



COMMONWEALTH of VIRGINIA  
*Department of Medical Assistance Services*

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September 28, 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: Fourth Quarter Report on the Cover Virginia Centralized Processing Unit

Item 310I of the 2016 Appropriation Act 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 fourth 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 50<sup>th</sup> 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.



## Report to the General Assembly On the Cover Virginia Central Processing Unit Fourth Quarter of SFY 2016 April 1, 2016 – June 30, 2016

**Report Mandate:** Chapter 780, Item 310I of the 2016 Appropriation Act, 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 Appropriation Act, Chapter 806, Item 310 J to leverage the existing Cover Virginia contract with Xerox under DMAS' Medicaid Management Information System (MMIS) contract.

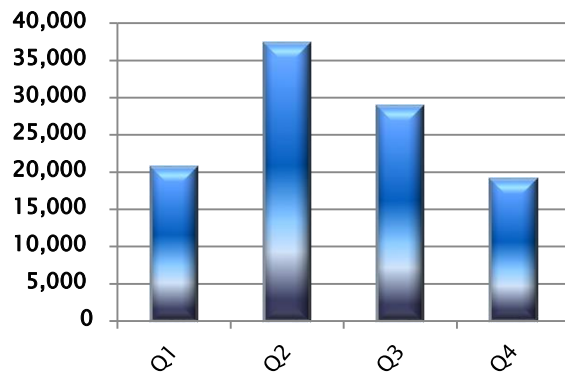
The Cover Virginia CPU was scheduled to begin operations in November 2014 to align with the second federal Marketplace open enrollment and to alleviate some of the ongoing LDSS workload. However, to address the Commonwealth’s needs to process the aging backlog of federal Marketplace applications transferred 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.

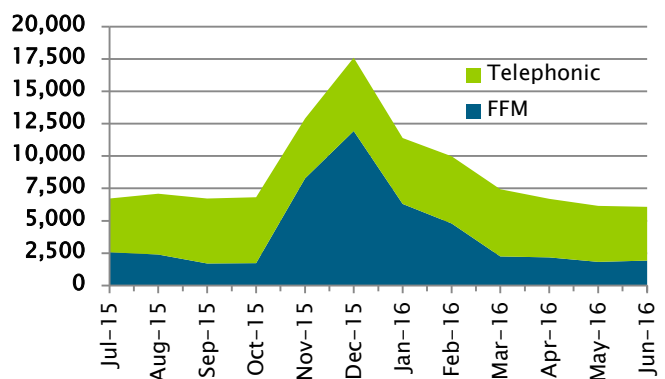
### SFY 2016 Operational Highlights

- The Cover Virginia CPU received 105,582 applications in SFY 2016 with a total of 18,931 applications received during the fourth quarter of SFY 2016 (See Chart 1). This represents a 35 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 fourth quarter was approximately 6,310.
- A total of 13,010 telephonic applications and 5,921 Federally Facilitated Marketplace (FFM) applications were received in the fourth quarter SFY 2016 (see Chart 2).
- The average number of telephonic applications received per month in the fourth quarter of SFY 2016 decreased to 4,337 compared to an average of 5,157 telephonic applications per month in the third quarter of SFY 2016.
- With the end of open enrollment, the average number of FFM applications received per month in the fourth quarter of SFY 2016 decreased further (56 percent) to 1,974 compared to an average of 4,447 FFM applications per month in the third quarter.
- The contractor met the SLA of reviewing 10 percent of determined applications during the quarter. Of the 1,942 applications reviewed, the contractor exceeded the 95 percent quality SLA during the quarter with

**Chart 1**  
Total Application Volume Q1–Q4 SFY 2016



**Chart 2**  
Source of Applications Q1 – Q4 SFY 2016



an average 96 percent accuracy quality score.

- Another factor in reducing application volume at Cover Virginia this quarter was the introduction of Supplemental Nutrition Assistance Program (SNAP) cases in VaCMS for pilot localities. As a result, all new Medicaid/FAMIS-only applications with connected SNAP cases in VaCMS were routed for processing to the LDSS in the locality in which the applicant lived. Once all SNAP and Temporary Assistance for Needy Families (TANF) cases are loaded in VaCMS in the fall of 2016, the new FFM and telephonic application volume will be further reduced at the Cover Virginia CPU. Consequently, starting in July 2016, the Cover Virginia CPU contractor began processing Medicaid/FAMIS-only CommonHelp applications for non-SNAP/TANF connected cases as originally envisioned.

## **Cost**

For the fourth quarter of SFY 2016, per the contract, DMAS pays Xerox \$1,060,000 per month 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. This equates to a total cost allocation of approximately \$774,590 (state) and \$2,405,410 (federal) for services provided this quarter. In addition, DMAS pays monthly pass-through expense for postage costs which total approximately \$3,300 per month and monthly TALX (a private database DMAS uses where employer's report income) electronic income verification costs which total approximately \$61,120 per month.

## **Conclusion**

In SFY 2016, the Cover Virginia CPU received and processed over 105,500 Medicaid and FAMIS applications. Cover Virginia continues to adjust operations in response to seasonal application volume fluctuation and system capabilities and to meet the Commonwealth's needs for timely and accurate application processing, providing good customer service, and remaining in compliance with federal regulations. Building on the existing operations, Cover Virginia is expected to begin processing Medicaid/FAMIS-only new applications submitted online through CommonHelp in the first quarter of SFY 2017. The Cover Virginia CPU remains a valuable component of Medicaid and FAMIS enrollment operations in Virginia.