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

Contents

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 June 1, 2018 to July 27, 2018[1] 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, June 1, 2018 – July 27, 2018

State General Fund	$ 8,060
Federal	$ 66,362
Total	$ 74,422

Number of Cases Undergoing Additional Review Due to the Reforms

Of the approximate 360,000 total applications and renewals processed by Medicaid during the reporting period, **959** cases (about 0.27%) 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 **187** individuals, representing about 0.05% of all applications and renewals, were denied eligibility during the reporting period as a result of the reasonable compatibility change: 171 at initial application and 16 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 the summer of 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. These updates are scheduled for inclusion in release two of the new modernized eligibility and enrollment system, LaMEDS. Though the Department has not

[1] Specified tracking procedures required to comply with the legislation's reporting requirements were not adopted until July 2018 after final passage of HB1. As a result, the figures in this initial report may be understated.

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.

Prior to the use of federal tax data, LDH will obtain additional wage information from the Louisiana Workforce Commission (LWC) for income verification purposes. Specifically, LDH plans to use the LWC data for targeted quarterly reviews of cases at high-risk for income ineligibility due to a change of circumstances prior to annual renewal. These quarterly checks are scheduled to take place beginning in the fall of 2018, and LDH plans to later expand to a wider scale with systematic integration into LaMEDS.

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 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 improve the integrity of eligibility decisions, LDH is exploring potential additions to its eligibility policy and procedures to improve clarity and consistency.

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. Table 1 below indicates the initial training date for each region.

Table 1: Reasonable Compatibility Tracking Tool Initial Training Dates

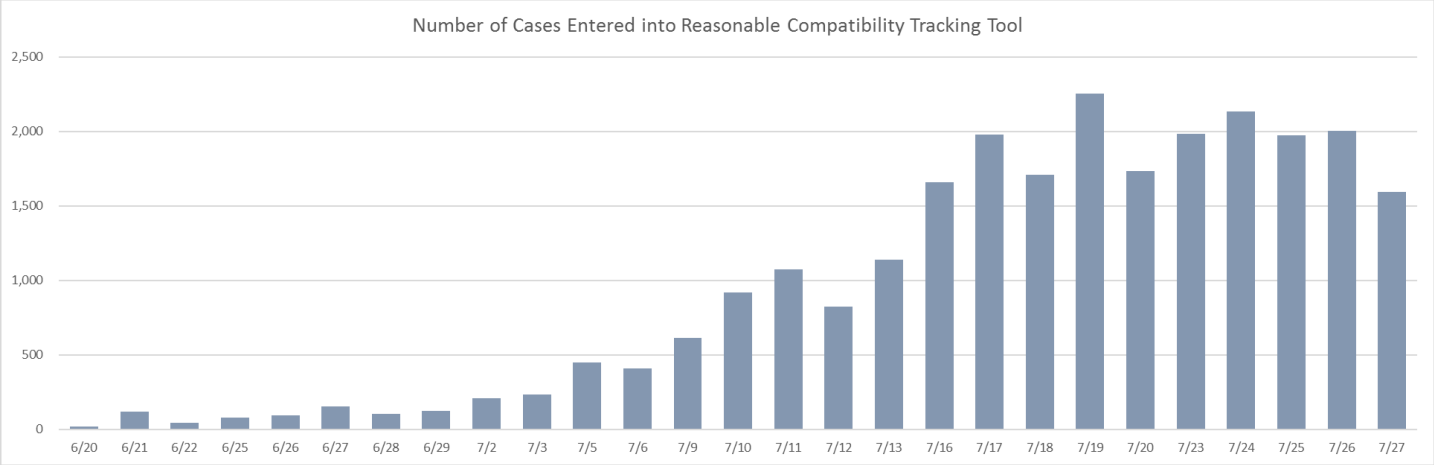
Initial Training Date	Region(s)
6/19/18	7 - Shreveport
7/3/18	2 - Baton Rouge 3 - Thibodeaux
7/10/18	1 - New Orleans 4 – Lafayette 8 - Monroe
7/12/18	5 - Lake Charles 6 - Alexandria
7/16/18	9 - Hammond

[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.

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. Figure 1 shows the number of cases entered into the tracking tool each day, which is reflective of incremental statewide implementation. **As a result, initially reported figures may be understated.**

Figure 1: Number of Cases Entered into Reasonable Compatibility Tracking Tool, June – July 2018



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.

Reporting Time Period

Consistent with the fixed monthly schedule for eligibility decision-making, which ends the third to last working day of each month, **the data in this report is reflective of applications and renewals reviewed from June 1, 2018 to July 27, 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). As a result of these timing considerations, each month's data match will be 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 2 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 2: Number of Cases that Required Additional Review and Number of Individuals Denied Eligibility Attributable to Reasonable Compatibility Reform, 6/1/2018 to 7/27/2018

Application/Renewal	# of Cases	% of Cases
Individuals Eligible After Reasonable Compatibility Review		
Application	355	37.02%
Renewal	329	34.31%
Subtotal - Eligible	684	71.32%
Individuals Ineligible After Review		
Individuals Ineligible for Income-Related Reasons		
Application	171	17.83%
Renewal	16	1.67%
Subtotal - Ineligible - Income	187	19.50%
Individuals Ineligible for Non-Income-Related Reasons		
Application	69	7.19%
Renewal	19	1.98%
Subtotal - Ineligible - Other	88	9.18%
Grand Total	**959**	**100.00%**

Additionally, there were 238 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 September 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 3 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 3: Estimated MCO & Dental PMPM Savings Generated by Reasonable Compatibility Reform, 6/1/2018 to 7/27/2018

Eligibility Category	# Individuals Denied	Total Savings	State Savings	Fed Savings
Non-Expansion Full Benefit	**32**	$(11,895)	$(3,300)	$(8,594)
Non-Expansion Partial Benefit	**36**	$(1,451)	$(484)	$(967)
Expansion (Full Benefit)	**119**	$(61,077)	$(4,275)	$(56,802)
Total	**187**	$(74,422)	$(8,060)	$(66,362)

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