

## Modified Adjusted Gross Income (MAGI) Conversion Plan

This MAGI Conversion Plan is being submitted to CMS by Nevada as required by Section 1902(e)(14)(E) of the Social Security Act on April 10, 2014, which requires each state to submit for approval the income eligibility thresholds for Medicaid and the Children's Health Insurance Program (CHIP) proposed to be established using modified adjusted gross income (MAGI). As described in the December 28, 2012 State Health Officials' Letter on Modified Adjusted Gross Income (MAGI) income conversion, states can choose among three options to convert net standards for Medicaid and CHIP to MAGI equivalent standards.<sup>1</sup> The purpose of the MAGI Conversion Plan is to provide CMS with information about each state's MAGI conversion methodology, as well as the data used and results of conversion. CMS will be reviewing the submitted materials and notifying the State with their approval or disapproval by **April 24, 2014**.

**Eligibility and FMAP claiming conversions.** States are required to submit information about their conversion methodology, data and results for income conversions related to eligibility and those required for FMAP claiming in accordance with CMS' FMAP rule. For additional information about the FMAP rule, please see: <https://s3.amazonaws.com/public-inspection.federalregister.gov/2013-07599.pdf>.

**Note about Income Eligibility Conversions and State Plan Amendments:** Converted income standards will be used to set maximum MAGI-equivalent standards for adults in 2014 and will be used as the actual income standard in effect for children through October 2019. States will use the state plan amendment (SPA) process to identify the minimum and maximum MAGI-equivalent standards and to select the state's MAGI-based income standard for each eligibility group to which MAGI will apply in 2014. For adults for whom the Maintenance of Effort requirement expires in 2014, the selected income standard in the SPA will be anywhere between the minimum and the maximum derived through the income conversion process.

Please indicate the MAGI conversion method chosen by your state and follow the appropriate directions:

- Option 1a** – Standardized Methodology with SIPP data, **no** state data adjustments for time-limited disregards  
Attach Excel spreadsheet with finalized SIPP results of eligibility and FMAP conversions to this cover page and submit to [incomeconversion@cms.hhs.gov](mailto:incomeconversion@cms.hhs.gov).
  
- Option 1b** – Standardized Methodology with SIPP data, **with** state data adjustments for time-limited disregards.  
Please follow instructions below and submit to [incomeconversion@cms.hhs.gov](mailto:incomeconversion@cms.hhs.gov)
  
- Option 2** – Standardized Methodology with State data  
Please follow the instructions below and submit this plan to [incomeconversion@cms.hhs.gov](mailto:incomeconversion@cms.hhs.gov).

<sup>1</sup> SHO letter available at <http://www.medicaid.gov/Federal-Policy-Guidance/downloads/SHO12003.pdf>

**X Option 3** – State proposed Alternative Method

Please follow the instructions below and submit this plan to [incomeconversion@cms.hhs.gov](mailto:incomeconversion@cms.hhs.gov).

	Part 1 – Conversions for Eligibility		Part 2 – Conversions for FMAP Claiming and TB Group	
	Pages to Complete	Due Date	Pages to Complete	Due Date
Option 1a: Standardized Methodology, no adjustments	Page 1	May 31, 2013	Page 1	Fall 2013
Option 1b Standardized Methodology, state adjustments for time limited disregards	Pages 1 and 3	May 31, 2013	Pages 1 and 14	Fall 2013
Standardized Methodology with State Data	Page 4-11	April 30, 2013*	Pages 15-18	Fall 2013
Alternative Methodology	Page 4-13	April 30, 2013*	Pages 15-18	Fall 2013

\*Eligibility conversion plans are due April 30, 2013, or within 15 days of receiving SIPP results, whichever is later.

**Option 1b -- Standardized Methodology with SIPP data, with state adjustments for time limited disregards**

**Eligibility Conversions**

Please provide information about the state-specific weighting strategy and relevant conversions for groups with time limited disregards in the table below.

Eligibility group: Please list each eligibility group (e.g., 1931 parents/caretaker relatives) where your state applied its own weight for time-limited disregards.

Time-limited weight: Please list, for each relevant eligibility group, the weight your state applied for the conversion. For example, if you determined that 15% of enrollees received time-limited disregards in a given category and applied that as your weight, you would simply list 15%.

