

HF1460 - 0 - "MA Eligibility Verification"

Chief Author: **Steve Drazkowski**
 Committee: **Health and Human Services Finance**
 Date Completed: **04/14/2015**
 Agency: **Human Services Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology	X	
Local Fiscal Impact		
	X	

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2015	FY2016	FY2017	FY2018	FY2019
Health Care Access	-	-	(1,959)	(12,469)	(15,203)	
General Fund	-	70	(15,842)	(55,808)	(63,678)	
Total	-	70	(17,801)	(68,277)	(78,881)	
Biennial Total			(17,731)		(147,158)	

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2015	FY2016	FY2017	FY2018	FY2019
Health Care Access	-	-	-	-	-
General Fund	-	1	19.84	24.47	24.73
Total	-	1	19.84	24.47	24.73

Executive Budget Officer's Comment

I have reviewed this fiscal note for reasonableness of content and consistency with MMB's Fiscal Note policies.

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State Cost (Savings) Calculation Details

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

*Transfers In/Out and Absorbed Costs are only displayed when reported.

State Cost (Savings) = 1-2		Biennium			Biennium	
Dollars in Thousands		FY2015	FY2016	FY2017	FY2018	FY2019
Health Care Access	-	-	(1,959)	(12,469)	(15,203)	
General Fund	-	70	(15,842)	(55,808)	(63,678)	
Total	-	70	(17,801)	(68,277)	(78,881)	
Biennial Total			(17,731)	(147,158)		
1 - Expenditures, Absorbed Costs*, Transfers Out*						
Health Care Access	-	-	(2,126)	(13,530)	(16,497)	
General Fund	-	107	(13,869)	(50,576)	(57,762)	
Total	-	107	(15,995)	(64,106)	(74,259)	
Biennial Total			(15,888)	(138,365)		
2 - Revenues, Transfers In*						
Health Care Access	-	-	(167)	(1,061)	(1,294)	
General Fund	-	37	1,973	5,232	5,916	
Total	-	37	1,806	4,171	4,622	
Biennial Total			1,843	8,793		

Bill Description

Section 1

Subd. 1. Verification required; vendor contract. (a) Requires the commissioner to ensure that MA and MinnesotaCare eligibility determinations include the computerized verification of income, residency, identity, and assets.

(b) Directs the commissioner to contract with a vendor to verify the eligibility of all persons enrolled in MA and MinnesotaCare during a specified audit period. Provides an exemption from state procurement provisions related to the use of state employees, and any other law to the contrary.

(c) States that the contract must require the vendor to comply with enrollee data privacy requirements and use encryption, and provide penalties for vendor noncompliance.

Subd. 2. Verification process; vendor duties. (a) Requires the verification process to include, but not be limited to, data matches of the name, date of birth, address, and Social Security number of enrollees against federal and state data sources, including the ACA federal hub. Requires the vendor, to the extent feasible, to incorporate in the verification process procedures that are compatible and coordinated with, and build upon or improve, procedures used by existing state systems.

(b) Requires the vendor to notify the commissioner of preliminary determinations, and requires the commissioner to accept or reject determinations within 20 business days. States that the commissioner retains final authority over determinations and requires the vendor to keep a record of all preliminary determinations of ineligibility.

(c) Requires the vendor to recommend to the commissioner an eligibility verification process that will allow ongoing verification of enrollee eligibility under the MNsure and state agency eligibility determination systems.

(d) Requires the commissioner and the vendor to jointly submit an eligibility verification report to legislative committees. Specifies report criteria.

(e) Provides that the vendor contract is for an initial one-year period, and allows the commissioner to renew the contract for up to three additional one-year periods, and to require additional eligibility verification audits, if the commissioner or the legislative auditor determine that the MNsure and agency eligibility determination systems cannot effectively verify

eligibility.

Section 2

Appropriation. Appropriates money from the general fund to the commissioner of human services for the biennium ending June 30, 2107, to contract with a vendor as required under section 1.

