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TO: ALL COUNTY WELFARE DIRECTORS Letter No.: 22 -17  
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:** INCREASE TO THE REASONABLE COMPATIBILITY THRESHOLD IN THE CALIFORNIA HEALTHCARE ELIGIBILITY, ENROLLMENT, AND RETENTION SYSTEM (CalHEERS).

**Purpose:** The purpose of this All County Welfare Directors Letter (ACWDL) is for the Department of Health Care Services (DHCS) to provide guidance to counties relating to the integration of a Reasonable Compatibility threshold percent increase. The implementation date for this change is Release 22.6 in the California Healthcare Eligibility, Enrollment, and Retention System (CalHEERS) upon the implementation of Change Request (CR) 199518.

### Background

The implementation of the Affordable Care Act developed a new approach in determining eligibility for Modified Adjusted Gross Income (MAGI) Medi-Cal by using electronic data sources to compare against self-attested income information provided by the applicant or beneficiary. This comparison would determine whether the self-attested income provided and the electronic data sources were considered reasonably compatible, thus minimizing the need for further documentation. As part of the new approach, states were required by the Centers for Medicare and Medicaid Services (CMS) to submit an eligibility verification plan to establish a level of variance for a reasonable compatibility standard ([42 CFR § 435.945](#)). While some states opted for an acceptable level of variance, e.g., either a percentage of income or a specific dollar amount for when the difference between the attestation and data sources did not have to be reconciled, California opted that the self-attestation and data source were considered reasonably compatible if they are both at, or both below the MAGI eligibility threshold within the applicant or beneficiary's eligibility category.

In response to the COVID-19 Public Health Emergency (PHE), the [Families First Coronavirus Response Act](#) provided disaster relief provisions, which included the requirement to maintain “continuous coverage” by preventing states from terminating people’s coverage. In order to relieve the amount of manual communication required to verify income during the PHE unwinding period, DHCS amended the state’s [MAGI Based Eligibility Verification Plan](#) to include a reasonable compatibility threshold percentage increase when verifying an applicant’s self-attested income to available electronic data sources. Once approved, the threshold increase will assist with the unwinding activities after the PHE has ended. As a reminder, CMS will provide states with a 60-day notice before the official end of the COVID-19 PHE. At time of publication, DHCS has not been given a 60-day notice. DHCS will notify counties through a follow-up letter once notification has been received.

### **Reasonable Compatibility Threshold Increase**

Once an individual’s self-attested income information is provided, the data is compared to available electronic sources to determine whether there is a difference that would affect the eligibility determination ([WIC § 14013.3](#) and [42 C.F.R. § 435.949](#)). Currently, an individual’s MAGI household income is reasonably compatible when both self-attested income and the income data from the Federal Data Services Hub (FDSH) are at or below the applicable income eligibility standard for the household size. Beginning in Release 22.6 (expected release date of June 22, 2022 at time of publication), CalHEERS will modify functionality that will allow an increase to the MAGI Medi-Cal reasonable compatibility threshold by 20 percent for the following Medi-Cal programs:

- MAGI Medi-Cal,
- County Children’s Health Insurance Program (CCHIP), and
- Medi-Cal Access Program (MCAP).

Although the functionality will be programmed into CalHEERS on June 22, 2022, the threshold functionality will not be effective until July 1. This increase allows income information from the FDSH to be up to 20 percent above the MAGI Medi-Cal program limits, so long as self-attested information is within MAGI program limits. For example, for individuals currently subject to the 138 percent income standard, CalHEERS will allow an increase to the reasonable compatibility threshold by 20 percent, or up to 165.6 percent ( $138 \times 1.20 = 165.6$ ). To further explain this example, if an individual attests at or below 138 percent of the FPL, but the FDSH returns an amount below 165.6 percent of the FPL, the individual will be considered reasonable compatible and the income will be electronically verified.

Once the reasonable compatibility threshold has been integrated in CalHEERS, the threshold increase is applicable to all CalHEERS Business Rules Engine (BRE) runs,

irrespective of the benefit month requested. Examples have been provided in the *Reasonable Compatibility Threshold Examples* section below.

**Note:** While CalHEERS does not currently include the ability to electronically verify or use reasonable compatibility standards of income for Non-MAGI Medi-Cal programs, county eligibility workers (CEW) must continue to use relevant e-verified information, including when a Verify Current Income (VCI) Service response is received to assist in the eligibility determination for Non-MAGI Aged, Blind and Disabled FPL (ABD-FPL) Medi-Cal programs. For more information on e-verifications for Non-MAGI eligibility determinations, please see [ACWDL 20-17E](#) and [ACWDL 22-08](#) regarding manual reasonable compatibility when using a VCI Service Response for the ABD-FPL population.

