



COMMONWEALTH of VIRGINIA
Department of Medical Assistance Services

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May 23, 2016

MEMORANDUM

TO: The Honorable Thomas K. Norment, Jr.
Co-Chairman, Senate Finance Committee

The Honorable Emmett W. Hanger, Jr.
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 
Director, Virginia Department of Medical Assistance Services

SUBJECT: Third Quarter 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. This report covers the third quarter.

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, celebrated 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%, so Virginia receives \$1 of federal matching funds for every \$1 Virginia spends on Medicaid.

Medicaid is primarily available to children in families with low-income, pregnant women, elderly, individuals with disabilities, and parents below strict income limits.

DMAS also administers Virginia's Children's Health Insurance Program (CHIP) known as FAMIS. FAMIS covers children and pregnant women in families earning too much to qualify for Medicaid but too little to afford private insurance.

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



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

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

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 percent 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.

The Cover Virginia CPU was scheduled to begin operations in November 2014 to align with the second federal Marketplace open enrollment and to alleviate some of the ongoing LDSS workload. However, to address the Commonwealth's needs to process the aging backlog of federal Marketplace applications transferred to Virginia during the first open enrollment, a special unit was set up at Cover Virginia in August 2014 (*prior to the scheduled CPU launch*) to process 47,000 of these backlogged federal Marketplace applications.

DMAS based the original Cover Virginia CPU contract components on twelve years of experience with the FAMIS CPU and knowledge of Medicaid eligibility processing. The contract was subsequently renegotiated based on reduced application volumes and to realize General Assembly mandated cost savings. The new contract modification went into effect in November 2015.

Key Contractual Components

The contract specifies very detailed requirements, called service level agreements (SLAs), which must be met. SLAs include requirements for: staff training, processing time frame for the initial review of new applications, 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 8,000 – 22,000 new applications a month and complete eligibility determinations and enrollments using the state's VaCMS system; (*Note: Contractual application volumes vary by month. 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 percent of applications received;
- Ensure 100 percent of applications are determined and mailed a Notice 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 within one business day;
- Establish and maintain a quality assurance unit to ensure that 10 percent of determined applications are reviewed and a monthly quality score of 95 percent or higher is maintained;
- 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 control 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 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.

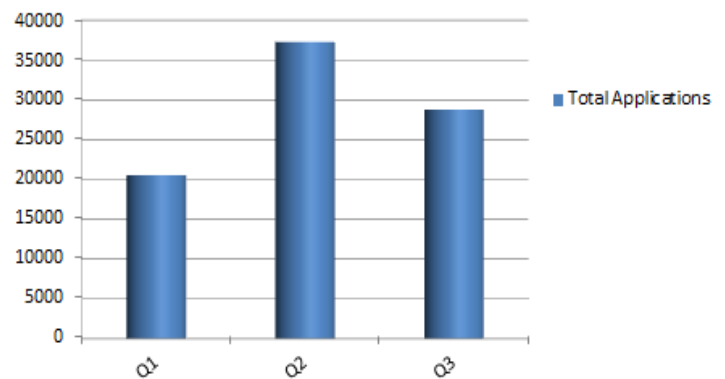
Failure to meet contract deliverables is swiftly addressed and may include submission of corrective action plans. In addition, failure to meet key SLAs results in automatic monetary penalties.

Note: While application processing time was expected to average around 45 minutes per application, the number of VaCMS system “work-arounds” for the CPU has caused this average processing time to far exceed the expected 45 minutes. The Cover Virginia CPU continues to rely on these work-arounds while DMAS works with VDSS on system changes to support CPU operations as the VaCMS was not originally designed to support a CPU.

SFY 2016 Operational Highlights

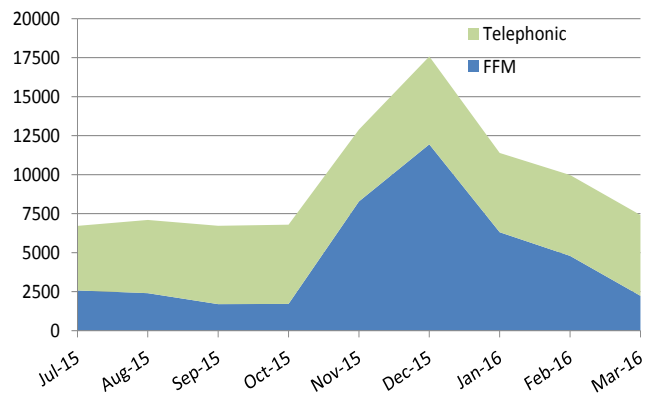
- The Cover Virginia CPU received 86,508 applications so far in SFY 2016 with a total of 28,785 applications received during the third quarter of SFY 2016 (See Chart 1). This represents a 22 percent decrease from the previous quarter. The decrease in total application volume is due to the drop in applications from the federal Marketplace following close of the annual open enrollment period.
- The average monthly volume of applications received during the third quarter was approximately 9,600.
- A total of 15,445 telephonic applications and 13,340 Federally Facilitated Marketplace (FFM) applications were received in the third quarter SFY 2016 (see Chart 2).
- The average number of telephonic applications received per month in the third quarter of SFY 2016 remained stable at 5,148 compared to an average of 5,106 telephonic applications per month in the second quarter of SFY 2016.

Chart 1
Total Application Volume Q1 – Q3 SFY 2016



- With the end of open enrollment, the average number of FFM applications received per month in the third quarter of SFY 2016 decreased (39 percent) to 4,447 compared to an average of 7,315 FFM applications per month in the second quarter.
- The contractor met the SLA of reviewing 10 percent of determined applications during the quarter and reviewed 3,793 applications. Of those applications reviewed, the contractor exceeded the 95 percent quality SLA during the quarter with an average 96 percent accuracy quality score.

Chart 2
Source of Applications Q1 – Q3 SFY 2016



Cost

For the third quarter of SFY 2016, per the contract, DMAS is to pay Xerox \$1,060,000 per month for January, February and March or \$3,180,000 for the quarter for the MAGI related application processing and eligibility services at the Cover Virginia CPU.

A cost allocation method is 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 percent enhanced Federal Financial Participation (FFP) match rate or at the 50 percent regular FFP match rate. The enhanced 75 percent FFP is also available for qualifying eligibility and enrollment operational activities such as eligibility determination and issuing notices. Five percent of all costs are allocated to CHIP at a federal match rate of 88 percent. (Note: *In Federal Fiscal Year 2016, the CHIP federal match rate increased from 65 percent to 88 percent*). This equates to a total cost allocation of approximately \$774,330 (state) and \$2,405,670 (federal) for services provided this quarter. In addition, DMAS pays monthly pass-through expense for postage costs which total approximately \$9,400 per month and monthly TALX electronic income verification costs which total approximately \$72,000 per month.

Conclusion

The Cover Virginia CPU continues to adjust operations in response to seasonal application volume fluctuation and system capabilities to meet the Commonwealth's needs for timely and accurate application processing, providing good customer service, and remaining in compliance with federal regulations. Thus far in SFY 2016, the Cover Virginia CPU received and processed over 86,500 Medicaid and FAMIS applications and is expected to exceed 100,000 by the end of the year. The Cover Virginia CPU remains a valuable component of Medicaid and FAMIS enrollment operations in Virginia.