Medicaid Eligibility Reform: Reasonable Compatibility & Tax Data

Response to HB1 of the 2018 Second Extraordinary Legislative Session

Louisiana Department of Health

Bureau of Health Services Financing

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LOUISIANA DEPARTMENT OF HEALTH

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Executive Summary

House Bill 1 of the 2018 Second Extraordinary Legislative Session (HB1) reduced the Louisiana Department of Health's (LDH or the Department) State Fiscal Year 2019 budget by $20.9 million state general fund to account for "reforms in the Medicaid eligibility process… that will reduce the reasonable compatibility standard from 25 percent to 10 percent and begin the utilization of income tax data as a tool in the eligibility determination process…"

HB1 further directed the Department to "submit monthly reports to the Joint Legislative Committee on the Budget detailing the progress made in the implementation of the reforms, the reductions in expenditures being generated by these changes to the eligibility process by means of financing, the number of cases undergoing additional review due to the reforms, and the number of individuals being denied eligibility each month either on their initial application or annual redetermination attributable to said process changes."

Reasonable Compatibility Status

Progress and impacts of the reasonable compatibility standard change for the reporting period of September 22, 2018 to October 19, 2018 include the following summarized results. Each reporting measure is explained in further detail in subsequent sections.

Progress Made in the Implementation of Reasonable Compatibility Reform

June 1, 2018	Reasonable compatibility standard changed from 25% to 10%
July 2018	Phased-in statewide implementation of web-based tracking tool for reasonable compatibility to comply with specific reporting in HB1.

Reductions in Expenditures Generated by Changes to the Eligibility Process by Means of Financing

The estimated net per member per month (PMPM) savings achieved as a result of the reasonable compatibility standard change for the reporting period are:

Estimated Reasonable Compatibility Savings

Means of Finance	Savings This Report Period (9/22/18 – 10/19/18)	Savings SFY18 to date
State General Fund	$ 43,036	$ 146,829
Federal	$ 228,095	$ 778,952
Total	$ 302,754	$ 925,781

Number of Cases Undergoing Additional Review Due to the Reforms

Of the approximate 168,310 total applications and renewals processed by Medicaid during the reporting period, **2,378** cases (about 1.4%) fell between the new 10% and former 25% thresholds and underwent additional review during the reporting period due to the reasonable compatibility reforms.

Number of Individuals Denied Each Month at Application or Renewal Due to the Reforms

A total of **671** individuals, representing about 0.4% of all applications and renewals, were denied eligibility during the reporting period as a result of the reasonable compatibility change: 607 at initial application and 64 at annual renewal.

Tax Data Status

LDH plans to begin routine use of federal tax data as an external data source for income verification in May 2019. Use of federal tax data on all income-based eligibility decisions requires extensive security protocols be arranged with the IRS and corresponding eligibility system updates. Assuming a January 2019 start date for the development of these system updates, the following table outlines the implementation activities and associated timelines:

LaMEDS Federal Tax Data Integration Timeline

Implementation Step	Target Completion Date
Functional System Design	1/18/19
Design Documentation	2/1/19
System Development	3/29/19
Development/Integration Testing	4/12/19
Training	5/10/19
Background Checks	5/10/19
Policy and Procedure Updates	5/10/19
User Acceptance Testing	5/17/19
System Go-Live	5/17/19

Though the Department has not yet begun using data from tax returns for all income-based eligibility decisions, federal tax data is currently used in certain long-term care eligibility decisions.

Louisiana Workforce Commission Data

Prior to the use of federal tax data, LDH will obtain additional wage information from the Louisiana Workforce Commission (LWC) for income verification purposes. If LWC reports income more recent than verified income currently in the individual's file, the LWC data will replace the existing income data and eligibility will be reassessed. If it is determined that the individual is no longer eligible for Medicaid, the individual will be disenrolled after adequate notice to the recipient has been issued pursuant to 42 CFR 435.919 and 431.211.

