

Health Care Finance and Administration	Section: Financial Eligibility
Policy Manual Number: 010.035	Chapter: Reasonable Compatibility and Verification

## REASONABLE COMPATIBILITY AND VERIFICATION

**Legal Authority:** 42 CFR 435.948

### 1. Policy Statement

Eligibility determinations will be based, to the maximum extent possible, on self-attestation of income that is verified by information obtained from electronic data sources. When income information obtained through electronic data sources is reasonably compatible with an individual's attestation, the attestation is considered verified. Attestation and data sources are reasonably compatible when the difference or discrepancy between the two sources does not impact the eligibility of the application. If information is obtained through electronic data sources is not reasonably compatible with an individual's attestation, additional documentation may be required.

### 2. Reasonable Compatibility

The Affordable Care Act (ACA) requires states to accept self-attestation of income information when the individual's attestation and information obtained through an electronic data source are reasonably compatible. The reasonable compatibility test is only applied when an individual's attested income is below the income eligibility threshold, and information obtained through an electronic data source is above the income eligibility threshold. Table 1.1 *Reasonable Compatibility Test* illustrates when information is subject to the reasonable compatibility test, and when it is not.

**Table 1.1 Reasonable Compatibility Test**

<b>Attested Income (including 5% disregard, if applicable)</b>	<b>Electronic Data Source</b>	<b>Outcome</b>
Is below the income eligibility threshold	Is below the income eligibility threshold	Individual is financially eligible. The reasonable compatibility test is not required.
Is below the income eligibility threshold.	Is above the income eligibility threshold.	<b>Income is subject to reasonable compatibility test.</b>
Is below the income eligibility threshold.	Is not available	Request additional verification.
Is above the income eligibility threshold	Is above the income eligibility threshold	Individual is ineligible. The reasonable compatibility test is not required.
Is above the income eligibility threshold.	Is below the income eligibility threshold.	Attested income is used. The individual is ineligible. The reasonable compatibility test is not required.

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Is above the income eligibility threshold.	Is not available.	Attested income is used. The individual is ineligible. The reasonable compatibility test is not required.
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## Reasonable Compatibility Calculation

### a. Reasonable Compatibility Calculation with Reported Income from the Hub

Step 1: Individual has PASSED the Income Eligibility Determination.

Step 2: Modified Adjusted Gross Income (MAGI) from the Hub (converted to a monthly amount) is

available and:

- If the Hub value is less than the Category Income Standard, the individual is income-eligible and the reasonable compatibility test is NOT required.
- If the Hub value is greater than the Category Income Standard, the reasonable compatibility test is required. Continue to Step 3.

Step 3: Determine the Hub Reasonable Compatibility Maximum Amount:

MAGI from the Hub minus 10% of the MAGI from the Hub amount = the Hub Reasonable Compatibility Maximum

Step 4: Compare individual's attested income amount (prior to the 5% FPL disregard, if applied) to the Hub Reasonable Compatibility Maximum and:

- If the attested income is less than the Hub Reasonable Compatibility Amount, then income verification is required.
- If the attested income is greater than the Hub Reasonable Compatibility Amount, no verification is required and individual is considered to be income eligible.

Example: Mr. Jones is applying for coverage for himself, his wife and 2 children. Mr. Jones is the sole income earner and attests to earning \$1,750 a month. The Caretaker Relative Income Standard for a family of 4 is \$1,867, so Mr. Jones is income eligible for the Caretaker Relative category.

Income information from the Internal Revenue Service (IRS) is available from the Hub (MAGI from Hub), and it is reported that Mr. Jones' income on his last tax return was \$1,900 per month. Given that the Hub data is greater than the Caretaker Relative Income Standard, the reasonable compatibility test is applied:

Attested Income: \$1,750

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Caretaker Relative Income Standard (household size of 4): \$1,867  
MAGI from Hub: \$1,900

Hub Reasonable Compatibility Maximum:  $\$1900 - (1900 \times .10) = \$1,710$

Since Mr. Jones' attested income (\$1,750) is GREATER THAN the Hub Reasonable Compatibility Maximum (\$1,710). Attested income and income obtained from Hub are considered reasonably compatible and no further income verification is required.

**b. Reasonable Compatibility Calculation with Reported Quarterly Wage Data**

Quarterly Wage Data (QWD) will be subject to the reasonable compatibility test when there is no income information available from the Hub. The individual's attested income must still be less than the applicable category income standard, and QWD must be greater than the income standard before the Reasonable Compatibility is applied.