Data Used to Derive weight: Please describe, for each relevant eligibility group, the data used to calculate the time-limited weight, e.g. "state data for all 1931 enrolled individuals in March of 2012."

Application of Weight: Please show the formula used to apply the weight, e.g., if standard with time-limited disregard is 100 and without time-limited disregard is 75 and weight is .15, the formula would be  $(100 \times .85) + (75 \times .15) = \underline{\quad 79 \quad}$

Converted standard: Please fill in the converted standard for each eligibility group. This will be the weighted average of the applicant (e.g., standard including time-limited disregards) and beneficiary calculations you originally received from CMS, applying the time-limited weight to the applicant conversion.

<u>Eligibility Group</u>	<u>Time-limited Weight</u>	<u>Data Used to Derive Weight</u>	<u>Application of Weight</u>	<u>Converted Standard</u>

**Options 2 and 3 -- Standardized Methodology with State Data Method  
and  
Alternative Method:**

Please provide a state contact who can answer questions about the conversion plan, data, and methods:

Name: Nova Murray \_\_\_\_\_ Title: Project Manager \_\_\_\_\_  
E-mail: Nova.murray@dncfp.nv.gov \_\_\_\_\_ Phone: 775-684-0553 \_\_\_\_\_

**Supplemental Information:** In addition to the information provided in the attached MAGI Conversion Plan, during the review and approval process, CMS may determine that supplemental information regarding the income conversion results is necessary. If CMS determines that a supplemental review of these results is necessary, your state may be required to submit:

- Descriptive statistics of the data used. Such descriptive statistics could include for each eligibility group converted with state data:
  - Net income statistics and disregard statistics for the full population or sample and for the population used in conversion (e.g., the 25% band) including: Total N, Mean Net Income, Standard Deviation of Mean Net Income, Median Net Income, and Number of individuals with Positive Net Income
- Data files used for conversion
- Annotated programming code used in the analysis

**PART 1: ELIGIBILITY CONVERSIONS- TABLE 1 – DUE APRIL 30, 2013**

For States Using

Standardized Methodology with State Data

Or

Alternative Method

Please fill out Table 1 below to provide CMS with information about how state data were used for MAGI income conversion. All cells in rows for eligibility groups that do not have a converted income standard in your state (for example, if your state does not cover independent foster care adolescents or does not apply an income standard to this group) should be marked "N/A."

**Instructions for Table 1:**

**SIPP results used:** Your state may have used SIPP results for converting some groups. For conversions based on SIPP, please mark yes in the first column of Table 1 and provide the converted standard from those results. Please list the group below (e.g., pregnant women) and an explanation of why the SIPP results are being used for this eligibility group (e.g., data unavailable). Also, for groups that have time-limited disregards, if the state chooses to provide its own weighting, please provide the state-specific weighting strategy that was used to derive the converted standard. The explanation of the weighting strategy should include the percent assumed to have time limited disregards and the data on which this calculation was based (e.g., 15%: based on analysis of state data for those enrolled in the 1931 group in CY 2012). Attach additional pages if necessary. **Note that for groups that need to be converted both for eligibility and FMAP purposes (e.g., childless adults) the same income conversion method/data source (i.e., SIPP or state data) must be used.**

**Parents/Caretaker Relatives 1931** – Nevada is using SIPP conversion for this group. Nevada was unable to extract income data for this group to apply the alternative method.

For all conversions using state data, please provide the following information:

**Time period-Specify** the time period of data that was used, for example, June 2011-May 2012. If a time period other than 12 months was used, please explain why below and summarize the methods used to determine that the time period is unbiased. Attach additional pages if necessary:

**Pregnant women** – Nevada used the entire eligibility data extract for the month of April 2010 to replicate data similar to SIPP for comparison purposes. A year of data for these groups can be obtained to verify the results can be duplicated; however, the state would like tentative approval of the method prior to utilizing valuable state resources to obtain the data.

**Children age 1 to 5-** Nevada used the entire eligibility data extract for the month of April 2010 to replicate data similar to SIPP for comparison purposes. A year of data for these groups can be obtained to verify the results can be duplicated; however, the state would like tentative approval of the method prior to utilizing valuable state resources to obtain the data.

