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SUBJECT: Financial Eligibility Verification Requirements and Flexibilities

This Center for Medicaid and CHIP Services (CMCS) Informational Bulletin (CIB) is part of a series of guidance to support states' efforts to verify eligibility and conduct renewals in a manner that supports program integrity and continuity of coverage for eligible Medicaid and Children's Health Insurance Program (CHIP) beneficiaries in compliance with federal regulations. This CIB reminds states about current requirements and state flexibilities in verifying financial eligibility for Medicaid and CHIP in accordance with sections 1137, 1940, and 1902(a)(46)(A) of the Social Security Act (the Act) and implementing regulations at 42 C.F.R. §§ 435.940 through 435.952 and 457.380. It contains numerous examples to illustrate application of the various verification policies. These requirements are designed to promote efficient and appropriate use of federal and state dollars in enabling individuals who meet the Medicaid and CHIP eligibility standards to enroll in and retain coverage and ensuring those who do not or no longer meet eligibility requirements can be successfully transitioned to other available coverage. Further, these requirements ease administrative burden on states by maximizing use of electronic data sources, thereby reducing the need to process documentation or other additional information from applicants and beneficiaries and reducing denial and termination of coverage for procedural reasons when an individual has not provided requested information, even if they meet all eligibility requirements. The Centers for Medicare & Medicaid Services (CMS) is committed to protecting access to health care for the individuals enrolled in Medicaid and CHIP in a manner that improves continuity of coverage and protects the integrity of these programs.

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I. Introduction

In describing the fundamental principles of financial eligibility verification under the statute and regulations, this guidance focuses on verification of attested financial information at application (including the options for verifying financial information when there is no available third-party data source) and when information obtained through an electronic data match shall be considered reasonably compatible with information provided by or on behalf of an applicant.[1] This CIB also describes the option states have to establish a strategic hierarchy that lays out the order in which electronic data sources will be accessed and considered when verifying financial information. The CIB describes income verification policies that apply to determinations made on the basis of Modified Adjusted Gross Income (MAGI) as well as determinations made for individuals excepted from MAGI-based financial methodologies under 42 C.F.R. § 435.603(j) (non-MAGI individuals), including asset verification policies that apply to determinations of eligibility for most non-MAGI individuals.

MAGI-based methodologies are based on an individual's MAGI-based household composition and income (which are set forth at 42 C.F.R. §§ 435.603(f) and 457.315); therefore "household income" is a term that is used specifically with respect to MAGI-based income throughout this guidance. Non-MAGI-based eligibility determinations are generally based on Supplemental Security Income (SSI) methodologies, although the methodologies of the former Aid to Families with Dependent Children (AFDC) program are still used in a few circumstances (primarily for parents/caretaker relatives, pregnant individuals, and children who are seeking eligibility as medically needy). Under 42 C.F.R. § 435.602, income that is included in a non-MAGI income eligibility determination is limited to the income of: the individual; the individual's spouse, if the spouse is living with the individual; and, in some circumstances, the individual's parents (e.g., if the individual is under age 21 and living with their parents). "Total countable income" is used in this guidance to distinguish the income included in a non-MAGI eligibility determination from the "household income" that is used to determine MAGI-based income eligibility. "Total countable assets" is used to refer to the total amount of assets considered in determining whether an individual seeking coverage on a non-MAGI basis satisfies any applicable asset test.

This CIB assists states in meeting their ongoing obligation to rely on information obtained through an electronic data match prior to requiring additional information from individuals. It provides examples of how using electronic data supports a streamlined and efficient eligibility determination process and how utilizing a robust set of data sources ensures the integrity of the eligibility determination process. The guidance also summarizes areas for potential state flexibility when verifying eligibility for Medicaid and CHIP, including the option to accept self-attestation of financial information or to enroll individuals based on attested information and conduct verification post-enrollment. This CIB serves as a resource to states seeking to maximize verification efficiencies.

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[1] The information presented throughout this CIB applies to cases in which an applicant has provided an attestation of income and/or resources on a Medicaid or CHIP application through any of the required modalities listed in 42 C.F.R. §§ 435.907(a) and 457.330 (e.g., online, by telephone, mail, in-person, or through other commonly available electronic means). The same principles and policies apply any time a beneficiary reports a change in financial information and the state receives a new attestation between regular renewals. Section IV.f. of this CIB discusses verifying attestations provided on a renewal form. In accordance with 42 C.F.R. §§ 435.945(a) and 457.380(a), states may accept attestation of information needed to determine the eligibility of an individual for Medicaid or CHIP without requiring further information except where the law requires other procedures.

This CIB does not address verification of non-financial factors of eligibility—such as state residency, citizenship, and immigration status—nor does it focus on verification of income or assets at an *ex parte* renewal, which is a redetermination of eligibility that states make based on reliable information available to the agency without requiring information from the individual, though states may find some information provided herein helpful in that process. CMS guidance is forthcoming on federal requirements and state flexibilities in conducting *ex parte* renewals. A separate CIB released on November 14, 2024, entitled, *Use of Unwinding-Related Strategies to Support Long-Term Improvements to State Medicaid Eligibility and Enrollment Processes,* provides guidance regarding states' continued use of streamlined eligibility and enrollment strategies authorized by CMS through waivers of certain federal requirements permitted under section 1902(e)(14)(A) of the Act.[2]

II. Overview of Fundamental Financial Eligibility Verification Principles

The foundation of any state's verification processes is the sources of information upon which the state relies in verifying whether an individual meets each eligibility criterion for coverage before requesting documentation or other additional information from the individual or their representative. Such sources include electronic and other data available to the agency, information from other public benefit programs, and attested information provided by or on behalf of the individual seeking coverage.

CMS reminds states of the following statutory and regulatory requirements and flexibilities in identifying the sources of data and information they will use in verifying financial eligibility for Medicaid and CHIP:

1. Section 1137 of the Act and implementing regulations at 42 C.F.R. §§ 435.948 and 457.380(d) identify the data sources that states are required to access to the extent they are useful in verifying income.
2. States have the option to use data sources in addition to those listed in section 1137 of the Act. 42 C.F.R. §§ 435.948(a) and 457.380(d).
3. States are permitted to rely on information attested to by the applicant or beneficiary or other authorized individual in verifying eligibility except to the extent that statute or regulations specifically require that the state attempt to verify an eligibility criterion using one or more available data sources. 42 C.F.R. §§ 435.945(a) and 457.380(a).
4. Information an applicant or beneficiary provides on a Medicaid/CHIP application or renewal form constitutes an attestation that the information is accurate to the best of the individual's knowledge, as does leaving information unchanged on a pre-populated beneficiary renewal form. Attested information may be provided by the individual, an adult who is in the individual's household, an authorized representative, or, if the individual is a minor or

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[2] States have the option to request time-limited authority under section 1902(e)(14)(A) of the Act to pursue strategies to support operations that facilitate the eligibility redetermination process and ensure due process protections during the fair hearing process. CMS approved a number of such flexibilities following the end of the COVID-19 PHE. Please refer to this graphic and table outlining the section 1902(e)(14)(A) waivers CMS has approved for states and territories: [COVID-19 PHE Unwinding Section 1902(e)(14)(A) Waiver Approvals | Medicaid]. As explained in the *Use of Unwinding-Related Strategies to Support Long-Term Improvements to State Medicaid Eligibility and Enrollment Processes* CIB, states can adopt certain of these flexibilities under other state plan authorities.

incapacitated, someone acting responsibly for them. 42 C.F.R. §§ 435.907(a) and (f), 435.916(b)(2)(i)(B), and 457.343.

5. For individuals whose eligibility is based on being age 65 or over, being blind, or having a disability, and who are subject to an asset test, section 1940 of the Act requires that states implement and use an Asset Verification System (AVS) in verifying assets held in a financial institution.

Once a state has identified the data sources it will use to verify financial eligibility for coverage, it must apply the following regulatory requirements, which are designed to promote program integrity and minimize administrative burden on states and individuals by maximizing use of available electronic data in verifying eligibility:

1. States must use available electronic data sources to the extent they are useful in verifying financial information (including, but not limited to, data sources identified in sections 1137 and 1940 of the Act and 42 C.F.R. §§ 435.948 and 457.380(d)) before requesting documentation or other information to verify attested information.
2. States may not request documentation or other information from an applicant or beneficiary unless there is no available electronic data source that the state can access to verify attested information, or data obtained is not "reasonably compatible" with the attested information (42 C.F.R. §§ 435.952(c) and 457.380(f)). Reasonable compatibility applies in verifying eligibility for both MAGI as well as non-MAGI individuals by comparing information received from electronic data sources to attested income and asset information.
3. If an individual attests to household or countable income or countable assets that are at or below the applicable income or resource standard and income or asset data from available electronic sources is at or below the applicable standard, the information is reasonably compatible with the attestation and the state must conclude that the individual satisfies the income or asset test for eligibility, even if the attested income or asset amounts do not match available electronic sources exactly.

