

Issue Brief: Electronic Eligibility Verification for State Health Insurance Exchanges

» Eligibility Verification and Determinations Under Reform

Under the Affordable Care Act, in 2014 individuals seeking healthcare coverage through state health insurance Exchanges will be directed to a standardized, web-based system to evaluate the individual's eligibility for health subsidy programs — including Medicaid, CHIP, premium tax credits or cost-sharing reductions. An applicant will submit an electronic application to the Exchange, and the Federal Data Hub (with CMS acting as the intermediary) will supply responses to the Exchange regarding citizenship, immigration status, and Federal tax information. State Exchanges are then expected to be responsible for verifying additional information such as state residency, incarceration status, medical support liability (in child support cases), assets, and access to or enrollment in affordable minimum essential coverage. Per CMS' guidance, a state must ascertain that its Exchange eligibility processes ensure quality, integrity, accuracy, and usefulness of functionality and information.

Exchange Verification Requirements

- » Individual citizenship, status as a National, or lawful presence
- » Individual incarceration status
- » Whether individual is a American Indian /Alaskan Native
- » Individual eligibility for employer-sponsored minimum Essential coverage
- » Individual residency in Exchange service area
- » Verify individual eligibility for other public coverage
- » Minimum essential coverage
- » Household income

» Challenges for State Health Insurance Exchanges

While there are numerous benefits associated with electronic verifications, state Exchanges may still face many challenges with regard to the Exchange eligibility and enrollment process. For example, state Exchanges will likely need income data outside of the Federal tax information provided through the Federal Data Hub. This is based on the fact that Federal tax data is only reported on an annual basis and therefore almost instantly outdated. However, even more challenging for Exchanges is the fact that almost 50% of U.S. households do not have a Federal tax liability which means a large segment of this population may not file Federal income taxes.¹ As such, in many cases the Federal Data Hub will neither be able to provide income information to calculate premium tax credits and cost-sharing reductions nor Medicaid eligibility under new Modified Adjusted Gross Income (MAGI) rules. Additionally, state Exchanges will need to manage numerous queries to various data sources while ensuring that the private data of consumers is safeguarded.

¹ Urban-Brookings Tax Policy Center. Why Some Tax Units Pay No Income Tax. July 2011

» Considerations for States

As states move forward with the implementation of health insurance Exchanges, careful attention should be paid to the build-out of the eligibility verification function. The paradigm shift from paper to electronic verifications will not be easy for a number of states and will take careful planning and execution. HMS's experience in working with data and performing verifications has shown us that while it is important to have the right data on hand, what is even more important is that data be made actionable in order to ensure that the verification process is done accurately, effectively, and timely. For example, it will be important for deduplication to be performed on certain overlapping data sets in order to prevent double counting of items such as income and family size. In addition, state Exchanges must know how to address issues that may result in user authentication failures, such as the use of nicknames.

Questions States Exchanges Must Address

- » What if the Federal Data Hub is not ready in time?
- » How will income be verified for applicants who do not file Federal taxes?
- » How will access to and/or enrollment in employer-sponsored insurance be verified for those seeking tax credits?
- » How will changes in circumstances be tracked and verified (income, employment status, births, etc.)
- » Will legislation be needed to ensure electronic data sharing?
- » How will personal data be protected?
- » How will the data be leveraged for other state social programs?

State Exchanges will also want to ensure that they have mechanisms in place to track changes, which could impact the type or level of coverage a consumer receives through the Exchange. This is most important as it relates to tax credits and the reconciliation process by the Internal Revenue Service (IRS). There is growing concern that this reconciliation process could lead some consumers away from Exchange participation, which makes it even more imperative that states have policies in place to ensure that pertinent data such as income is refreshed and verified regularly in order to ensure ongoing accuracy and safeguard the consumer against a financial debt to the IRS.

Lastly, state Exchanges will need to ensure that, as enrollment and verification shifts to an electronic process, program integrity is maintained. CMS has been quite explicit in stating that someone should not be eligible just because they say they are eligible, and it is still the state's responsibility for having reasonable assurances that the information on the application is accurate. State Exchanges will want to ensure that they mitigate all program integrity and financial risks by leveraging functional data from multiple sources, including unreported income, assets, or other health coverage available to the applicant.

» Conclusion

Electronic eligibility verification supports the ACA goal in shifting the paradigm from paper-based verification to electronic verifications. While this will make the enrollment process easier and more efficient for consumers and the Exchanges, there are still a number of challenges, which will have to be overcome. States will want to give this component of the Exchange close attention as it will be critical to the overall success of the Exchange and help consumers down the path to simple, seamless, and affordable coverage.

For additional information on Electronic Eligibility Verification, please contact:
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