Furthermore, CalHEERS will integrate the 20 percent threshold increase temporarily beginning in July 2022 through December 2023. The increase is meant to expand administrative efficiencies by:

- Retaining current Medi-Cal beneficiaries, ensuring that slight discrepancies around the eligibility threshold do not prevent reenrollment, and
- Increasing the likelihood of auto-renewal of annual redeterminations and decreasing coverage loss due to procedural reasons, i.e., failure to provide.

Once the PHE unwinding efforts subside and normal processing procedures are in place, beginning January 2024, the reasonable compatibility threshold will adjust to a 10 percent reasonable compatibility threshold. This will align with other states' thresholds established prior to the PHE. For example, for individuals currently subject to the 138 percent income standard, the new reasonable compatibility threshold will adjust to a 10 percent threshold, or up to 151.8 percent ( $138 \times 1.10 = 151.8$ ). To further explain this example, if an individual attests at or below 138 percent of the FPL, but the FDSH returns an amount below 151.8 percent of the FPL, the individual will be considered reasonable compatible and the income will be electronically verified.

A reasonable compatibility threshold table has been provided below for reference and can be found on page 12.

The reasonable compatibility threshold increase is a separate concept from the federal poverty levels (FPL) set annually that are used as a benchmark to determine income limits to the various eligibility categories for Medi-Cal programs, i.e., pregnant individuals or the New Adult Group. Applicants and beneficiaries are still required to self-attest to income that is at or below the MAGI Medi-Cal threshold for their coverage group for their household size in order to have their income checked for reasonable compatibility. Self-attested information that is received and calculated by the FDSH as

at or below the increased threshold based on the individual's coverage group will be considered e-verified or reasonably compatible. Those who self-attest to income higher than the MAGI Medi-Cal limits will continue to be evaluated for other insurance affordability programs. For additional information on the 2022 federal poverty limits, CEWs can reference [ACWDL 22-03](#).

For MAGI Medi-Cal applicants or beneficiaries, when income is found not reasonably compatible from any electronic source, the CEW must continue to follow current guidance by obtaining additional information, including a statement (verbal or written) which reasonably explains the discrepancy or other documentation ([42 C.F.R. § 435.952](#)). DHCS will be releasing additional guidance on reasonable explanation in a forthcoming ACWDL. For more information on reasonable compatibility, CEWs can refer to [ACWDL 21-04](#).

### **Reasonable Compatibility Threshold Examples**

Note: The examples below use the 2022 FPL figures and the 20 percent reasonable compatibility threshold increase.

*Example #1: Single Adult Eligible for the MAGI New Adult Age Group. Self-Attested Income is Under the 138 percent FPL and Electronic Data Sources Confirm*

- Single adult applicant self-attests to \$1133.00 in monthly earned income which is 100 percent of the FPL and below the MAGI Medi-Cal threshold for their household size (138 percent of the FPL).
- Self-attested income information is entered in the Statewide Automated Welfare System (SAWS).
- CalHEERS BRE is initiated and FDSH sources verifies income for \$1133.00 per month or 100 percent of the FPL for household size of one.
  - As a reminder, this information would not be sent to SAWS in the determination eligibility response (DER). Counties would only receive that the income was e-verified.
- Reasonable compatibility is met since both self-attested income and FDSH verified information do not exceed the 138 percent eligibility threshold.

**Outcome:** The CEW must proceed with the financial eligibility determination for MAGI Medi-Cal using the applicant's self-attested income information due to their attestation within the MAGI Medi-Cal FPL threshold per [42 CFR § 435.952\(c\)\(2\)](#).

Self-Attested Income	Self-Attested FPL	FPL Threshold for Program	E-verified Income	E-verified FPL	Reasonably Compatible	20% Threshold Applied
\$1133.0	100 percent	138 percent	\$1133.00	100 percent	Yes	No

*Example #2: Single Adult Eligible for the MAGI New Adult Age Group. Self-Attested Income Is Under the 138 percent FPL and FDSH Returns a Higher FPL but Within the New Reasonable Compatibility Threshold*

- Single adult applicant self-attests to \$1507.00 in monthly earned income which is 133 percent of the FPL and below the MAGI Medi-Cal threshold for their household size (138 percent of the FPL).
- Self-attested income information is entered in SAWS.
- CalHEERS BRE is initiated and FDSH sources verifies income for \$1700 per month, or 150 percent of the FPL threshold for household size of one.
  - As a reminder, this information would not be sent to SAWS in the DER. Counties would only receive that the income was e-verified.
- Reasonable compatibility is met since the FDSH verified income information income is less than the increased threshold of 165.6 percent.