States must document their verification policies and procedures in their verification plans. CMS approval of states' verification plans is not required, but states must submit their plans to CMS upon request, consistent with 42 C.F.R. §§ 435.945(j) and 457.380(j). At this time, CMS is not requiring states to submit updated verification plans with any new policies detailed in this guidance; however, states must document all verification policies and procedures for training and audit purposes. CMS may require that federal requirements and state options described in this guidance be included in verification plans submitted to CMS in the future. Further detail and information on Medicaid and CHIP financial verification requirements as well as state flexibilities are discussed below.

III. Verifying Financial Information in Determining Medicaid and CHIP Eligibility

a. Data Sources

In verifying eligibility, states are required to rely, to the maximum extent possible, on electronic data matches with trusted data sources and data available to the agency, rather than on documentation provided by applicants and beneficiaries. Additional information, including documentation, may be requested from such individuals only when the information cannot be

obtained through an electronic data source or when the available information is not reasonably compatible with information provided by the individual.

Section 1137 of the Act provides that states must access information available from specified sources (hereinafter "section 1137 data sources") if useful to verifying eligibility. Section 1137(a)(4)(A) of the Act further requires that covered state agencies exchange with each other information "which may be of use in establishing or verifying eligibility."

States also have the option to use additional data sources; however, 42 C.F.R. §§ 435.945(k) and 457.380(i) require that states must seek CMS approval to rely solely on alternative sources of information in lieu of one or more section 1137 data sources. States must access information through the Federal Data Services Hub ("the Hub") to the extent that information needed to verify Medicaid or CHIP eligibility is available through that service unless they request and receive CMS approval to use an alternative mechanism. As is discussed in greater detail in section VI. of this CIB, states describe their verification policies and procedures, including use of the different section 1137 data sources, in their verification plans, which CMS may request, consistent with 42 C.F.R. §§ 435.945(j) and 457.380(j).

i. Required Section 1137 Data Sources

For the purpose of verifying an individual's financial eligibility for Medicaid, sections 1137 and 1902(a)(46) of the Act require that states must have an income and eligibility verification system to obtain certain data regarding earned and unearned sources of income to the extent useful in determining eligibility for coverage. This requirement is codified at 42 C.F.R. § 435.948 and applies to determining financial eligibility for CHIP under 42 C.F.R. § 457.380(d). Section 1137(a)(4)(A) of the Act further requires that covered state agencies exchange with each other information "which may be of use in establishing or verifying eligibility."

ii. Guidelines for Determining Usefulness

Under section 1137 of the Act, the Secretary has the authority to determine the usefulness of the income information that state agencies must access for purposes of Medicaid eligibility verification. CMS delegated this authority to state Medicaid agencies, and current regulations at 42 C.F.R. §§ 435.948(a) and 457.380(d) provide that states have the responsibility to determine the usefulness of accessing each of the section 1137 data sources in determining initial and ongoing eligibility for Medicaid and CHIP.

The income information specified in section 1137 of the Act includes quarterly wage data from the State Wage Information Collection Agency (SWICA) or a similar agency; unemployment insurance benefit data from the state agency administering the state's unemployment compensation laws; earned and unearned income data from the Internal Revenue Service (IRS) and the Social Security Administration (SSA); information from state-administered supplementary payment programs; any state program approved under Titles I, X, XIV, or XVI of the Act; and the Supplemental Nutrition Assistance Program (SNAP). In addition, per regulations at 42 C.F.R. §§ 435.948 and 457.380(d), states must obtain available data from the Temporary Assistance for Needy Families (TANF) program funded under part A of Title IV of the Act if useful in verifying Medicaid and CHIP eligibility.

States must exercise reasonable judgment in determining that a data source identified by Congress in section 1137 of the Act is not useful in verifying eligibility. In determining usefulness, CMS expects states to consider such factors as the accuracy of the financial information, the timeliness of the information returned, the complexity of accessing the data or data source, the age of the financial records, the comprehensiveness of the data, any limitations imposed by the owner of the data on its use, as well as other relevant factors.

States may not determine that a mandatory data source identified in section 1137 of the Act and described at 42 C.F.R. §§ 435.948(a) and 457.380(d) is not useful based solely on the age of the data returned by that data source.[3] Further, if a state does determine that a data source is useful to verify an individual's income and uses that data source, the state may not determine that data returned from that source is not useful based solely on the age of the data returned, and thereby require individuals to provide documentation or other information. Therefore, a state cannot request documentation of wages without first attempting to verify income using quarterly wage or other available data sources used in the state.

The chart below outlines the data sources required by section 1137 of the Act, if determined useful, and the information those data sources provide to assist states in verifying Medicaid and CHIP income eligibility.

Data Source	**Information/Data Returned**
State Wage Information Collection Agency (SWICA) (also referred to as Quarterly Wage Data)	Wage Income from all employers participating in the service in the state. It is collected and made available directly from SWICA (or another state agency) on a quarterly basis, with information from each quarter typically available one or two quarters later.
Social Security Administration (SSA)	Data on earned income and unearned income (SSI, Social Security Disability Insurance (SSDI)), and retirement benefit payments, including benefits under Title II of the Act and the Railroad Retirement Act.
Earned and unearned income from the Internal Revenue Service (IRS) and the SSA	Federal tax return information that has been disclosed to the SSA under section 6103(l)(7) of the IRS Code of 1986, which provides for the disclosure of tax return information with respect to net earnings from self-employment, wages, unearned income and payments from retirement income.

[3] As explained in the preamble to CMS's March 23, 2012 Medicaid Program; Eligibility Changes Under the Affordable Care Act of 2010 Final Rule, (77 Federal Register (FR) 17175), the time lag in the availability of quarterly wage data would not justify a state concluding that such data is not useful to verifying income eligibility and routinely relying instead on documentation provided by the individual. This principle also applies in determining usefulness of all the data sources that Congress identified in the statute.

Data Source	Information/Data Returned
Agencies administering state unemployment compensation laws available pursuant to section 3304(a)(16) of the Internal Revenue Code of 1986 (the Code)	Unemployment compensation from the state agency administering the state's unemployment compensation laws pursuant to section 3304(a)(16) of the Internal Revenue Code of 1986. This includes the amount of benefits a state is paying to an individual collecting unemployment compensation for the duration of the payments. It is collected and made available directly from the applicable state agency on a monthly basis, with the data typically available the following month.
Supplemental Nutrition Assistance Program (SNAP) under the Food and Nutrition Act of 2008 (7 U.S.C. 2011 et seq.)	Income information for an individual from their SNAP casefile.
State-administered supplementary payment programs	State supplementary payments, defined at section 1905(j) of the Act as a cash payment made by a state on a regular basis to a recipient of SSI benefits, or to an individual who would be eligible for such benefits if their income were below the SSI federal benefit rate.
Any state Program Approved Under Title I, V, X, XIV, or XVI of the Act State program funded under Part A of Title IV	Income information for an individual from their casefile (e.g., wages, self-employment income). Title I - Grants to states for old-age assistance. Title IV - Part A—block grants to states for TANF. Title V - Grants to states for maternal and child welfare. Title X - Grants to states for aid to the blind. Title XIV- Grants to states for Aid to the Permanently and Totally Disabled. Title XVI authorizes the SSI program, which provides cash assistance to certain individuals who are age 65 or older, or who have blindness or disabilities, and who have limited income and resources. Note: The grant-in-aid programs identified above that are authorized under Titles I, X, XIV, and XVI of the Act operate only in Guam, Puerto Rico, and the U.S. Virgin Islands. The Act Amendments of 1972, Pub. L. 92-603, section 301, replaced the Title XVI grant-in-aid program with the federal SSI program, except in Guam, Puerto Rico, and the U.S. Virgin Islands. Thus, there are two Act programs authorized under Title XVI. The "Grants to States for Aid to the Permanently and Totally Disabled" Title XVI program operates only in Guam, Puerto Rico, and the U.S. Virgin Islands.

