



Date: June 9, 2022

DMS Operations Memo 22-08

To: Income Maintenance Supervisors  
Income Maintenance Lead Workers  
Income Maintenance Staff

**Affected Programs:**

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> BadgerCare Plus | <input type="checkbox"/> Caretaker Supplement              |
| <input type="checkbox"/> FoodShare                  | <input type="checkbox"/> FoodShare Employment and Training |
| <input checked="" type="checkbox"/> Medicaid        |  |
| <input type="checkbox"/> SeniorCare                 |  |

From: Jonelle Brom, Bureau Director  
Bureau of Eligibility Operations & Training  
Division of Medicaid Services

Jori Mundy, Bureau Director  
Bureau of Enrollment & Eligibility Policy  
Division of Medicaid Services

**Reasonable Compatibility Threshold for Health Care**

**CROSS REFERENCE**

- Medicaid Handbook, Section [20.3.8.1 Reasonable Compatibility for Income for Health Care](#)
- BadgerCare Plus Handbook, Chapter [9.12 Reasonable Compatibility for Health Care](#)

**EFFECTIVE DATE**

July 1, 2022

**PURPOSE**

The memo announces the addition of a 20% threshold when determining whether member-reported income information for health care is reasonably compatible with information provided by a data exchange.

**BACKGROUND**

Some health care programs use a reasonable compatibility test to determine if the applicant or member must verify their earned income. Federal regulations restrict states from requesting verification from applicants and members unless the information cannot be obtained through a data exchange, or information from the data exchange is not “reasonably compatible” with what the applicant or member has reported.

A reasonable compatibility determination is made by comparing the following two amounts:

- The total income that includes the earned income reported by the data exchange.
- The total income that includes the earned income reported by the applicant or member.

Under current policy, information from the data exchange is considered “reasonably compatible” if it results in the same eligibility outcome as information reported by the applicant or member. When information from a data exchange is “reasonably compatible” with the information provided by an applicant or member, verification is not required.

## **POLICY**

Effective July 1, 2022, DHS will temporarily add a 20% threshold to the reasonable compatibility test for income for health care. This threshold is expected to be in place until the completion of renewals for all members who have continuous health care coverage because of the COVID-19 federal public health emergency.

The reasonable compatibility test using the 20% threshold will only be applied when the following two circumstances occur:

- The total income that includes the earned income reported by the applicant or member is at or below the income limit.
- The total income that includes the earned income reported by the data exchange is above the income limit.

In this situation, if the total income that includes the earned income reported by the data exchange is no more than 20% greater than the total income that includes the earned income reported by the applicant or member, the amounts will be determined to be reasonably compatible.

Example 1: Walter is a childless adult applying for BadgerCare Plus. The monthly income limit is \$1,132.50. Walter reports monthly earned income of \$1,000; this is his only income, and it is below the income limit. The State Wage Information Collection Agency (SWICA) reports that Walter’s monthly earned income is \$1,150. This income amount is above the income limit. Therefore, the reasonable compatibility test using the 20% threshold will be applied.

The 20% threshold amount is the amount that is 20% greater than the total income that includes the earned income reported by the applicant or member. In this example, the 20% threshold amount is \$1,200. The total income that includes the earned income reported by SWICA (\$1,150) is less than the 20% threshold amount (\$1,200). Therefore, the amounts are determined to be reasonably compatible. Walter does not need to verify the earned income.

Example 2: Felicia has two children and is applying for BadgerCare Plus. The monthly income limit for Felicia is \$1,919.17. Felicia reports monthly earned income of \$1,600; this is her only income, and it is below the income limit. Equifax reports that Felicia’s monthly earned income is \$1,925. This income amount is above the income limit. Therefore, the reasonable compatibility test using the 20% threshold will be applied.

In this example, the 20% threshold amount is \$1,920. The total income that includes the earned income reported by Equifax (\$1,925) is greater than the 20% threshold amount (\$1,920). Therefore, the amounts are not reasonably compatible. Felicia must verify the earned income to become eligible.

Example 3: Darren is applying for MAPP. He is not married and has no children. The monthly income limit is \$2,831.25. Darren's monthly income for MAPP when including his reported earned income is \$2,350; this is below the income limit. Darren's monthly income for MAPP when including the earned income reported by SWICA is \$2,850. This income amount is above the income limit. Therefore, the reasonable compatibility test using the 20% threshold will be applied.

In this example, the 20% threshold amount is \$2,820, which is below the MAPP income limit. The total income that includes the earned income reported by SWICA (\$2,850) is greater than the 20% threshold amount (\$2,820). Therefore, the amounts are not reasonably compatible. Darren must verify the earned income to become eligible.

Example 4: Judy is applying for SLMB+. The monthly income limit is \$1,528.88. Judy's monthly income when including her reported earned income is \$1,200; this is below the income limit. Judy's monthly income when including the earned income reported by Equifax is \$1,500. This income amount also is below the income limit. These amounts are reasonably compatible, and Judy does not have to verify the earned income.

With the addition of a 20% threshold, there are no changes in:

- the programs that use a reasonable compatibility test for income
- the income limits and premium thresholds that are subject to a reasonable compatibility test, and
- the situations in which a reasonable compatibility test is used (e.g., applications, renewals, and administrative renewals).

The 20% reasonable compatibility threshold also will be applied to SWICA discrepancies. A SWICA discrepancy will not be created if an individual's income on file and quarterly SWICA information are found to be reasonably compatible using the 20% threshold.

The 20% reasonable compatibility threshold will not be applied to the reasonable compatibility test used for assets for EBD Medicaid programs.

### ***REASONABLE COMPATIBILITY AND OVERPAYMENTS***

As is currently the case, members are not subject to overpayments for a given eligibility or premium determination in which their reported income was found reasonably compatible with a data exchange.

Effective July 1, 2022, if a health care member is not required to verify their earned income due to reasonable compatibility and then verifies their earned income at a later date (for example, because verification is required for another program), the verified earnings should then be used to determine eligibility and premium amounts for health care.

In this situation, members are not liable for overpayments because the initial determination was based on income that was reasonably compatible with a data exchange.

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If a health care member is not required to verify their earned income due to reasonable compatibility and subsequently fails to report a required income change, the member can only be subject to an overpayment if their new income amount is more than 20% greater than the total income amount that was used to make the eligibility or premium determination.

## **CONTACTS**

DHS CARES Problem Resolution Team: [DHSCARESProblemResolution@dhs.wisconsin.gov](mailto:DHSCARESProblemResolution@dhs.wisconsin.gov).

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