

State Health Reform Assistance Network

Charting the Road to Coverage

ISSUE BRIEF
February 2014

Consumer Assistance Resource Guide: Household Composition Eligibility Rules

Prepared by *Manatt Health Solutions*

Early evidence from across the nation suggests that consumer assisters are playing a vital role in helping people enroll in the new coverage options made possible by the Affordable Care Act. The State Health Reform Assistance Network has engaged with a number of states to develop easy to understand materials to educate consumer assisters about various issues that may confuse consumers and the assisters trying to help them during the eligibility determination and enrollment process. The following resource guide on Household Composition Eligibility Rules is part of a [series](#) developed to help consumer assisters answer some of the most common eligibility and enrollment questions.

Household Composition Eligibility Rules

To be eligible for Medicaid, CHIP or Advance Premium Tax Credits and Cost-Sharing Reductions, an applicant's total household income must be below a certain income level for the number of people in his or her household. This guide explains how to determine who is included in an applicant's household and describes the tax filer and non-tax filer household composition rules. The guide also covers special Medicaid household composition rules for households that include a pregnant woman; grandparents; unmarried, divorced, separated or non-custodial parents; or institutionalized or incarcerated family members. The guide also explains how eligibility is re-determined when an applicant's household size changes during the year.

ABOUT STATE NETWORK

State Health Reform Assistance Network, a program of the Robert Wood Johnson Foundation, provides in-depth technical support to states to maximize coverage gains as they implement key provisions of the Affordable Care Act. The program is managed by the Woodrow Wilson School of Public and International Affairs at Princeton University. For more information, visit www.statenetwork.org.

ABOUT MANATT HEALTH SOLUTIONS

Manatt Health Solutions (MHS) is an interdisciplinary policy and business advisory division of Manatt, Phelps & Phillips, LLP, one of the nation's premier law and consulting firms. MHS helps clients develop and implement strategies to address their greatest challenges, improve performance and position themselves for long-term sustainability and growth. For more information visit www.manatt.com/manatthealthsolutions.aspx.

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Consumer Assistance Resource Guide

Household Composition



February 2014

Support for this resource provided through a grant from the Robert Wood Johnson Foundation's State Health Reform Assistance Network program.

ACA Household Composition Rules 101

To be eligible for Medicaid, CHIP or Advance Premium Tax Credits and Cost-Sharing Reductions through the Marketplace, an applicant's total household income must be below a certain level for the number of people in his/her household.

The Marketplace or state Medicaid/CHIP agency collects the following information on the application to help determine eligibility:

- who lives in the household;
- the tax relationships between different members of the family (for example, are they a primary taxpayer or are they claimed as a tax dependent);
- how family members are related to each other (for example, who are their spouses and children); and
- the earned and unearned income of each family member.

The Marketplace or state Medicaid/CHIP agency determines the household for each applicant. For example, for a family of 3, the household is constructed separately for each of the three applicants.

In general, a household includes the taxpayer and the people the taxpayer expects to claim as tax dependents. However, in determining Medicaid/CHIP eligibility, there are certain situations when relationship-based rules are used rather than tax relationship rules.

An applicant's household may or may not include everyone listed on the application, depending on their tax and family relationships. After an applicant's household is determined, the income of all of the relevant members of the applicant's household is added to determine their eligibility. For more information on this step, see the Household Income Reference Guide.

The Household Rules Explained: The Basics

Who should be included on the application?

Include:

- Yourself
- Your spouse
- Your children under age 21 who live with you
- Your unmarried partner who needs health coverage
- Anyone you include on your tax return, even if they do not live with you
- Anyone else under 21 who you take care of and lives with you

Do NOT include:

- Your unmarried partner who does NOT need health coverage
- Your unmarried partner's children
- Your parents who live with you, but file their own tax return (if you are over age 21)
- Other adult relatives who file their own tax return, even if you take care of them

Consumers should include the people listed above on the application, even if they are not applying for health coverage. The Marketplace or state Medicaid/CHIP agency needs this information to determine the consumer's household and income. Individuals who should not be included on the application should fill out their own application.

How is an applicant's "household" determined?

