



COMMONWEALTH of VIRGINIA  
*Department of Medical Assistance Services*

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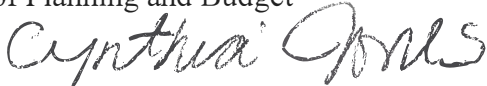
**MEMORANDUM**

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: Report on the Cover Virginia Centralized Processing Unit  
Second Quarter of SFY 2017 October 1, 2016 – December 31, 2016

The 2016 Appropriation Act, Item 310I 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 second quarter of SFY 2017.

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 Second Quarter of SFY 2017 October 1, 2016 – December 31, 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.

In addition to the eligibility processing center, Cover Virginia operations also include a federally mandated call center and website. In order to provide a comprehensive review, information is included on the performance of those services in an appendix.

### 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 (October 2013 – March 2014) as compared to the same six month period in the previous year. In addition, the new federal Marketplace began sending applications to Virginia that were screened as eligible for Medicaid or FAMIS but required a final determination be completed by the Commonwealth.

In order to address 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 (CV) contract with Xerox, under DMAS' Medicaid Management Information System (MMIS) contract, to establish an eligibility central processing unit (CPU).

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.

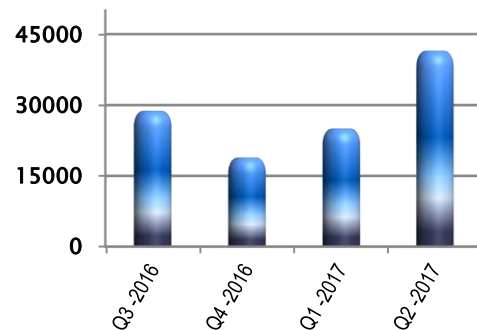
DMAS based the original Cover Virginia CPU contract components on thirteen years of experience with the FAMIS CPU and knowledge of Medicaid eligibility processing. The contract was subsequently renegotiated based on reduced application volumes and to realize General Assembly mandated cost savings. The new contract modification went into effect in July 2016.

Along with expected seasonal variation in application submissions, changes in system access and workflow have continued to produce significant fluctuation in application volume for the CPU since its inception. Most recently, online applications were routed to Cover Virginia for processing beginning in July, 2016 in addition to telephonic and Marketplace applications. During this quarter, the planned conversion of SNAP and TANF cases into the same eligibility system was expected to significantly reduce the CPU workload. The contract is adjusted annually based on available resources and anticipated volume. See further explanation below.

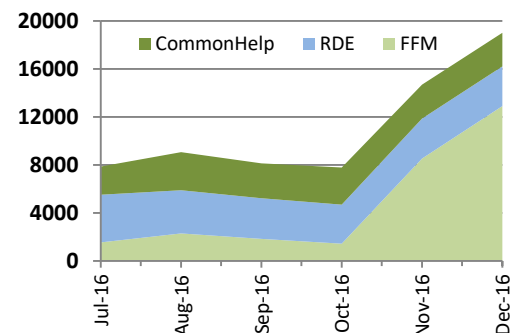
### SFY 2017 Operational Highlights

- The Cover Virginia CPU received a total of 41,472 applications during the second quarter of SFY 2017 (See Chart 1). This represents a 65 percent increase from the previous quarter. This increase was largely driven by the federal open enrollment period (November 1, 2016 through January 31, 2017).
- A total of 9,885 telephonic applications (Rapid Data Entry - RDE), 8,715 CommonHelp (online), and 22,872 federal Marketplace applications were received in the second quarter of SFY 2017 (see Chart 2).
- The average monthly volume of applications received during the first quarter was approximately 13,824.
- During the quarter, the contractor met the requirement of reviewing 10 percent of determined applications in October / November and 5 percent in December. The scoring requirement was reduced due to the volume of applications received during the first two months of open enrollment. Of the 1,020 applications reviewed, the contractor narrowly missed the 95 percent quality requirement with an average 94.64 percent accuracy score. The Contractor was financially penalized in November and December for not meeting the quality standards and targeted training sessions for staff were held to address areas of concern.

**Chart 1**  
**Total Application Volume Q2 SFY 2017**



**Chart 2**  
**Source of Applications Q2 SFY 2017**



- The CPU contract requires that “Penalties that are predicated upon the accuracy of volume assumptions shall not be assessed in any month where the volumes fluctuate fifteen (15) percent above or below the stated volume assumption.” The federal open enrollment period began November 2016 and for the months of November and December 2016 volumes exceeded the forecast by as much as 93 percent and the Contractor was relieved of any penalties regarding timely processing.
- In the second quarter 38.4 percent of applications were approved and 61.6 percent were denied. This was a decrease from the previous quarter when 45.1 percent of applications were approved and 54.9 percent were denied. The decline in approvals is attributable to the increase in the percent of Marketplace referred applications in the second quarter. Previous experience has shown that applications referred from the Marketplace have a higher denial rate than applications submitted through other venues.

