

## Modified Adjusted Gross Income (MAGI) Conversion Plan

**Please note:** Nebraska submitted the MAGI Conversion plan May 9, 2013 -- 15 days after the initial SIPP MAGI Conversion results were received by the state -- as required by CMS. The **Nebraska MAGI Conversion Plan was approved by CMS July 19, 2013**. On May 9, 2013 when the MAGI Conversion Plan was submitted, the Nebraska AFDC 1931 income standard--2013 Standard of Need (SON) -- had not been approved by the state for use. CMS approved the use of the current 2011 SON for this group for the MAGI Conversion Plan. On August 27, 2013, Nebraska received notice from CMS that the state would need to provide MAGI Conversion of the AFDC 1931 group using the 2013 SON and resubmit the MAGI Conversion Plan for approval. This document is that resubmission. The only changes between this document and the approved MAGI Conversion Plan are:

- AFDC 1931 group converted at the 2013 SON income level.
- Updated SIPP values for Family -- 1996. Received SIPP re-run for this group July 1, 2013.

This MAGI Conversion Plan is being submitted to CMS by Nebraska as required by Section 1902(e)(14)(E) of the Social Security Act, 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 **June 15, 2013**.

**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

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

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 – Only for AFDC groups to incorporate \$50 child support disregard.

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

- ✓ **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**

N/A for Nebraska

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: Catherine Gekas Steeby Title: Eligibility Administrator, Nebraska Division of Medicaid and Long-Term Care

E-mail: [Catherine.GekasSteeby@nebraska.gov](mailto:Catherine.GekasSteeby@nebraska.gov) Phone: (402) 471-0122

**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.**

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**599 CHIP:** This group was effective recently (July 9, 2012), so no data was available in the 2009 – 2010 extract used for the state data conversion.

**Independent Foster Care Adolescents:** Very few are enrolled in this group, so state eligibility data is not fully credible.

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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:

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The State eligibility data extract included **January 2009 through December 2010**.

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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.

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All records were used for the conversion using state eligibility data - **not a sample**.

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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:

N/A for Nebraska

✓ Standardized method

✓ Ratio Method

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

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

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<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>.

**Table 1**

| <b>Coverage Category</b>   | <b>SIPP Results used (Yes/No)</b> | <b>Time Period</b> | <b>Sampling (yes/no)</b> | <b>Net Income Standard</b>  | <b>Income band used in conversion (Alternative Method states to fill out only if applicable)</b>  | <b>Converted Standard</b>   |
|--|-----------------------------------|--------------------|--------------------------|---|---|---|
| Parents and other caretaker relatives (mandatory under Section 1931)         | No                                | 2009-2010          | No                       | Fixed dollar standards<br>Family size<br>1_ \$ 529__<br>2_ 652__<br>3_ 775__<br>4_ 898__<br>5_ 1,021__<br>6_ 1,144__<br>7_ 1,269__<br>Add-on for additional family members if relevant_\$ 123__ | Fixed dollar standards<br>Family size<br>1_____<br>2_____<br>3_____<br>4_____<br>5_____<br>6_____<br>7_____<br>Add-on for additional family members if relevant_____  | Fixed dollar standards<br>Family size<br>1_ \$ 604__<br>2_ 754__<br>3_ 904__<br>4_ 1,053__<br>5_ 1,202__<br>6_ 1,351__<br>7_ 1,503__<br>Add-on for additional family members if relevant_\$ 149__ |
| Parents and other caretaker relatives (optional under 1902(a)(10)(A)(ii)(I)) | N/A                               |                    |                          | % FPL _____<br>or<br>Fixed dollar standards<br>Family size<br>1_____<br>2_____<br>3_____<br>4_____<br>5_____<br>6_____<br>7_____<br>Add-on for additional family members if relevant_____       | % FPL _____<br><b>or</b><br>% FPL <u>by Family size</u> (for groups with fixed dollar standards)<br>1_____<br>2_____<br>3_____<br>4_____<br>5_____<br>6_____<br>7_____<br>Add-on for additional family members if relevant_____ | % FPL _____<br><b>or</b><br>Fixed dollar standards<br>Family size<br>1_____<br>2_____<br>3_____<br>4_____<br>5_____<br>6_____<br>7_____<br>Add-on for additional family members if relevant_____  |
| Pregnant women, full benefits  | N/A                               |                    |                          |   |   |   |