- For Advance Premium Tax Credits/Cost-Sharing Reductions: The household includes the taxpayer and any individuals who are expected to be claimed as tax dependents on a federal income tax return for the year coverage is sought. If a family does not plan to file taxes in the year they wish to receive coverage, they will not be eligible for tax credits or Cost-Sharing Reductions. A tax household may include a spouse and/or tax dependents. To be eligible for premium tax credits and Cost-Sharing Reductions, married couples must file jointly. See additional information on the tax filer rules.
- For Medicaid/CHIP: In general, the same tax filer and tax dependent rules for Advance Premium Tax Credits/Cost-Sharing Reductions apply for Medicaid/CHIP. However, for applicants who do not plan to pay taxes or expect to be claimed as a tax dependent for the year coverage is sought, relationship-based rules (not tax filer rules) are used. There are also several situations in which an applicant's household is determined using relationship-based rules. For more information about relationship-based rules see Page 5.

The Household Rules Explained: Tax Filer Rules

What does it mean to “plan to file federal income taxes?”

To be eligible for premium tax credits and Cost-Sharing Reductions, consumers must plan to file taxes or be claimed as a tax dependent for the year coverage is sought. The household is constructed based on their plan to file a federal income tax return, regardless of whether or not a return is ultimately filed at the end of the year, or whether they are actually claimed as a tax dependent. Applicants need not have filed a federal income tax return in previous years to be eligible.

Many low-income people may not be required to file a federal income tax return because their gross income does not meet the tax filing threshold. Many people file taxes even if they are not required to, because they could receive other credits. The tax filer rules apply to people who plan to file taxes, even if they are not required to do so.

Who is included in the household for a consumer who plans to file federal income taxes for the year in which they are seeking coverage?

- The taxpayer; AND
- The taxpayer’s spouse if they live together, regardless of whether they intend to file a federal income tax return jointly (to be eligible for premium tax credits and Cost-Sharing Reductions, married couples must file jointly); AND
- Individuals the taxpayer expects to claim as a tax dependent on their federal income tax return for the year coverage is sought.

Who is included in the household for consumers who expect to be claimed as a tax dependent for the year in which they are seeking coverage?

A tax dependent’s household includes:

- The tax dependent; AND
- The taxpayer who plans to claim the individual as a tax dependent (this could be two people if there are two taxpayers filing jointly); AND
- Any other tax dependents the taxpayer(s) claim; AND
- The tax dependent’s spouse if they live together.

However, in determining Medicaid/CHIP eligibility for tax dependents, there are some scenarios in which alternative relationship-based rules are used to determine the consumer’s household (see next page).

The Household Rules Explained:

Relationship-Based Rules

Medicaid/CHIP Only: How is the household determined for consumers who do not plan to file taxes or do not expect to be claimed as a tax dependent?

Medicaid/CHIP has special relationship-based rules for applicants who do not plan to file taxes. In general, for these applicants, the household consists of members of a family who live together. Specifically:

- **For adult(s)** who do not plan to file taxes, the household includes:
 - The adult applying for coverage; AND
 - The adult's married spouse if living with the adult; AND
 - The adult's natural, adopted and step-children under age 19 (or up to age 20 if a full-time student, at state option) if living with the adult.
 - **For child(ren)** under age 19 (or up to age 20 if a full-time student, at state option) who do not plan to file taxes and do not anticipate being claimed as a tax dependent, the household includes:
 - The child applying for coverage; AND
 - The child's parents (including biological, adopted and step-parents) if living with the child; AND
 - Any of the child's siblings (including biological, adopted and step-siblings) who are under age 19 (or up to age 20 if a full-time student, at state option), if living with the child; AND
 - If the child is married, the child's spouse (if the spouse is living with the child); AND
 - If the child has a child of their own, their children and step-children (if the children or step-children are living with the married child).
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In what other situations are the relationship-based rules used?

These relationship-based household rules are used in three other situations:

- The applicant is a tax dependent of someone other than a spouse or a biological, adopted or step-parent (e.g., a grandchild is expected to be claimed by a grandmother as a tax dependent); OR
- The applicant is living with both parents and expects to be claimed as a tax dependent by one parent but the parents do not expect to file a federal tax return jointly; OR
- The applicant is a child under age 19 (or up to age 20, at state option), who expects to be claimed as a tax dependent by a non-custodial parent (for example, a child lives with his mother but expects to be claimed as a tax dependent by his father).

The Household Rules Explained

What happens if a consumer's household changes during the year?

- Consumers may experience changes in their household size during the year. For example, a consumer could have a baby, get married or divorced, or their child could move out and they will no longer claim them as a tax dependent.
- If a change in the household occurs, consumers must report the change. The Marketplace will then re-determine the consumer's household size and income to evaluate their eligibility for health coverage programs.

