

DATE: July 15, 2025

TO: ALL COUNTY WELFARE DIRECTORS Letter No.:25-15  
ALL COUNTY WELFARE ADMINISTRATIVE OFFICERS  
ALL COUNTY MEDI-CAL PROGRAM SPECIALISTS/LIAISONS  
ALL COUNTY HEALTH EXECUTIVES  
ALL COUNTY MENTAL HEALTH DIRECTORS  
ALL COUNTY MEDS LIAISONS

SUBJECT: IMPLEMENTATION OF REASONABLE EXPLANATION IN THE  
CALIFORNIA HEALTHCARE ELIGIBILITY, ENROLLMENT, AND  
RETENTION SYSTEM AND THE CALIFORNIA STATEWIDE  
AUTOMATED WELFARE SYSTEM  
(Reference: All County Welfare Directors Letter 22-22).

### **Purpose**

The purpose of this All County Welfare Directors Letter (ACWDL) is to provide counties with policy guidance on the automation of Reasonable Explanation functionality within the California Healthcare Eligibility, Enrollment, and Retention System (CalHEERS) and the California Statewide Automated Welfare System (CalSAWS), as it pertains to the eligibility determination process for both Modified Adjusted Gross Income (MAGI) and Non-Modified Adjusted Gross Income (Non-MAGI) Medi-Cal programs.

### **Background**

Reasonable explanation is the ability to provide verification of income through an individual's verbal or written explanation, attempting to resolve a discrepancy between an applicant or member's self-attestation of income and information received through electronic data sources on required eligibility factors. Pursuant to [42 CFR 435.952\(c\)\(2\)](#), county eligibility workers (CEW) must seek additional information, including a statement which reasonably explains the discrepancy, from an applicant or member if the information provided is not reasonably compatible with data obtained through electronic data source(s). Guidance in this letter does not supersede guidance from the Centers for Medicare and Medicaid Services (CMS) regarding the requirement that an affidavit be the verification method of last resort. For further information on affidavits, please see [ACWDL 21-12](#). Guidance on reasonable explanation and the circumstances in which it can be used can be found in [ACWDL 22-22](#).

The inclusion of reasonable explanation will be automated with the Change Request (CR) 233034 in CalHEERS release 25.6, scheduled for June 2025, for MAGI-eligible individuals who apply through CalHEERS. Currently, reasonable explanation is obtained manually by the county through the individual's written or verbal explanation. The

Department of Health Care Services (DHCS) created the [DHCS 7103 “Request For Additional Income Information for Medi-Cal Form,”](#) to assist when the county is obtaining a reasonable explanation. This form will continue to be available after system functionality is implemented, when applicable. For more information on the [DHCS 7103 form](#), please reference [MEDIL I 22-48](#).

This reasonable explanation functionality in CalHEERS is available to individuals eligible for MAGI, Medi-Cal Access Program (MCAP), or the County Children’s Health Initiative (CCHIP).

### **Automation of Reasonable Explanation in CalHEERS**

The system changes implemented in CalHEERS through CR 233034 will allow an individual who is determined eligible for MAGI Medi-Cal to provide a reasonable explanation when their self-attested income is found not reasonably compatible and is unable to be electronically verified, when accessing the CalHEERS portal. A drop-down menu with reasonable explanation options will be available to individuals who appear to be MAGI eligible and who meet all of the following criteria:

- Their self-attested MAGI Medi-Cal Current Monthly Income (CMI) and/or MAGI Medi-Cal Reasonably Projected Annual Income (RPAI) or Projected Annual Income (PAI) is under the income limit but is “Pending” verification; **and**
- They are attesting to countable income greater than \$0; **and**
- Their MAGI Medi-Cal Household Composition does not include an individual that is “Not Verified” for CMI, RPAI, and PAI.

Note: “Not verified” means the call to the hub was unable to be completed.

If the individual meets the requirements listed above, a drop-down menu will populate in the CalHEERS portal that includes all reasonable explanations listed on the [DHCS 7103](#) form, along with an “Other” option, which allows individuals the ability to enter a custom explanation. If the individual selects a predefined reasonable explanation (excluding “Other”), that reasonable explanation will be considered valid and the income will be verified without requiring further follow-up.

If an individual selects the “Other” option from the drop-down menu, the income will remain in a “Pending” status, and the case will be sent to the county via the Determination Eligibility Response (DER) for manual verification. The county will follow current business processes to evaluate the explanation provided to determine whether it resolves or explains the income discrepancy by conducting an ex parte review of all available relevant information on file. If the county determines the explanation provided resolves or explains the income discrepancy, the determination will be sent to

CalHEERS through an Eligibility Determination Request (EDR) as “REX-Confirm”, which will resolve the discrepancy automatically.