**Children age 6-18-** Nevada used the entire eligibility data extract for the month of April 2010 to replicate data similar to SIPP for comparison purposes. A year of data for these groups can be obtained to verify the results can be duplicated; however, the state would like tentative approval of the method prior to utilizing valuable state resources to obtain the data.

**Sampling:** Please mark this column yes or no. If yes (in other words, the analysis did not include all records in the eligibility group), please provide a detailed explanation below of the sampling approach that was used (i.e., simple random sample, stratified sample, etc.). Please also provide information about the total population and the number of records sampled. Attach additional pages if necessary.

**Pregnant women** – Nevada used the entire data extract for the month of April 2010. The total record included all family members; however only 4,348 individuals were eligible in the sample month. The data was then sorted to view only the eligible members with any income in the sample month. (From any source/type) The sample was sorted again to view only eligible members with a total gross income that exceeded the allowable poverty level in the sample month. It is our contention that only persons with income above the maximum poverty level in the sample month benefited from the disregard. Persons with income below the allowable standard for the benefit month would have been eligible regardless of receipt of the disregard. There were 268 pregnant women above the 133% net income limit for the sample month. The average income for the eligibility determination for this group was 159% FPL. Of the 268 pregnant women, 94 exceeded the average of the group.

**Children under age 1-** Data for this group was not used as is not reflective of the State’s budget methodology. In most instances, children under the age of 1 are deemed newborns. This group does not benefit from the disregard as the eligibility is tied to the pregnant mother.

**Children age 1 to 5-** Nevada used the entire data extract for the month of April 2010. The total record included all family members; however of the 59,142 children 1-18 the actual number of children 1-5 is not currently available. The data was then sorted to view only the eligible members with any income in the sample month. (From any source/type) The sample was sorted again to view only eligible members with a total gross income that exceeded the allowable poverty level in the sample month. It is our contention that only persons with income above the poverty level in the sample month benefited from the disregard. Persons with income below the allowable standard for the benefit month would have been eligible regardless of receipt of the disregard. There were 1,505 children 1-5 above the 133% net income limit for the sample month. The average income for the eligibility determination for this group was 159% FPL. Of the 1,505 children, 483 exceeded the average of the group.

**Children age 6-18-** Nevada used the entire data extract for the month of April 2010. The total record included all family members; however of the 59,142 children 1-18 the actual number of children 6-18 is not currently available. The data was then sorted to view only the eligible members with any income in the sample month. (From any source/type) The sample was then sorted to view only eligible members with a total gross income that exceeded the allowable poverty level in the sample month. It is our contention that only persons with income above the poverty level in the sample month benefited from the disregard. Persons with income below the allowable standard for the benefit month would have been eligible regardless of receipt of the disregard. There were 4,071 children 6-18 above the 100% net income limit for the sample month. The average income for the eligibility determination for this group was 122% FPL. Of the 4,071 children, only 1,344 exceeded the average of the group.

**Combined pregnant women, infants and children 1-5** - Nevada is requesting to combine pregnant women, infants and children 1-5 up to the infant converted standard reflected in Table 1.

**Net income standard-** Please fill in the net standard that was converted for each eligibility group. This should reflect the bolded standard from the eligibility template that you developed with CMS. For conversions that were based on fixed dollar thresholds, please specify the net standard for each family size. You may use fewer or more family sizes than indicated in Table 1.

For 1115 demonstrations, please enter a row for each MAGI-included 1115 demonstration group, specifying whether it is Medicaid or S-CHIP.

**Income band used in conversion-**This column should reflect the net standard minus 25 percentage points of FPL. For example, if the net standard was 120% FPL, the income band used in conversion would be 95% FPL to 120% FPL. For standards at or below 25% FPL, the income band will include all records—e.g., for a net standard of 18% FPL, the income band used in conversion should be 0-18% FPL. For conversions of **fixed dollar thresholds**, please specify the income band (expressed as a percentage of FPL) for each family size.<sup>2</sup> For states using an alternative method, this column should only be filled out if it is applicable (e.g., if the marginal approach was used).

**Converted standard-**Please fill in the converted standard. Fixed dollar standards should be given in dollars for each family size.

