



COMMONWEALTH of VIRGINIA
Department of Medical Assistance Services

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October 30, 2015

MEMORANDUM

TO: The Honorable Charles J. Colgan
Co-Chairman, Senate Finance Committee

The Honorable Walter A. Stosch
Co-Chairman, Senate Finance Committee

The Honorable S. Chris Jones
Chairman, House Appropriations Committee

Daniel Timberlake
Director, Department of Planning and Budget

FROM: Cynthia B. Jones *CBJ/2M*
Director, Virginia Department of Medical Assistance Services

SUBJECT: Quarterly Report on the Cover Virginia Centralized Processing Unit

Budget Item 304M, Chapter 665, states the Department of Medical Assistance Services shall report to the Director, Department of Planning and Budget and the Chairman of the House Appropriations and Senate Finance Committees on the number of applications processed by the Cover Virginia Centralized Processing Unit (CPU) on a monthly basis and payments made to the contractor. The report shall be submitted no later than 30 days after the end of each quarter of the fiscal year.

Should you have any questions or need additional information, please feel free to contact me at (804) 786-8099.

CBJ/

Enclosure

pc: The Honorable William A. Hazel, Jr., MD, Secretary of Health and Human Resources

DEPARTMENT OF MEDICAL ASSISTANCE SERVICES

ADMINISTERING MEDICAID AND THE STATE CHILDREN'S HEALTH INSURANCE PROGRAM IN VIRGINIA



DMAS' mission is to provide a system of high quality and cost effective health care services to qualifying Virginians and their families.

The Medicaid program, signed into law by President Lyndon B. Johnson on July 30, 1965, celebrates its 50th year in 2015.

Medicaid is a joint federal and state program authorized under Title XIX of the Social Security Act that provides health and long-term care coverage for specific groups of Virginians with low incomes. In Virginia, Medicaid is administered by the Department of Medical Assistance Services (DMAS) and is jointly funded by Virginia and the federal government. Virginia's federal matching rate, known as the Federal Medical Assistance Percentage (FMAP) is generally 50%, meaning Virginia receives \$1 of federal matching funds for every \$1 Virginia spends on Medicaid.

Medicaid coverage is primarily available to Virginians who are children living in families with low-income, pregnant women, elderly, individuals with disabilities and parents meeting specific income thresholds.

All states must follow general federal Medicaid guidelines regarding who is covered, but states set their own income and asset eligibility criteria. Virginia's eligibility criteria are among the strictest in the nation.



Report to the General Assembly On the Cover Virginia Central Processing Unit for First Quarter of SFY 2016 from the Department of Medical Assistance Services

Report Mandate: Budget Item 304M, Chapter 665, states the Department of Medical Assistance Services shall report to the Director, Department of Planning and Budget and the Chairman of the House Appropriations and Senate Finance Committees on the number of applications processed by the Cover Virginia Centralized Processing Unit (CPU) on a monthly basis and payments made to the contractor. The report shall be submitted no later than 30 days after the end of each quarter of the fiscal year.

Background

The Virginia Department of Medical Assistance Services (DMAS) is the Single State Agency responsible for the oversight and administration of Medicaid and the Children's Health Insurance Program (CHIP), in accordance with state and federal regulations. The name of Virginia's CHIP program is *Family Access to Medical Insurance Security* (FAMIS).

As a result of the passage of the Patient Protection and Affordable Care Act (PPACA) of 2010, states were mandated to make changes to their Medicaid and CHIP programs, including aligning enrollment with the first federal Marketplace open enrollment starting October 1, 2013, and accepting the new single streamlined eligibility application for all insurance affordability programs determined under the new Modified Adjusted Gross Income (MAGI) rules (federal regulations §435.1205 and §457.370). Virginia began using a new Eligibility and Enrollment System, VaCMS, October 1, 2013 and started receiving applications on-line through CommonHelp, by phone through Cover Virginia, and by paper at local Departments of Social Services (LDSS). Both the media coverage and promotion of the new health insurance options through the Marketplace and through surrounding states' Medicaid Expansions caused a 70% increase in applications received at Virginia LDSS agencies in the first six months as compared to the same six month period in the previous year. In addition, the new federal Marketplace began sending applications to Virginia that had been screened as eligible for Medicaid or FAMIS and also needed to have a final determination completed.

