



COMMONWEALTH of VIRGINIA  
*Department of Medical Assistance Services*

CYNTHIA B. JONES  
DIRECTOR

SUITE 1300  
600 EAST BROAD STREET  
RICHMOND, VA 23219  
804/786-7933  
800/343-0634 (TDD)  
[www.dmas.virginia.gov](http://www.dmas.virginia.gov)

May 1, 2017

**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 *CBJ/LN*  
Director, Virginia Department of Medical Assistance Services

SUBJECT: Report on the Cover Virginia Centralized Processing Unit  
Third Quarter of SFY 2017 January 1, 2017 – March 31, 2017

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 third 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 Third Quarter of SFY 2017 January 1, 2017 - March 31, 2017

**Report Mandate:** Chapter 780, Item 310 I. 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 (now Conduent), 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 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 backlogged federal Marketplace applications.

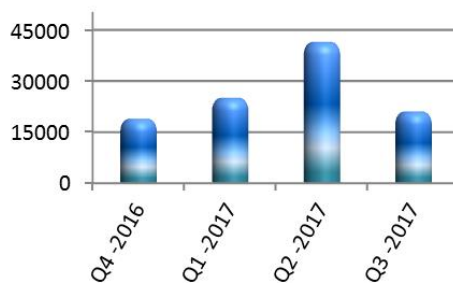
DMAS based the original Cover Virginia CPU contract on thirteen years of experience with the FAMIS CPU and knowledge of Medicaid eligibility processing. The contract was subsequently renegotiated based on reduced application volumes and to realize General Assembly mandated cost savings. The contract is adjusted annually based on available resources and anticipated volume. The current 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. In the previous quarter the planned conversion of SNAP and TANF cases into the same eligibility system was delayed, resulting in a significant but unanticipated volume of applications routed to the CPU for processing. (See explanation of the resulting processing delays in following section)

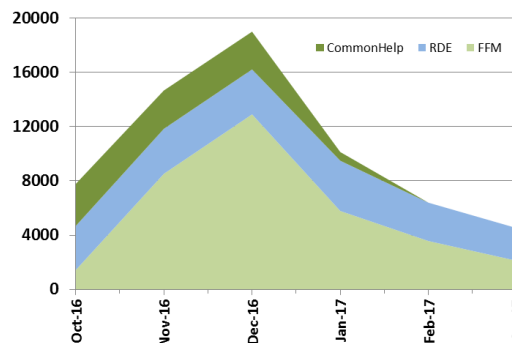
### SFY 2017 Operational Highlights

- Application Volume:** The Cover Virginia CPU received 21,050 new applications during the third quarter of SFY 2017 (See Chart 1). This represents a 50 percent decrease from the previous quarter that had encompassed most of the federal open enrollment period. Open enrollment ended with the first month of the current quarter on January 31, 2017.
- Average Monthly Volume:** The average monthly volume of new applications received during the third quarter was approximately 7,017; however, volumes significantly declined following the end of the open enrollment period.
- Source of Applications:** The Cover Virginia CPU received 8,943 telephonic applications (Rapid Data Entry - RDE), 641 CommonHelp (online), and 11,466 federal Marketplace applications in the third quarter of SFY 2017 (see Chart 2). To address the unexpected workload from the FFM, the Virginia Department of Social Services

**Chart 1**  
Total New Application Volume Q3 SFY 2017



**Chart 2**  
Source of Applications Q3 SFY 2017



(VDSS) agreed to temporarily suspend online applications coming to Cover Virginia in the first week of January. This is reflected in the decreased online volume.

- **Quality Ratings:** 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.” During the federal open enrollment period volumes far exceeded this limit and the contractor was relieved of any penalties regarding timely processing. (See explanation of volumes in following section)
- **Approvals/Denials:** In the third quarter, 14 percent of applications were approved, 32 percent were denied, and 54 percent were transferred to the appropriate locality in a pending status. The high number of applications transferred to local agencies is due to the timing of open enrollment (November through January) and the delayed conversion of SNAP/TANF into VaCMS (February). Applications with other benefits must be routed from the CPU for the local agency to make a determination. The CPU focused on an initial assessment of all Marketplace applications following the conversion in order to move such applications to localities quickly.

