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Joint Committee on Home and Community Based Services Oversight
November 8, 2010

Update on HealthWave Clearinghouse Backlog

Background: In January, 1999 Kansas began modernizing its public insurance program and, with the implementation of the Children's Health Insurance Program (CHIP or HealthWave 21), initiated a simplified application for enrolling children and extended the streamlined CHIP application process to low income families applying for Medicaid. Verification requirements were loosened and eligibility was extended to children for a full twelve months. To facilitate the streamlined application process, a centralized Clearinghouse was created to receive applications via a mail-in process. Beneficiaries in eligibility categories processed by the Clearinghouse now include 40,670 children enrolled in CHIP, 178,000 children enrolled in Medicaid, 7,500 pregnant women, and 20,000 low income adults enrolled in Medicaid. The Clearinghouse now processes 10,000 to 12,000 applications and renewals a month. The remaining eligibility work, including enrollment and maintenance of elderly and medical cases and child welfare cases, remain a function performed at local offices of the Department of Social and Rehabilitation Services (SRS).

Historical Clearinghouse Performance: The Clearinghouse is a centralized processing center which manages Family Medical eligibility determinations. The Clearinghouse is operated by a private vendor through a competitive contract. The contractor for the first ten years was Maximus and now is Policy Solutions Inc. (PSI). The Clearinghouse processes applications and renewals through a mail-in process. When an application is submitted, it is registered and then forwarded to an eligibility counselor for screening. The screening process determines if any additional information is needed and if so a letter is sent to the applicant requesting the missing information. The goal at the Clearinghouse is to process the applications quickly and accurately. According to federal regulations an eligibility determination must be completed on an application within 45 days of the date it is received. Medical emergency and pregnancy related applications receive first priority for processing. On average, the Clearinghouse processed applications in less than a month prior to the institution of the new federal Medicaid citizenship and identification documentation requirements in 2006.

New federal citizenship requirements went into effect on July 1, 2006 requiring all Medicaid applicants to provide adequate documentation of citizenship and identity. The requirement of additional documentation for every applicant significantly altered the Clearinghouse application process for medical benefits. By January, 2007 a significant backlog of applications had developed, with a corresponding decline of 18,000-20,000 individuals enrolled in Kansas Medicaid and CHIP programs. KHPA made a FY 2007 supplemental budget request and a FY 2008 enhancement budget request to add staff to the Clearinghouse. The requests were approved by the legislature, and the additional

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funds were used to add 13 contract and 4 state staff. By January, 2008 applications and reviews were being fully processed within 25 days of receipt.

Contributors to Current Clearinghouse Backlog Situation: Beginning in calendar year 2009 and continuing into 2010 a number of factors converged to create a large new backlog, including:

- Increased volume of Kansans applying for Medicaid and CHIP due to economic climate
- Expiration of the HealthWave Clearinghouse contract resulting in new procurement and transition of functions from Maximus to PSI between June 2009 and January 2010
- Federal citizenship documentation requirement extended to CHIP on January 1, 2010
- Expansion of CHIP eligibility to 250% of the 2008 federal poverty level
- November 2009 Governor's Allotments resulting in a reduction of \$430,000 SGF, \$981,538 AF in the PSI contract
- PSI startup performance inefficiencies