**Special note for premium payment groups:** If your state charges premiums for any eligibility group, please indicate which method you selected below and attach a separate sheet showing the MAGI Conversion Plan information requested (time period, net income standard, income band used in conversion, and the converted standard) for each income level used to determine premium payments.

**Premium conversion method:** Premiums may be converted either using the Standardized MAGI Conversion Methodology; or, using a ratio of the converted standard for the group to the net standard for the group for which premiums are charged. For example, if your state charges premiums for people between 150% and 300% FPL and the standard for 300% of FPL converted to 309%, you would multiple the remaining levels by 1.03 (309/300).

Please indicate which approach was used and provide upper income net and converted standards if you applied the ratio method:

- Standardized method
- Ratio Method

Upper income level, net standard \_\_\_\_\_

<sup>2</sup> See page 15 of *How States Can Implement the Standardized Modified Adjusted Gross Income (MAGI) Conversion Methodology from State Medicaid and CHIP Data* for more information on converting fixed dollar standards to FPL.

<http://aspe.hhs.gov/health/reports/2013/MAGIHowTo/rb.cfm>

Upper income level, converted standard \_\_\_\_\_

**Table 1**

Coverage Category	SIPP Results used (Yes/No)	Time Period	Sampling (yes/no)	Net Income Standard	Income band used in conversion (Alternative Method states to fill out only if applicable)	Converted Standard
Parents and other caretaker relatives (mandatory under Section 1931)	Yes			% FPL N/A or Fixed dollar standards Family size 1 253 2 318 3 383 4 448 5 513 6 578 7 643 Add-on for additional family members if relevant 65	% FPL _____ or % FPL by Family size (for groups with fixed dollar standards) 1 _____ 2 _____ 3 _____ 4 _____ 5 _____ 6 _____ 7 _____ Add-on for additional family members if relevant _____	% FPL N/A or Fixed dollar standards Family size 1 319 2 407 3 495 4 582 5 670 6 758 7 846 Add-on for additional family members if relevant 88
Parents and other caretaker relatives (optional under 1902(a)(10)(A)(ii)(I))	N/A	N/A	NA	% FPL N/A or Fixed dollar standards Family size 1 _____ 2 _____ 3 _____ 4 _____ 5 _____ 6 _____ 7 _____ Add-on for additional family members if relevant _____	% FPL N/A or % FPL by Family size (for groups with fixed dollar standards) 1 _____ 2 _____ 3 _____ 4 _____ 5 _____ 6 _____ 7 _____ Add-on for additional family members if relevant _____	% FPL N/A or Fixed dollar standards Family size 1 _____ 2 _____ 3 _____ 4 _____ 5 _____ 6 _____ 7 _____ Add-on for additional family members if relevant _____
Pregnant women, full benefits	No	4/2010	No	133%	134% -377%	160%



Attachment 1: Modified Adjusted Gross Income (MAGI) Conversion Plan

Coverage Category	SIPP Results used (Yes/No)	Time Period	Sampling (yes/no)	Net Income Standard	Income band used in conversion (Alternative Method states to fill out only if applicable)	Converted Standard
Pregnant women, pregnancy only coverage	N/A	N/A	N/A	N/A	N/A	N/A
Children under age 1	No	4/2010	No	133%	N/A Derived from Pregnant mom result	160%
Children ages 1 to 5	No	4/2010	No	133%	134%-382% all data	160%
Children ages 6 to 18	No	4/2010	No	100%	101% -339% all data	122%
M-CHIP optional targeted low-income children	N/A	N/A	N/A	N/A	N/A	N/A
Optional reasonable classifications of individuals under age 21	N/A	N/A	N/A	N/A	N/A	N/A
State adoption assistance	N/A	N/A	N/A	N/A	N/A	N/A
Independent foster care adolescents	N/A	N/A	N/A	N/A	N/A	N/A
Family planning services	N/A	N/A	N/A	N/A	N/A	N/A
Other Medicaid section 1115 demonstration (e.g., childless adults) Insert more rows if needed.						
Separate CHIP State plan <ul style="list-style-type: none"> <li>• Children</li> </ul>	No	N/A	No	200%	N/A	200%
Separate CHIP State plan <ul style="list-style-type: none"> <li>• Pregnant Women option</li> </ul>	N/A	N/A	N/A	N/A	N/A	N/A
Separate CHIP State plan <ul style="list-style-type: none"> <li>• Unborn child option</li> </ul>	N/A	N/A	N/A	N/A	N/A	N/A
Other S-CHIP section 1115 demonstration (e.g., pregnant women). Insert more rows if needed.	N/A	N/A	N/A	N/A	N/A	N/A