If the CEW denies an “Other” reasonable explanation, returned via the EDR as “REX-Deny”, this action will not lead to the discontinuance or ineligibility for MAGI Medi-Cal. In such cases, CEWs are to follow current business processes for the applicant or member to be able to provide the requested verification (including adequate time to provide) when the explanation does not resolve the discrepancy. For more information on which verification request forms, including timeframe and contact requirements to use for Medi-Cal applications, refer to [MEDIL 20-13 for additional information](#).

**Note:** Just as Medi-Cal eligibility is determined at the individual level, the reasonable explanation policy also applies at an individual level. However, it is important to note that there are instances in which, due to income being shared among applicants/members within the same tax household, one individual’s choice not to provide or use a reasonable explanation can affect the overall eligibility determination for the other individuals in the household who may have a reasonable explanation. For example, if a married couple are both listed as pending, but one spouse does not opt to use a reasonable explanation, both would remain pending since they are in the same tax household and the reported income information counts for both individuals. An example for this scenario is provided below in the *Reasonable Explanation Example* section.

### **Reasonable Explanation in CalSAWS**

CalSAWS will be updated to capture, store, receive, and send Medi-Cal Reasonable Explanation information to and from CalHEERS.

The functionality for reasonable explanation for MAGI-based individuals will be in CalHEERS. Conversely, the functionality for reasonable explanation for Non-MAGI-based individuals will reside in CalSAWS. The automation of reasonable explanation in CalHEERS does not change county business processes when an applicant or member provides a reasonable explanation in-person, through phone or any other means outside of CalHEERS. CEWs must accept a reasonable explanation provided by the applicant or member, whether through phone or other means, that is consistent with current information found in the applicant or member’s file and that reasonably explains the discrepancy. The CEW should continue to follow policy guidance found in [ACWDL 22-22](#).

For individuals being evaluated for Non-MAGI, or for MAGI individuals who do not update their information in CalHEERS, the county may document and provide the reasonable explanation on their behalf through CalSAWS. For MAGI individuals, this

information will be submitted to CalHEERS via an Eligibility Determination Request (EDR). The inclusion of the update to reasonable explanation functionality is exclusively for CalHEERS and CalSAWS. For individuals completing applications through BenefitsCal, via paper, or over the phone, counties are expected to follow existing business processes to request a reasonable explanation if income is not reasonably compatible.

The following section below provides reminders about the reasonable explanation policy as it applies to change in circumstance (CICs) and renewals.

### **Reasonable Explanation Policy Reminder**

In addition to new applications, reasonable explanations must be accepted for CIC or renewals to resolve income discrepancies between a member's reported income and the income data from electronic sources.

While it is available for use during CICs, DHCS recognizes that its applicability may be limited depending on the case. If, after the ex parte review of all available relevant information on file, a change in circumstance is reported that cannot be verified but that explains or provides enough information that would be considered reasonable, then the CEW can proceed without requiring additional documentation.

For example, a member contacts the county and reports that they've lost their job at Burger King and are currently earning zero income, and the zero income does not electronically verify in CalHEERS. The CEW reviews all available information on file and is able to confirm that the CIC reasonably explains the loss of income. The CEW would then be able to process the CIC without requiring additional financial verification.

### **Reasonable Explanation Examples**

*Example #1: Individual Applies for MAGI Medi-Cal Through the CalHEERS Portal and Self-Attested Income Returns as Pending, Prompting the Individual to Provide a Reasonable Explanation.*

- Individual A applies for Medi-Cal through the CalHEERS portal in September.
- Individual A is found to be pending/conditionally eligible for MAGI Medi-Cal as the self-attested income was not found to be reasonably compatible by the FDSH.
- Individual A receives an alert in the Household Eligibility Results Summary page to take action to provide a Reasonable Explanation for the difference in income.
- Individual A reviews the options on the prompt's drop-down menu to determine if any of the options provided address the income discrepancy.

- Individual A selects the option from the list that best explains the discrepancy and submits.

**Outcome:** Because Individual A selected an allowable reason from the drop-down menu, the CalHEERS portal determined that Individual A's explanation reasonably explains the income discrepancy and continues with the eligibility determination without needing county review.