Addressing the More Complicated Issues

What if a consumer does not wish to apply for coverage for themselves but they do want to apply on behalf of other family members (e.g., children)?

- Even if family members do not need coverage for themselves, they can apply for coverage for other family members, including their spouse and children.
- Consumers will have to provide some information about themselves in order to determine the eligibility of their family members, such as their income.
- Parents may apply on behalf of their children. Children should not fill out the application on their own.

Do consumers have to provide the Social Security Number (SSN) for members of their family who are not applying for health coverage?

- Generally, applicants do not need to provide an SSN for family members who are not applying for health coverage.
- However, to help assist in the income verification process, if a family member has an SSN they should provide one.
- Individuals who do not have an SSN should not be asked to provide one. They should also not be asked about their immigration status if they are not seeking coverage.

Addressing the More Complicated Issues

Pregnant Women: What is the household size for pregnant women and applicants living with pregnant women?

- Pregnant women, and applicants with pregnant women in their family, should indicate the pregnancy on the application. Women should also indicate if they gave birth within the last 60 days because Medicaid may cover them during the postpartum period.
- Pregnant women are not required to provide proof of their pregnancy. They may simply attest to their pregnant status.
- If someone in the household becomes pregnant after filling out the application, the applicant should report the change in household.
- There are different household rules for pregnant women for premium tax credits/Cost-Sharing Reductions and Medicaid/CHIP:

For premium tax credits/Cost-Sharing Reductions: A pregnant woman counts as a household of one (plus any other household members).

For Medicaid/CHIP: A pregnant woman counts as one household member, plus one (or at state option, plus the number of babies she expects to deliver), plus any other household members.

Grandparents: What is the household size for a child who is expected to be claimed as a tax dependent by their grandparent?

- For premium tax credits/Cost-Sharing Reductions: This is a household size of 2. The child's household includes the grandparent filing taxes and the grandchild being claimed as a tax dependent.
 - For Medicaid/CHIP: This is a household size of 1. The child meets one of the Medicaid tax filer exceptions and therefore the household consists of only the child.
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Unmarried Parents: What is the household size for a baby living with unmarried parents, if the mother expects to claim the baby as a tax dependent?

- For premium tax credits/Cost-Sharing Reductions: The baby's household includes the baby and the parent who plans to claim the baby as a tax dependent for the year coverage is sought.
- For Medicaid/CHIP: The baby's household is determined using relationship-based rules. So, the household includes the baby and both parents, regardless of whether they are married. Each parent's household size is determined separately based on whether they plan to file taxes and whether they plan to claim the baby as a tax dependent.

Addressing the More Complicated Issues

Divorced/Separated Parents: What are the household rules for a child whose parents are divorced or separated?

- For premium tax credits/Cost-Sharing Reductions: A child's household includes the parent who plans to claim them as a tax dependent. If the non-custodial parent is legally responsible for providing health insurance and plans to claim the child as a tax dependent, then the child's household is the child and the non-custodial parent who claims the child as a tax dependent.

If the parents are separated but they plan to file taxes jointly, the child's household includes both parents. If parents are separated and they do not plan to file taxes jointly, none of the family members are eligible for a premium tax credit through the Marketplace.

- For Medicaid/CHIP: If a child is claimed as a tax dependent by a non-custodial parent, the child's household is determined using the relationship-based rules (not the tax filer rules). The child's household includes the child and the parent with whom he/she lives.

Institutionalized Family Member: What are the household rules for an applicant who has a family member living in a facility?

- In general, an applicant who plans to file taxes must list all individuals he/she plans to claim as tax dependents. This includes family members living in a facility.
- If the applicant does not plan to file taxes, only the household members (e.g., spouses and children) with whom the applicant lives are included in the household. The institutionalized family member does not live in the household and is not counted.

Incarcerated Family Member: What are the household rules for an applicant who has an incarcerated family member?