Attachment 1: Modified Adjusted Gross Income (MAGI) Conversion Plan

Coverage Category	SIPP Results used (Yes/No)	Time Period	Sampling (yes/no)	Net Income Standard	Income band used in conversion (Alternative Method states to fill out only if applicable)	Converted Standard
AFDC payment standard 5/1/1988	Yes			Fixed dollar standards Family size 1 210 _____ 2 270 _____ 3 330 _____ 4 390 _____ 5 450 _____ 6 510 _____ 7 570 _____ Add-on for additional family members if relevant 60 _____	% FPL by family size 1 _____ 2 _____ 3 _____ 4 _____ 5 _____ 6 _____ 7 _____ Add-on for additional family members if relevant _____	Fixed dollar standards Family size 1 229 _____ 2 296 _____ 3 363 _____ 4 430 _____ 5 496 _____ 6 563 _____ 7 630 _____ Add-on for additional family members if relevant 67 _____
AFDC payment standard 7/16/1996	Yes			Fixed dollar standards Family size 1 229 _____ 2 288 _____ 3 348 _____ 4 408 _____ 5 468 _____ 6 527 _____ 7 587 _____ Add-on for additional family members if relevant 60 _____	% FPL by family size 1 _____ 2 _____ 3 _____ 4 _____ 5 _____ 6 _____ 7 _____ Add-on for additional family members if relevant _____	Fixed dollar standards Family size 1 255 _____ 2 323 _____ 3 392 _____ 4 461 _____ 5 530 _____ 6 597 _____ 7 666 _____ Add-on for additional family members if relevant 69 _____
Pre-CHIP Medicaid as of 3/31/97	N/A	N/A	N/A	< age 1 _____  1-5 _____  6-13 _____  14-18 _____	< age 1 _____  1-5 _____  6-13 _____  14-18 _____	< age 1 _____  1-5 _____  6-13 _____  14-18 _____

**Premium Payment Determination:** Please indicate whether the Standardized MAGI Conversion methodology was used or a ratio of the converted standard at the upper ranges of the eligibility threshold was used. N/A

**PART 1: ELIGIBILITY CONVERSIONS**

Option 3-- Alternative Method, additional information

Please provide a summary of the alternative method and data source or sources used for income conversion, including how the method differs from the Standardized MAGI Conversion Methodology specified in the December 28, 2012 State Health Officials' Letter on Modified Adjusted Gross Income (MAGI) Income Conversion. Please include equations showing how the method is applied mathematically and a description of how fixed dollar standards were converted, if relevant. Attach additional pages if necessary.

The data does not use a set 25% FPL range per the Standardized process as it is decided that the disregard is only beneficial for recipients that would otherwise lose eligibility without the use of the disregard. All recipients must be eligible using only the 20% standard income disregard to become eligible for the program. In conversation with CMS it was determined that the time limited, multi tier disregards would not be used in the calculation using SIPP. The actual State alternative method used, included all disregards in the sample month for recipients above the FPL for the coverage group. The state methodology indentified all eligible individuals in the month of 4/2010 who were receiving and benefitting from the disregard. The average of these household's FPL was used to determine the average household income for this eligibility group when disregards are applied.

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Please provide a description below of how your method meets the criteria specified in the December 28, 2012 State Health Officials' Letter on Modified Adjusted Gross Income (MAGI) Conversion: unbiased, accuracy, precision, and data quality. Attach additional pages if necessary. More detailed information about these criteria is available in the ASPE issue brief *Modified Adjusted Gross Income (MAGI) Income Conversion Methodologies*.<sup>3</sup>

Unbiased: Across all eligibility categories, the method does not systematically increase or decrease the number of eligible individuals within a given eligibility group or systematically increase or decrease the costs to states.