### **Applications Exceeded Contractual Volumes in the 2<sup>nd</sup> Quarter of SFY 2017**

- The contractual modification effective July 1, 2016 included forecasted volumes of applications to be received by the CPU based upon prior experience and certain assumptions. The contractor is expected to maintain a staffing level to meet the contractual service level agreements (SLAs) for 115 percent of the monthly forecasted volumes.
- In preparation for the new contract year, and in consultation with the Department of Social Services (DSS), DMAS assumed a significant reduction in applications would be received at the CPU due to the planned conversion of SNAP and TANF cases into the VaCMS eligibility determination system. DSS determined that following this conversion, any Medicaid/FAMIS application, where any household member had other active benefits, would not be processed at the CPU but would be transferred to the local agency for processing going forward. Based on this projected reduction in workload, the Department requested, and DSS agreed, that Cover Virginia would begin receiving certain Medicaid/FAMIS-only online applications from CommonHelp to make up for some, but not all, of the reduced workload. However, the planned conversion of SNAP/TANF in the second quarter of SFY 2017 was delayed and Cover Virginia did not experience the expected reduction but did receive online applications.
- In the last week of October, 2016 CMS worked with DSS to release applications submitted to the federal Marketplace throughout October that should have been forwarded to the state. This batch of delayed applications was received days before the beginning of the federal open enrollment period.
- Contrary to DMAS assumptions, the fourth federal open enrollment period (November 1, 2016 through January 31, 2017) brought a high volume of applications from Virginia. CMS has reported that Virginia experienced the 6<sup>th</sup> highest volume of applications nationwide.
- Combined, the delay in conversion of SNAP/TANF cases into VaCMS, the addition of certain online applications to the CPU workload, the batch of delayed applications transferred by CMS at the end of October and the volume of applications forwarded so far to the state during open enrollment resulted in an unanticipated volume of work. **The actual number of applications received in the quarter (41,472) was 193% greater than the forecasted (contracted) volume of 21,486 applications.** By the end of the quarter the CPU was experiencing a backlog of overdue applications.

## **Processing of Special Populations**

- The Cover Virginia CPU also administers special processes that facilitate compliance with the required hospital presumptive eligibility (HPE) program and the expedited enrollment of certain newborns. During this quarter the CPU processed 48 HPE enrollments and expedited the enrollment of 4,811 newborns of Medicaid enrolled mothers.
- The Department also contracts for the Governor's Access Plan (GAP) call center and eligibility determination unit. This unit is located in the same operational space with Cover Virginia, however staffing is separate. The GAP unit accepts telephonic applications from the general public and community service boards (CSBs) for individuals with a serious mental illness (SMI). This unit also developed an online application portal for CSBs to streamline the application process for these professionals. In the second quarter of SFY 2017:
  - The Cover Virginia GAP unit received 5,670 calls.
  - Received 2,252 applications (56 percent telephonic and 44 percent online directly from CSBs).
  - During this quarter GAP enrollment exceeded 10,000.

## **Cost**

For the second quarter of SFY 2017, per the contract, DMAS paid Conduent (formerly Xerox) \$1,011,976 per month or \$3,035,927 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 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. Ten 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 \$239,838 (state) and \$772,137 (federal) for services provided this quarter. In addition, DMAS pays monthly pass-through expense for postage costs which total approximately \$7,400 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.

For the second quarter of SFY 2017, per the GAP contract, DMAS pays Conduent \$148,000 per month or \$444,000 for the quarter. Pass through postage expense totals approximately \$1,600 per month.

## **Conclusion**

In the second quarter of SFY 2017, the Cover Virginia CPU received just over 41,472 Medicaid and FAMIS applications and 4,671 GAP applications for processing. This represents almost double the projected volume of work for this quarter and has resulted in a growing backlog of overdue applications as the quarter ended. DMAS works with the contractor on a daily basis to realign resources and implement new processes for optimal productivity and, at the request of DMAS, DSS has redirected online applications to local agencies (as before July 2016) until further notice. Procedures have been put in place to expedite processing of applications from pregnant women and those with an urgent medical need. The end of open enrollment and the conversion of SNAP/TANF into VaCMS should also help return overall application volume at the CPU to contractual levels in the coming months.

