

HI 03020.055 Income Limits for Subsidy Eligibility

A. Background of income limits for subsidy eligibility

To be eligible for the subsidy, an individual, or couple must have countable income below certain limits prescribed by the law. These income eligibility limits are based on the Federal Poverty Levels (FPL), which are issued annually by the Department of Health and Human Services (HHS). For the current FPLs, see [HI 03001.010D](#).

B. Policy for use of federal poverty levels

1. General description

The FPL is derived from the Federal Poverty Guidelines published in the Federal Register each year by HHS, and are used to determine financial eligibility for certain federal programs. The poverty levels are the same regardless of the age of the family members.

2. Separate levels for Alaska and Hawaii

One set of poverty levels apply to the 48 contiguous States and the District of Columbia. Alaska and Hawaii have separate and slightly higher poverty levels. When an individual applies for subsidy, we apply the FPL that corresponds to the individual's State of residence, in the month that he or she files the application. The system is programmed to compute eligibility using the correct poverty levels for the applicable State of residence. Moving to a State that has a higher or lower FPL is not a subsidy changing event (unless one of the events in [HI 03050.005](#) (Processing Reports of Change and Subsidy Changing Events (SCEs) also occurred). Therefore, the system will not schedule an immediate redetermination when a person reports he or she has moved.

C. Policy on effect of family size on income limits

1. Family size

The FPL dollar amounts are based on the size of the individual's family. The dollar amount increases as the family size increases. For purposes of determining eligibility for subsidy, family size is determined as follows:

- the individual who is applying for the subsidy,
- the spouse who is living in the household, and

- any relatives who are living with the individual, **and** who are dependent on the individual or the individual's spouse for at least one-half of their financial support.

2. Individual lives alone or does not provide support to relatives

If the individual who is filing for a subsidy lives alone, the income eligibility limit is based on the poverty guideline for a 1-person family. If the individual lives with others, but is not married and does not provide one-half support for a relative living in the household, the income eligibility limit is based on the poverty guideline for a 1-person family.

a. Example 1 - individual lives with other relatives

Mrs. Jones, who is filing for a subsidy, is a widow. She lives with her 2 aged sisters who are also filing for a subsidy. Mrs. Jones does not provide the sisters with any financial support. Therefore, she is considered a 1-person family for purposes of determining of subsidy.

b. Example 2 - individual lives with non-relatives

Mr. Holdenbrook is filing for a subsidy. He lives with two other people who are not relatives. He states that he provides one-half support to one of the persons who live in the house. Consider Mr. Holdenbrook as a 1-person family for subsidy determination purposes because he does not provide one-half support to any relatives living with him. If Mr. Holdenbrook supported a relative living with him, the family size would be 2 for subsidy determination purposes.

3. Married couple

If the individual filing for a subsidy lives only with his or her spouse, base the income eligibility limit on the poverty level for a 2-person family. This is true whether only the individual files, or both spouses file for subsidy.

EXAMPLE: Mr. and Mrs. Johnson are married and live together. Nobody else lives with them. Mr. Johnson, age 67, is applying for the subsidy. Mrs. Johnson is not old enough for Medicare and is not applying. For purposes of determining subsidy, the family size is 2.

4. Other household members

If the individual filing for a subsidy lives with a relative and provides that relative with at least one-half support, count the relative as a member of the family for purposes of determining the applicable poverty level. (The relative's income and resources are not considered in determining the subsidy.)

a. Example 1 - individual lives with relatives

Mr. and Mrs. Smith are married and live together. Mr. Smith is applying for the subsidy. Mrs. Smith is not old enough for Medicare and is not applying for the subsidy. At the time Mr. Smith files for subsidy, he and Mrs. Smith are providing at least one-half support for their grandson who lives with them. For determining subsidy, the family size is 3.

b. Example 2 - individual lives with non-relatives

Mr. and Mrs. Smith are married and live together. Mr. Smith is applying for the subsidy. Mrs. Smith is not old enough for Medicare and is not applying for the subsidy. At the time Mr. Smith files for subsidy, he and Mrs. Smith are providing at least one-half support for a friend who lives with them. For determining subsidy, the family size is 2.

5. Determining one-half support

a. Applicant indicates how many relatives get support

The subsidy application asks how many relatives live with the individual (and spouse) for whom the individual (or spouse) provide one-half of their financial support. Accept, absent evidence to the contrary, the individual's allegation that he or she is providing one-half support for relatives and accept the allegation of the number of relatives living with him or her.

b. Applicant is unable to provide number of relatives who get support

If the applicant is unable to state the number of relatives getting one-half support, ask the applicant to check the number of dependents claimed on his or her federal tax return as a way to help the applicant provide the correct number. The tax return is always for a previous year, so if the individual uses a tax return to determine the number of relatives getting one-half support, it is necessary to ascertain whether the same number of relatives are currently getting one-half support from him or her.

c. Applicant is unsure if he or she is providing one-half support

If the applicant is reluctant to make an allegation because he or she doesn't know whether he or she is providing one-half support, ask for **estimates** of the relative's food and shelter expenses, and the applicant's contribution to the support of the living-with relative. If the applicant's estimated contributions are more than one-half of the living-with relative's estimated expenses, determine that the applicant is supporting the living-with relative, and include the living-with relative in the applicant's family unit to determine the FPL for subsidy purposes.

d. Applicant is unwilling to provide number of relatives who get support

If an applicant refuses to state the number of relatives living with him or her or refuses to provide information about one-half support, explain that we need the information to

determine his or her eligibility for a subsidy and his or her subsidy amount. Explain that without the information, he or she may receive less of a subsidy or no subsidy. If the applicant still refuses to provide the information, assume that the applicant lives in a 1-person family to determine the FPL.