<sup>3</sup> See [http://www.shadac.org/files/2.%20ASPE%20Brief%20-%20MAGI%20Income%20Conversion%20Methodologies%20\(March%202013\).pdf](http://www.shadac.org/files/2.%20ASPE%20Brief%20-%20MAGI%20Income%20Conversion%20Methodologies%20(March%202013).pdf).

Attachment 1: Modified Adjusted Gross Income (MAGI) Conversion Plan

The State used a secondary methodology by applying a 20% increase to the highest FPL allowable for each household size. The 20% increase was added to the income limit for the family size and converted back to FPL. Using this method the eligibility group at the 133% FPL income limit equated to 159% and the eligibility group at the 100% FPL limit equated to 120% of the FPL. In conclusion, this method arrived at nearly the same conclusion as the State Alternative method used in the summary under Part 1, option three.

Accuracy: To the extent possible, the method minimizes changes in eligibility status by minimizing losses and gains in eligibility for a given category of coverage.

The percentage of the population used represents the population that received a benefit as a result of the disregard. The calculation was determined using 9.2% of the eligible population for the given month, however the adjusted income limit is applied to the entire population without a weighted factoring applied. This minimizes the number of individuals that would lose eligibility under the new converted limit.

There were no considerations taken for the changes in countable income, household determination or that Nevada is under the Sneede vs. Kizer provisions which creates smaller effective household sizes when there is child income in the household. These changes will create increases in our caseload.

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Precision: The converted standard must be stable and repeatable. In other words, if the methodology to arrive at the converted standard were repeated, it would arrive at the same result. For example, if a sampling methodology is used, the sample size must be large enough to ensure that the conversion method, if calculated on another sample, would in general yield the same converted standard.

The data should be stable and repeatable. The State can pull the same data for another time period if necessary to test precision if required. As stated previously, an additional comparison to actual income limits was evaluated by adding the disregard amount (20%) to the highest income level for each household size and converted back to FPL which resulted in the same conversion figure.

Data quality: The data used are representative of the income and disregards of the population so as not to bias the converted standard due to poor data quality.

The data was reviewed to ensure there were no duplicates. The program rules and system limitations do not allow persons to be eligible in more than one program in the same month.

The sample used does not create bias in the agency's favor and appears to actually allow for bias in the client's favor. The data extract used only individuals above the eligibility limits that existed for the time period. In developing the data set, the State chose to exclude all individuals who

Attachment 1: Modified Adjusted Gross Income (MAGI) Conversion Plan

were eligible regardless of the application of the disregard. Therefore, the individuals that might create bias at the lower income levels were previously excluded.

In the data set used, the individuals with the lower FPL actually are most representative of the population benefiting from the disregard; however, the state included all individuals at the highest end of the FPL range even though a small number of individuals included could be considered statistically invalid.

**Option 1b -- Standardized Methodology with SIPP data, with state adjustments for time limited disregards**

**Eligibility Conversions**

Please provide information about the state-specific weighting strategy and relevant conversions for groups with time limited disregards in the table below.

Eligibility group: Please list each eligibility group (e.g., 1931 parents/caretaker relatives) where your state applied its own weight for time-limited disregards.

Time-Limited weight: Please list, for each relevant eligibility group, the weight your state applied for the conversion. For example, if you determined that 15% of enrollees received time-limited disregards in a given category and applied that as your weight, you would simply list 15%.

Data Used to Derive weight: Please describe, for each relevant eligibility group, the data used to calculate the time-limited weight, e.g. "state data for all 1931 enrolled individuals in March of 2012."

Application of Weight: Please show the formula used to apply the weight, e.g., if standard with time-limited disregard is 100 and without time-limited disregard is 75 and weight is .15, the formula would be  $(100 \times .85) + (75 \times .15) = \underline{\quad 79 \quad}$

Converted standard: Please fill in the converted standard for each eligibility group. This will be the weighted average of the applicant (e.g., standard including time-limited disregards) and beneficiary calculations you originally received from CMS, applying the time-limited weight to the applicant conversion.

<u>Eligibility Group</u>	<u>Time-limited Weight</u>	<u>Data Used to Derive Weight</u>	<u>Application of Weight</u>	<u>Converted Standard</u>