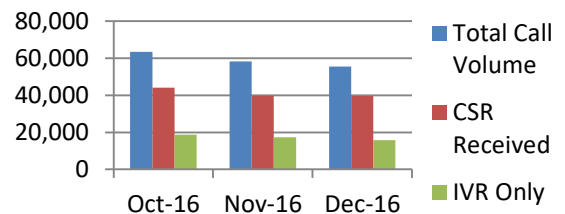
## Appendix

### Cover Virginia Call Center and Website

Cover Virginia is the umbrella name for several contracted functions that support Medicaid/FAMIS applicants and enrollees. Prior to the creation of the CPU, DMAS contracted with Xerox (now Conduent) to establish a customer call center and website as required by federal regulations. The call center takes applications and renewals by phone and accepts telephonic signatures. Individuals may also request the status of their application/renewal, report changes, and ask general questions about the Medicaid and FAMIS programs. During tax filing season, the call center also responds to inquiries from enrollees who have received a 1095b tax form regarding their Medicaid/FAMIS coverage. Data for call center activity for the second quarter of SFY 2017 is reported below:

- Total call volume for the second quarter of SFY 2017 was 177,302, which was slightly higher (+3 percent) than the first quarter of SFY 2017.
- The monthly average of total calls to the call center for the second quarter of SFY 2017 was 59,101. The chart below shows the total call volume to the call center, the number of calls answered by the call center, and the number of calls handled by the Interactive Voice Response (IVR) system.
- 16,895 applications and 6,300 renewals were taken by the call center in the 2nd quarter.
- The call center is required to answer 90% of calls within 90 seconds and not exceed a call abandoned rate of 5 percent – if the number of calls offered to a representative is less than 110 percent of the forecasted volume. In this quarter Conduent achieved these SLAs for the month of December only. In October the contractor did not meet these SLAs, however penalties were waived due to the call volume exceeding the contractual forecast (112 percent). In November 2016 the contractor failed to meet SLAs but the volume of calls received was within the forecasted range so penalties were assessed for each failure to total \$17,000.

**Chart 3**  
**Call Center Activity Q2 SFY 2017**



### Coverva.org

The Coverva.org website first went live on October 1, 2013 to coincide with the first Open Enrollment period of the Federal Health Insurance Marketplace. Initially, [www.coverva.org](http://www.coverva.org) provided basic information about the ACA as well as links to [healthcare.gov](http://healthcare.gov). It also provided information on FAMIS and other programs and services that existed on the [www.famis.org](http://www.famis.org) website. In March, 2014, [famis.org](http://famis.org) was retired and all of its content was moved over to [cover.va.org](http://cover.va.org), which became the sole consumer website. In October 2014, just prior to the second Open Enrollment period, [coverva.org](http://coverva.org) went through a major redesign to include expanded information and links related to the Health Insurance Marketplace. The redesign also incorporated direct links to the CommonHelp website and additional program information, links, resources and services offered by DMAS, such as GAP, Hospital Presumptive Eligibility, and a new interactive Eligibility Screening Tool, which, to date, has assisted more than 246,100 individuals to estimate their eligibility.

- In SFY 17 – 2<sup>nd</sup> quarter, [www.coverva.org](http://www.coverva.org) received 121,305 unique visits (unduplicated).
  - October = 47,327; November = 38,063; December = 35,915

- This is a 17 percent increase over the 1<sup>st</sup> quarter of SFY 17. The increase can be attributed to the annual FAMIS Back to School campaign, which through outreach to all public schools in Virginia, draws families to the website each fall and the FAMIS Back to School media buy which included TV, Cable Radio and Digital advertising that ran from the end of August through mid-October.
- During the 2<sup>nd</sup> quarter, the pages visited most on coverva.org were as follows:
  - FAMIS page =43,749
  - Eligibility Tool = 29,553
  - Plan First page = 8,722
  - GAP = 4,412
  - Marketplace page = 3,900
- The most significant changes made to the website during this quarter were on the Health Insurance Marketplace page, which was updated for the 2017 Open Enrollment Period.

### **Cost**

For the second quarter of SFY 2017, per the contract, DMAS paid Conduent \$1,015,930 per month or \$3,047,790 for the quarter for the Call Center and website related functions. A cost allocation is applied to all expenditures whereby 90 percent of all costs were allocated to Medicaid. Medicaid costs are reimbursed at either the 75 percent enhanced federal match rate or at the 50 percent regular match rate. Ten 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 \$240,775.41 (state) and \$775,154.59 (federal) for services provided this quarter. In addition, DMAS pays monthly pass-through expense for postage costs which total approximately \$1,300 per month.