Efforts to Address the Backlog. Since 2009, KHPA has taken a number of steps to find a solution to the backlog of applications and the resulting delays in eligibility experienced by thousands of applicants. In August 2009 KHPA began applying approximately \$450,000 AF unexpectedly returned from a former contractor to increased overtime at the Clearinghouse. Nevertheless, as a result of the Governor's November 2009 allotment those funds had to be reapplied to other agency operations. In late 2009 and 2010 KHPA engaged in extended discussions with private donors interested in helping to reduce the backlog. Due to CMS restrictions, donations from individual Medicaid providers were limited. Nevertheless, the agency received a total of \$55,000 in provider donations during FY 2010, all of which were applied to overtime for Clearinghouse staff. Beginning January, 2010, KHPA extended Medicaid and CHIP coverage for two months past the normal 12 month review redetermination. Also, in an effort to mitigate the impact of these factors on the processing of Medicaid and CHIP applications, KHPA has twice simplified the eligibility process. The first set of eligibility simplification policies were put in place January 1, 2010 and included: self-declaration of child support, elimination of trust test for "Caretaker Medical", self-declaration of pregnancy, elimination of mid-year reporting for Transitional Medical recipients, continuous 12-month eligibility for caretaker medical, change of income calculation for new applicants with jobs, and increased reliance on Department of Labor wage information. KHPA also identified several areas of performance inefficiency on the part of our Clearinghouse contractor, PSI and in addition to invoking contract penalty provisions the agency has proportioned the volume of the backlog to be attributed to PSI performance inefficiencies (8734) and assigned them sole responsibility for timely processing of those applications to them. As of October, 2010, at no additional charge to the state PSI has added 23 additional staff dedicated to processing their portion of the backlogged applications. KHPA has worked diligently in collaboration with PSI to find multidimensional approaches to reduce the backlog but despite these efforts, the backlog remained very large, prompting a federal response in mid-2010.

Addressing Centers for Medicare and Medicaid (CMS) Concerns: On April 22, 2010 KHPA received a letter from James Scott, Associate Regional Administrator for Medicaid and Children's Health Operations for CMS. In the letter, CMS noted that Kansas was out of compliance with its state Medicaid plan and with federal requirements regarding timely determination of eligibility. As a result, CMS requested the filing of a corrective action plan outlining how Kansas planned to resolve the issue. On July 30, 2010 KHPA sent to CMS the corrective action plan to resolve the HealthWave Clearinghouse backlog which employs a three-pronged approach:

- Implement system modifications to hasten the processing of applications. Many of the system enhancements have already been implemented as of November 2010. For example:

- The system's functionality has been improved by adding keyboard shortcuts, hot keys, and better search capabilities within the system;
 - The system was enhanced to enable workers to make multiple month determinations at one time.
 - Implementation of a single screen to create cases
 - Elimination of duplicate entry by allowing entry of a case into a single system (PSI's) and transferring it to the state's eligibility system (KAECSES) overnight.
- Adopt CMS approved eligibility policy options to simplify the eligibility determination process: This represents the second wave of eligibility simplifications designed to reduce administrative burden at the Clearinghouse (and for beneficiaries). These simplifications include: KHPA will be accepting self-declaration of income; state staff will do minimum verification of the contractor's work prior to authorizing Medicaid eligibility; parents will be allowed to apply for children 18 years of age; KHPA and its contractor will perform eligibility determination only for those individuals who request coverage on the application; KHPA will initiate in phases the Express Lane eligibility option-targeting food stamp recipients first; KHPA will pursue the establishment of access to the SSA electronic verification system to confirm the declaration of citizenship with SSA records in lieu of the current presentation of citizenship documentation; KHPA will also utilize a newly developed pre-populated review form for adult beneficiaries seeking to renew their HealthWave eligibility and implement passive review determinations for child beneficiaries renewing their HealthWave eligibility. KHPA plans to fully implement these eligibility simplification policies by February 2011.
 - KHPA will continue to seek financial resources from multiple sources to increase application processing capacity. Strategies include seeking private funding from philanthropic foundations, submitting budget enhancement requests to the governor and legislature and seeking a favorable CHIPRA bonus payment decision.

Current Status of HealthWave Clearinghouse Backlog: On August 11, 2010 KHPA was notified by CMS that Kansas had been awarded a \$1,220,479 CHIPRA bonus award. The CHIPRA performance bonuses were included in the Children's Health Insurance Program Reauthorization law to recognize states for making significant progress in enrolling children in health coverage through Medicaid and the state children's health insurance program. Kansas was one of only ten states who received bonuses tied to the achievement of enrollment targets and improvements in the eligibility process. Kansas qualified through adoption of 12-month continuous coverage, liberalization of asset requirements, elimination of the face-to-face interview, use of a joint application for Medicaid and CHIP, and presumptive eligibility. With sufficient funding to fully implement the corrective action plan for CMS, KHPA committed to resolve the backlog within six months, i.e., by March 2011.