iii. Optional Income Verification Data Sources

States have the option to use reliable data sources in addition to those identified in section 1137 of the Act and 42 C.F.R. § 435.948. Some examples include information from state income tax returns; commercial or other current income data sources; and Federal Tax Information (FTI), which is provided directly by the IRS or through the Hub, and includes the MAGI of federal tax filers.[4] Under 42 C.F.R. §§ 435.945(k) and 457.380(i), states also have flexibility, subject to CMS approval, to rely on alternative sources of information in lieu of section 1137 data sources, provided that such alternative source reduces the administrative costs and burdens on individuals and states while maximizing accuracy, minimizing delay, meeting applicable requirements relating to the confidentiality, disclosure, maintenance, and use of information, and promotes coordination with other insurance affordability programs (IAPs). As with section 1137 data sources, states determine whether optional data sources are useful by considering such factors as the accuracy of the financial information, the timeliness of the information returned, the complexity of accessing the data or data source, the age of the financial records, the comprehensiveness of the data, any limitations imposed by the owner of the data on its use, as well as other relevant factors. States must identify all section 1137 and optional data sources used by the state in their verification plans.[5] As indicated above, 42 C.F.R. §§ 435.945(k) and 457.380(i) require states that only elect to use optional data sources to seek CMS approval.

Regulations at 42 C.F.R. §§ 435.952(c) and 457.380(f) require that states must attempt to verify information using all available data sources prior to requiring additional information or documentation from an individual. As such, a state that uses more than one data source to verify financial information may not require information or documentation from an individual unless it has first attempted verification using all available data sources. For example, in a state that verifies earned income using quarterly wage data, FTI, and SNAP, if no data is returned from quarterly wage or FTI, the state must also attempt to verify information using SNAP prior to requiring additional information or documentation.

iv. Asset Verification System

Section 1940 of the Act requires that states establish an AVS through which they can verify assets held by a financial institution. Under section 1940 of the Act, states are required to use their AVS to verify the assets of individuals subject to an asset test whose eligibility is being determined on the basis of being age 65 or older or having blindness or a disability. Section 1940 of the Act applies to all states, the District of Columbia, and Puerto Rico.[6]

The statute does not require that states use their AVS to verify financial assets of individuals seeking coverage under a Medicare Savings Program (MSP) group described in section

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[4] Earned and unearned income from the IRS and the SSA, which is made available pursuant to section 6103(l)(7) of the Code, is a section 1137 data source and includes data on earned income, including net self-employment income, unearned income, and retirement benefit payments, including benefits under Title II of the Act and the Railroad Retirement Act. FTI is an optional data source and provides data directly from the IRS that can be used to verify MAGI-based household income and family size.

[5] See section VI. of this CIB for discussion of state verification plans.

[6] Puerto Rico was not initially subject to section 1940 of the Act. Section 5101(c) of the Consolidated Appropriations Act, 2023 (Pub. L. 117-328) amended section 1940 of the Act to require that Puerto Rico implement an asset verification program by January 1, 2026.

1902(a)(10)(E) of the Act. Therefore, when determining eligibility for an MSP group, states have the option either to accept self-attestation of financial assets or to verify such assets through their AVS. However, in accordance with 42 C.F.R. § 435.952(c), in determining MSP eligibility, if a state does not accept self-attestation of financial assets verifiable through the state's AVS, the state cannot require individuals applying for or renewing coverage under an MSP group to provide proof of financial assets without first attempting to verify such assets through the state's AVS.[7]

Many financial institutions respond to AVS requests within five days, while smaller financial institutions may take as long as 30 days or more to return information to the Medicaid agency. States may establish a reasonable timeframe to wait for information to be returned from an AVS before determining eligibility based on attested assets or requesting documentation or other information to verify assets. In establishing a reasonable timeframe, CMS expects states to consider the need to make a timely determination, the benefits of reducing administrative burdens on the state as well as individuals, and the importance of ensuring program integrity.

Given the particular importance of determining eligibility and initiating coverage as expeditiously as possible at initial application, if an institution that participates in the state's AVS takes longer to return information than the reasonable period established by the state, the state can rely on attested asset information, or the state may request documentation to verify the attested assets prior to enrolling the individual into coverage. If the state finds the applicant eligible but obtains new asset information from the AVS after they've been enrolled that indicates the individual may not be eligible, the state must evaluate that information per change in circumstance regulations at 42 C.F.R. § 435.919 and redetermine eligibility as appropriate. The option to conduct verification of eligibility requirements post-enrollment is discussed in section V. of this CIB.

1. Authorization Required to Access AVS

Section 1940(b)(1)(A) of the Act requires Medicaid applicants and beneficiaries whose assets must be verified using the state's AVS to provide authorization for the required AVS data match. Section 1940(b)(1)(A) of the Act also requires that any other person whose resources are counted in determining an individual's eligibility provide authorization for an AVS data match with respect to their assets.[8] Therefore, if an individual seeking coverage is married, the state must obtain the signature and Social Security Number of both the individual and their spouse. Similarly, authorization from a child's parent(s) may be required, if verification of assets through

[7] Regulations at 42 C.F.R. §§ 435.4, 435.601, 435.911, and 435.952, promulgated in CMS's Streamlining Medicaid; Medicare Savings Program Eligibility Determination and Enrollment final rule, which appeared in the FR on September 21, 2023, added additional requirements for states in determining eligibility for MSP groups using information from the Low-Income Subsidy Application as required under section 1935(a)(4) of the Act. States are required to comply with these additional requirements by April 1, 2026. CMS will provide additional guidance on these requirements, which are not addressed in this CIB.

[8] Section 1940(e) of the Act requires the state to inform any person who provides authorization pursuant to subsection (b)(1)(A) of the duration and scope of the authorization. Under section 1940(c) of the Act, the duration of the authorization shall remain effective until the earliest of: (1) the rendering of a final adverse decision on the applicant's application for medical assistance under the state's plan under Title XIX; (2) the cessation of the recipient's eligibility for such medical assistance; or (3) the express revocation by the applicant or recipient (or such other person described in subsection (b)(1), as applicable) of the authorization, in a written notification to the state.

the AVS is required to determine the child's eligibility (i.e., only if the child is seeking coverage on a non-MAGI basis).

If an individual or their spouse or parent does not provide authorization, states may determine that the individual is ineligible for medical assistance on that basis per section 1940(f) of the Act, or states may require documentation from the spouse or parent before determining the individual is ineligible. Additionally, because use of AVS is not required under section 1940 of the Act in the case of individuals seeking MSP coverage, states may not deny coverage for an MSP applicant if the individual does not provide consent with respect to their assets or the individual's spouse or parent does not provide consent for use of AVS with respect to the spouse's or parent's own assets. In this case, the state could require documentation of assets from the individual, the spouse or parent, or accept attested information.

v. Other Asset Verification Data Sources

Other electronic data sources or systems may be available to verify other assets. Many states, for example, verify the value of a home or other real property with a real estate or homeowners database. Before requesting documentation or other information from an individual who has attested to assets at or below the applicable resource standard, states are required under 42 C.F.R. § 435.952(c) to use other available electronic data sources to verify assets to the extent the data source is useful in verifying the information. In determining the availability and usefulness of other data sources, states should consider such factors as the accuracy of the financial information, the timeliness of the information returned, the complexity of accessing the data or data source, the age of the financial records, the comprehensiveness of the data, any limitations imposed by the owner of the data on its use, as well as other relevant factors. States should consider what data sources in their state may be available for verifying assets and whether it would be effective to establish a data connection to obtain such data in accordance with 42 C.F.R. § 435.952(c)(2)(ii).

vi. The Federal Data Services Hub

The Hub operated by CMS, is an electronic service through which states can access a number of data sources, including tax information from IRS (i.e., FTI) that can be used to verify MAGI-based household income and family size; receipt of benefits information – including Title II (Social Security retirement and SSDI) and Title XVI (SSI) benefits information through SSA – and, the Verify Current Income (VCI) service, which provides income data from Commercial Sources of Income (CSI).[9] States may also access additional information to support other factors of eligibility, such as citizenship data from SSA and immigration status from the U.S. Department of Homeland Security (DHS), among other information, through the Hub.

