

# 5 Common Questions for Reviewing Income: PERM Eligibility Reviews

## 1. What is the ERC looking at when reviewing for income?

- During the PERM Eligibility Review, the ERC reviews income that was reported, reviewed, or verified as part of the initial determination/renewal and any changes in income that occurred prior to the date of service. The ERC also reviews other circumstances that impact income eligibility and the verification of income sources that happened as part of the determination. This review includes:
  - The earned and unearned income that is received by the household, including what the state used or excluded in the calculation of income.
  - Other circumstances that may impact income eligibility (e.g., household composition, types of income received by the household and income deductions).
  - Sources of income verification (e.g., electronic data match information or hard copy documentation, such as pay stubs, award letters from the Social Security Administration, etc.).
- For MAGI cases, the ERC uses tax filing relationships—or family relationships (for non-filers)—to determine if income is properly counted for the household and that household income is within the appropriate income limits for the beneficiary’s approved eligibility category and program (either Medicaid or CHIP).
- For Non-MAGI beneficiaries, the ERC uses rules specific to the eligibility category to determine if income is properly counted and within the appropriate income limits. For example, income for Medicaid beneficiaries in long-term care is reduced by certain medical expenses and personal needs allowances.
- The ERC reviews case documentation provided by states to determine if the state complied with federal and state requirements, followed appropriate processes when adjudicating each case, and made the right eligibility determinations.

## 2. Where does the ERC look for income information?

- Eligibility source system (e.g., income screens, income budget, case comments, and notices).
- Document management system for hard copy documentation.
- Hard copy case file documentation.
- Data matching systems (system indicators, interface screens).
- Application/renewal forms and/or change reports for income attestation.



## 3. How does the ERC review income information?

- The ERC reviews the application or renewal form in the case file to identify countable income and determines how income was verified using the eligibility system and case file documentation.
- The ERC calculates income, applying any applicable deductions, disregards, or adjustments that must be considered based on the category of eligibility, and then compares the income calculation to what the state calculated in the eligibility system.
- The review process may include the need for additional documentation from the state or, if there is enough information to complete the review, the ERC will document the review outcome.

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## 4. When are findings cited?

- There is evidence that income was verified, but the documentation cannot be found.
- There is no evidence that income was verified as part of the last action (i.e., initial determination, renewal, or change).
- Income is not verified correctly based upon federal regulation requirements and/or state policies.
- Income is not attested to at the time of application and the state does not follow up appropriately.
- A discrepancy in income is not resolved (e.g., income determined not reasonably compatible and no follow-up occurs).
- Income is not correctly calculated and the incorrect calculation results in a change in program (Medicaid/CHIP), change in the applicable federal match rate, or incorrect determination of eligibility.
- Income is not included or excluded appropriately (e.g., child support income, non-taxable children's income) and the incorrect calculation results in a change in program (Medicaid/CHIP), change in the applicable federal match rate, or incorrect determination of eligibility.

**Note:** The ERC works closely with CMS if there are questions regarding state processes or state-specific policies that may conflict with federal requirements.

## 5. Why do we review income eligibility this way?

To ensure compliance with federal requirements for the administration of Medicaid and CHIP in accordance with:

- The Medicaid regulations at [42 CFR 435 Subpart G](#), [Subpart H](#) and [Subpart I](#), and CHIP regulations at [42 CFR 457.315](#).
- [The Payment Integrity Information Act of 2019 \(PIIA\)](#).
- [The Office of Management and Budget \(OMB\) Circular A-123, Appendix C](#) – related to types of improper payments.

## Examples of Findings

The examples below detail instances in which income-related errors are cited and how the ERC cites them.

Example Details
The household self-attested to unearned income of \$500 on the 6/28/2019 renewal form. The case notes indicate the state verified income using pay stubs; however, the pay stubs were not available in the case file. The ERC sent a request for the pay stubs on 11/1/20, but the documentation was not provided by the state. Eligibility cannot be confirmed without verification; therefore, a payment error is cited because income verification documentation was not maintained in the case file.
The eligibility system screens indicate the state budget consisted of unearned income of \$1,380.00 that consisted of RSDI of \$958.00 for the beneficiary and \$422.00 for the beneficiary's spouse; however, SOLQ verified the beneficiary received monthly RSDI of \$977.00 in 2019 and his spouse received \$431.00. After allowing the \$20.00 income disregard, the corrected net countable income of \$1,388.00 results in eligibility to SLMB instead of QMB; therefore, a payment error is cited for incorrect income calculation resulting in incorrect eligibility category.
The caseworker incorrectly included child support income in the income budget. When the child support income is removed from the income budget, the child is eligible for Medicaid and not Medicaid-CHIP expansion, under Title XXI. A payment error is cited because the child should not have been enrolled in Medicaid CHIP expansion, which is funded by CHIP (Title XXI) funding.

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## Special Considerations

- **Special Income Levels** ([42 CFR 435.217](#) and [42 CFR 435.236](#)): For states utilizing a special income level group, the ERC will evaluate the amount of countable income. If the individual is over the special income level established by the state for the optional group, the ERC will verify that the individual has an appropriate income trust established.
  - **Medically Needy** ([42 CFR 435.811 through 435.832](#)): For states with medically needy programs, the state compares countable income to the Medically Needy Income Level (MNIL) for the defined budget period and deducts any incurred medical/remedial care expenses from income in excess of the MNIL. The ERC will verify that income was correctly calculated to determine the spenddown amount but not the medical expenses used to meet spenddown.
  - **Predictable Future Income:** States have the flexibility to develop reasonable methodologies for including a prorated portion of reasonably predictable future income, such as recurring seasonal employment or a new job. The ERC will review against state policy and documentation required by the state.