### **Applications Exceeded Contractual Volumes in the 3rd 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 VDSS, DMAS assumed that a significant reduction in applications would be received by the CPU due to the planned conversion of SNAP and TANF cases into the VaCMS eligibility determination system in the fall of 2016. VDSS determined that following this conversion, all Medicaid/FAMIS applications where a household member has other active benefits, could 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, Cover Virginia began 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 in volume but continued to receive online applications.
- In the last week of October 2016, CMS worked with VDSS to release applications submitted to the federal Marketplace in October that should have been forwarded to the state. This batch of delayed applications was received the day before the beginning of the federal open enrollment period.
- Contrary to the DMAS assumption that the fourth federal open enrollment period (November 1, 2016 through January 31, 2017) would see a volume of activity no higher, and possibly lower, than in previous years, CMS has reported that Virginia experienced the 6<sup>th</sup> highest volume of applications nationally.
- The delay in the 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 to the state during open enrollment resulted in a volume of work much higher than anticipated. Cover Virginia received 43,819 applications from all sources through the 2016 open enrollment period ending January 31, 2017,

which was 184 percent greater than the forecasted (contracted/staffed) volume. This resulted in a significant backlog of applications requiring processing by the CPU.

- The new applications received from all sources for the current quarter totaled 21,050, which was 17 percent greater than the forecasted (contracted/staffed) volume of 17,984 new applications for the period January - March.
- Therefore, during this quarter the CPU was processing a significant backlog of applications from the federal Marketplace and a slightly higher than predicted volume of new applications from other sources. Without an influx of resources, DMAS projects that application processing will not return to full compliance with timeliness standards until the beginning of August 2017.
- In an effort to minimize the negative impact on applicants, DMAS has worked with VDSS and the contractor to implement new processes and utilize all possible resources to address the backlog. These efforts include:
  - Turning off the flow of online Medicaid-only applications to the CPU as of January 9, 2017. These cases were routed to localities for processing as they had been prior to July 1, 2016;
  - Requiring compliance with the 45 day processing timeframe for all new applications to prevent adding to the backlog;
  - Prioritization of all applications from pregnant women or applicants with an urgent medical need regardless of the source of application;
  - Daily monitoring of complaints and inquires received at the call center in order to elevate certain applications;
  - Limited funding provided by DMAS to support required overtime and retention of some staff originally scheduled to be released at the end of open enrollment – the contractor also funded voluntary overtime at their expense;
  - Temporary reassignment of contractor staff from quality assurance and the training units who are knowledgeable in Medicaid eligibility determinations – and a concurrent reduction in contractual performance requirements in certain areas. DMAS contract monitors assumed a greater role in performing quality reviews during this time; and
  - Temporary reassignment of DMAS staff (experienced eligibility workers) from the Advanced Resolution Center to support processing of the backlog.
- DMAS communicates monthly with CMS to update progress on the overdue cases. CMS has been appreciative of the efforts made given the budgetary constraints and has provided work plans from other states that are also experiencing a backlog.
- In the first week of February 2017 VDSS successfully launched the conversion of SNAP/TANF into the VaCMS system. DMAS continues to monitor the impact of this conversion on CPU volumes but with only two months of data available, there is insufficient information on which to assess future impact at this time.

## **Processing of Special Populations**

- **Hospital Presumptive Eligibility:** The Cover Virginia CPU also administers special processes that facilitate compliance with the required hospital presumptive eligibility (HPE) program. During this quarter the CPU processed 29 HPE enrollments and determined 17 more were already actively enrolled in Medicaid.

- **Newborn Enrollment:** The CPU also provides for expedited enrollment of babies born to a woman covered by Medicaid at time of birth. During this quarter 4,979 newborns were enrolled through the expedited process.
- **Incarcerated Individuals:** In November 2016, DMAS launched a special pilot project to target incarcerated pregnant women at Riverside Regional Jail (RRJ) and provided a streamlined telephonic application process. A representative at RRJ schedules an appointment with the call center representative to have the inmate available for a telephonic application interview. Since inception through the end of March, eight (8) pregnant women have been enrolled in a limited benefit Medicaid category and are maintained by a DMAS eligibility worker at Cover Virginia until the pregnancy is complete or the inmate is released from jail.

### **Governor's Access Plan (GAP) Program**

The Department contracts for the Governor's Access Plan (GAP) call center and eligibility determination unit with Conduent. This unit is located in the same operational space with Cover Virginia, however staffing is separate. The GAP unit went live in January 2015 and accepts telephonic applications from the general public and community service boards (CSBs) for individuals with a serious mental illness (SMI). An online application portal for CSBs was developed to streamline the application process. In the third quarter of SFY 2017:

- The Cover Virginia GAP unit received 7,034 calls.
- The call center achieved the contractual standards and answered 90 percent of calls within 90 seconds and did not exceed a call abandoned rate of 5 percent.
- The GAP eligibility processing unit received 2,559 applications (55 percent telephonic and 45 percent online directly from CSBs).
- The GAP unit approved 1,460 new enrollments and issued 664 denials (final determination is not necessarily completed in the month received). The primary reason for denials remains failure to provide information necessary to determine eligibility.
- 3,028 GAP members were renewed in the 3rd quarter, with 82 percent of renewals approved with no contact with the member through the automated process. Cancellations for the quarter included 200 members who lost coverage.
- The GAP eligibility unit is required to process an application within 8 business days. In this quarter, Conduent achieved all SLAs for the third quarter.
- During this quarter the total GAP enrollment exceeded 10,800 individuals.

