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Department of Health Care Services

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TO: ALL COUNTY WELFARE DIRECTORS — Letter No: 19-18
ALL COUNTY ADMINISTRATIVE OFFICERS
ALL COUNTY MEDI-CAL PROGRAM SPECIALISTS/LIAISONS
ALL COUNTY PUBLIC HEALTH DIRECTORS
ALL COUNTY MENTAL HEALTH DIRECTORS
ALL CONSORTIA/SAWS PROJECT MANAGERS

SUBJECT: Applying the Bounce Back Rule for Modified Adjusted Gross Income (MAGI) Medi-Cal Eligibility Determinations

(Reference: Title 42 Code of Federal Regulations (CFR) Section 435.603(i) and 435.916; Title 26 CFR 1.36B-1(e); Welfare & Institutions Code (W&IC) § 14005.37; All County Welfare Directors Letters 14-18, 14-32, 17-35, 18-25, and 19-03; Medi-Cal Eligibility Division Information Letter 19-03)

Purpose

The purpose of this All County Welfare Director's Letter (ACWDL) is to provide counties with guidance on the application of 42 CFR 435.603(i), commonly referred to in California as the bounce back rule. This ACWDL provides background on the bounce back rule, the policy on the application of the rule in eligibility determinations, and examples of its use.

Background

After the introduction of the Affordable Care Act (ACA), the Centers for Medicare and Medicaid Services (CMS) identified a gap in coverage when an applicant is financially ineligible for both Medi-Cal and Advanced Premium Tax Credits (APTC). Federal regulations require that an individual's annual income be above 100 percent of the Federal poverty level (FPL) to qualify for APTC, regardless of whether their current monthly income is over the MAGI Medi-Cal income limit. The bounce back rule eliminates this potential gap by granting MAGI Medi-Cal eligibility based on APTC income and household composition rules instead of using the MAGI Medi-Cal rules.

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Bounce Back Rule

The bounce back rule is a component of the MAGI based financial methodology and is used for determining eligibility for Medi-Cal. 42 CFR 435.603(i) states:

> *"If the household income of an individual determined in accordance with this section results in financial ineligibility for Medicaid and the household income of such individual determined in accordance with Title 26 CFR 1.36B-1(e) is below 100 percent FPL, Medicaid financial eligibility will be determined in accordance with Title 26 CFR 1.36B-1(e)."*

The County Eligibility Worker (CEW) shall determine eligibility for Medi-Cal based on the APTC household composition and income rules outlined in 26 CFR 1.36B-1 (e), when:

- An individual's countable household income using all of the allowable budget periods falls above the FPL threshold for their Medi-Cal coverage group (i.e.138 percent FPL for an adult or 266 percent FPL for a child), and;

- An individual's countable annual income to determine APTC eligibility falls below 100 percent FPL

MAGI Medi-Cal eligibility under this rule does not establish a special eligibility group. The CEW shall use APTC household composition and income calculations to determine an individual's Medi-Cal coverage group (i.e. New Adult Group, Mandatory Children's Group, Parent /Caretaker Relative etc.).

It is important to note that the bounce back rule does <u>not</u> apply to individuals who are potentially ineligible for APTC for the following reasons:

- Individuals that have other minimum essential coverage
- Individuals that do not plan on filing a tax return
- Individuals eligible for other public health coverage such as Medicare
- Married but not filing taxes as Married Filing Jointly
- An individual's immigration status does not meet the APTC eligibility requirements

<u>Note:</u> Based on individual-level eligibility determinations, this requirement could result in applying the bounce back rule to some household members but not others.

The bounce back rule does not eliminate the requirement to use the lesser income of the applicable budget period (current monthly income, projected annual income, or reasonably predictable future income) when determining MAGI Medi-Cal eligibility. DHCS will issue additional guidance regarding the use of budget periods in a future ACWDL.

APTC Household Composition and Income Rules

The bounce back rule uses APTC household composition and income counting rules based on 26 CFR 1.36B-1 (e) that may differ from MAGI household composition and income counting rules.