Assumptions

RFP, Contract, and Implementation

- This analysis assumes that a vendor will be able to meet the requirements in this bill and will have the capability to process enrollee information at the volume and pace estimated below and with the estimated payment identified.
- The RFP process will be completed by 1/1/2016 and a contract will be signed by this date.
- It will take six months from the signing of a contract with a vendor to implement the contract, develop processes, and test workflows.
- The contract with the initial vendor (or another one) will be in place for three years Fiscal Year 2017 through Fiscal Year 2019.
- The vendor will retain 16% of the net state savings generated from this audit. This is about one and a half times the savings that a vendor retains under DHSs Recovery Audit Contracts (11.5%) but the worker required in this bill will be different and more complex than the RAC process. The 16% estimate is also less than the maximum expected proportion that a vendor will receive in the Illinois Medicaid Redetermination Project (IMRP) 20%. This estimate is less than Illinois vendor payment to potential savings ratio because Illinois had large backlog of cases that did not have a recent eligibility redetermination. This led to much higher proportion of ineligible cases in Illinois, and therefore savings, than is assumed in this analysis.
- The development of the RFP and review of submissions will require \$10,000 of staff time.

Audits

- MA and MinnesotaCare forecast estimates are based on eligibility reviews in CY13 and only include enrollees who remained ineligible in the third month after the case closed.
- Cases that transition between MinnesotaCare and MA as a result of this audit are not accounted for in this analysis. These cases will likely not have any additional costs if they shift to the other program. The closure estimates only account for cases no longer being eligible for either MA or MinnesotaCare.
- The case information for one-twelfth of all MA and MinnesotaCare enrollees would be sent to the vendor to be reviewed six months before their next eligibility review.
- The audits will begin on July 1, 2016, with the first impact on enrollment occurring in September 2016 to allow for reviews, contacts with recipients, and necessary notices.
- Earlier detection of the eligibility change that would eventually close the case at annual review will save an estimated average of four months of eligibility for each case
- The ratio of actual closures to vendor-recommended closures is 46%. The number of vendor recommended closures equals the number of cases that would need to be manually audited by state/county staff each month.
- Roughly 2,600 MinnesotaCare cases would be closed through the audit process in FY17
- Roughly 30,500 MA cases would be closed through the audit process in FY17

MinnesotaCare

- DHS is responsible for processing MinnesotaCare vendor-recommended closures
- 468 monthly vendor-recommended closures for DHS to review (about 800 in FY18 and FY19). The average worker time to process a vendor-recommended closure is 74 minutes. For every ten staff conducting discrepancy reviews, there will be one supervisor.
- Processing of vendor-recommended closures requires contact with client, notice generation, etc.
- In addition to DHS staff time for this work, each client contact will require the printing and mailing of a letter (\$0.65/letter)
- Average monthly enrollee cost (state and federal) in FY17 is \$412

Medical Assistance

- Counties are responsible for processing MA vendor-recommended closures
- The covers MA Elderly and Disabled, MA Adults without Children, and MA Families with Children
- DHS will have 1 FTE in FY16 and 2 FTE in FY17 to do training of county staff on the audit process.
- Processing of vendor-recommended closures requires contact with client, notice generation, etc.
- This fiscal note does not include the county costs or administrative reimbursement.
- Average monthly enrollee cost (state and federal) FY17 is \$686

Systems Costs

- MNIT @ DHS will develop a monthly report from MMIS of active enrollees in MA or MinnesotaCare who are 6 months away from next determination
- Each report will cost \$2,000, for a total of \$24,000 annually.
- This analysis assumes that no systems changes will be needed to complete the requirements of this bill.

Savings

- The savings are directly dependent on robust administrative resources at DHS and counties to manually review and close cases each month.

Appeals

- 10% of all cases closed as a result of the audits will appeal their closure
- This analysis results in roughly 33,000 annual closures (about 40,000 in FY18 and FY19) through the audit process, which means an estimated 3,300 cases will file for an appeal in the first full fiscal year of the audits.
- A DHS Appeals Judge can hear about 350 cases per year. Every 12-14 judges require a supervising judge. One administrative support staff person is required for every 3 judges.