In order to meet the need for processing the increased volume of applications and comply with state and federal regulations on timeliness of processing, DMAS used emergency authority provided in the 2013 Appropriations Act, Chapter 806, Item 310 J to leverage the existing Cover Virginia contract with Xerox under DMAS' Medicaid Management Information System (MMIS) contract.

Key Contractual Components

DMAS based Cover Virginia CPU contract components on twelve years of experience with the FAMIS CPU and knowledge of Medicaid eligibility processing. The DMAS contract specifies very detailed requirements, called service level agreements (SLAs), which must be met. SLAs include requirements for: staff training, processing time for the initial review of a new application, processing time after receipt of verifications, maximum processing time for all eligibility determinations, time frame for mailing notices, and quality assurance monitoring. In addition, a co-located unit of DMAS staff was incorporated into the contract to provide oversight and monitoring of daily operations. Key components of the Cover Virginia CPU contract include:

- Establish and maintain a centralized processing center and mailroom located within a 15 mile radius from DMAS' primary office;
- Maintain a customer relationship management (CRM) system to monitor application processing;
- Provide sufficient staff to process 13,900 – 26,300 applications a month (*depending on the month*) and complete eligibility determinations and enrollments using the state's VaCMS system. (Note: *The contract is designed to take into account higher application volumes during the federal Marketplace open enrollment and lower volumes during the summer months.*);
- Complete new hire training of 160 hours with requirement to pass a comprehensive exam with a 95 percent proficiency on critical eligibility factors and a 90 percent score or higher on general program knowledge before being permitted to process applications on the production floor. Another 80 hours of side-by-side or "nesting" training follows the successful completion of the classroom training and exam;
- Maintain a processing time of 8 business days for at least 95% of applications received;
- Ensure 100% of applications received are mailed a Notice of Action by the 45th day;
- Scan and upload all documents received into an electronic storage system for processing;
- Process verification documents received within 5 business days;
- Make outbound calls to applicants to assist in the request for additional information process;
- Generate and mail notices from information contained in the VaCMS system within one business day;
- Establish and maintain a quality assurance unit to ensure that 10% of determined applications are reviewed and a quality score of 95% or higher is maintained on a monthly basis;
- Provide daily, weekly, monthly, quarterly, and annual reports to include application inventory, production, service level/performance monitoring, and overall operations;
- Provide all necessary systems and software for the effective monitoring and controlling of work products;
- Prepare appeal summaries and handle appeals in coordination with DMAS staff;
- Provide adequate office space and equipment for DMAS co-located staff;
- Establish and maintain recovery protocols and secondary site readiness in the event of a disaster;
- Assist FAMIS and FAMIS MOMS members with managed care plan selection and enrollment, and plan changes; and

- Work cooperatively with local Department of Social Services (DSS) eligibility workers to address and resolve customer complaints or application issues.

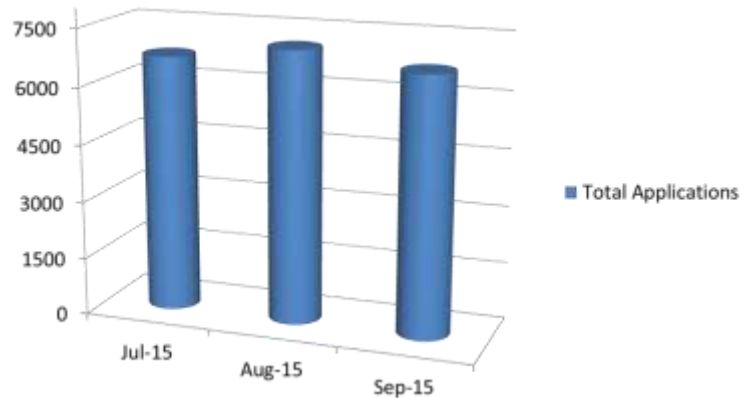
Failure to meet contract deliverables are swiftly addressed using corrective action plans. In addition, failure to meet key SLAs may result in monetary penalties if performance deficits are not corrected within satisfactory timeframes.

During the initial months of operation the new CPU faced several unique challenges that resulted from a compressed implementation timeline as well as assuming the processing of approximately 47,000 backlogged federal Marketplace applications before the CPU was fully implemented. Foremost, however, the VaCMS system was not designed to support a CPU, so a number of work-arounds and system changes had to be implemented over the first year of operations.