*Example #2: Individual Applies for MAGI Medi-Cal Through the CalHEERS Portal and Self-Attested Income is Returned as Pending. Individual is Prompted to Provide a Reasonable Explanation, and the Individual Selects "Other" From the Drop-Down Menu.*

- Individual B applies for Medi-Cal through the CalHEERS portal.
- Individual B is found to be pending/conditionally eligible for MAGI Medi-Cal as the self-attested earned income was not found to be reasonably compatible by the FDSH.
- Individual B receives an alert in the Household Eligibility Results Summary page to take action to provide a Reasonable Explanation=.
- Individual B reviews the options on the prompt's drop-down menu to determine if any of the options provided address the income discrepancy.
- Individual B selects the "Other" option from the drop-down list, provides their own explanation and submits.
- CalHEERS sends DER to county, requesting manual review of the income and provided reasonable explanation.

**Outcome:** The CEW conducts an ex parte review of all available relevant information on file, determines it is acceptable, and submits an EDR to CalHEERS with a "REX-Confirm", approving the reasonable explanation.

*Example #3: Individual Applies for Medi-Cal Through CalHEERS Portal and Self-Attested Income is Returned as Pending. Individual is Prompted to Provide a Reasonable Explanation, and the Individual Selects "Other" From the Drop-Down Menu, CEW Denies.*

- Individual C applies for Medi-Cal through the CalHEERS portal.
- Individual C is found to be pending/conditionally eligible for MAGI Medi-Cal as the self-attested earned income was not found to be reasonably compatible by the FDSH.

- Individual C receives an alert in the Household Eligibility Results Summary page to take action to provide a Reasonable Explanation for the difference in income.
- Individual C reviews the options on the prompt's drop-down menu to determine if any of the options provided address the income discrepancy.
- Individual C selects the "Other" option from the drop-down list, provides their own explanation and submits.
- CalHEERS sends DER to county, requesting manual review of the income and provided reasonable explanation.
- The CEW conducts an ex parte review all available relevant information on file.
- The CEW does not find anything during the ex parte review that supports the self-attested income verification.
- The CEW submits an EDR to CalHEERS with a "REX-Deny", denying the reasonable explanation.

**Outcome:** Since income could not be electronically verified and Individual C's reasonable explanation did not resolve the income discrepancy, the CEW would then proceed with mailing Individual C the appropriate form requesting manual verification of Individual C's earned income.

*Example #4: Married Couple (Father 36 years old and Mother 35 years old) Filing Jointly with One Mutual Child (15 years old). Family Applies for Medi-Cal Through the CalHEERS Portal and the Household Self-Attested Income Returns as Pending. Father Selects Reasonable Explanation From Drop-Down Menu; Mother Selects "Other".*

- Family applies for Medi-Cal through the CalHEERS portal.
- The mother and father are found to be pending/conditionally eligible for MAGI Medi-Cal as the self-attested earned income was not found to be reasonably compatible by the FDSH.
- The mother and father both receive an alert in the Household Eligibility Results Summary page to take action to provide a Reasonable Explanation for the difference in income.
- Father selects the option from the list that best explains the discrepancy.
- Mother selects the "other" option from the drop-down menu and provides an explanation.
- Reasonable Explanation drop-down does not populate for the child as the child did not report income.
- Household income remains "Pending", because the mother selected "Other," and the income for both parents are counted towards both individuals.

- CalHEERS submits DER to county for manual verification of Mother's provided reasonable explanation.
- The CEW conducts an ex parte review of all available relevant information on file.
- The CEW finds through the ex parte review that the current manual verifications and other relevant information on file does support the self-attested income attestation.
- The CEW then sends an EDR to CalHEERS with a "REX-Confirm", approving the Mother's income.

**Outcome:** The CEW finds that both parents' explanation reasonably explains the discrepancy, documents the explanations in the case file, and proceeds with the eligibility determination without requiring further financial documentation from the parents.

*Example #5: Single Individual (66 years old) Applies for Medi-Cal. Individual Attests to No Income. County notices a discrepancy in IEVS information received. Individual Provides Reasonable Explanation to CEW.*

- Individual applies for Medi-Cal at their local county office. Individual self-attests to zero income.
- IEVS report run at application and returns showing the applicant with an employment record at Amazon. CEW reaches out to individual through their preferred method of contact to address the discrepancy found in IEVS and to see if the individual can provide a reasonable explanation.
- Individual informs the CEW that they were laid off last month.
- CEW documents the reasonable explanation in CalSAWS.

**Outcome:** The CEW finds that the individual's explanation reasonably explains the discrepancy, documents the explanation in the case file, and determines eligibility for the individual without requesting additional verification.

If you have any questions, or if we can provide further information, please contact the Medi-Cal Eligibility Division (MCED) Policy Inbox at [MCED-Policy@dhcs.ca.gov](mailto:MCED-Policy@dhcs.ca.gov).

Sincerely,

Sarah Crow, Chief  
Medi-Cal Eligibility Division