**Outcome:** The CEW must proceed with the financial eligibility determination for MAGI Medi-Cal, using the applicant’s self-attested income information, due to their attestation within the MAGI Medi-Cal FPLs threshold and the 20 percent reasonable compatibility increase per [42 CFR § 435.952\(c\)\(2\)](#).

Self-Attested Income	Self-Attested FPL	FPL Threshold for Program	E-verified Income	E-verified FPL	Reasonably Compatible	20% Threshold Applied
\$1507.00	133 percent	138 percent	\$1700.00	150 percent	Yes	Yes

*Example #3: Single Adult Parent and Child. Self-Attested Income Is Under 138 percent FPL and FDSH Returns a Higher FPL Above the New Reasonable Compatibility Threshold*

- Single adult parent applies with their child and self-attests to \$2030.00 in monthly earned income which is 133 percent of the FPL and below the MAGI Medi-Cal threshold for their household size (138 percent of the FPL for the parent and 266 percent of the FPL for the child).
- Self-attested income information is entered in SAWS.

- CalHEERS BRE is initiated and FDSH verifies income for \$2824.00 or 185 percent of the FPL threshold for household size of two.
  - As a reminder, this information would not be sent to SAWS in the DER. Counties would only receive that the income was e-verified.
- Income is not reasonably compatible for the parent as the FDSH verified income is above the increased threshold of 165.6 percent. Reasonable compatibility is met for the child since the FDSH verified income information is less than the MAGI Medi-Cal threshold of 266 percent.

**Outcome:** CalHEERS returned income verification as “pending” for the parent only, and the CEW would then need to request a reasonable explanation or manual documentation to verify income for the parent. The CEW must proceed with the financial eligibility determination for MAGI Medi-Cal for the child, using the applicant’s self-attested income information without delay per [42 CFR § 435.952\(c\)\(2\)](#).

Self-Attested Income	Self-Attested FPL	FPL Threshold for Program	E-verified Income	E-verified FPL	Reasonably Compatible	20% Threshold Applied
\$2030.0	133 percent	138 percent for parent 266 percent for child	\$2824.00	185 percent	No- for parent Yes-for child	Yes- for parent No – for child

*Example #4: Pregnant Individual’s Self-Attested Income Is Under the 213 percent FPL and FDSH Returns a Higher FPL and Within the New Reasonable Compatibility Threshold.*

- Pregnant single adult self-attests to \$3175 in monthly earned income which is 208 percent of the FPL and below the MAGI Medi-Cal threshold for their household size (213 percent of the FPL).
- Self-attested income information is entered in SAWS.
- CalHEERS BRE is initiated and FDSH verifies income for \$3815 monthly, or 250 percent FPL for household size of 2 (household size is 2 based on unborn child).
  - As a reminder, this information would not be sent to SAWS in the DER. Counties would only receive that the income was e-verified.
- Reasonably compatibility is met since the FDSH verified income information is less than the increased threshold of 255.6 percent.

**Outcome:** The CEW must proceed with the financial eligibility determination for MAGI Medi-Cal using the pregnant individual’s self-attested income information, due to their attestation within the MAGI Medi-Cal FPLs and the threshold being increased by 20 percent per [42 CFR § 435.952\(c\)\(2\)](#).

Self-Attested Income	Self-Attested FPL	FPL Threshold for Program	E-verified Income	E-verified FPL	Reasonably Compatible	20% Threshold Applied
\$3175.00	208 percent	213 percent	\$3815.00	250 percent	Yes	Yes

*Example #5: Single Adult Eligible for the MAGI New Adult Age Group, Applies for Medi-Cal Prior to the 20 percent Threshold Increase. Self-Attested Income Is Under the 138 percent FPL and FDSH Returns a Higher FPL but Within the New Reasonable Compatibility Threshold.*

- Single adult applicant submits a paper application to their local county office on June 15, 2022.
- Applicant self-attests to monthly earned income of \$1,473, which is 130 percent of the FPL and below the MAGI Medi-Cal threshold for household size (138 percent of the FPL).
- The CEW processes the application on July 14, 2022 after the reasonable compatibility threshold percent increase has been implemented in CalHEERS.
- Self-attested income information is entered in SAWS.
- CalHEERS BRE is initiated on July 14, for an eligibility determination from June 2022 on.
- FDSH electronically verifies income for \$1,677 monthly, or 148 percent FPL for household size of one.
  - As a reminder, this information would not be sent to SAWS in the DER. Counties would only receive that the income was e-verified.
- Reasonable compatibility is met since the FDSH verified income information is less than the increased threshold of 165.6 percent.