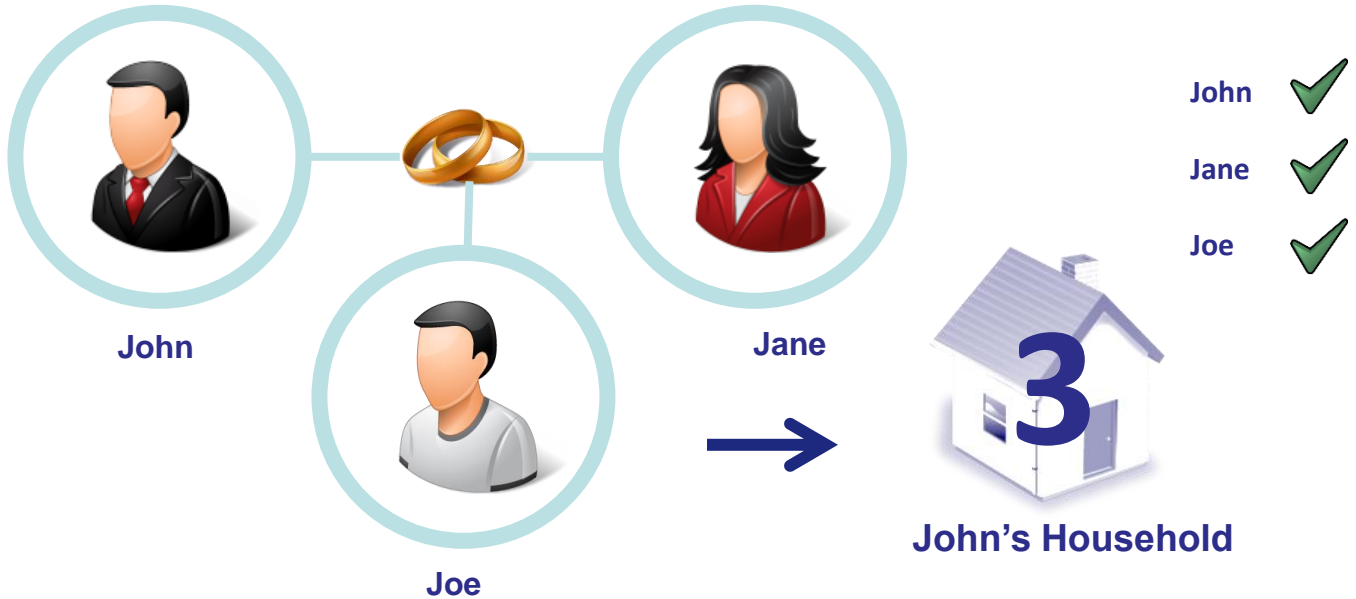
- In general, an applicant who plans to file taxes must list all individuals claimed as tax dependents. This includes family members who are incarcerated.
- The incarcerated family member is not eligible for tax credits or Cost-Sharing Reductions.
- If the applicant does not plan to file taxes, only the household members (e.g., spouses and children) with whom the applicant lives are included in the household. The incarcerated family member does not live in the household and is not counted.

Let's See How it Works

TAX FILER RULE SCENARIOS

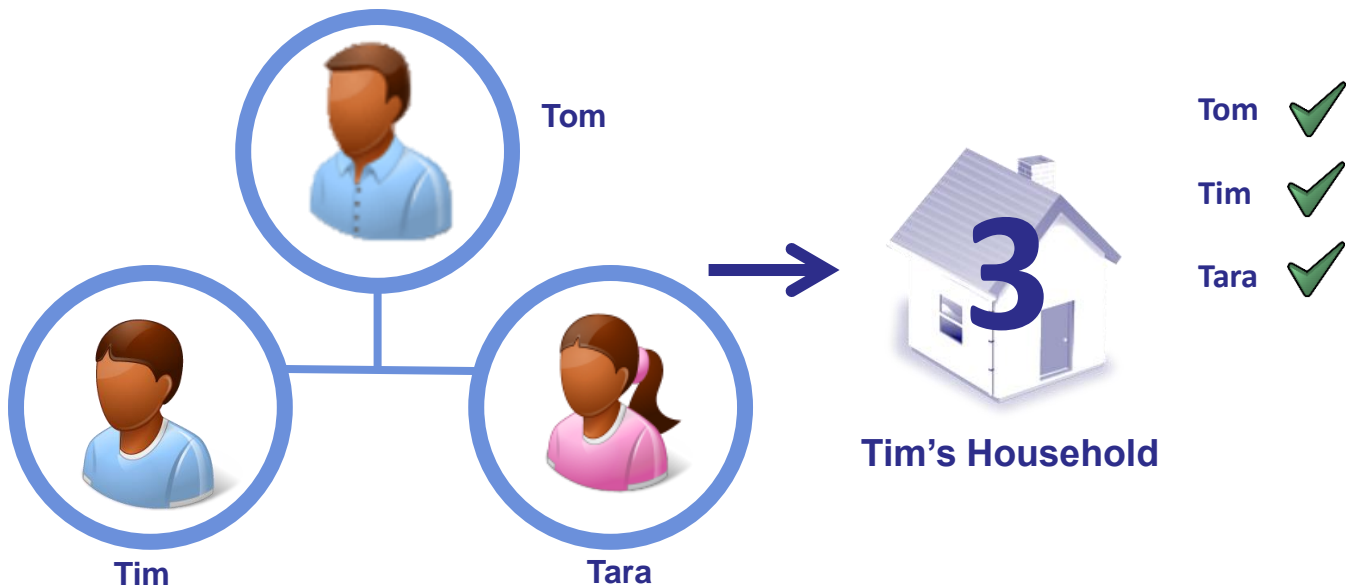
Scenario 1: Determining John's Household