To the extent that information needed to verify Medicaid or CHIP eligibility is available through the Hub, states are required per 42 C.F.R. §§ 435.948(b), 435.949, and 457.380(g) to access the

[9] A CMS final rule that appeared in the Federal Register on April 15, 2024, Patient Protection and Affordable Care Act, HHS Notice of Benefit and Payment Parameters for 2025; Updating Section 1332 Waiver Public Notice Procedures; Medicaid; Consumer Operated and Oriented Plan (CO-OP) Program; and Basic Health Program Final Rule, (89 FR 26218) added 45 C.F.R. § 155.320(c)(1)(iii), requiring states—effective July 1, 2024—to provide payment for the cost of their access and utilization of CSI income data each month, including an administrative fee amount.

information through that service, unless CMS has approved use of an alternative mechanism in accordance with 42 C.F.R. §§ 435.945(k) and 457.380(i). Under 42 C.F.R. §§ 435.945(k) and 457.380(i), states have flexibility, subject to CMS approval, to use an alternative mechanism, provided that such alternative mechanism reduces the administrative costs and burdens on individuals and states while maximizing accuracy, minimizing delay, meeting applicable requirements relating to the confidentiality, disclosure, maintenance, and use of information, and promoting coordination with other IAPs. Because information on assets is not available through the Hub, the terms of 42 C.F.R. §§ 435.948(b) and 435.949 are not applicable to asset verification, and states must establish another mechanism to obtain asset data (e.g., through a direct connection with the data source).

b. Verifying Income and Assets When There is No Data Source

There are instances in which no data sources are available to verify certain income or asset types. For example, CMS is not aware of any data sources that can be used to verify certain non-financial assets, such as cash surrender values of whole life insurance policies. Consistent with 42 C.F.R. §§ 435.945(a) and 457.380(d), in the case of types of income and/or assets for which a state does not have an available useful data source, the state may accept the attested amount(s) of income or asset value(s), or the state may request documentation or other information (e.g., an explanation from the individual) to verify the attested amounts.[10] States have flexibility in setting distinct policies for different scenarios when no data source is available. For example, states may also elect to accept attestations of income or assets for which no data source is available if the attestation is under a certain amount and request documentation for attested income or asset values over the specified level (see example #1).

Example #1: A state elects to accept self-attestation of life insurance policies with a cash surrender value of less than $1,500. If an individual subject to an asset test attests to having a life insurance policy with a cash surrender value of $1,450, the state would consider the cash surrender value amount of the life insurance policy as verified. If the individual attests to a cash surrender value of $1,510, the state would request documentation from the individual.

c. Option to Rely on Attested Income with an Available Data Source

States have flexibility to define reasonable circumstances for which they have determined that verification of income with an available data source is highly unlikely to return information indicating potential ineligibility for Medicaid or CHIP, and is therefore not needed, such that the state would rely on attested information despite the availability of an income data source. For instance, CMS believes it would be reasonable for a state to conclude that it is not useful to check wage data sources when verifying income earned by children under age 15 or another reasonable age specified by the state. In determining the need to check income data for minors, states may consider factors such as the legal working age of minors as well as the likelihood that children of a given age who are seeking coverage under a MAGI-based eligibility group are

[10] States may accept attestation of information needed to determine Medicaid or CHIP eligibility of an individual except where the law requires other procedures, such as for citizenship or immigration status (42 C.F.R. §§ 435.945(a) and 457.380(a)).

likely to have income above the federal tax filing threshold.[11] If the state adopts such a policy, the state would not check quarterly wage data or other wage data sources and would rely on the attested wage information for the child. Importantly, the state would not be permitted to determine that the wage data sources are not useful for this population but then request additional information or documentation from the individual to verify the attested information.

d. Strategic Data Hierarchy

Most states use multiple data sources to verify financial information. When using multiple data sources, states can elect to use or not use a strategic data hierarchy, as described in further detail below.

States that do not employ a strategic data hierarchy and use more than one data source for a specific income type or asset must check all available data sources used in the state. If any of those data sources returns information that is not reasonably compatible with the individual's attested income, the state must resolve any inconsistency by requesting additional information. For example, if the state uses three data sources to verify wages and any one of those sources returns data indicating potential ineligibility, the state must reach out to the individual to request additional information or documentation.

States also have the option to establish a strategic data hierarchy that lays out the order in which electronic data sources will be accessed or when data returned from a source will be used for verifying income. A strategic data hierarchy is a set of optional business logic rules in which one data source is considered more useful than other sources. A state's business logic may be designed to consider a given data source more useful than another in all or a defined subset of circumstances. A data hierarchy could entail checking multiple data sources concurrently or consecutively.

States have flexibility in establishing the principles they apply in relying on one data source to the exclusion of another, and different states may establish different rules. It is critical, however, that states have a reasonable basis to conclude that information from one data source that indicates potential ineligibility can be set aside because information from another data source is more useful. States can establish rules that always give precedence to one data source over another, or they can establish rules that give precedence to one data source over another in some circumstances but not others.

The criteria states use to define their strategic data hierarchies may vary and can include the following:

1. Scope or type of information. States may prioritize data sources that provide more comprehensive information (e.g., FTI).
2. Age of information. States may prioritize data sources with the most current information (e.g., quarterly wage data, available current income sources used in the state).
3. Ease of accessing information. States may prioritize data sources that are integrated into their eligibility system (e.g., SNAP data).

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[11] The income of children and other tax dependents, including in a MAGI-based household, generally is counted only if they have income that exceeds the federal tax filing threshold (42 C.F.R. §§ 435.603(d)(2) and 457.315(a)).

4. Cost. States may prioritize data sources that are more cost-effective to access, as well as based on the state's expectation that the data source will return information.
5. Other reasonable factors. States may prioritize data sources based on other reasonable factors identified by the state.

States must clearly document the criteria they use in defining their strategic data hierarchy in their verification policies and procedures. This is important not only for training staff, but also for Payment Error Rate Measurement (PERM) reviews and other federal or state audits.[12]

States should consider their specific Medicaid and CHIP eligibility and enrollment policies in establishing a strategic data hierarchy. For example, if the state elects to consider reasonably predictable changes in income (per 42 C.F.R. §§ 435.603(h)(3) and 457.315(a)), the state could, but would not be required to, prioritize FTI over quarterly wage data for individuals attesting to reasonably predictable changes in income, because FTI accounts for fluctuations in income over a period of 12 months. Similarly, for individuals who do not attest to reasonably predictable changes in income, the state may then prioritize the more recent quarterly wage data over FTI.

States can take several approaches in designing their strategic data hierarchies. Some examples of these are described below.

i. Consecutive Review of Data Sources

Consecutive review of data sources is one type of strategic data hierarchy. In this approach, a state's eligibility and enrollment system accesses data sources for a given eligibility criterion (e.g., household income) in a prescribed order and stops once attested information—such as household income, total countable income, or the amount of a type of income—is verified. A consecutive strategic hierarchy allows states to utilize a dynamic verification process that prioritizes the data sources that they deem most useful, and pings or reviews secondary data sources lower in the hierarchy only when needed. States that implement a consecutive strategic hierarchy begin the process of verifying attested income at application by pinging or reviewing the earned and unearned income data sources that the state has identified as most useful in the hierarchy. States then compare the individual's attestation to these data sources.[13]

If no data is returned, or, at state option, if the data returned from the highest priority source(s) is not reasonably compatible with the attested amount, the state would check secondary sources in the state's hierarchy until it has determined the individual eligible, determined that additional information or documentation is needed from the individual, or until the state has exhausted the available data sources. If no data is available or returned for a given income type from any source, the state can either accept self-attestation or request additional information or documentation from the individual (see example #2).

Example #2: A state has established a consecutive strategic data hierarchy in which it first pings quarterly wage data and, if data is not returned or is not reasonably compatible (e.g., the data returned is over the applicable income standard), it then pings FTI data. An individual

[12] Documenting the design and use of a data hierarchy is important to auditors reviewing state verification processes used in Medicaid and CHIP eligibility determinations.
[13] Use of strategic data hierarchies in conducting *ex parte* renewals will be discussed in forthcoming guidance.

> applying for Medicaid attests to wage income under the applicable income standard. The state first pings quarterly wage data. If quarterly wage data is returned and is reasonably compatible with attested income, the state would complete the verification of income without requesting FTI or requesting additional information from the individual. If no data is returned from quarterly wage, the state requests FTI. If FTI is returned and is reasonably compatible with attested income, the state would complete the verification of income without requesting documentation or other additional information from the individual. If no FTI is available or returned, the state can either accept the attested wage income information or request additional information or documentation from the individual.