| 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                         | No                         | 2009-2010   | No                | 185% FPL  | 161% FPL – 185% FPL  | 199% FPL   |
| Children under age 1  | No                         | 2009-2010   | No                | 150% FPL  | 126% FPL – 150% FPL  | 162% FPL   |
| Children ages 1 to 5  | No                         | 2009-2010   | No                | 133% FPL  | 109% FPL – 133% FPL  | 145% FPL   |
| Children ages 6 to 18   | No                         | 2009-2010   | No                | 100% FPL  | 76% FPL – 100% FPL   | 109% FPL   |
| M-CHIP optional targeted low-income children                    | No                         | 2009-2010   | No                | 200% FPL  | 176% FPL – 200% FPL  | 213% FPL   |
| Optional reasonable classifications of individuals under age 21 | Yes                        |             |                   | Fixed dollar standards<br>Family size<br>1_ \$392_<br>2_ 392_<br>3_ 492_<br>4_ 584_<br>5_ 675_<br>6_ 775_<br>7_ 867_<br>Add-on for additional family members if relevant_ \$91_ | Fixed dollar standards<br>Family size<br>1_____<br>2_____<br>3_____<br>4_____<br>5_____<br>6_____<br>7_____<br>Add-on for additional family members if relevant_____ | Fixed dollar standards<br>Family size<br>1_ \$492_<br>2_ 527_<br>3_ 661_<br>4_ 788_<br>5_ 914_<br>6_ 1,048_<br>7_ 1,175_<br>Add-on for additional family members if relevant_ \$126_ |
| State adoption assistance                                       | N/A                        |             |                   |   |  |  |
| Independent foster care adolescents                             | N/A                        |             |                   |   |  |  |
| Family planning services  | N/A                        |             |                   |   |  |  |

| 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   |
|--|----------------------------|-------------|-------------------|---|---|--|
| Other Medicaid section 1115 demonstration (e.g., childless adults). Insert more rows if needed.  | N/A                        |             |                   |   |   |  |
| Separate CHIP State plan <ul style="list-style-type: none"> <li>Children</li> </ul>              | N/A                        |             |                   |   |   |  |
| Separate CHIP State plan <ul style="list-style-type: none"> <li>Pregnant Women option</li> </ul> | N/A                        |             |                   |   |   |  |
| Separate CHIP State plan <ul style="list-style-type: none"> <li>Unborn child option</li> </ul>   | Yes                        |             |                   | 185% FPL  |   | 197% FPL   |
| Other S-CHIP section 1115 demonstration (e.g., pregnant women). Insert more rows if needed.      | N/A                        |             |                   |   |   |  |
| AFDC payment standard 5/1/1988   | No                         | 2009-2010   | No                | Fixed dollar standards<br>Family size<br>1_ \$210__<br>2_ 280__<br>3_ 350__<br>4_ 420__<br>5_ 490__<br>6_ 560__<br>7_ 630__<br>Add-on for additional family members if relevant_ \$70__ | Fixed dollar standards<br>Family size<br>1_ _____<br>2_ _____<br>3_ _____<br>4_ _____<br>5_ _____<br>6_ _____<br>7_ _____<br>Add-on for additional family members if relevant _____ | Fixed dollar standards by family size<br>1_ \$221 ____<br>2_ 295 ____<br>3_ 369 ____<br>4_ 443 ____<br>5_ 517 ____<br>6_ 590 ____<br>7_ 664 ____<br>Add-on for additional family members if relevant_ \$74__ |

| 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<br>7/16/1996 | Yes                        |             |                   | Fixed dollar standards<br>Family size<br>1 __\$222__<br>2 __293__<br>3 __364__<br>4 __435__<br>5 __506__<br>6 __577__<br>7 __648__<br>Add-on for additional family members if relevant__\$71__ | Fixed dollar standards<br>Family size<br>1 _____<br>2 _____<br>3 _____<br>4 _____<br>5 _____<br>6 _____<br>7 _____<br>Add-on for additional family members if relevant_____ | Fixed dollar standards<br>Family size<br>1 __\$286__<br>2 __379__<br>3 __472__<br>4 __565__<br>5 __658__<br>6 __751__<br>7 __844__<br>Add-on for additional family members if relevant__\$93__ |
| Pre-CHIP Medicaid as of 3/31/97    |                            |             |                   | < age 1 _____<br><br>1-5 _____<br><br>6-13 _____<br><br>14-18 _____  | < age 1 _____<br><br>1-5 _____<br><br>6-13 _____<br><br>14-18 _____   | < age 1 _____<br><br>1-5 _____<br><br>6-13 _____<br><br>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 for Nebraska