FY 2016 Operational Highlights

- Cover Virginia CPU received a total of 20,539 applications during the first quarter of SFY 2016 (See Chart 1);
- The average monthly volume received was approximately 6,800 applications. In the last half of SFY 2015, the average application volume received has been about 7,000 applications per month. However, receipt of Federally Facilitated Marketplace (FFM) applications

Chart 1
Total Application Volume Q1 SFY 2016



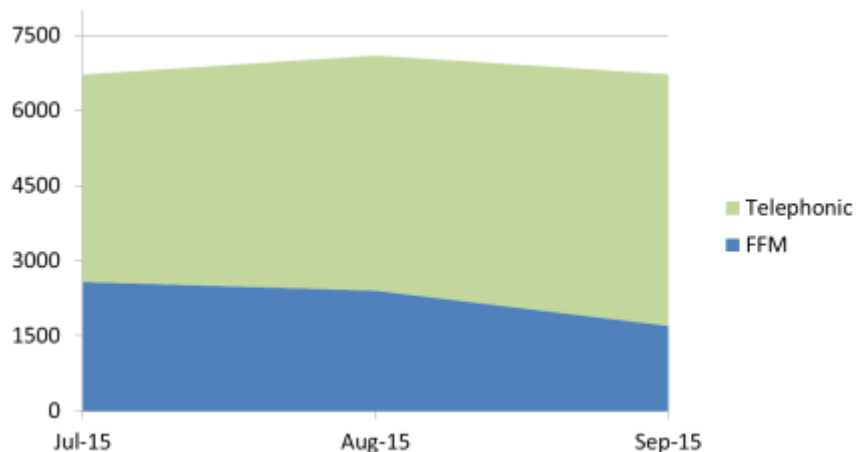
during the Federal open enrollment period in January and February caused a larger number to be received thus increasing the 6-month average.

- A total of 13,855 telephonic applications and 6,684 FFM

applications were received in the 1st quarter (see Chart 2).

- The average number of telephonic applications received per month in the 1st Quarter of SFY 2016 increased to 4,618 applications per month as compared to an average of 2,933 telephonic applications per month in

Chart 2
Source of Applications Q1 SFY 2016



the 4th Quarter of SFY 2015.

- The average number of FFM applications received per month in the 1st Quarter of SFY 2016 decreased to 2,228 applications per month as compared to an average of 3,261 FFM applications per month in the 4th Quarter of SFY 2015. The contractor met the SLA of reviewing 10% of determined applications during the quarter and reviewed 2,487 applications.
- Quality Assurance reviewed determined applications and the contractor exceeded the 95% quality SLA during the quarter with an accuracy level of 98%.
- The average processing time to determinations for applications received at the Cover Virginia CPU during the first six months of 2015 was about 21 days as many still need verifications requested to complete the determination process. However, a recent implementation of access to the TALX system will allow workers to electronically verify income without requesting paper verifications in many cases. This should further reduce the average processing time.

Cost

Contract experience has differed from initial application volume and processing time estimates. The application volume in the first quarter of the SFY 2016 has not been as high as expected. This is due to the new routing methodology that no longer directs all federal Marketplace or telephonic applications to the Cover Virginia CPU and none of the CommonHelp applications to the Cover Virginia CPU. In addition, the application processing time has exceeded the expected average of 45 minutes. This appears to be due to the complexity of the VaCMS system navigation and the system issues encountered because of the system work-arounds. This results in increased staffing needs to process the same amount of applications.

For the first quarter of SFY 2016, DMAS paid Xerox approximately \$1,370,583.15 per month or \$4,111,749.45 for the quarter for the MAGI related application processing and eligibility services at the Cover Virginia CPU. A cost allocation method was applied to all expenditures for the purpose of claiming the federal share of the costs. Ninety-five percent of all costs were allocated to Medicaid. Medicaid costs are reimbursed at either the 75% enhanced Federal Financial Participation (FFP) match rate, or at the 50% regular FFP match rate. The enhanced 75% FFP is now also available for qualifying eligibility and enrollment operational activities such as eligibility determination and issuing notices. Five percent of all costs were allocated to CHIP at a federal match rate of 65%. (Note: *In Federal Fiscal Year 2016, the CHIP federal match rate will increase to 88%*). This equated to a total cost allocation of \$1,060,541.19 (state) and \$3,051,208.26 (federal) for this quarter. In addition, DMAS pays monthly postage costs as a pass-through expense which totals approximately \$4,000 - \$5,000 per month. DMAS has negotiated with Xerox to reduce the cost of the contract for SFY 2016 based on reduced application volume and a reduction in the agency's administrative budget.