In example 2, the state places the highest priority on quarterly wage data. A state's verification plan could alternatively consider state tax or FTI data as the highest priority data source and only consider quarterly wage or data available through a commercial current income source (to verify wage income) if verification using FTI is not successful. States have latitude to tailor their verification hierarchies in a reasonable manner that prioritizes certain data sources over others and takes into account the state's unique needs.

In implementing a consecutive strategic data hierarchy, a state may choose to rely on its highest priority data source if information is returned that is not reasonably compatible with the attested information. In this instance, the state would resolve the identified inconsistency by requesting additional information. Alternatively, a state may create an exception to relying on a higher priority data source and continue to ping the other data sources in the state's hierarchy to verify attested information. However, as specified in the above, the state must have a reasonable basis for accepting the information from the data source that it has placed lower in its hierarchy as verifying the attested information without requesting additional documentation or other information from the individual to resolve the discrepancy with the higher-priority source. For example, a state may choose to rely on a specific data source, such as quarterly wage data, and only check available data from an alternate data source, such as a current income source, if either no quarterly wage data is returned or the data that is returned is not reasonably compatible with attested wages. A state may make that determination because available data from another current income source used in the state is more costly, for example, despite being more recent. States must document in their verification plan use of a consecutive strategic data hierarchy as well as justifications for relying on a lower priority data source in certain circumstances.

ii. Concurrent Review of Data Sources

States may also elect to ping all useful data sources listed in their verification plans and review the information concurrently. Under a concurrent strategic data hierarchy, just as in a consecutive strategic data strategy, the state would establish reasonable policies allowing it to rely on one data source over another, even if data returned from one of the data sources is not reasonably compatible with attested information.

States that implement a concurrent strategic data hierarchy begin the process of verifying an attestation of each source of income at application by pinging all of the earned and unearned income data sources used in the state. The state then evaluates the information returned in the order of the state's hierarchy to determine if the individual is eligible or if additional information or documentation is needed from the individual. If attested income is verified by information

from a data source, the state does not need to consider information from other data sources that the state has determined are less reliable. If no data is available or returned for a given income type from any source, the state can either accept the self-attested information or request additional information or documentation from the individual (see example #3).

> **Example #3:** A state has established a concurrent strategic data hierarchy in which it pings both quarterly wage data and state tax information concurrently. The state prioritizes the reliability of the state tax information over quarterly wage data because state tax information is more comprehensive than quarterly wage data. Thus, if quarterly wage data received by the state is not reasonably compatible with attested wages but state tax information received by the state is reasonably compatible with attested income, the state will consider the attested income verified by the state tax information without requesting documentation or other additional information.

As with consecutive hierarchies, in establishing a reliable strategic data hierarchy for use in a concurrent review process, it is critical for states to document their rationale and principles for relying on one data source over another data source when the latter returns information that is inconsistent with attested information. Additionally, if a higher-ranked data source returns data that is not reasonably compatible with attested information, the state must have a reasonable basis for relying on a data source that is placed lower in the state's hierarchy without requesting additional documentation or other information from the individual. States must document in their verification plan use of a concurrent strategic data hierarchy as well as justifications for relying on a lower priority data source in certain circumstances.

IV. Reasonable Compatibility (Income and Assets)

Once a state has determined which data sources are useful in which (or all) circumstances, 42 C.F.R. §§ 435.952(b) and 457.380(d) and (f) require states to determine if income and asset information available from data sources is reasonably compatible with the attestation of income and assets on a Medicaid or CHIP application. If attested income or asset information is reasonably compatible with income or asset information from the data sources, states may not request documentation or other additional information from an individual to verify income or assets.

a. Reasonable Compatibility Basics

This section describes the basic principles of reasonable compatibility, including when states must find that information available from data sources is reasonably compatible with an attestation of income and assets such that the state must determine that an individual meets financial eligibility requirements without requesting documentation or other additional information. Subsequent sections of this CIB discuss situations involving attestations of multiple types of income or assets, and applying reasonable compatibility when an individual attests to income or assets for which there is no available data source.

i. The Fundamental Principles of Reasonable Compatibility

The fundamental principles of reasonable compatibility are as follows:

1. Under 42 C.F.R. §§ 435.952(c)(1) and 457.380(f), attested income information (either household income or total countable income information) provided by or on behalf of an individual generally must be considered reasonably compatible with information a state obtains through data sources when both are above or both are at or below the applicable income standard, even if the attested amount is different than the amount returned from the data source(s).[14]
2. Under 42 C.F.R. § 435.952(c)(1), states must determine that attested total countable assets are reasonably compatible with information a state agency obtains from data sources when both attested total countable assets and total countable assets based on data obtained by the state are above or both are at or below the applicable resource standard. Thus, if an individual attests only to financial assets verifiable through the state's AVS and both the total countable assets based on the attestation and total countable assets based on data returned from the state's AVS (and any other asset data sources accessed by the state) are at or below the resource standard, the state must find that the total amount of countable attested assets is reasonably compatible with the data obtained by the state and determine that the individual meets the state's asset test.
3. States may, but are not required to, apply a "reasonable compatibility threshold" in determining whether attested income or assets are reasonably compatible with information obtained from data sources. Application of a reasonable compatibility threshold is discussed in section IV.c. of this CIB.
4. If a state accepts the attested amount of a given type of income or asset as verified based on the attestation, in applying the reasonable compatibility test to household income or total countable income or assets, the state will add the attested amount of this income or asset type to the amount of income or assets returned by data sources for other income or asset types. Application of reasonable compatibility when one or more types of attested income do not have an associated data source is discussed in section IV.d. of this CIB.
5. States generally may not consider attested household or total countable income or assets that are below the applicable standard as verified if reliable data obtained by the state is not reasonably compatible with the attested information (i.e., is above the relevant standard and exceeds any reasonable compatibility threshold applied by the state) but must, consistent with 42 C.F.R. §§ 435.952(b), 435.952(c), and 457.380(f), request documentation or other additional information (which may include a reasonable explanation) from the individual. An exception to this general rule can occur if the state is using more than one data source for the same income or assets and is applying a data hierarchy. Use of data hierarchies is discussed in section III.d. of this CIB. States must limit requests for additional information or documentation to the specific income and/or assets that are inconsistent with information from data sources.

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[14] An exception to this general rule exists when a data source returns wages from an employer that is different than the employer reflected in the attested information. See discussion in section IV.a.ii. of this CIB.

ii. Reasonable Compatibility of Attested Employer and Income

Importantly, when conducting a reasonable compatibility test, because the identity of an individual's employer is not a factor of eligibility, if an individual attests to having only one employer, and the name of the employer in the data source is a different employer from the attested employer name, the state may consider the data reasonably compatible with the attestation as long as the amount of attested income and the amount of income from the data source are reasonably compatible. However, it would also be reasonable for the state to assume that the applicant may work for both the attested employer and the employer returned by the data source and request documentation or additional information from the individual to verify wages and explain the discrepancy in employers even if both the attested income and income from the data source are at or below the income standard.

If an individual attests to having earned income from only one employer, and the data source(s) accessed by the state return information indicating that the individual works for the attested employer and one or more other employers, states similarly have flexibility to make different reasonable assumptions about whether discrepant information about the number or identity of the employers defeats a finding of reasonable compatibility. For example, it would be reasonable for a state to aggregate the income amounts received from each employer reflected in the data sources and, if attested wages and the aggregated amount from the data sources are reasonably compatible, determine eligibility without requiring documentation or additional information to verify wages. Alternatively, it would also be reasonable for the state to request documentation or additional information from the individual to verify their income based on the discrepancy in the number and identify of the employers even if the aggregate wages from the data sources and attested wages are both at or below the applicable income standard.

Finally, in a state that implements a strategic data hierarchy, if the individual attests to having only one employer, and two data sources accessed by the state return information indicating that the individual has two employers, rather than aggregating the income from the data sources, if one of the data sources provides more recent information and that data source returns wage information for the same employer reflected in the attested information, it would be reasonable for the state to count only the information from the more recent data source. See section III.d. of this CIB for a discussion of data hierarchies.