## **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.

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#### **Child Support Disregard Methodology:**

Nebraska used the Standard Methodology with State data, but with the addition of an additional data source for child support payments. State eligibility data did not retain information on child support income or disregards, so this information was requested from Child Support Enforcement (CSE) and the Nebraska Child Support Payment Center (NCSPC). This data is discussed in more detail under the data quality heading of this section.

CMS requested that child support disregards be reflected in converted standards for the Aid to Dependent Children (ADC) eligibility group, which enrolls low income families with income below the ADC Standard of Need (SON). The ADC SON is a set of fixed dollar standards that vary by family size from approximately 42% FPL – 56% FPL.

The child support payment data included payments for April 2010. This was linked to the April 2010 state eligibility data by client ID and case ID. Payments impact family income, so when a payment was linked to an individual, it was also reflected for all other family members. A \$50 disregard was imputed to all recipients of child support payments who did not have their payment assigned to the state (those receiving public assistance in Nebraska are required to assign their child support payment to the state, with no pass-through).

Average child support disregard calculation: April 2010 eligibility records for the current ADC eligibility category were selected, and further selected for those with net income within 25 percentage points of the current standard by family size. Of those selected, 4% of April 2010 enrollees had child support payments that were not assigned to the state (compared with 3.1% for the ADC group overall). The \$50 child support disregard corresponded to between 2% and 5% of FPL, depending on family size, leading to an average child support disregard of 0.107% FPL. The amount of the April 2010 child support disregard was added to the average disregard developed for ADC from the full data set (CY 2009 and CY 2010) before reflecting the child support disregard (7.923% FPL), to arrive at a total average disregard of 8.030% FPL that was used for the MAGI conversion.

The remainder of the calculation followed the standard methodology. Please see the table below for detail by family size.

**Aid to Depend Children Standard of Need (ADC SON 2011)**

| Family Size | Current Income Threshold | Converted to a Percent of Poverty |                   |         | Projected MAGI Threshold |
|-------------|--------------------------|-----------------------------------|-------------------|---------|--------------------------|
|             |                          | Current Threshold                 | Average Disregard | Total   |                          |
| 1           | \$505                    | 55.956%                           | 8.030%            | 63.986% | \$ 577                   |
| 2           | \$623                    | 51.311%                           | 8.030%            | 59.341% | 720                      |
| 3           | \$740                    | 48.498%                           | 8.030%            | 56.528% | 863                      |
| 4           | \$858                    | 46.694%                           | 8.030%            | 54.724% | 1,006                    |
| 5           | \$975                    | 45.366%                           | 8.030%            | 53.396% | 1,148                    |
| 6           | \$1,093                  | 44.416%                           | 8.030%            | 52.446% | 1,291                    |
| 7           | \$1,211                  | 43.679%                           | 8.030%            | 51.709% | 1,434                    |
| 8           | \$1,329                  | 43.091%                           | 8.030%            | 51.121% | 1,577                    |
| 9           | \$1,446                  | 42.577%                           | 8.030%            | 50.607% | 1,719                    |
| 10          | \$1,563                  | 42.150%                           | 8.030%            | 50.180% | 1,861                    |
| Add-on      | \$117                    | 37.500%                           | 8.030%            | 45.530% | 142                      |

**2013 SON AFDC Standard (Describes change from original submission)**

On August 27, 2013, CMS confirmed that Nebraska would need to resubmit MAGI Conversion for the AFDC 1931 group using the net income standard in effect December 31, 2013, the 2013 Standard of Need (SON).

