

5 Common Questions for Reviewing Household Composition: PERM Eligibility Reviews - MAGI



During the PERM Eligibility Reviews, the Eligibility Review Contractor (ERC) reviews household composition as the first step in assessing financial eligibility for initial determinations, renewals, and changes that occur prior to the date of service. The household composition impacts the overall income budget and the income limits utilized for the case. This fact sheet summarizes how the ERC reviews household composition for MAGI cases.

What does the ERC look at when reviewing household composition for MAGI cases?

- For MAGI cases, the ERC determines household composition for the sampled claim based on the expected intent to file a tax return or to be claimed as a tax dependent.
 - Tax filer households include the individual and everyone the individual expects to claim as a tax dependent. (Spouses are always included in tax filer household if living together, regardless of tax filing status.)
 - A tax dependent household is the same as the household of the tax filer claiming the individual, unless they meet a tax dependent exception described below. States also have the option to count individuals who are full-time students aged 19 or 20 as children when constructing their household.
 - The ERC will determine whether tax dependent exceptions apply:
 - An individual who is a tax dependent of someone other than a spouse or biological, adopted, or step-parent.
 - An individual who is a child under age 19¹ living with both parents but the parents do not plan to file taxes jointly.
 - An individual who is a child under age 19 who expects to be claimed as a tax dependent by a non-custodial parent.
 - If an applicant/beneficiary is neither a tax filer nor a tax dependent, the household includes the individual and their spouse, if living together, and the individual's natural, adopted, and step-children under age 19 who live in the household. If the individual is a child, include the individual's parents and natural, adopted, and step-siblings.

The ERC reviews case documentation required by the states' verification plans and state plans for evidence of household composition to ensure the state obtained the required information and followed the appropriate processes when adjudicating a case.

Where does the ERC look for household composition information?

- Eligibility source system (e.g., household screens, case comments, and notices).
- Data matching systems (system indicators, interface screens).
- Application/renewal forms and/or change reports.

How does the ERC review household composition information?

- The review process ensures the caseworker or system properly constructed the household size at application. At renewal, the ERC will also ensure that beneficiary-reported household changes, including change in tax filer status, are accurately applied. Relationship status is typically self-attested, but the ERC will review applicable documentation if required by state policy.
- For MAGI cases, the ERC reviews the case documentation to identify household members, relationships, and tax filer status.
 - If the beneficiary attests to filing a tax return or has the intent to file a tax return, the ERC will use tax filer rules to review the accuracy of the household.
 - If the beneficiary is a tax dependent, the ERC will determine if the dependent meets any of the tax dependent exceptions. If the dependent meets any of the exceptions, non-filer rules will be used to determine the household.
 - If the beneficiary attests they will not file a tax return, not be claimed as a tax dependent, or if evidence of tax filer status is missing, the ERC will review using non-filer rules.

¹ States have the option to include 19- and 20-year-olds as dependents in their parents' households if they are a full-time student.

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When are findings cited?

- The household composition was incorrectly constructed at application by the caseworker or the system, making the income calculation for the household incorrect, which results in an individual not being eligible or being determined eligible for the wrong program.
- The household composition changed at renewal and the caseworker or system did not update the case file, making the income calculation for the household incorrect, which results in the individual not being eligible or being determined eligible for the wrong program.
- A discrepancy in the household composition was not resolved and no follow-up occurred; therefore, the household could not be accurately determined, and the result could impact financial eligibility.

Why do we review household composition this way?

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

- The Medicaid regulations at [42 CFR 435.603\(f\)](#) and CHIP regulations at [42 CFR 457.315](#).
- [Medicaid and CHIP \(MAC\) Learning Collaborative training](#) provided in December 2020.

Examples of Findings

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

Example Details

The beneficiary's mother attested on the change report that she got married. There is no evidence in the case file that the state followed up on the reported change and verified household composition as of the claim date of service. A request was submitted to the state for verification of the household composition. The state confirmed that the caseworker failed to add the mother's spouse to the household. The state needed to follow up with the mother to obtain information about the spouse to determine if eligibility was impacted. A payment error is cited as the household composition of the beneficiary was not verified.

The eligibility system indicates the household consists of the beneficiary, his spouse, one child, and his mother in-law. Additionally, the eligibility system indicates the beneficiary is a tax filer, filing jointly, and claiming one tax dependent. Based on this information, eligibility should have been determined based on a tax filing group of three people; however, the state used a budget group of five to determine eligibility. A request was submitted to the state to determine if there was additional information indicating there were additional tax dependents at the time of the renewal. The state was unable to provide any verification that the budget group should have been five instead of three. A payment error is cited as the incorrect household determination results in the beneficiary being ineligible for Medicaid.

Special Considerations

Below are special considerations in which the ERC will review in accordance with state policy when states elect to construct households using these optional methods.

- **Pregnant Women:** If there is a pregnant woman in the household at the time of the review, some states opt to count the pregnant woman, plus the number of children she is expecting, in the household for other family members applying for coverage.
- **Spouses Living Separately:** States have the flexibility to only include spouses in each other's households if they live together.
- **Victims of Domestic Violence:** A victim of domestic violence may expect their tax filing status to change in an upcoming year. States can use the "reasonably predictable changes in income" option—consistent with 42 CFR 435.603(h)(3)—to not include an abusive spouse in the victim's household.
- **Child Tax Filers:** The regulations for Medicaid/CHIP MAGI do not distinguish household composition for child tax filers; however, CMS' intent was to align Medicaid/CHIP rules with Exchange rules to require parents living with a child to be included in a child's household, regardless of a child's tax filing status. States have the option to either include the parent living with a child tax filer, or exclude the parent and the child can be in a household of one.