An interim eligibility check using 2018 quarter 3 (July – September) LWC income data is scheduled for January 2019, pending finalization of the data sharing agreement with LWC. Ongoing regular quarterly checks are anticipated to begin in February 2019 with the receipt of 2018 quarter 4 (October – December) LWC wage data.

What is Reasonable Compatibility?

The Affordable Care Act (ACA) introduced a new, streamlined approach to determine Medicaid eligibility using electronic data sources (also referred to as systems checks) and minimizing the need for applicants and recipients to provide paper documentation. When verifying income and other eligibility factors, state Medicaid agencies compare the sworn attestations made on application and renewal forms to available electronic data sources. States can only require additional documentation during the application process if the information from the attestation and the information from the data source are not considered reasonably compatible.[1]

Louisiana verifies self-attestations using data sources such as the Louisiana Workforce Commission, The Work Number/TALX, the federal service data HUB, and the State Online Query System. If the reasonable compatibility income standard is met, no additional verification is necessary.

For example, if an applicant attests to a monthly income of $1,000, but external data sources indicate a monthly income of $1,200, in order to comply with federal regulations at 42 CFR 435.952, the applicant would be asked to provide a reasonable explanation for the difference in the two figures since the percent difference is greater than the reasonable compatibility threshold of 10 percent:

A	Income – Self-Attested	$1,000
B	Income – External Data Source	$1,200
C	% Difference = (B-A)/A	20%

Although federal regulations do not provide a definition of "reasonable explanation," in order to examine the integrity of eligibility decisions, LDH plans to implement new procedures for documenting "reasonable explanation" decisions by the end of January 2019.

Implementation of Reasonable Compatibility Reform

The Department changed its reasonable compatibility threshold from 25% to 10% on June 1, 2018, before the extensive reporting mandates outlined in HB1 were finally passed. In response to the new reporting requirements, the Department developed a more robust tracking mechanism over and above the initial, more simplified version in order to comply with the Act. Our current eligibility system, MEDS, lacks the capacity to track the activities and any savings associated with this reform. In order to accomplish these reporting goals, a web-based tracking tool was developed. This tool was piloted in one region of the state prior to an incremental statewide rollout in July. As eligibility field staff began using the tool, quality reviews of the information were conducted and additional training was provided as needed.

When eligibility field staff process applications and renewals, either for (1) an individual aged 18 or older or (2) containing a self-attested income amount, the staff member creates a record in the web-based tracking tool. Those cases where the percent difference between self-attested income and income from external sources is between 10% and 25% were extracted for use in this report.

[1] "Reasonable Compatibility Policy Presents an Opportunity to Streamline Medicaid Determinations." *Center on Budget and Policy Priorities*, 16 Aug. 2016, www.cbpp.org/research/reasonable-compatibility-policy-presents-an-opportunity-to-streamline-medicaid.

Reporting Time Period

Consistent with the fixed monthly schedule for eligibility decision-making systems processing, **the data in this report is reflective of applications and renewals reviewed from September 22, 2018 to October 19, 2018.**

Because of the separate reporting and tracking tool required, a data match between systems must take place in order to obtain all needed data elements for reporting purposes. Specifically, Medicaid staff match the reasonable compatibility tracking tool data against the MEDS eligibility system data, after which, a manual review is conducted of the output. The match must be scheduled on a time and date that will not interfere with scheduled daily or monthly systems processes. Failure to do so could hinder the ability of eligibility staff to process applications in a timely and efficient manner, and could also affect other systems that rely on the data produced by these scheduled processes (e.g., Enrollment Broker using eligibility data to link enrollees to a health plan). Additionally, limitations of the web-based tracking tool allow for export of only four weeks of data. As a result of these considerations, each month's data match is scheduled prior to the end of the calendar month.

Reasonable Compatibility Reform Impact

Number of Cases That Required Additional Review and Number of Individuals Denied Eligibility at Application or Renewal

Table 1 reflects the number of secondary case reviews tracked as a result of the reasonable compatibility reform, grouped by application status as of the end of the reporting period. The cases reported fell with a reasonable compatibility range of 10% to 25%, which would otherwise not have been reviewed under the previous 25% reasonable compatibility threshold.