D. Policy for income limits for subsidy eligibility

The income limits for subsidy eligibility are determined based on a percentage of the FPL.

1. Full subsidy

To be eligible for a full (100%) premium subsidy, the individual must have countable income less than, or equal to **135%** of the FPL for the applicable State and family size.

NOTE: If the individual's income is less than or equal to 135% of the FPL, he or she is eligible for a **full** premium subsidy, regardless of whether the individual's resources are under the lower limit (\$6,600 or less) or the higher limit (\$11,010 or less). Although eligible for a full premium subsidy, this individual would get less help with deductibles and co-pays, if his or her resources are over the \$6,600 limit but under the \$11,010 limit. (See [HI 03001.001E](#). (Description of the Medicare Prescription Drug Program)).

2. Partial subsidy

The individual may be eligible for a partial premium subsidy if his or her income is greater than 135% of the FPL, but is less than 150% of the FPL.

NOTE: If the individual's income falls within this range, he or she is eligible for a **partial** premium subsidy whether the individual's resources are \$6,600 or less, or they are \$11,010 or less. If the individual's resources exceed \$11,010, he or she is not eligible for any premium subsidy.

3. No subsidy

An applicant is ineligible for any subsidy if his or her countable income is **150% or more** of the FPL for the applicable State and family size.

Table: Income Limits for Subsidy Eligibility

Countable Income	Premium Subsidy
Less than or equal to 135% of FPL and resources are less than or equal \$6,600/individual (\$9,910/couple)	100%
Less than or equal to 135% of FPL and resources exceed \$6,600/individual (\$9,910/couple) but do not exceed \$11,010/individual (\$22,010 couple)	100% premium subsidy (but less help with copays and deductibles)

Countable Income	Premium Subsidy
Greater than 135% FPL, but not more than 140%	75%
Greater than 140% FPL, but not more than 145%	50%
Greater than 145% FPL, but less than 150%	25%
150% or more	None

E. Examples of income limits for subsidy eligibility

The following examples illustrate how the income limits are determined for subsidy eligibility.

1. Example 1 - individual

Mr. Smith lives alone and applies for the subsidy. He receives \$955 per month in Social Security benefits before the Medicare Part B premium deduction and a private pension of \$336 per month before taxes are deducted. Assume that his resources are below the limit. His countable income is:

Social Security	\$11,460 (12 x \$955)
Private pension	<u>4,032</u> (12 x \$336)
Total income	15,492
	<u>-240</u> (12 x the \$20 general income exclusion)
Countable Income	\$15,252

Assume that the applicable FPL for a 1-person family is \$10,830. (The 2009 FPL rates are used for this example. For the current FPL rates, see [HI 03001.010D](#).) The subsidy income limits are determined as follows:

$$\$10,830 \times 135\% = \$14,620.50$$

$$\$10,830 \times 140\% = \$15,162.00$$

$$\$10,830 \times 145\% = \$15,703.50$$

$$\$10,830 \times 150\% = \$16,245.00$$

Analysis: Mr. Smith's countable income is greater than 140% of the poverty guideline, but it is less than 145% of the poverty guideline. Therefore, Mr. Smith is eligible for a 50% premium subsidy. Assuming that Mr. Smith's Part D premium is \$35 per month, his subsidy covers \$17.50 (50%) of his monthly premium. He is required to pay \$17.50 per month for the 50% of the premium not covered by the subsidy, assuming there are no late enrollment fees.

2. Example 2 - married couple

John and Dorothy White are married and living together, and live in Kansas. Mr. White is age 70, receives Title II benefits of \$902 and a private pension of \$341 per month. He enrolls in Part D Medicare and applies for the premium subsidy. Mrs. White is not old enough for Medicare and is still working. She expects annual gross earnings of \$13,230. Assume that the Whites' resources are within the limits for eligibility.

Mr. White's Social Security	\$10,824 (12 x \$902)
Mr. White's Pension	+4,092 (12 x \$341)
	<u>-240</u> (12 x the \$20 exclusion)
Countable Unearned Income	\$14,676

Mrs. White's Wages	\$13,230
	<u>-780</u> (12 x \$65 exclusion)
	\$12,450
	\$12,450 X .5 = \$6,225 (one-half exclusion)
Countable Earned Income	\$6,225
Countable Unearned Income	<u>\$14,676</u>
Total Countable Income	\$20,901

Assume that the FPL for a 2-person family is \$14,570. (The 2009 FPL rates are used for this example. For the current FPL rates, see [HI 03001.010D](#).) The subsidy income limits are determined as follows:

$$\$14,570 \times 135\% = \$19,669.50$$

$$\$14,570 \times 140\% = \$20,398.00$$

$$\$14,570 \times 145\% = \$21,126.50$$

$$\$14,570 \times 150\% = \$21,855.00$$

Analysis: The couple's countable income (\$20,901) is greater than 140% of the FPL and less than 145%. Therefore, Mr. White is eligible for a 50% subsidy.