Meet John: John is married to Jane and they have one child, Joe, age 17. John and Jane plan to file taxes jointly and claim Joe as a tax dependent.



Scenario 2: Determining Tim's Household

Meet Tim: Tim and his sister, Tara, expect to be claimed as tax dependents by their father, Tom.

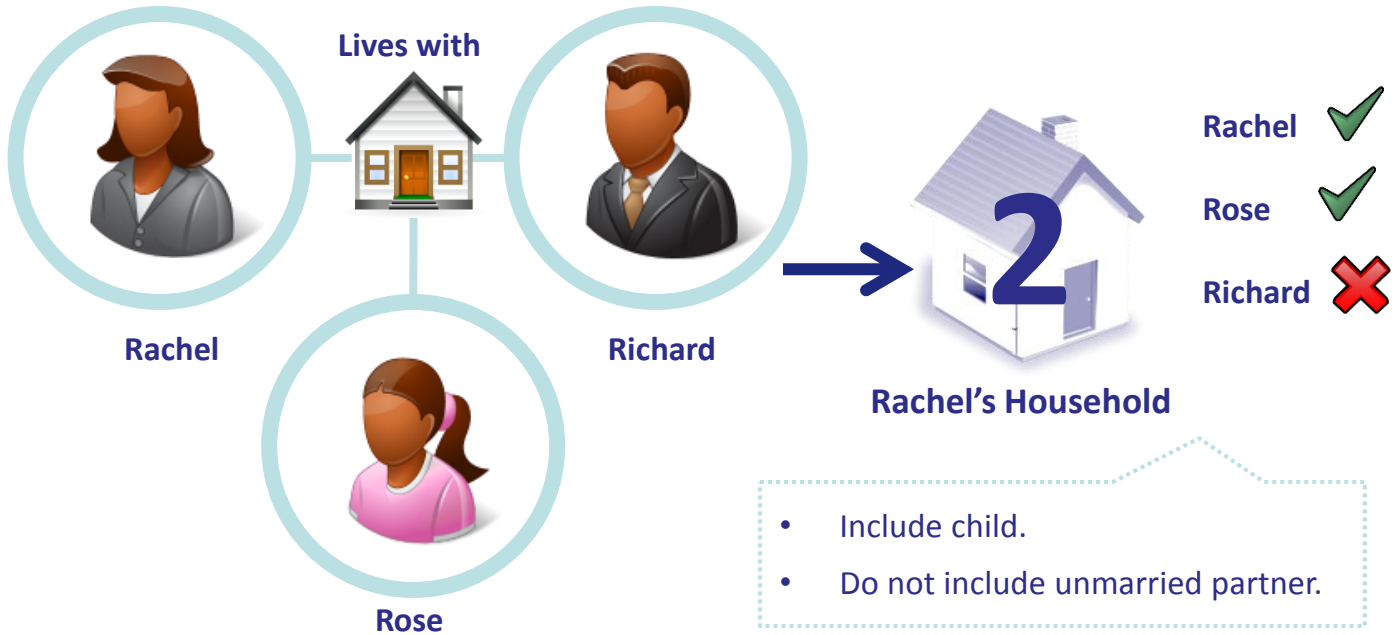


Let's See How it Works

RELATIONSHIP-BASED RULE SCENARIOS

Scenario 3: Determining Rachel's Household for Medicaid/CHIP

Meet Rachel: Rachel lives with her boyfriend, Richard, and Rachel's daughter, Rose, age 8. Rachel does not plan to file taxes.



Scenario 4: Determining Sally's Household for Medicaid/CHIP

Meet Sally: Sally, age 5, lives with her grandmother, Sarah, and her younger brother, Sam, age 2. She does not plan to file taxes and will not be claimed as a tax dependent.