In the month following receipt of funding through the CHIPRA bonus, 16 temporary workers were hired as staff for the eligibility Clearinghouse. They began training on September 20, 2010. In addition, further system enhancements were implemented in September and a number of simplifications to the eligibility determination process were adopted including, streamlined verification of the contractor work, piloting of the pre-populated review form for adult beneficiaries to renew their eligibility, and exploration of implementation of the interface with SSA to confirm citizenship declaration. On October 25, 2010, KHPA initiated passive renewals for child Medicaid and CHIP beneficiaries. Over the last month the additional resources coupled with changes in policies have resulted in an increase of 5000 applications/reviews processed and a retirement of 1500 over 45

days applications from the backlog Table 1). As of November 1, the backlog numbers 17, 786 over 45 days but KHPA is now on track to resolve it by March 2011.

Figure 1

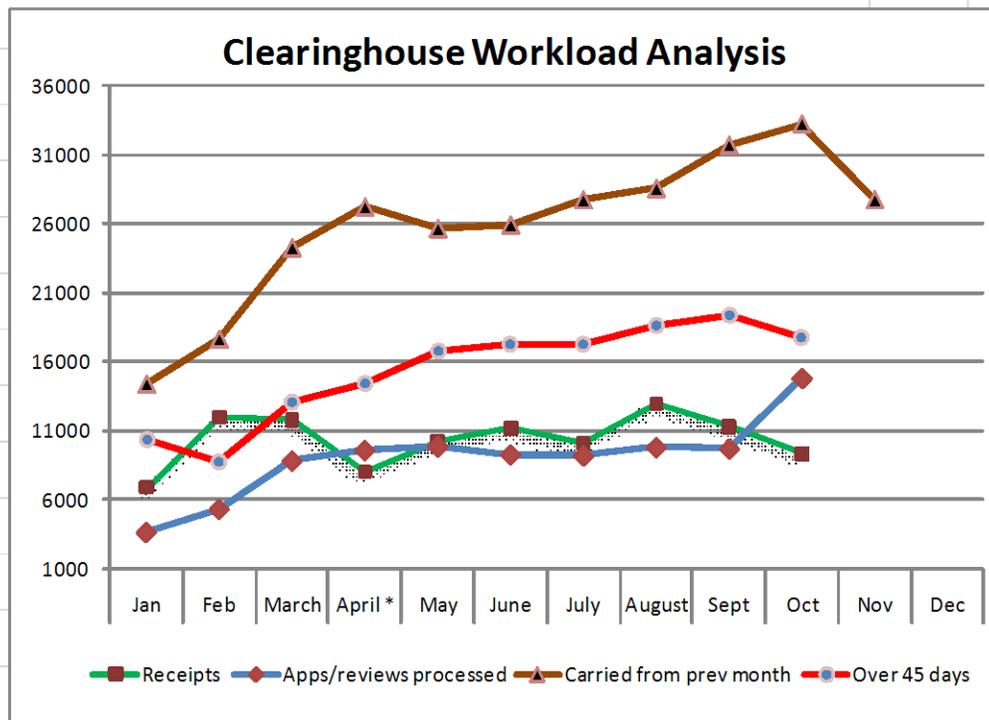


Table 1

	Jan	Feb	March	April *	May	June	July	August	Sept	Oct **	Nov	Dec	Totals
Carried from prev month	14,379	17,639	24,285	27,243	25,659	25,919	27,753	28,582	31,735	33,272	28,889		
Receipts	6,902	11,969	11,810	8,015	10,146	11,132	10,026	12,965	11,250	10,438			104,653
Apps/reviews processed	3,642	5,323	8,843	9,599	9,886	9,298	9,197	9,812	9,713	14,821			90,134
Over 45 days	10,406	8,710	13,066	14,442	16,816	17,259	17,303	18,687	19,336	17,786			

* Numbers reflect impact of the implementation of the 60 days extension for all reviews resulting in the number of reviews received per month to drop.

** Numbers reflect the addition of 16 staff as of 9/27/2010

11/2/2010