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

February 2019

LOUISIANA DEPARTMENT OF HEALTH

Contents

Executive Summary 2

What is Reasonable Compatibility? 4

Implementation of Reasonable Compatibility Reform 4

Reporting Time Period 5

Impact of the New Eligibility and Enrollment System 5

Reasonable Compatibility Reform Impact 6

Appendix: SFY 19 Reasonable Compatibility Savings Dashboard 8

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 in state general funds 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

The progress made toward changing Louisiana Medicaid's reasonable compatibility standard and the impact on the reporting period from January 1, 2019 to January 31, 2019 is summarized below. 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 percent to 10 percent
July 2018	Phased-in statewide implementation of web-based tracking tool for reasonable compatibility to comply with specific reporting in HB1.
November 13, 2018	Implementation of new eligibility and enrollment system, which automates the data collection previously achieved through the web-based tracking tool.
February 11, 2019	First eligibility assessment using Louisiana Workforce Commission (LWC) quarterly wage data.

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 Reporting Period (1/1/19 – 1/31/19)	Savings SFY19 to date
State General Fund	$1,389	$180,802
Federal	$7,548	$946,532
Total	**$8,937**	**$1,127,334**

Number of Cases Undergoing Additional Review Due to the Reforms

During the reporting period, **159** cases fell between the new 10 percent and former 25 percent thresholds and underwent additional review due to the reasonable compatibility reforms.[1]

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

A total of **21** individuals were denied eligibility during the reporting period as a result of the reasonable compatibility change: 13 at initial application and 8 at annual renewal.

[1] Data on the total number of applications and renewals processed during the reporting period is not available as of the publication date of this report. We anticipate having this information by February 19, 2019, at which time this report will be updated.

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. LDH is currently on track for May 2019 implementation.

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 has obtained 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.

LDH made its first use of LWC wage information in January 2019 using third quarter (July – September) 2018 data. Due to the dated nature of the data, this use was limited to data analytics and system testing.

The second use of LWC wage information took place in February 2019 using more recent, fourth quarter (October – December) 2018 LWC wage data. Individuals identified as having income over programmatic limits were sent a letter on February 11, 2019, requiring proof of qualifying income within ten days to prevent being disenrolled from Medicaid.

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.[2]

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 in 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	Percent Difference = (B-A)/A	20 percent

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

Implementation of Reasonable Compatibility Reform

The Department changed its reasonable compatibility threshold from 25 percent to 10 percent 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 previous eligibility system lacked 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 staff began using the tool, quality reviews of the information were conducted and additional training was provided as needed.

Using the previous eligibility system, when eligibility field staff processed applications and renewals, either for (1) an individual aged 18 or older or (2) containing a self-attested income amount, the staff member created a record in the web-based tracking tool. Those cases where the percent difference between self-attested income and income from external sources was between 10 percent and 25 percent were extracted for use in previous months' reports.

On November 13, 2018, a new Medicaid eligibility and enrollment system was implemented. Because the new eligibility system has the capability to track activities related to reasonable compatibility reform, use of the web-based tracking tool was discontinued.

[2] "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

Due to scheduling logistics and system limitations of Medicaid's previous enrollment and eligibility system, reporting periods for prior publications ended before the end of each calendar month. On November 13, 2018, the new eligibility and enrollment system went live, enabling reporting on a calendar month basis.

Impact of the New Eligibility and Enrollment System

As is the case with any large-scale technological upgrade, LDH planned for a transition period following the launch of the new eligibility and enrollment system. During this period, LDH anticipated and is in fact now experiencing lower productivity levels as staff acclimate to the new system and related business process changes.

To mitigate the productivity impact of this transition, LDH planned and with CMS approval implemented a temporary extension of renewals, as is standard practice for states implementing a system change of this magnitude. The purpose of the extension was to allow eligibility staff to focus on application volume while overcoming the learning curve and to phase in renewal volume through SFY19 as staff gain proficiency and application productivity levels normalize.

The productivity impact of this ongoing transition is reflected in the data contained in this report. Specifically, the number of cases that underwent additional review due to the reasonable compatibility reform and resulting savings for those found ineligible decreased.

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 within a reasonable compatibility range of 10 percent to 25 percent, which would otherwise not have been reviewed under the previous 25 percent reasonable compatibility threshold.

Table 1: Number of Cases that Required Additional Review and Number of Individuals Denied Eligibility Attributable to Reasonable Compatibility Reform, 1/1/2019 to 1/31/2019

Application/Renewal	# of Cases	% of Cases
Individuals Eligible After Reasonable Compatibility Review		
Application	118	74%
Renewal	0	0%
Subtotal - Eligible	118	74%
Individuals Ineligible After Review		
Individuals Ineligible for Income-Related Reasons		
Application	13	8%
Renewal	8	5%
Subtotal - Ineligible - Income	21	13%
Individuals Ineligible for Non-Income-Related Reasons		
Application	9	6%
Renewal	11	7%
Subtotal - Ineligible - Other	20	13%
Grand Total	159	100%

Additionally, there were 455 cases where an income review was initiated but had not been completed by the end of the reporting period. These applications are not included in the data in Table 1 and will be included in the March 2019 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 percent to 25 percent 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 (MCO) 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 MCO.
    - Partial Benefit: Those who receive only specialized behavioral health and non-emergency medical transportation through their MCO.

- **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 and Dental PMPM Savings Generated by Reasonable Compatibility Reform, 1/1/2019 to 1/31/2019

Eligibility Category	# Individuals Denied	State Savings	Federal Savings	Total Savings
Non-Expansion Full Benefit	5	$963	$2,240	$3,203
Non-Expansion Partial Benefit	5	$31	$57	$88
Expansion (Full Benefit)	11	$395	$5,251	$5,646
Total	**21**	**$1,389**	**$7,548**	**$8,937**

Appendix: SFY 19 Reasonable Compatibility Savings Dashboard

	August	September	October	November	December	January		February	Total
Report Period From	6/1/2018	7/28/2018	8/25/2018	9/22/2018	10/20/2018	11/13/2018	12/1/2018	1/1/2019	
Report Period To	7/27/2018	8/24/2018	9/21/2018	10/19/2018	11/12/2018	11/30/2018	12/31/2018	1/31/2019	
SAVINGS									
State Funds	$8,060	$47,654	$48,080	$43,035	$30,639	$1,191	$754	$1,389	$180,802
Federal Funds	$66,362	$229,821	$254,674	$228,095	$143,583	$8,418	$8,031	$7,548	$946,532
Total	***$74,422***	***$277,475***	***$302,754***	***$271,130***	***$174,222***	***$9,609***	***$8,785***	***$8,937***	***$1,127,334***
NUMBER OF INDIVIDUALS DENIED/CLOSED FOR INCOME-RELATED REASONS									
Non-Expansion Full Benefit	32	196	162	262	83	6	4	5	750
Non-Expansion Partial Benefit	36	8	179	61	147	2	2	5	440
Expansion	119	336	389	348	204	14	15	11	1,436
Total	***187***	***540***	***730***	***671***	***434***	***22***	***21***	***21***	***2,626***

Louisiana Department of Health

628 North Fourth Street, Baton Rouge, Louisiana 70802

(225) 342-9500

www.ldh.la.gov

www.facebook.com/LaHealthDept.

www.twitter.com/LADeptHealth