### **Cost**

**Cover Virginia CPU:** For the third quarter of SFY 2017 DMAS paid Conduent \$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. The enhanced 75 percent FFP is available for qualifying eligibility and enrollment operational activities such as eligibility determination and issuing notices. 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 expenses for postage costs which total approximately \$2,670 per month and \$61,120 per month for TALX, a private database DMAS uses to verify income.

**GAP:** For the third quarter of SFY 2017 DMAS paid Conduent \$148,000 per month or \$444,000 for the quarter for operation of the GAP call center and eligibility processing unit. Pass through postage expenses totaled approximately \$2,300 per month.

## **Conclusion**

In the third quarter of SFY 2017, Cover Virginia received 21,050 Medicaid and FAMIS applications and 2,559 GAP applications for processing. Cover Virginia also continues to address a significant backlog of applications transferred from the federal Marketplace but plans are on target for an early August completion date. With the conversion of SNAP/TANF into VaCMS, the CPU may see a reduction in overall volume going forward, although this should be somewhat mitigated by reactivation of the flow of Medicaid-only applications to the CPU that are submitted online through CommonHelp. In addition, DMAS is exploring utilizing the CPU to process certain types of “specialty” Medicaid applications. Among these are incarcerated individuals as directed by HB 2183 (2017), applications for Emergency Medicaid and an increased focus on enrollment of newborns. DMAS is currently working with VDSS and the contractor to estimate monthly application volumes for the upcoming contract year (July 1, 2017 – June 30, 2018).

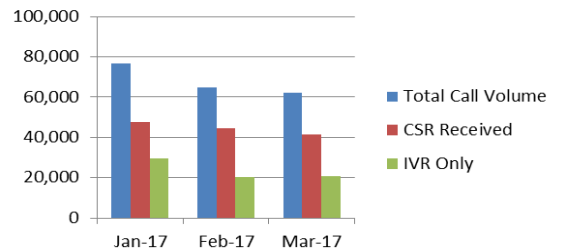
## Appendix

### 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 third quarter of SFY 2017 is reported below:

- Total call volume for the third quarter of SFY 2017 was 204,161, which was a 15 percent increase over the second quarter of SFY 2017.
- The monthly average of calls for the third quarter was 68,054. Customer service representatives spoke directly with approximately 64 percent of callers to provide assistance and 36 percent of the callers were self-served in the interactive voice response system (IVR).
- The call center took 16,000 new telephonic applications and 5,679 telephonic renewals.
- The call center is required to answer 90percent of calls within 90 seconds and not exceed a call abandoned rate of 5 percent. In this quarter Conduent achieved these SLAs for the month of March only. In January the contractor did not meet these SLAs, however penalties were waived as the call volume exceeded the contractual forecast. In February 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 went live on October 1, 2013 to coincide with the first Open Enrollment period of the Federal Health Insurance Marketplace. In October 2014, just prior to the second Open Enrollment period, coverva.org went through a major redesign to include expanded information and links related to the Health Insurance Marketplace. The redesign also incorporated a direct link to the CommonHelp website and provided additional program information, links, resources and services offered by DMAS. This included information on programs such as GAP, Hospital Presumptive Eligibility, and a new interactive Eligibility Screening Tool, which, to date, has assisted more than 265,200 individuals to estimate their eligibility. In the third quarter of SFY 2017:

- [www.coverva.org](http://www.coverva.org) received 140,900 unique visits (unduplicated). (January = 57,161; February = 47,731; March = 36,043);
- The 16 percent increase over the 2nd quarter of SFY 17 can be attributed to the Cold and Flu Season media campaign, which included TV, Cable, Radio and Digital advertising that ran from the beginning of January through mid-February;



- During this quarter, the pages visited most on coverva.org were as follows:
  - FAMIS page = 55,141
  - Eligibility Tool = 28,864
  - Plan First page = 7,102
  - GAP = 5,132
  - Marketplace page = 3,644
- The most significant changes made to the website during this quarter were to update the Health Insurance Marketplace page to reflect the end of the 2017 Open Enrollment Period and the beginning of the Special 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 \$3,300 per month.