Table 1: Number of Cases that Required Additional Review and Number of Individuals Denied Eligibility Attributable to Reasonable Compatibility Reform, 9/22/2018 to 10/19/2018

Application/Renewal	# of Cases	% of Cases
Individuals Eligible After Reasonable Compatibility Review		
Application	839	35%
Renewal	484	20%
Subtotal - Eligible	1323	56%
Individuals Ineligible After Review		
Individuals Ineligible for Income-Related Reasons		
Application	607	26%
Renewal	64	3%
Subtotal - Ineligible - Income	671	28%
Individuals Ineligible for Non-Income-Related Reasons		
Application	360	15%
Renewal	24	1%
Subtotal - Ineligible - Other	384	16%
Grand Total	2,378	100%

Additionally, there were 348 cases where an income review was initiated but had not been completed by the end of the reporting period. The final status of these applications will be included in the December 2018 report.

Of the individuals who were deemed ineligible, **only those who were ineligible due to income-related reasons were denied eligibility as a result of the reasonable compatibility reform**. Denial reasons related to income include income over the program limit and failure to provide income verification. Individuals who were deemed ineligible due to non-income-related reasons would have been found ineligible regardless of the reasonable compatibility standard; however, income verification is processed before other eligibility rules. As a result, these individuals were initially determined to fall within the 10% to 25% threshold and a case worker conducted a manual income review. While the individuals cleared the manual income review, they were later determined ineligible for other reasons. Examples of non-income-related denial reasons include, but are not limited to, age above program limits and duplicate application.

Reductions in Expenditures

Table 2 shows estimated savings achieved through managed care organization and dental benefit plan per member per month (PMPM) payments avoided during the reporting period as a result of the reasonable compatibility reform. This estimate is reflective of the different PMPMs for each group of MCO members described below.

- **Managed Care Organizations**
  There are two distinct groups of MCO members:
  - Full Benefit: Those who receive all physical, behavioral health, and transportation services through their health plan.
  - Partial Benefit: Those who receive only specialized behavioral health and non-emergency medical transportation through their health plan.
- **Dental Benefit Plan**
  The Medicaid dental benefit plan is administered by MCNA. MCNA receives a PMPM for dental coverage of children required under the Early & Periodic Screening, Diagnostic and Treatment (EPSDT) benefit, and for adult denture services.

Table 2: Estimated MCO & Dental PMPM Savings Generated by Reasonable Compatibility Reform, 9/22/2018 to 10/19/2018

Eligibility Category	# Individuals Denied	Total Savings	State Savings	Fed Savings
Non-Expansion Full Benefit	262	$91,273.22	$30,115.16	$61,158.06
Non-Expansion Partial Benefit	61	$1,218.34	$415.74	$802.60
Expansion (Full Benefit)	348	$178,638.84	$12,504.72	$166,134.12
Total	**671**	$271,130.40	$43,035.62	$228,094.78

Appendix A: SFY 19 Reasonable Compatibility Savings Dashboard

Report Publication Date	Total	Aug	Sept	Oct	Nov
Report Period From		6/1/2018	7/28/2018	8/25/2018	9/22/2018
Report Period To		7/27/2018	8/24/2018	9/21/2018	10/19/2018
SAVINGS					
SGF	$146,829	$8,060	$47,653	$48,080	$43,036
Federal	$778,952	$66,362	$229,821	$254,674	$228,095
Total	***$925,781***	***$74,422***	***$277,475***	***$302,754***	***$271,130***
NUMBER OF INDIVIDUALS DENIED/CLOSED FOR INCOME-RELATED REASONS					
Non-Expansion Full Benefit	652	32	196	162	262
Non-Expansion Partial Benefit	284	36	8	179	61
Expansion	1192	119	336	389	348
Total	***2,128***	***187***	***540***	***730***	***671***

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