

Question

Should Connect for Health Colorado (Marketplace) follow the income verification enforcement discretion option for its first year of operations (2014)?

Background

45CFR §155.320(c)(3)(vi)(D)). Final regulations allow for an income verification enforcement approach that an Exchange may take in their first year of operations (2014). This discretionary approach gives the Exchange the option to accept self-attestation for its eligibility determination of individuals whose attested income is not reasonably compatible, for which they do not have a reasonable explanation, and cannot verify with available data sources. The rule provides Exchanges with the flexibility to request verification for a statistically significant sample of this population that requires manual verification.

Current State

Application

The Marketplace application has built-in logic to “call” federal data sources while the application is being filled out online to validate an applicant’s response to a variety of questions about income, citizenship/lawful presence, and incarceration.

Eligibility Rules Engine

All the information required to make an eligibility determination for advanced premium tax credits and cost sharing reductions will be run through the Connect for Health Colorado Eligibility Rules Engine (rules engine). This rules engine will display results back to the user on the screen indicating when manual verification is needed based on the information the customer provided in the application and information that is returned from federal data sources. If there is not a significant discrepancy or the applicant has a reasonable explanation to explain a discrepancy manual documentation will not be requested and the applicant will move forward with shopping. If documentation is required to finalize an eligibility determination, The Marketplace will display to the customer what document categories require verification (i.e., citizenship, income, etc.). There will be a drop down list of documents for each document category that will tell the customer what to upload or post mail to the Service Center. The system will also trigger a real-time notice to the applicant requesting documentation. This notice is automatically triggered based on system logic.

Verification Policy and Procedures

Marketplace policy is to always request customer verification when self-attested information in an application is not reasonably compatible with federal data sources (i.e. within ten percent) and a reasonable explanation has not been provided.

Customers will have 90 days to validate self-attested information with the Marketplace by mailing or uploading documentation. Back Office staff is responsible for validating all verification documents and updating the customer’s account. If the inconsistency window has ended, the system will automatically re-determine the customer’s eligibility and send a “final” eligibility determination.

Policy Options

The following options are being considered with respect to their impact on the business (policy/operations), the system (technology), and the end user (consumer).

1. *Status quo.* This option would maintain the current state. This option requires all customers who fail reasonable compatibility and cannot provide a reasonable explanation to submit documents to the marketplace. This option has no impact on the business or the system because the Marketplace has developed policies, system design, procedures, and training materials to support this option for go live in October 2013. The volume of applications that will require manual verification is unknown, however, current workload estimates for the back office account for the need to regularly process manual documentation submitted by applicants. Although this option doesn't impact current design, the Marketplace could be forgoing the opportunity to reduce operational costs.
2. *Scenario-based technology approach.* This option would allow the Marketplace to request verification from a subset of applicants that fail reasonable compatibility and do not provide a reasonable explanation based on identified scenarios (i.e. the federal data services hub (FDSH) is unavailable or there is no response). It would require changes to the system's business rules to allow for accepting self-attestation under defined circumstances. Verification policies and procedures would remain the same when documentation is requested. There would be a slight change to training to understand when the system would flag for manual verification. This option would provide the back office with an unknown reduction in workload, allow customers to bypass document submission, and make the eligibility process simpler for some applicants. However, customers could provide erroneous information to the Marketplace that would potentially require them to pay a tax liability to the IRS.
3. *Round-robin approach.* This option would allow the Marketplace to request verification from a statistically significant number of applicants that fail the reasonable compatibility test and do not provide a reasonable explanation in 2014. Verification policies and procedures would remain the same when documentation is requested. There would be a slight change to training to understand when the system would flag for manual verification. This option would require a system change to implement the round-robin logic and triggers for notices. It would reduce the number of verifications the back office staff would be required to handle, but it will be important to understand whether the reduction in workload for one year will offset the time it will take technology staff to remove current system design to enable the approach. This option would allow some customers to bypass document submission and therefore make the eligibility process simpler. However, customers could provide erroneous information to the marketplace that would potentially require them to pay a tax liability to the IRS.

Example of workload reduction: If the marketplace used 33 percent as a statistically significant sample of individuals that fail reasonable compatibility and do not provide a reasonable explanation, it could implement a round-robin approach where the system randomly selects every third person that has failed the above criteria and flag for manual verification. Following this example, the Marketplace would decrease its back office workload by about 70 percent.

4. *Full self-attestation approach.* This option would require the largest change to the current system design. It would require the system to "comment out" income verification and allow every Marketplace consumer that would otherwise need to provide verification documents to finalize an eligibility determination to move forward with self-attested information. This option would also require the largest change to back office procedures by requiring staff to create a report of applicants that only have income as an outstanding factor and request that a sample of this applicant pool submit manual documentation. Procedures would also need to be created to send verification notices to this random sample of applicants. It would reduce the number of verifications the back office staff would be required to handle, but it is currently unknown the level of effort it will take to create a report and new processes, identify a statistically significant sample, and update the system. This option would allow customers to bypass document submission and make the eligibility process simpler. However, customers could provide erroneous information to the Marketplace that would potentially require them to pay a tax liability.

Staff Recommendation

Staff recommends moving forward with our current plan to verify income as outlined in Option One.