



# CARES Act Income Support and Unemployment Compensation: Effect on Eligibility for Medicaid, CHIP, and ACA Premium Tax Credit

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The Coronavirus Aid, Relief, and Economic Security Act (CARES Act; P.L. 116-136) provides direct support to eligible individuals, including income support and unemployment compensation, among other provisions. Receipt of such support may have implications for individuals with publicly subsidized health coverage. This Insight provides background about specific CARES Act provisions and discusses the impact, if any, of such benefits on eligibility for Medicaid, the State Children’s Health Insurance Program (CHIP), and the premium tax credit established under the Affordable Care Act (ACA; P.L. 111-148, as amended).

## Selected CARES Act Provisions

The CARES Act provides one-time direct payments to certain individuals, referred to as [2020 recovery rebates](#) (i.e., economic impact payments, stimulus payments). The maximum rebate amount equals \$1,200 per eligible individual (\$2,400 for married taxpayers filing a joint tax return) and \$500 per eligible child. These amounts phase down for higher-income taxpayers. The rebate is provided in the form of a refundable tax credit.

Per [Section 6409](#) of the Internal Revenue Code, these payments do not count as income, or as resources for a 12-month period, in determining eligibility for, or the amount or extent of benefits or assistance provided by, any federally funded public benefit program. In addition, these payments are not taxable.

The CARES Act also makes a number of changes to [unemployment compensation](#), including a temporary federal unemployment benefit—*Federal Pandemic Unemployment Compensation* (FPUC). FPUC provides an additional \$600 that augments weekly unemployment insurance (UI) benefits. The \$600 FPUC benefit is payable through agreements with states for weeks of unemployment ending on July 25, 2020 (July 26, 2020, in New York).

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UI is generally subject to taxation as outlined in the following IRS guidance: [Unemployment Compensation](#) and [Internal Revenue Service \(IRS\) Tax Topic No. 418, Unemployment Compensation](#). Thus, UI may affect eligibility for federal benefit programs that determine eligibility based on income. However, [Section 2104\(h\) of the CARES Act](#) requires FPUC income to be disregarded when determining Medicaid and CHIP income eligibility. No equivalent disregard language applies to the ACA premium tax credit.

## Potential Impact of CARES Act Provisions on Eligibility for Selected Health Coverage

### Medicaid and CHIP

[Medicaid](#) is a joint federal-state program that finances the delivery of primary and acute medical services, as well as long-term services and supports, to a diverse low-income population, including eligible children, pregnant women, adults, individuals with disabilities, and people aged 65 and older. [CHIP](#) provides health insurance coverage to low-income, uninsured children in families with incomes above applicable Medicaid income standards and to certain pregnant women. States have flexibility to design their own Medicaid and CHIP programs within the federal statute's basic framework. This flexibility results in variability across state Medicaid and CHIP programs regarding factors such as eligibility and covered benefits.

Eligibility for Medicaid and CHIP is limited to those with financial need, among other criteria. However, the criteria used to determine financial eligibility—income and sometimes resource (i.e., asset) tests—vary by eligibility group. For most Medicaid eligibility groups and CHIP applicants, the criteria used to determine financial eligibility are based on [modified adjusted gross income \(MAGI\)](#) income counting rules. There is no resource test used to determine Medicaid or CHIP financial eligibility for MAGI-eligible individuals.

Certain populations, such as older adults, individuals with disabilities, and children eligible through the [Express Lane Eligibility option](#), are statutorily exempt from MAGI income counting rules. For [MAGI-exempt eligibility groups](#), income disregards and resource tests may apply.

### *2020 Recovery Rebates*

As noted above, the rebates are not considered taxable income and therefore are [not counted](#) in MAGI-based Medicaid and CHIP income eligibility determinations. In addition, these payments are [not counted](#) as income, or as resources for the 12-month period following receipt, when determining Medicaid financial eligibility for non-MAGI eligibility groups.

Complaints that [nursing homes](#) and [assisted living facilities](#) are taking Medicaid residents' rebates have led both the [IRS](#) and the [Federal Trade Commission](#) to issue advisories stating that rebates belong to the resident and not the organization providing care. [The Centers for Medicare & Medicaid Services \(CMS\)](#) has stated that the practice of nursing homes seizing residents' rebates is prohibited and that nursing homes that engage in this practice "may be subject to federal enforcement actions, including potential termination from participation in the Medicare and Medicaid programs."

### *Unemployment Compensation*

In general, UI benefits are typically considered to be countable income when determining Medicaid and CHIP eligibility for both MAGI and MAGI-exempt eligibility groups. However, [Section 2104\(h\) of the CARES Act](#) requires states to disregard the \$600 FPUC payments when "determining income for any purpose" under Medicaid and CHIP. [CMS interpreted](#) this to mean that states must disregard FPUC

payments when determining income eligibility and income-based scope of assistance (e.g., beneficiary cost sharing, [post-eligibility treatment of income](#)) for Medicaid and CHIP.

### **ACA Premium Tax Credit**

The [ACA premium tax credit](#) reduces the cost of health insurance for eligible individuals seeking private health insurance offered through the [health insurance exchanges](#) (*marketplaces*) established under the ACA. Eligibility for and amount of the credit is based on household income of the person or family seeking insurance, among other factors. Household income is equivalent to MAGI, as specified in statute for ACA credit purposes.

### ***2020 Recovery Rebates***

As mentioned above, the rebates do not count as income nor are they taxable. Similar to Medicaid and CHIP, the rebates do not affect ACA premium tax credit eligibility. Likewise, the rebates do not affect the amount that a person who is eligible for the ACA credit would receive.

### ***Unemployment Compensation***

In contrast to Medicaid and CHIP, any \$600 FPUC payment would count toward income. Depending on the sum of UI benefits received in the tax year, the total amount may make an individual ineligible for the ACA premium tax credit and/or reduce the amount of such credit. As of the publication date, several bills have been introduced that would disregard FPUC payments for determining eligibility and amount of assistance for ACA tax-credit purposes: H.R. 6680/S. 3619, H.R. 6695, H.R. 6800 and S. 3696.

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