Nebraska calculated the AFDC 1931 MAGI Conversion standard using CMS recommendation, “For the July 1 increase of the 1931/TANF standards- the state will need to convert and submit an updated Conversion Plan. We understand about the contractor, and we suggest that Nebraska derive the new converted standards by using the same ratios for the 2013 conversions that were used for the 2011 conversions. (i.e. old/new standard = old/new standard).”

**5/1/1988 AFDC Standard**

The calculation methodology for the 5/1/1988 AFDC payment standard was similar to that for the Section 1931 group, with the following modifications:

- The actual earned income disregard in the data was replaced with an imputed earned income disregard developed to reflect the 1988 AFDC methodology. Individuals with earned income were imputed a disregard of \$120 or \$120 + 1/3 of the remainder of earned income, depending on length of enrollment.
- The income band used to calculate the average disregard included ADC enrollees with income below the 5/1/1988 payment standard. Since the 5/1/1988 payment standard is less than 25% FPL, all enrollees below the standard were used, including those with \$0 income. Because those with little or no income tend also to have lower disregards, the average disregard for this group was considerably lower: approximately 1.146% FPL.
- The child support disregard adjustment was also recalculated using ADC enrollees with income below the 5/1/1988 standard. The result was 0.092% FPL, compared with 1.107% FPL calculated for the Section 1931 group. After adjustment for the child support disregard, the average disregard for the 5/1/1988 standards was 1.238% FPL.

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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.

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Not applicable. As previously noted, Nebraska is using the standard methodology, with the addition of child support income data provided by another state agency.

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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.

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<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).

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Not applicable. As previously noted, Nebraska is using the standard methodology, with the addition of child support income data provided by another state agency.

Using state data for child support payments, in particular, is expected to enhance accuracy compared with using national SIPP data, adjusted for Nebraska's demographics. This is because state policy on pass through of child support payments varies from state to state. Nebraska retains all child support income for public assistance recipients, while many other states allow partial or complete pass through of child support payments. As a result, relatively fewer of Nebraska's Medicaid recipients receive child support income/ disregards.

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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.

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Not applicable. As previously noted, Nebraska is using the standard methodology, with the addition of child support income data provided by another state agency.

Complete individual level child support payment data from April 2010 was used, not a sample.

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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.

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### **State eligibility data**

The main data source for the state data conversion is state eligibility data including benefit months from January 2009 through December 2010. This is full individual level data by month and category of eligibility - not a sample. Each individual has a unique identifier, and each household may be identified by a program code-case number combination. The data includes all related family members included in the budget

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calculation, but those enrolled in Medicaid are identified as participants. In general, individuals appeared on the data as participants once per month. In a few cases, duplicates were observed, sometimes with different income and/or disregard data. In these cases, we followed RAND's guidelines, which were to:

- Select the observation with the lowest non-zero income.
- If income is the same, select the observation with the higher total disregard amount.
- If both income and disregards are the same, select randomly.

The number of household members used in the budget calculation (including related un-enrolled individuals) corresponds to family size. Family size was also provided directly by the state as a field labeled Unit Size.

The state eligibility data included all information needed for the conversion process except child support income and disregard data. For this information, we accessed a supplemental source, described below.

### **Child Support Payment Data**

The child support payment data is complete individual level data - not a sample. After federal welfare reform in 1996, the Nebraska legislature established one location for receipt and disbursement of child support payments. All of these payments, over 100,000 per month, must pass through the Nebraska Child Support Payment Center (NCSPC), under the oversight of the treasurer.

Due to the short time frame, we were advised that we would only be able to receive complete individual level child support payment data for one month. We requested April 2010, which is the month used for SIPP conversions, and is also one of the 24 months used for the state data conversion (January 2009 through December 2010). We received complete data for April 2010, including 23,898 April 2010 payments related to Medicaid families. We were able to link all of these to the Medicaid eligibility data by case ID and client ID. Payments impact family income, so when a payment was linked to an individual, it was also assumed to impact all other family members.

Child support disregards are only required to be included in the calculation for the Aid to Dependent Children (ADC) eligibility group, and not for the higher poverty standard children and pregnant women groups. Most of the child support payments to Medicaid recipients were associated with higher income groups, but 3,051 were associated with the ADC group. There were 29,177 total individuals enrolled in the ADC group during April 2010, so 3,051/29,177 (10.5%) of ADC enrollees were associated with the child support payment data for that month.