Example #4: The state uses quarterly wage data and another more recent state income data source (e.g., commercial data source). An individual attests to wages that are below the applicable income standard at ABC employer. The state pings quarterly wage data and a more recent state income data source. Quarterly wage data returns wage information for the individual from a different employer, XYZ employer, and the state income source returns wage information from ABC employer. It would be reasonable for a state's verification plan to provide that the state would follow any of the following policies:

1) Aggregate income information for ABC employer received from the state income source and the income information received for XYZ employer from quarterly wage data. If the aggregated income from the two data sources is at or below the applicable income standard, the state would consider the attested income information reasonably compatible with the data sources. If the aggregated income information is over the applicable income standard, the state would request additional information from the individual to verify income.
2) Request documentation or additional information from the individual to verify their income because the individual attested to having only one employer and data indicates that the individual may have more than one employer.
3) In a state that implements a data hierarchy, count only the information received from the state income data source for ABC employer given the significantly longer lag in the availability of quarterly wage data as compared to the available state income source data, and the state income data source returned wage information for the same ABC employer reflected in the attested information.

In applying reasonable compatibility to household or total countable income, the state may not aggregate the amount of income returned from two data sources (e.g., quarterly wage data and the amount returned from the other state income data source) if the income from both data sources are from the same employer; rather, the state would use the amount from the data source it has determined is more reliable. If the state does not apply a data hierarchy and the information from either data source is not reasonably compatible with attested wages, the state may require documentation or other information from the individual to verify income. If the state prioritizes one of these data sources over the other, it would request additional information only if the information from the priority data source is not reasonably compatible with attested wages.

iii. Reasonable Explanations

If the attestation of household income or total attested countable income or assets is below the applicable standard, and the information received from data sources indicates that household income or countable assets is above the applicable standard, and therefore not reasonably compatible with attested income or assets, 42 C.F.R. §§ 435.952(c) and 457.380(f) require states to either request a statement that reasonably explains the discrepancy or request documentation. States must limit requests for additional information or documentation to the specific income and/or assets that are inconsistent with information from data sources. States may accept reasonable explanations to resolve any inconsistencies between discrepant information rather than requiring documentation. Many states accept reasonable explanations by way of a check-off box in their application or renewal form.

Obtaining and accepting reasonable explanations at the point of application (online, paper, or phone) or when processing a renewal form has contributed significantly in many states to a higher percentage of applications and renewals being processed without need for additional requests for information. Examples of reasonable explanations that some states accept include a job loss or a decrease in hours or overtime pay. This would explain why the individual's current income is lower than information returned in a data source, which generally lags behind the attested information by as much as three-to-six months in the case of quarterly wage data.

If a state receives a reasonable explanation from the applicant or beneficiary that is accepted by the state, then no additional documentation or information is needed for verification. States may accept a reasonable explanation in some situations and require documentation in others, provided that the state has a rational basis for its policies, which must be documented in the state's MAGI and non-MAGI verification plans.

Example #5: The reasonable explanations applicants can select on the Federally Facilitated Exchange streamlined application include hours at [employer] were reduced; cut wages or salary at [employer]; and, stopped working at [employer].

If the attested household income (for MAGI-based determinations), attested total countable income (for non-MAGI determinations), or attested total assets is above the applicable standard, states are not required to check data sources and may accept the attested amount and refer the individual to other IAPs. If states choose to check data sources to verify an attestation that is above the applicable standard, and the data returned by the data sources is at or below the applicable standard, states may either accept the attestation of household income or total attested countable income or assets (for non-MAGI determinations) and determine the individual ineligible, regardless of the income amount or resource value reported by the electronic data sources, or they may request additional documentation or a reasonable explanation to resolve the discrepancy between the individual's attestation and the electronic data sources.

b. *Reasonable Compatibility of Attested Financial Assets and AVS or Other Data Sources*

Under 42 C.F.R. § 435.952(c), states must determine that attested total countable resource information and the resource information returned by data sources are reasonably compatible, and therefore determine that the individual meets the state's asset test, without requiring additional information or documentation from the individual if both are at or below the applicable standard.[15]

[15] The "Medicaid Program; Streamlining the Medicaid, Children's Health Insurance Program, and Basic Health Program Application, Eligibility Determination, Enrollment and Renewal Processes" Final Rule, (89 FRFR 22789) clarifies that regulations at 42 C.F.R. § 435.952 regarding the use of information to verify an individual's eligibility apply not only to income and non-financial information, but also to verification of resources, such that information returned by AVS or other data sources must be treated as reasonably compatible with the attestation if both are above or both are at or below the resource standard.

Example #6: A person who is subject to a resource test of $2,000 attests to $500 in assets in a savings account. The state's AVS returns $600 in a savings account. The individual does not attest to any other assets and no other data sources used by the state return any asset information. The state must determine that attested assets ($500) are reasonably compatible with assets based on the AVS data ($600), since both are at or below the resource standard, and determine that the individual meets the resource requirement for coverage.

c. *Reasonable Compatibility Thresholds*

In determining whether information from external data sources is reasonably compatible with attested income or assets, states may apply a "reasonable compatibility threshold" in which attested income or assets at or below the income or resource standard are considered reasonably compatible with information from the data sources, even if the information returned from the data sources is greater than the applicable standard. States electing this option establish a percentage or dollar amount by which income or asset value from the data source(s) may exceed attested income or assets and still be used to verify financial information. States may elect a reasonable compatibility threshold based on a fixed dollar amount or a percentage of the applicable income or resource standard, the individual's attested income or assets, or of the value of the information returned from the data source(s).

States generally may not consider attested income or asset information verified if reliable data obtained by the state indicates that the individual's income or assets are above the applicable standard and exceeds attested income by more than the state's reasonable compatibility threshold.[16] An exception to this general rule may occur when a state has established a data hierarchy in which information from a data source that the state prioritizes over another source is within the state's reasonable compatibility threshold even if information from the other data source is not. Strategic data hierarchies are discussed in section III.d. of this CIB.

Example #7: The state applies a 10 percent reasonable compatibility threshold based on the attested income. The state covers the Medicaid adult group with an income eligibility standard of 133 percent of the federal poverty level (FPL), which in 2024 is $1,669.15 per month for a household size of one. An unmarried adult with no children attests to a monthly household income of $1,660, which is below the applicable income standard. Ten percent of $1,660 is $166. The state compares that attestation against data sources, which show that the individual has a monthly income of $1,700 (which is above the income standard), resulting in a $40 difference between attested monthly income ($1,660) and monthly income indicated by the data sources ($1,700). This difference is within the reasonable compatibility threshold applied by the state. Thus, although the individual's income based on the data sources is above the income standard, because the aggregate household income reported by the data sources is within the state's 10 percent reasonable compatibility threshold, the individual's attested income is considered verified, and the state would approve the individual's eligibility for coverage without requesting documentation or other additional information regarding their income.

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[16] States must consider whether data is reasonably compatible with attested income separately for each member of a household, since the applicable income standard may be different for different household members.

Example #8: The state applies a 10 percent reasonable compatibility threshold for assets based on the resource standard of $2,000. An unmarried adult with no children attests to $1,900 in a savings account. Ten percent of $2,000 is $200. The state compares that attestation against data sources, which show the individual's resources are $2,010, which is above the resource limit, but within the state's 10 percent reasonable compatibility threshold ($2,000 + $200 = $2,200). The state therefore considers the individual's attested assets as verified.

Note that states may apply different reasonable compatibility thresholds for different eligibility groups or populations or in different situations. For example, the state could adopt a different threshold for purposes of income versus asset verification or MAGI versus non-MAGI determinations. States must have a reasonable basis for any differences in the reasonable compatibility thresholds they apply.

States must document their election to apply a reasonable compatibility threshold (or thresholds) in their verification plans, including any differences in the threshold applied to different eligibility groups, populations, or types of income or assets.

d. Applying Reasonable Compatibility When One or More Income or Asset Type Has No Data Source

Some types of income and assets may not have an electronic data source that can be used to verify the attestation, such as pension income or the cash surrender value of a life insurance policy. In these circumstances, the state can accept the self-attested amount as verified based on the attestation or ask for documentation for that income or asset type. States can elect to accept self-attestation in such circumstances for some income and/or asset types and not others, and it can do so for all or a subset of individuals (provided that the state has a reasonable basis for applying a different policy to different populations). States must describe their election in their verification policies and procedures for internal training and audit purposes.