The reasonable compatibility test using QWD is calculated the same way as the reasonable compatibility testing using Hub data.

**3. Verification**

Income Type	Electronic Data Source	Paper Documentation
Wages	<ul style="list-style-type: none"> <li>• IRS data from the Hub</li> <li>• Tennessee Department of Labor and Workforce Development (TDLWD)</li> <li>• Equifax/TALX data</li> </ul>	<ul style="list-style-type: none"> <li>• Pay stubs</li> <li>• Statement from employer</li> <li>• Signed statement for tips</li> <li>• Bank deposit slip</li> <li>• Statement from employer identifying an item paid in-kind, the date the in-kind wages were paid, any balance due on item</li> </ul>
Self-Employment	<ul style="list-style-type: none"> <li>• IRS data from the Hub</li> </ul>	<ul style="list-style-type: none"> <li>• Federal income tax return (Schedule SE)</li> <li>• Business Records</li> <li>• Individual's signed statement</li> </ul>
Rental	<ul style="list-style-type: none"> <li>• IRS data from the Hub</li> </ul>	<ul style="list-style-type: none"> <li>• Federal income tax return</li> <li>• Current Lease or Contract</li> <li>• Statement from renter including the amount and payment date of rental amount</li> <li>• Rent receipt indicating amount and payment date</li> </ul>
Royalty	<ul style="list-style-type: none"> <li>• IRS data from the Hub</li> </ul>	<ul style="list-style-type: none"> <li>• Written verification from the source of the royalty income</li> </ul>

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		<ul style="list-style-type: none"> <li>• Business records</li> <li>• Bank deposit slip</li> <li>• Individual's signed statement</li> </ul>
Farming or Fishing	<ul style="list-style-type: none"> <li>• IRS data from the Hub</li> </ul>	<ul style="list-style-type: none"> <li>• Federal income tax return</li> <li>• Business Records</li> <li>• Bank deposit slips, receipts</li> </ul>
Unemployment	<ul style="list-style-type: none"> <li>• TDLWD</li> </ul>	<ul style="list-style-type: none"> <li>• Written verification from the TDLWD</li> <li>• Written verification from state of issuance if unemployment benefits are received from another state.</li> </ul>
Retirement	<ul style="list-style-type: none"> <li>• IRS data from the Hub</li> <li>• State On-Line Query System (SOLQ), if individual had previous SSI connection</li> </ul>	<ul style="list-style-type: none"> <li>• Written verification from the source of income</li> <li>• Copy of the most recent check and proof of deposit into the individual's bank account with date of deposit</li> </ul>
Pension	<ul style="list-style-type: none"> <li>• IRS Data from the Hub</li> <li>• SOLQ, if individual had previous Supplemental Security Income (SSI) connection</li> </ul>	<ul style="list-style-type: none"> <li>• Written verification from the source of income</li> <li>• Copy of the most recent check and proof of deposit into the individual's bank account with date of deposit</li> </ul>
Social Security	<ul style="list-style-type: none"> <li>• SOLQ</li> </ul>	<ul style="list-style-type: none"> <li>• Award letter from the Social Security Administration (SSA), Railroad Retirement Benefits</li> </ul>
Capital Gains		<ul style="list-style-type: none"> <li>• Receipt from sale</li> <li>• Sale agreement</li> <li>• Proof of deposit into the individual's bank account with amount and date of deposit</li> </ul>
Investment Income	<ul style="list-style-type: none"> <li>• IRS Data from the Hub</li> </ul>	<ul style="list-style-type: none"> <li>• Copy of the most recent check and date of deposit</li> </ul>
Alimony Received	<ul style="list-style-type: none"> <li>• IRS Data from the Hub</li> </ul>	<ul style="list-style-type: none"> <li>• Agreement awarding the individual alimony payments</li> <li>• Written statement from the individual paying the alimony and a copy of a recent alimony check or receipt</li> </ul>
Cancelled Debts		<ul style="list-style-type: none"> <li>• Signed statement from the individual who forgave the debt</li> </ul>
Court Awards		<ul style="list-style-type: none"> <li>• Court order or final judgment</li> <li>• Bank Statement</li> </ul>
Jury Duty Pay		<ul style="list-style-type: none"> <li>• Copy of check(s) received</li> <li>• Proof of deposit into the individual's</li> </ul>

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		bank account
Gambling, Prizes or Awards		<ul style="list-style-type: none"> <li>• Award letter</li> <li>• Copy of the check</li> <li>• Contest advertisement</li> <li>• Income tax return for the year the prize/award was claimed</li> </ul>