**Outcome:** The CEW must proceed with the financial eligibility determination for MAGI Medi-Cal using the applicant’s FDSH verified income information due to their attestation within the MAGI Medi-Cal FPLs and the threshold being increased by 20 percent per [42 CFR § 435.952\(c\)\(2\)](#). The reasonable compatibility threshold increase is applied to the applicant’s self-attested income from benefit month June on as CalHEERS BRE was initiated after the month the reasonable compatibility threshold implementation date.

Self-Attested Income	Self-Attested FPL	FPL Threshold for Program	E-verified Income	E-verified FPL	Reasonably Compatible	20% Threshold Applied
\$1473.00	130 percent	138 percent	\$1677.00	148 percent	Yes	Yes

*Example #6 Single Adult Eligible for the MAGI New Adult Age Group, Applying for Retroactive Medi-Cal Coverage. Self-Attested Income Is Under the 138 percent FPL and FDSH Returns a Higher FPL but Within the New Reasonable Compatibility Threshold.*

- Single adult applicant submits a paper application to their local county office on June 15, 2022.
- Applicant is also requesting retroactive Medi-Cal coverage for April and May of 2022.
- Applicant self-attests to monthly earned income of \$1,530, which is 135 percent of the FPL and below the MAGI Medi-Cal threshold for their household size (138 percent of the FPL).
- The CEW processes the application on July 30, 2022.
- Self-attested income information is entered in SAWS.
- CalHEERS BRE is initiated on July 30, after the reasonable compatibility threshold percent increase has been implemented in CalHEERS, for an eligibility determination from April 2022 on.
- FDSH electronically verifies income for \$1,700 monthly, or 150 percent FPL for household size of one.
  - As a reminder, this information would not be sent to SAWS in the DER. Counties would only receive that the income was e-verified.
- Reasonable compatibility is met since the FDSH verified income information is less than the increased threshold of 165.6 percent.

**Outcome:** The CEW must proceed with the financial eligibility determination for MAGI Medi-Cal, using the applicant’s FDHS verified income information, due to their attestation within the MAGI Medi-Cal FPLs and the threshold being increased by 20 percent per [42 CFR § 435.952\(c\)\(2\)](#). The reasonable compatibility threshold increase is applied to the applicant’s self-attested income for benefit month April on as CalHEERS BRE was initiated after the month the reasonable compatibility threshold implementation date.

Self-Attested Income	Self-Attested FPL	FPL Threshold for Program	E-verified Income	E-verified FPL	Reasonably Compatible	20% Threshold Applied
\$1530.00	135 percent	138 percent	\$1700.00	150 percent	Yes	Yes

*Example #7 Single Adult Eligible for the MAGI New Adult Age Group, Reports a Change in Circumstance in Their Local County Office Prior to the Integration of the New Reasonable Compatibility Threshold. Self-Attested Income is Under the 138 percent FPL and FDSH Returns a Higher FPL but Within the New Reasonable Compatibility Threshold.*

- Beneficiary reports a change in circumstance at their local county office on June 15, 2022.
- Beneficiary self-attests to new monthly earned income of \$1,530, which is 135 percent FPL and below the MAGI Medi-Cal threshold for their household size (138 percent of the FPL).
- The CEW processes the change in circumstance on July 30, 2022 after the reasonable compatibility threshold percent increase has been implemented in CalHEERS.
- Self-attested income information is entered in SAWS.
- FDSH electronically verifies income for \$1,700 monthly, or 150 percent FPL for household size of one.
  - As a reminder, this information would not be sent to SAWS in the DER. Counties would only receive that the income was e-verified.
- Reasonable compatibility is met since the FDSH verified income information is less than the increased threshold of 165.6 percent.

**Outcome:** The CEW must proceed with the financial eligibility determination for MAGI Medi-Cal, using the beneficiary’s self-attested income information, due to their attestation within the MAGI Medi-Cal FPLs and the threshold being increased by 20% per [42 CFR § 435.952\(c\)\(2\)](#).