Expenditure and/or Revenue Formula

RFP, Contract, and Implementation

RFP	FY2016	FY2017	FY2018	FY2019
RFP Development	\$4,500	\$0	\$0	\$0
RFP Evaluation	\$5,500	\$0	\$0	\$0

RFP	FY2016	FY2017	FY2018	FY2019
TOTAL	\$10,000	\$0	\$0	\$0

Health Care Operations

DHS Minnesota Care Operations	FY2016	FY2017	FY2018	FY2019
Estimate of monthly recommend. Closures	0	468	808	816
Average worker processing time per action	0	74	74	74
Total minutes per month	0	34,632	59,792	60,384
Total hours per month	0	577	997	1,006
Total hours annually	0	6,926	11,958	12,077
State Program Admin Intermediate FTE	0.00	4.07	7.03	7.10
State Program Admin Director FTE	0.00	0.41	0.70	0.71
SPA Senior (Trainer) FTE	1.00	2.00	0.00	0.00
FTE	FY2016	FY2017	FY2018	FY2019
State Program Admin Intermediates (MAPE 7)	\$0	\$389,394	\$568,826	\$580,851
State Program Admin Director (supervisor)	\$0	\$49,142	\$74,739	\$76,361
SPA Senior (trainers for county implementation)	\$97,272	\$165,200	\$0	\$0
TOTAL	\$97,272	\$603,736	\$643,565	\$657,212

MinnesotaCare Administrative Analysis	FY 2016	FY 2017	FY 2018	FY 2019
Total annual closures	0	2,576	4,449	4,490
Avg monthly closures	0	215	371	374
Ratio of closures to audited cases	0	45.88%	45.88%	45.88%
Estimated avg monthly cases vendor recommends for state audit	0	468	808	816
Total member months (MAGI) base forecast	0	1,453,860	1,487,028	1,500,972
Total member months change (MAGI) =	0	10,126	49,701	53,885
Percent caseload reduction (MAGI) =	0	0.70%	3.34%	3.59%

MinnesotaCare Audit	FY 2016	FY 2017	FY 2018	FY 2019
Average monthly enrollment	107,034	121,155	123,919	125,081

MinnesotaCare Audit	FY 2016	FY 2017	FY 2018	FY 2019
Total member months	1,284,408	1,453,860	1,487,028	1,500,972
Percent change in member months	0.00%	-3.59%	-3.59%	-3.59%
Change in monthly enrollment	0	-4,349	-4,449	-4,490
Change in member months	0	-52,194	-53,384	-53,885
Average monthly payment	\$0.00	\$411.75	\$533.79	\$600.31
Phase-in	0.00%	19.40%	93.10%	100.00%
Total Cost	\$0	-\$4,169,202	-\$26,529,622	-\$32,347,457
Premiums	\$0	-\$166,768	-\$1,061,185	-\$1,293,898
Federal funding	\$0	-\$1,876,141	-\$11,938,330	-\$14,556,356
State Funding (HCAF)	\$0	-\$2,126,293	-\$13,530,107	-\$16,497,203

Long-Term Fiscal Considerations

The assumptions for this analysis do not have any fiscal impacts beyond FY19, because it is assumed that the contract with a vendor will end after that time.

Expenditure and/or Revenue Calculations Continued:

Medical Assistance

MA Administrative Analysis	FY 2016	FY 2017	FY 2018	FY 2019
Total annual closures	0	30,502	36,989	37,388
Avg monthly closures	0	2,542	3,082	3,116
Ratio of closures to audited cases	0	45.88%	45.88%	45.88%
Est avg monthly cases vendor recommends for state/county audit	0	5,541	6,719	6,791
Total member months (MAGI) base forecast	0	10,945,468	11,056,877	11,166,622
Total member months change (MAGI) =	0	167,583	443,142	447,550
Percent caseload reduction (MAGI) =	0	1.53%	4.01%	4.01%
Total member months (Eld. & Dis.) base forecast	0	2,292,192	2,352,444	2,411,388
Total member months change (Eld. & Dis.) =	0	-8,931	-23,995	-24,596
Percent caseload reduction (Eld. & Dis.) =	0	-0.39%	-1.02%	-1.02%

