



TO: Medicaid Directors, Chief Financial Officers, and Eligibility Leaders
FROM: NAMD Staff
DATE: March 22, 2023
RE: Changes to the Federal Data Services Hub

Background on Federal Data Services Hub

In 2013, [HHS launched the Federal Data Services Hub](#) (“the Hub”) to pull together data from various federal departments, including the Social Security Administration, the Internal Revenue Service, the Department of Veterans Affairs, and Medicare. The Hub was intended to support efficiency and data security by streamlining connections to federal data, instead of requiring each Marketplace, Medicaid agency, and CHIP agency to create separate data linkages to these sources.

Over 30 Medicaid agencies currently use the Hub to confirm sources of income for new applications and redeterminations of eligibility. A smaller subset of Medicaid agencies also use this service for larger scale data matching.

CMS’ Challenge with the Commercial Sources of Income Function

CMS has experienced an exponential increase in states’ use of the Commercial Sources of Income (CSI) function over the past three years. This rise in use has generated a corresponding rise in costs: CMS reports an over sevenfold increase in cost, from \$23 million to \$167 million.

CMS does not have the means to support this cost increase. Given the dynamics in the House – including Speaker McCarthy’s commitment to keep funding at FY22 levels, representing a significant reduction of the federal budget – it is very unlikely that CMS will receive a supplemental appropriation during this Federal Fiscal Year or FY24 to support these costs. If Speaker McCarthy maintains this commitment, it is likely that most federal agencies will, in fact, face budget cuts.

CMS’ Potential Mitigation Strategies

To meet this budgetary challenge, CMS has proposed both short-term and long-term mitigation strategies:

- **In the short-term**, CMS will be restricting use of the CSI function. CMS will heavily discourage states who are *not* already using this function from beginning to use it. States who are already using the CSI function will be allowed to continue doing so in their current capacity and volume until July 2024.
- **In the long-term**, CMS intends to migrate the CSI function to a Medicaid-claimable service that will be eligible for FMAP, with a target effective date of 7/1/24. They have indicated the service would be eligible for the 75/25 systems match rate. CMS is intending to issue proposed rulemaking to this effect later this year.

Implications for Medicaid Agencies & Next Steps

Medicaid leaders, especially finance leaders, should begin preparing now for these potential short-term and long-term actions. We suggest that you:

- **Assess how your state or territory is using the CSI function today.** Most Medicaid programs are using the Hub and some have expanded use of the service to perform data matches. Talk to your program and policy leaders to assess your state's use of the CSI function.
- **Model the costs of moving to a claimable service starting 7/1/24.** Begin modeling what it will cost the state or territory (general fund and total fund) to migrate this work to a Medicaid claimable service starting 7/1/2024. CMS expects this function to receive 75/25 percent FMAP for systems.
- **Build these costs into your budget.** If CMS goes ahead with its current plans and timetable, these costs will have to be built into your FY24 budget.
- **Prepare to make changes to your cost allocation plan.** Medicaid leaders should prepare for the administrative work of making this shift. Specifically, states and territories will have to amend their cost allocation plans and potentially fulfill other CMS requirements (e.g., IAPD).