

5 Common Questions for Reviewing Household Composition: PERM Eligibility Reviews – Non-MAGI



During the PERM Eligibility Reviews, the Eligibility Review Contractor (ERC) reviews household composition as the first step in assessing financial eligibility for initial determinations, renewals, and changes that occur prior to the date of service. The household composition impacts the overall income budget and the income limits utilized for the case. This fact sheet summarizes how the ERC reviews household composition for Non-MAGI cases (aged, blind, and disabled; medically needy; and populations for whom income determinations are not required).

What does the ERC look at when reviewing household composition?

- For Non-MAGI cases, the ERC reviews the household composition for the following purposes:
 - To determine if the income standard for an individual or a couple should apply.
 - To determine if income or resources should be deemed to other members of a household.
- In general, the income standard for an individual is used to determine eligibility. The income standard for two is used when both individuals in a married couple live together and are eligible for benefits.
- The ERC reviews case documentation required by state plans and policies for evidence of household composition to ensure the state obtained the required information and followed the appropriate processes when adjudicating a case.

Where does the ERC look for household composition information?

- Eligibility source system (e.g., household screens, case comments, and notices).
- Application/renewal forms and/or change reports.
- Data matching systems, if information is available (e.g., State Data Exchange).

How does the ERC review household composition information?

- The review process ensures the caseworker or system properly constructed the household size at application. At renewal, the ERC will also ensure that beneficiary-reported household changes are accurately applied. Relationship status is typically self-attested, but the ERC will review applicable documentation if required by state policy.
- For Non-MAGI cases, the ERC reviews household composition information provided on the application, redetermination form, or change report, in accordance with state policy.

When are findings cited?

- The household was incorrectly constructed at application by the caseworker or the system, making the income and/or resource calculation for the household incorrect, which results in the individual not being eligible or being determined eligible for the wrong category.
- The household changed at renewal and the caseworker or system did not update the household, making the income and/or resource calculation for the household incorrect, which results in the individual not being eligible or being determined eligible for the wrong program.
- A discrepancy in the household was not resolved and no follow-up occurred, so the household could not be accurately determined, and the result could impact financial eligibility.

Why do we review household composition this way?

To ensure compliance with federal requirements for the administration of Medicaid and CHIP in accordance with:

- The Medicaid regulations at [42 CFR 435.602](#).

Household composition is also important in determining financial eligibility in accordance with the following regulations and guidance:

- [Section 1924 of the Social Security Act](#).
- [Section 1917 of the Social Security Act](#).
- The Center for Medicaid and CHIP Services (CMCS) February 10, 2020 [Informational Bulletin](#) regarding spousal impoverishment rules.

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Examples of Findings

The examples below detail instances in which household composition-related errors are cited and how the ERC cites them.

Example Details

The beneficiary is a resident in a nursing facility and is receiving long term care (LTC) services. At application, the beneficiary is determined a household of one with a community spouse. At redetermination, the state had determined the individual was over resources for LTC services and changed the eligibility group from an LTC category to a MAGI Medically Frail category. The spouse of the beneficiary should have been included in the household composition following the MAGI rules. The income of the spouse was not collected and considered in the eligibility budget. A payment error is cited because household composition is incorrect and there is not sufficient information collected regarding the spouse to verify program eligibility.

The beneficiary is a disabled child, who is 11 years old and a tax dependent of both parents. The state used a household size of three to determine eligibility for a medically needy category. While the parents' income was appropriately deemed to the child, the household size should have been a household size of one. A payment error is cited because household composition is incorrect under Non-MAGI rules, and the beneficiary was eligible for a disabled eligibility category.

Special Considerations

Below are special considerations in which the ERC will review in accordance with state policy when states elect to construct households using these optional methods.

- **Community Spouse:** Married couples who live separately due to institutionalization are not considered two-person households. The institutionalized beneficiary is a household of one. Income and resources would then be assessed to determine whether the spouse who remains in the community should maintain a level of support from the institutionalized spouse.
- **Transfer of Assets to Household Members:** Ensuring the household is correct is important for assessing resources for an LTC beneficiary. When assessing a transfer of resources, the ERC conducts a lookback period spanning 5 years. Transferring an asset, such as a home below fair market value, would cause an individual to be assessed a penalty in which they are ineligible to receive Medicaid coverage; however, if the transfer of a home is to a spouse, a child under 21, or an adult child who was the individual's primary caregiver for at least 2 years, then a penalty is not imposed.