If a state chooses to accept self-attestation as verification for a given income type in determining whether attested household income (for MAGI-based determinations) or attested total countable income or assets (for non-MAGI determinations) is reasonably compatible with information received from available data sources, the state would add the income amount it is accepting as verified based on the attestation, such as pension income, to the income amounts received from data sources for other income types, such as wages. If not reasonably compatible, the state would identify and resolve any inconsistencies with each type of income for which it has received third-party data and request a reasonable explanation or documentation for attested amounts of income types that are not reasonably compatible with available data. The state would not request documentation or additional information for income types for which it does not have an available data source and for which it has elected to accept attested information as verified.

Example #9: An unmarried individual under age 65 without children attests to receiving $1,000 per month in pension income and $600 per month in wages, resulting in total attested household income of $1,600. In determining eligibility for coverage under the adult group, the state applies the applicable income standard of 133 percent of the FPL, which is $1,669.15

for a household of one in 2024. The state does not have an available data source to verify pension income and has a policy to accept self-attestation of pension income. The state receives wage information of $625 per month from a commercial income data source. In determining whether information received from data sources is reasonably compatible with attested household income, the state adds the attestation of $1,000 in pension income to $625 in wage income from a commercial income source, yielding total monthly household income of $1,625 ($1,000 + $625 = $1,625). Since both this total ($1,625) and attested household income ($1,600) are at or below the applicable income standard ($1,669.15), the state determines that the individual meets the income criteria for coverage. Alternatively, if the state does not accept attestation as verification of pension income, the state may require documentation from the individual to verify the pension income before making a final determination.

When determining whether total attested assets are reasonably compatible with information received from available data sources, if a state chooses to accept self-attestation as verification for certain types of assets (such as the value of a burial fund), the state would add the value of the asset(s) it is accepting as verified based on attestation to the amount of assets received from data sources for other asset types (such as the value of financial assets returned by AVS). If the total amount is not reasonably compatible with the attestation, the state would request a reasonable explanation or documentation only for asset types for which the state could not verify the attestation using available data. If the state has elected to accept attestation of the value of the burial fund as verified, it would not ask for documentation relating to the value of that asset.

Example #10: The applicable resource standard in a state is $3,000 for a married couple. The applicant attests to $1,500 in a savings account, and her spouse reports a life insurance policy with a cash surrender value of $1,000, resulting in total attested countable assets of $2,500. AVS returns $1,750 in savings. There is no data source available to verify the cash surrender value of the life insurance policy and the state has a policy to accept attestation of the $1,000 life insurance policy as verified.

The state would aggregate the $1,750 in a savings account from AVS with the attested $1,000 value of the life insurance policy accepted as verified based on the attestation ($1,750 + $1,000 = $2,750) and determine if that amount is reasonably compatible with the total attested countable resources ($2,500). In this example, countable resources based on the data and the value for of the life insurance policy (for which the state accepts the attested value) ($1,750 + $1,000 = $2,750) is reasonably compatible with attested countable resources because both are at or below the resource standard of $3,000. Thus, the state would determine that the individual meets the resource test for eligibility.

Example #11: The applicable resource standard is $2,500 for a married couple. The applicant attests to $1,500 in a savings account, and her spouse reports a life insurance policy with a cash surrender value of $1,000, resulting in total attested countable assets of $2,500. AVS returns $1,750 in savings. There is no data source available to verify the cash surrender value of the life insurance policy, and the state has a policy to accept attestation of the $1,000 life

insurance policy as verified. The aggregate countable resources based on the data sources and accepted attested value of the life insurance policy ($2,750) would not be reasonably compatible with the attested countable resources ($2,500); therefore, the state would not conclude that the individual meets the resource test for eligibility without requesting additional information or documentation.

Because the data from AVS ($1,750) is inconsistent with the individual's attested amount in their savings account ($1,500), the state would request additional information or documentation from the individual to explain the discrepancy and establish the accuracy of the attested value. Because the state has elected to accept attestation of the $1,000 life insurance policy as verified, it would not ask for information or documentation relating to the value of that policy. If the individual does not provide the additional information documentation needed to verify total countable assets, the state would determine the individual ineligible for coverage.

However, in a state that applies a reasonable compatibility threshold for assets based the individual's attested asset amount, if the asset value from the data source(s) is within the reasonable compatibility threshold of the attested information, that attested amount may still be used to verify financial information. In this example, if the state applies a reasonable compatibility threshold of a flat $250, the state would consider the $1,750 returned in AVS reasonably compatible with the attested $1,500 in savings because the difference between the attested amount ($1,500) and data ($1,750) is within the state's $250 reasonable compatibility threshold. Because the state has elected to accept attestation of the $1,000 life insurance policy as verified, it would add $1,000 and $1,500, and find that the applicant meets the resource standard of $2,500.

e. Verifying an Attestation of No Income

For individuals who attest to $0 income, a state must check all earned and unearned income electronic data sources identified in the state's verification plan (with the exception of any data sources that the state has determined are not useful for a particular population that includes the individual). If the aggregate income amount returned by the data sources is at or below the applicable Medicaid or CHIP eligibility standard, then the state generally must find that the individual's attestation is reasonably compatible with the data sources and treat the attested income as verified.[17] If the aggregate income amount returned by the data sources is above the applicable eligibility standard, the state must request additional information and/or documentation. If no information from electronic data sources is returned, then the state may accept the individual's attestation without requiring further documentation, or the state may request additional documentation and/or a reasonable explanation (e.g., how the individual meets their basic needs) to verify the individual's $0 income attestation.

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[17] States have greater flexibility in whether to consider attested wage income reasonably compatible with wage information returned from data sources if there is a discrepancy in the employer reflected in the attested information and the employer returned from the data source, or if the individual has attested to $0 in wages and a data source returns positive wage income, even if the amount of attested wages and the amount of wages returned by the data source are reasonably compatible. See section IV.a.ii. of this CIB for additional discussion of this state flexibility.

In order to treat information provided on an application or renewal form as an attestation of $0 income, the information must reasonably support a conclusion that the individual (or other authorized household member or representative) has made an affirmative attestation of $0 income. For example, if an individual checks a box indicating that they are not employed, that would be sufficient for a state to conclude that the individual has attested to $0 earned income, but that alone would not be sufficient to conclude that the individual has attested to $0 unearned income. Similarly, we do not believe it would be reasonable to conclude that an individual who has left all income fields blank on the application or renewal form is attesting to $0 income. States must consider the design of their forms and accompanying instructions on how to complete forms to ensure that information collected reasonably supports a determination that the individual has attested to $0 earned and/or unearned income. CMS recognizes that not all applications and renewal forms have the same design and functionality and is available to provide technical assistance to support states in the design of their application and renewal forms.

f. Reasonable Compatibility When a Renewal Form is Returned

Reasonable compatibility under 42 C.F.R.§§ 435.952(c) and 457.380(e) and (f) most commonly applies at initial application, when the state is comparing attested information provided on an application against information obtained from data sources. While the regulations governing reasonable compatibility apply to verifying attested information provided on a renewal form, its applicability during the renewal process, as a practical matter, is limited.

States begin the renewal process by first attempting to renew Medicaid or CHIP eligibility on an *ex parte* basis. An *ex parte* renewal is a redetermination of eligibility that states can make based on reliable information available to the agency without requiring additional information from the individual. This includes, but is not limited to, information accessed through electronic data sources described in 42 C.F.R. §§ 435.948, 435.949, and 457.380(d) and (g), as well as recent information available from other benefit programs or reliable sources (e.g., information from a recent SNAP recertification); it can also include information from an individual's casefile. If financial information obtained from a data source is at or below the eligibility threshold, and the person remains otherwise eligible, the state would renew the individual's eligibility on an *ex parte* basis. Reasonable compatibility does not apply to verifying eligibility during the *ex parte* renewal process because the state does not have a new attestation of information relating to eligibility criteria, such as income or assets, and information provided on a previous application may be subject to change.[18]

If no data is returned in conducting an *ex parte* renewal, or if financial information obtained is over the applicable eligibility standard, states must send the beneficiary a pre-populated renewal form[19] and request any additional information or documentation needed to verify eligibility. If

[18] Reliance on information from a beneficiary's casefile will be further discussed in forthcoming guidance on conducting *ex parte* renewals.