MA (Adults w/o Child)	FY 2016	FY 2017	FY 2018	FY 2019
Average monthly enrollment	204,970	207,102	209,175	211,267
Total member months	2,459,637	2,485,228	2,510,102	2,535,199
Percent change in member months	0.00%	-7.78%	-7.78%	-7.78%
Change in monthly enrollment	0	-16,113	-16,274	-16,437
Change in member months	0	-193,351	-195,286	-197,239
Average monthly payment reduction	\$0.00	\$686.62	\$778.06	\$852.13
Phase-in	0.00%	38.20%	100.00%	100.00%
Total Cost (Adults without Children)	\$0	-\$50,713,775	-\$151,943,700	-\$168,073,444
Federal share %	100.00%	97.10%	94.00%	93.00%
Federal share	\$0	-\$49,243,076	-\$142,827,078	-\$156,308,303
State share	\$0	-\$1,470,699	-\$9,116,622	-\$11,765,141

MA (Elderly and Disabled)	FY 2016	FY 2017	FY 2018	FY 2019
Average monthly enrollment	186,032	191,016	196,037	200,949
Total member months	2,232,384	2,292,192	2,352,444	2,411,388
Percent change in member months	-1.02%	-1.02%	-1.02%	-1.02%
Change in monthly enrollment	-1,898	-1,948	-2,000	-2,050
Change in member months	-22,770	-23,380	-23,995	-24,596
Average monthly payment reduction	\$0.00	\$891.50	\$1,076.55	\$1,176.86
Phase-in	0.00%	38.20%	100.00%	100.00%
Total Cost (Families with Children)	\$0	-\$7,962,238	-\$25,831,681	-\$28,946,114
Federal share %	50.00%	50.00%	50.00%	50.00%
Federal share	\$0	-\$3,981,119	-\$12,915,841	-\$14,473,057
State share	\$0	-\$3,981,119	-\$12,915,841	-\$14,473,057

MA (Families with Children)	FY 2016	FY 2017	FY 2018	FY 2019
Average monthly enrollment	700,438	705,020	712,231	719,285
Total member months	8,405,261	8,460,240	8,546,774	8,631,423
Percent change in member months	0.00%	-2.90%	-2.90%	-2.90%
Change in monthly enrollment	0	-20,446	-20,655	-20,859

MA (Families with Children)	FY 2016	FY 2017	FY 2018	FY 2019
Change in member months	0	-245,347	-247,856	-250,311
Average monthly payment reduction	\$0.00	\$300.43	\$351.13	\$387.13
Phase-in	0.00%	38.20%	100.00%	100.00%
Total Cost (Families with Children)	\$0	-\$28,157,014	-\$87,029,202	-\$96,902,502
Federal share %	50.00%	50.00%	50.00%	50.00%
Federal share	\$0	-\$14,078,507	-\$43,514,601	-\$48,451,251
State share	\$0	-\$14,078,507	-\$43,514,601	-\$48,451,251

Appeals

Appeals Costs	FY2016	FY2017	FY2018	FY2019
Annual MA Closures	0	30,502	36,989	37,388
Annual MNCare Closures	0	2,576	4,449	4,490
Cases that Appeal	0	10%	10%	10%
Case Load/Judge	0	350	350	350
% of Supervisor/Judge	0	8.3%	8.3%	8.3%
% of Admin Support/Judge	0	33%	33%	33%
Number of Appeals Judges	0	9.5	11.8	12.0
Number of Supervisors	0	0.8	1.0	1.0
Number of Support Staff	0	3.1	3.9	3.9
Appeals FTEs	FY2016	FY2017	FY2018	FY2019
Attorney/Judge	\$0	\$1,588,330	\$1,827,345	\$1,869,362
Attorney Supervisor	\$0	\$153,121	\$178,641	\$182,782
Admin. Staff	\$0	\$277,516	\$289,838	\$296,114
TOTAL	\$0	\$2,018,967	\$2,295,824	\$2,348,257

Local Fiscal Impact

This bill will have a considerable impact on Counties. It is estimated that the counties will be responsible for processing about 66,500 additional case reviews annually in FY 17 and over 80,000 in fiscal years 18 and 19. For the purposes of this fiscal note, DHS estimates that it would cost counties over \$5.1M annually to complete this work. This is based on average worker time to process a vendor-recommended closure being 74 minutes. For every ten staff conducting these reviews, there will be one supervisor. While counties can receive up to 50% for eligible activities related to federal programs, this is still a sizable fiscal impact for counties. The savings from this bill are directly dependent on robust staffing at DHS and counties.

