students under age 21</td>
</tr>
<tr>
<td></td>
<td>• Children claimed as tax dependent by non-custodial parents</td>
<td></td>
</tr>
</tbody>
</table>
How Does Medicaid Evaluate Jane’s Eligibility?

Jane
• 27 years old
• Lives with parents
• In law school
• No earnings
• Cannot be a coverage dependent
• Claimed as tax dependent by parents

• Apply tax dependent rule
  ➢ Jane’s household is the household of her parents who claim her
• Does not matter that Jane is claimed as a qualifying relative as opposed to a qualifying child
• Does not matter that Jane is over age 19
Confusion About Coverage and the Eligibility Process for Out-of-State Students

• An 18-year-old attends college in a different state from where his parents live. His parents claim him as a dependent on their tax return.
  – Of which state is he a resident?
  – In which state does he apply for coverage?
  – Is he included in the household of his parents or is he his own household?
Eligibility for a Family with Dependent Child Attending College Out of State

Gilberto, Sonia, Marco, and Ana Reyes

- Gilberto, Sonia, are married filing jointly
- Claim both children
- Marco attends college out of state
- Ana lives at home

- What are the Reyes family’s Medicaid and premium tax credit household?
  - They are all a household of four.

- Of which state is Marco a resident?
  - Marco can declare the state in which he intends to live and remain as his state of residence. That can be the state where his parents live, or the state where he attends college.
What Are the Implications of Declaring Residency in Another State?

- If Marco declares the state in which he goes to school as his residence, does he become a household of one?
  - No. Residing in a different state from his parents does not change his Medicaid or PTC household, which is based on his tax filing status.

- If Marco declares residency in another state, how would the family apply?
  - Gilberto and Sonia would submit an application in the state where they live. Marco would submit a separate application for himself to the Medicaid agency or Marketplace where he lives.
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For more information and resources, please visit: www.healthreformbeyondthebasics.org

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