[19] The CMS final rule "Medicaid Program; Streamlining the Medicaid, Children's Health Insurance Program, and Basic Health Program Application, Eligibility Determination, Enrollment and Renewal Processes," 89 FR 22780 (Apr. 2, 2024) modified the regulations under 42 C.F.R. § 435.916(b)(2)(i)(A) to require states to send pre-populated renewal forms to both MAGI and non-MAGI populations. The final rule was effective June 3, 2024, and states have until June 3, 2027, to come into compliance with this requirement. Previously, 42 C.F.R. § 435.916(a)(3)

the individual returns the renewal form, the state may have new attested information. However, the state typically will also have the documentation and other additional information needed to resolve any inconsistencies between attested information on the renewal form and information received from the data sources during the *ex parte* process, as states generally request documentation needed to address third-party data indicating income or assets over the applicable standard when they send the renewal form. Thus, at the point in the renewal process when a renewal form has been returned, the state will have attested information and information from data sources accessed during the *ex parte* process as well as documentation and other additional information requested with the renewal form, rendering the application of reasonable compatibility policies unnecessary. Instead, the state would review all the information before it to make an eligibility determination.

A state could apply a reasonable compatibility threshold at renewal if a beneficiary completes and returns the renewal form but does not provide documentation or other information requested by the state to demonstrate eligibility despite the income and/or asset information the state received from a data source during the *ex parte* renewal indicating ineligibility. In this situation, which we would not expect to be common, if household or total attested income (and, if applicable, assets) provided on the renewal form is at or below the applicable standard, the state could apply a reasonable compatibility threshold to determine if total income (and, if applicable, assets) based on the data sources are reasonably compatible with the attested amounts. If total income (and, if applicable, assets) based on the data sources is reasonably compatible with attested income (or assets) after taking into account the state's reasonable compatibility threshold, the state would determine the individual to be financially eligible for coverage.

States that elect to apply a reasonable compatibility threshold in verifying eligibility at application are not required to apply a reasonable compatibility threshold in verifying eligibility following the return of a renewal form. States have the option to apply the same, a different, or no reasonable compatibility threshold at renewal.

V. Post-Enrollment Verification of Income and Assets

States are permitted to make a determination of eligibility based on attested income or assets and then conduct verification of income or assets post-enrollment. States electing to conduct post-enrollment verification of income or assets determine eligibility and enroll individuals based on attested information and check income or asset data sources and request additional information or other needed documentation post-enrollment. It is not permissible for a state to enroll an individual in coverage after receiving information from a data source that is not reasonably compatible with attested income or assets and that indicates ineligibility. Post-enrollment verification is a policy option that is applicable only at application, and not at renewal.

Once the individual is enrolled in coverage, the state must complete the required income or asset verification within a reasonable timeframe, including reviewing all earned and unearned income data sources used by the state, AVS, and any other data sources the state uses to verify assets. States must evaluate if the income or asset information received from data sources is reasonably

(redesignated at 42 C.F.R. § 435.916(b)(2)(i)(A)) required states to send pre-populated renewal forms only to MAGI populations.

compatible with attested financial information in the same manner as if the state were verifying income or assets prior to determining eligibility and enrolling the individual in coverage.

Importantly, an individual who is determined eligible and enrolled in coverage based on attested income and/or asset information is entitled to the same notice and fair hearing or review rights as any other beneficiary who has been determined eligible for coverage. If, upon review of the additional documentation and/or information provided, a state determines that household income or total attested countable income (for non-MAGI determinations) exceeds the applicable Medicaid or CHIP eligibility standard or if the beneficiary does not provide the information or documentation requested, the state must consider other potential bases of eligibility and, if the individual is not eligible on any other basis, before discontinuing coverage the state must provide advance notice of termination and fair hearing rights in accordance with 42 C.F.R. Part 431 Subpart E (for individuals enrolled in Medicaid) or advance notice of termination and review rights in accordance with the requirements of 42 C.F.R. §§ 457.110(b)(6), 457.340(e)(1)(ii), 457.340(e)(1)(iii), 457.1130(a), and 457.1180 (for individuals enrolled in CHIP).[20]

However, children who have been determined eligible for Medicaid or CHIP based on attested information are entitled to a 12-month Continuous Eligibility (CE) period, and some states have adopted CE for adult populations.[21] States may not terminate coverage for such individuals during a CE period if, in conducting post-enrollment verification, the state obtains information that indicates that the individual does not meet all of the eligibility requirements, including financial eligibility, unless the information indicates that one of the limited exceptions to CE applies in 42 C.F.R. §§ 435.926(d) and 457.342(b) (e.g., the child turns age 19 or ceases to be a state resident). Such information is considered a change in circumstances, and the individual's coverage may not be terminated. Rather, the child must remain eligible for coverage through the end of the 12-month period following the effective date of eligibility based on the initial determination. As long as the attested information indicates that the child is eligible, the state is not considered to have made an erroneous determination, even if there is an inconsistency between the attested information and information subsequently obtained from electronic data sources after enrollment.

If a state has elected to conduct post-enrollment verification of income or assets at application, it must complete the verification process within a reasonable timeframe following the initial determination of eligibility and enrollment based on attested information. States must document the use of post-enrollment verification of income and assets in their verification plan.

VI. Verification Plans

Consistent with 42 C.F.R. §§ 435.945(j) and 457.380(j), states must have a verification plan that documents the verification policies and procedures used by the state to implement the verification provisions set forth in 42 C.F.R. §§ 435.940 through 435.956 and 457.380.

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[20] 42 C.F.R. § 457.340(e)(1)(ii) requires states to provide "sufficient" notice of suspension or termination of CHIP eligibility, and 42 C.F.R. § 457.1180 requires states to provide "timely" notice of determinations subject to review. In order to be sufficient and timely, states must provide advance notice to afford families an opportunity to request a review and prevent a gap in coverage in the event a beneficiary remains eligible for CHIP.

[21] States that have adopted CE for adult populations through a section 1115 demonstration project should review the terms of their demonstration project.

CMS has requested that all states submit, and update as necessary, their verification plans for MAGI-based eligibility determinations and has provided a MAGI-based verification plan template that identifies the specific information to be documented. States are required to update their MAGI-based verification plan when they make changes to the MAGI-based verification policies and procedures detailed in their plan, including the data sources used in the state, application of reasonable compatibility thresholds, implementation of post-enrollment verification, and acceptance of self-attestation. CMS approval of state verification plans is not required, but states must submit their plans to CMS upon request, consistent with 42 C.F.R. §§ 435.945(j) and 457.380(j). States should continue to submit updated MAGI verification plans whenever they make changes to their existing plans. However, at this time, CMS is not requiring states to submit updated verification plans with any new policies detailed in this guidance, such as implementing a strategic data hierarchy. States must, however, document all verification policies and procedures for training and audit purposes. CMS may require updated verification plans with federal requirements and state options detailed in this guidance to be submitted in the future.

CMS has not requested states to submit their non-MAGI verification plans to CMS but may request that states do so in the future. States making changes to their verification policies and procedures for MAGI-excepted determinations must document such changes in their non-MAGI verification plans.

VII. Eligibility System Changes

A state may need to make changes to its eligibility and enrollment system to ensure compliance with the requirements described in this CIB. State Medicaid agency IT system costs may be eligible for enhanced federal financial participation (FFP). Approval for enhanced match requires the submission of an Advanced Planning Document (APD). A state may submit an APD requesting approval for a 90/10 enhanced match for the design, development and implementation of their Medicaid Enterprise Systems (MES) initiatives that contribute to the economic and efficient operation of the program and ensure compliance with the requirements reiterated in this CIB, including the maintenance and operations of these services. Interested states should refer to 45 C.F.R. Part 95 Subpart F – Automatic Data Processing Equipment and Services - Conditions for FFP for the specifics related to APD submission. States may also request a 75/25 enhanced match for ongoing operations of CMS approved systems. Interested states should refer to 42 C.F.R. Part 433 Subpart C – Mechanized Claims Processing and Information Retrieval Systems for the specifics related to systems approval.

VIII. Closing

CMS is committed to protecting access to health care for eligible individuals enrolled in Medicaid and CHIP in a manner that improves continuity of coverage and protects the integrity of these programs. CMS is available to provide technical assistance to states on verification requirements and permissible flexibilities for states in determining eligibility for both MAGI-based and non-MAGI individuals. For additional information about this CIB, please contact Suzette Seng, Director, Division of Enrollment Policy and Operations, at Suzette.Seng@cms.hhs.gov. States may also submit questions and request technical assistance by contacting their Medicaid state lead or CHIP project officer.