References/Sources

Calculation Totals (dollars in thousands \$000s)

Administrative Costs (GF)	FY2016	FY2017	FY2018	FY2019		
Contract Development	\$10	\$0	\$0	\$0		
Health Care Admin (MnCare FTE)	\$97	\$604	\$644	\$657		
Appeals FTE	\$0	\$2,019	\$2,296	\$2,348		
Systems (no FFP)	\$0	\$24	\$24	\$24		
Subtotal Net Administrative Costs	\$107	\$2,647	\$2,964	\$3,029		
Medical Assistance (GF)	FY2016	FY2017	FY2018	FY2019		
MA (Adult w/o Child) Savings	\$0	(\$1,471)	(\$9,117)	(\$11,765)		
MA (Elderly and Disable.) Savings	\$0	(\$3,981)	(\$12,916)	(\$14,473)		
MA (Fam w/ Child) Savings	\$0	(\$14,079)	(\$43,515)	(\$48,451)		
Subtotal State Share MA Savings	\$0	(\$19,531)	(\$65,548)	(\$74,689)		
Minnesota Care (HCAF)	FY2016	FY2017	FY2018	FY2019		
MNCare (Lost Premium Revenue)	\$0	\$167	\$1,061	\$1,294		
MNCare Savings (HCAF)	\$0	(\$2,126)	(\$13,530)	(\$16,497)		
Subtotal Net MnCare Savings	\$0	(\$1,959)	(\$12,469)	(\$15,203)		
	FY2016	FY2017	FY2018	FY2019		
Total Net State Impact	\$107	(\$18,843)	(\$75,053)	(\$86,863)		
Est. Contractor Fee (16% of net state savings)	\$0	\$3,015	\$12,008	\$13,898		
Federal Savings	FY2016	FY2017	FY2018	FY2019		
MA (Adult w/o Child) Fed. Savings	\$0	\$49,243	\$142,827	\$156,308		
MA (Elderly and Disable.) Fed Savings	\$0	\$3,981	\$12,916	\$14,473		
MA (Fam w/ Child) Fed. Savings	\$0	\$14,079	\$43,515	\$48,451		
MNCare (BHP Trust Fund) Savings	\$0	\$1,876	\$11,938	\$14,556		
Total Federal Savings	\$0	\$69,179	\$211,196	\$233,788		
Fiscal Tracking Summary (\$000s)						
Fund	BACT	Description	FY2016	FY2017	FY2018	FY2019

Fiscal Tracking Summary (\$000s)						
GF	33	MA - ED	-	(3,981)	(12,916)	(14,473)
GF	33	MA - AD	-	(1,471)	(9,117)	(11,765)
GF	33	MA- FC	-	(14,079)	(43,515)	(48,451)
GF	13	Central Office - Health Care Admin (FTE)	107	604	644	657
GF	13	Vendor Contract	-	3,015	12,008	13,898
GF	11	Central Office - Appeals (FTE)	-	2,019	2,296	2,348
GF	REV1	Administrative FFP @ 35%	(37)	(1,973)	(5,232)	(5,916)
GF	11	Systems (MMIS/MAXIS) no FFP	-	24	24	24
HCAF	31	MinnesotaCare	-	(2,126)	(13,530)	(16,497)
HCAF	REV2	Lost MinnesotaCare Premium Revenue	-	167	1,061	1,294
		NET FISCAL IMPACT	70	(17,801)	(68,277)	(78,881)
		Full Time Equivalents	1	19.84	24.47	24.73

References / Sources

2013-015 MAPE Contract

Office of the Legislative Auditor, Data from Audit 14-22 (Oversight of MNsure Eligibility)

DHS Internal Audits Division, Monthly MA Audit Data

State of Illinois IMRP Audit:

<http://www2.illinois.gov/hfs/MedicalCustomers/eev/Pages/IMRPCostSavingsMethodology.aspx>

<http://www2.illinois.gov/hfs/MedicalCustomers/eev/Pages/KeyInformation.aspx>

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