APTC Household Composition Rules
APTC households consists of only the individuals who are part of the tax return for Internal Revenue Service, which includes the tax filer, a spouse (when filing taxes as married filing jointly), and anyone claimed as a tax dependent. APTC households do not include the following:

- An unborn child(ren)
- Non-dependent child(ren) or other relatives living with the tax filer
- Roommates
- Divorced or legally separated spouses

APTC Income Rules
APTC only counts the taxpayer's MAGI and the MAGI of individuals who are required to file a tax return, including dependents. When a dependent files a tax return, but is not required to file, their income does not count for APTC.

APTC uses some income types in the eligibility determination that are not countable for MAGI Medi-Cal. For example, AmeriCorps Vista Stipend and Educational Award income is not countable for MAGI Medi-Cal but APTC income rules count the taxable portion of this income. Medi-Cal Eligibility Division Information Letter (MEDIL) I 19-03 provides the most updated Income and Deductions Type Chart for the full list of treatment by program.

Bounce Back Rule Based on APTC Household Composition

In some situations, an individual's countable income for MAGI Medi-Cal and APTC differs due to household composition rules. When this occurs, some mandatory household members and their income who are included for Medi-Cal are not included in the eligibility determination for APTCs. If the bounce back rule applies, the CEW shall only include the individuals that are part of the APTC household composition in the eligibility determination. This would also affect whose income counts in the determination, since household composition is the basis for the income determination.

Example: Jane and John, unmarried parents, live together and have a mutual child named Bobby. Jane and John file taxes separately and Jane claims Bobby as her tax dependent. John has income that is over 266 percent of the FPL, which results in him being determined eligible to APTC. Jane has income that is 85 percent of the FPL, which results in her being determined eligible to MAGI Medi-Cal. Based on MAGI Medi-Cal household composition and income counting rules, both Jane and John's income would be included when determining Bobby's MAGI Medi-Cal eligibility, which puts Bobby over the MAGI income limits. However, when eligibility for Bobby is determined for APTC, only Jane and Bobby are included in the household composition since Jane is the one claiming Bobby and only her income is included in the calculation. Since Jane's income alone is less than 100 percent of the FPL, Bobby will be "bounced back" to Medi-Cal using only Jane's income.

Redetermination of Eligibility

Individuals who are eligible for MAGI Medi-Cal based on the bounce back rule shall have their eligibility redetermined at the end of the calendar year for the January benefit month. For purposes of this reevaluation requirement per 42 CFR 435.603(i), the CEW shall follow the same redetermination processes in compliance with 42 CFR 435.916 and Welfare and Institutions Code (W&IC) section 14005.37, which requires any redetermination to begin with the ex parte process before beneficiary contact. If the ex parte process is unsuccessful, the CEW shall process the reevaluation using the same process as outlined in W&IC section 14005.37 (g)(1) for a change in circumstance redetermination. As stated in ACWDL 18-25, the MC 355 form is used to obtain needed information and the county shall allow 30 days for a response with a midpoint beneficiary contact to obtain necessary information. Additionally, the CEW shall follow the requirements outlined in ACWDL 19-03 for Notices of Action (NOAs) issued to beneficiaries when an eligibility determination at change in circumstance results in resetting the annual renewal date, as appropriate. If after completion of the redetermination, the use of the bounce back rule is still applicable for the following calendar year, the county shall continue aiding the individual under MAGI Medi-Cal and the renewal date is advanced 12 months.

If during the redetermination, the individual is no longer eligible for MAGI Medi-Cal they must be evaluated for all other health coverage programs as referenced in ACWDL 17-35, consumer protection programs, Non-MAGI eligibility, and Covered California coverage with or without APTC. Counties must follow appropriate noticing policies when issuing the final Medi-Cal determination NOA.

Redetermination Example:

Sam applies for coverage on October 15, 2019. Sam's current monthly income is over the income threshold for the MAGI new adult group. However, when determining his eligibility for APTC, Sam’s annual income is less than 100 percent of the FPL. Sam is granted MAGI Medi-Cal eligibility for October 2019 through December 2019. Per the bounce-back rule, Sam’s eligibility is redetermined using the ex parte process for January 2020 and ongoing. Since there is no change in his income, Sam is determined eligible to APTC for the coming year.

If you have any questions or require additional information, please contact Eric Sweeney at (916) 345-8065 or by email at Eric.Sweeney@dhcs.ca.gov.

Original Signed By

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