Self-Attested Income	Self-Attested FPL	FPL Threshold for Program	E-verified Income	E-verified FPL	Reasonably Compatible	20% Threshold Applied
\$1530.00	135 percent	138 percent	\$1700.00	133 percent	Yes	Yes

*Example #8 Applicant is Eligible for the MAGI New Adult Age Group. The Reasonable Compatibility Threshold Increase is later deployed and the annual renewal process is auto-renewed.*

- Applicant submits a Medi-Cal application at their local county office on March 7, 2022.
- Applicant self-attests to monthly income of \$1,473, which is 130 percent FPL and below the MAGI Medi-Cal threshold for their household size (138 percent of the FPL).
- Self-attested income information is entered in SAWS.
- CalHEERS BRE is initiated on March 7, 2022.
- FDSH electronically verifies income for \$1,564 monthly, or 138 percent FPL for household size of one.
- Reasonable compatibility is met since both self-attested income and FDSH verified information do not exceed the 138 percent eligibility threshold.
- Applicant is eligible to MAGI Medi-Cal beginning in March 2022.
- On January 15, 2023 a renewal eligibility determination is sent to CalHEERS, with self-attested income of \$1,473, or 130 percent FPL for household size of one, and below the MAGI Medi-Cal FPL of 138 percent threshold for household size.
- FDSH electronically verifies income for \$1,587 monthly, or 140 percent FPL for household size of one.
  - As a reminder, this information would not be sent to SAWS in the DER. Counties would only receive that the income was e-verified.
- Reasonable compatibility is met since the FDSH verified income information is less than the increased threshold of 165.6 percent.

**Outcome:** MAGI Medi-Cal is auto-renewed using the beneficiary’s self-attested income information, due to their attestation within the MAGI Medi-Cal FPLs and the FDSH verified income information within the increased 20% threshold.

Self-Attested Income	Self-Attested FPL	FPL Threshold for Program	E-verified Income	E-verified FPL	Reasonably Compatible	20% Threshold Applied
\$1473.00	130 percent	138 percent	\$1564.00	138 percent	Yes-at application and annual renewal	Yes (at annual renewal only)

*Example #9 Single Adult Eligible for the MAGI New Adult Age Group, Reports a Change in Circumstance through the CalHEERS Portal After the Integration of the New Reasonable Compatibility Threshold. Self-Attested Income is Under the 138 percent FPL and FDSH Returns a Higher FPL but Within the New Reasonable Compatibility Threshold.*

- Beneficiary reports a change in circumstance through the CalHEERS portal on August 15, 2022.
- Beneficiary self-attests to new monthly earned income of \$1,530, which is 135 percent FPL and below the MAGI Medi-Cal threshold for their household size (138 percent of the FPL).
- FDSH electronically verifies income for \$2,097 monthly, or 185 percent FPL for household size of one.
  - As a reminder, this information would not be sent to SAWS in the DER. Counties would only receive that the income was not e-verified
- Income is not reasonably compatible as the FDSH verified income above the increase threshold of 165.6 percent.
- The beneficiary's current eligibility status is placed in "Awaiting Review," (Eligibility Review).
- A DER is sent to the county for a full Medi-Cal eligibility determination.

**Outcome:** CalHEERS returned income verification as "pending" and the CEW would then need to request a reasonable explanation or manual documentation to verify income for the parent. The CEW must proceed with requesting a reasonable explanation or manual verification per [42 CFR § 435.952\(c\)\(2\)](#).

### **Reasonable Compatibility Threshold Increase Table**

The purpose of the table below is to provide counties with the 20 percent increase thresholds amounts. Counties will not receive this information in the DER or in CalHEERS; it is informational only. DHCS will provide a table for the 10 percent increase in a future update.

MAGI Medi-Cal Program	Program Description by FPL Threshold	20% Calculated Lower FPL Threshold*	20% Calculated Upper FPL Threshold
MAGI Adult	138%	N/A	165.6%
MAGI Child	266%	N/A	319.2%
MAGI Pregnant	213%	N/A	255.6%
MAGI Parent Caretaker	109%	N/A	130.8%
MAGI Parent Caretaker +5%	114%	N/A	136.8%
MCAP	213%-322%	170.4%	386.4%
CCHIP	266%-322%	212.8%	386.4%

\* Since MCAP and CCHIP have lower range cut-offs (213 percent and 266 percent respectively), the chart above includes a lower threshold calculation for both. All other Medi-Cal programs do not have a lower range threshold cutoff, since the FPL ranges start at zero percent.

If you have any questions, or if we can provide further information, please contact Janis Kimball, by phone at (916) 345-8060, or by email at [Janis.Kimball@dhcs.ca.gov](mailto:Janis.Kimball@dhcs.ca.gov).

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