The child support payment data also specified whether the payment had been assigned to the state (not received by the Medicaid family) or where a child support order was in place with \$0 payment. A \$50 disregard was imputed in all cases except where the payment was assigned to



the state. Where the child support payment was \$0, a \$50 disregard was imputed as well. This allows for the possibility of retroactive payment, and tends to produce the highest possible average disregard.

Nebraska requires custodial parents who are receiving public assistance to assign child support payments to the State. The state does not allow pass-through of any portion of this payment. Of the 3,051 individuals associated with child support payments in the ADC group, over 70% (2,159) had payments assigned to the State. (In contrast, for Medicaid enrollees in higher income groups, none of the child support payments were assigned to the state.) After excluding individuals who had child support payments fully retained by the state, \$50 child support disregards were imputed for 892 (3,051 – 2,159) individuals in the ADC group. This represents 3.1% (892/29,177) of April 2010 ADC enrollees.

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

**Eligibility Conversions**

N/A for Nebraska

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> |
|--------------------------|----------------------------|-----------------------------------|------------------------------|---------------------------|
|                          |                            |                                   |                              |                           |

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## **PART 2: FMAP CONVERSIONS – DUE FALL 2013**

Options 2 and 3 -- For States Using  
Standardized Methodology with State Data  
Or  
Alternative Method

Please fill out Table 2 below to provide CMS with information about how state data were used for FMAP related conversions. If your state did not cover a certain eligibility group on December 1, 2009, all cells in that row should be marked “N/A.” **All states** must fill out relevant conversions under “TB conversion”, “MAGI groups relevant for FMAP” and “optional ABD groups.” **209(b) states** must also fill out information for the relevant mandatory groups listed at the end of the table if the state applied a disregard on December 1, 2009 that varied from the standard SSI-related methodology disregards. 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 the options group for individuals who meet the requirements of SSI or optional state supplement, but who do not receive cash assistance) should be marked “N/A”. In addition, if your state has elected the state TB group option for eligibility, please include those conversion results with Part 2.<sup>4</sup>

**Instructions for Table 2:** This template assumes that the information about sampling and income bands (if relevant) you provided for eligibility conversions in Part 1 of this plan also apply to the FMAP conversions in part 2. If not, please attach a separate explanation of how and why they differ. Similarly, it assumes that if an alternate methodology was used in part 1, the same was used for part 2, so the information provided on pages 12 and 13 apply. If not, please attach a separate explanation of how and why they differ.

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., the optional aged, blind or disabled poverty level group) and an explanation of why the SIPP results are being used for this eligibility group (e.g., state 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% receive the \$65 or \$85 if no unearned income, and on-half of other earned income disregard based on analysis of state data for those enrolled in the

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<sup>4</sup> CMS did not complete SIPP conversions for the TB group during Phase 1 of the “template project” and will be completing them during Phase 2 when FMAP conversions are being done. Consequently, reporting of TB group conversions has been included with Phase 2 FMAP conversions.

medically needy 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.**

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Net income standard: Please fill in the net standard that was converted for each eligibility group. For **MAGI groups relevant to FMAP claiming** (e.g., parent/caretaker relatives, childless adults, and reasonable classifications of children), in most cases this will be the effective income standard your state provided in Part 1. However, if the effective income standard was different on 12/1/2009, that standard should be listed here. **For ABD groups**, this standard will be the bolded effective income standard from the ABD template you completed with CMS. Please provide this information in % of FBR or in fixed dollar state supplement payments as relevant, and for different family sizes as applicable.

Converted standard -Please fill in the converted standard.

**Table 2**

| <b>Eligibility Group</b> | <b>SIPP Results used (Yes/No)</b> | <b>Time Period</b> | <b>Net Income Standard % FPL or fixed dollar standards by family size if applicable</b> | <b>Converted Standard</b> |
|--------------------------|-----------------------------------|--------------------|---|---------------------------|
| <b>FMAP Conversions</b>  |                                   |                    |   |                           |
| TBD                      |                                   |                    |   |                           |
|                          |                                   |                    |   |                           |
|                          |                                   |                    |   |                           |
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