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January 31, 2014

Honorable Senator Mattie Hunter, Chairperson  
Honorable Senator Michael Connelly, Minority Spokesperson  
Honorable Representative Robyn Gable, Chairperson  
Honorable Representative JoAnne D. Osmond, Republican Spokesperson

Dear Honorable Members of the House and Human Services Committee:

Enclosed please find the second interim report on the expedited long term care eligibility determination and enrollment system required in changes to the Illinois Public Aid Code by PA 98-104.

Subsequent updates will be included in this Department's annual Medicaid report beginning with the Fiscal Year 2014 report and an intermediate reporting that will be available on the HFS website.

I look forward to working with you, Department of Human Services Secretary Michelle Saddler and Department on Aging Director John Holton to assure our three agencies establish procedures and secure the resources necessary to fulfill the requirements of PA 98-104.

Sincerely,



Julie Hamos

cc: Michelle R.B. Saddler, Secretary, DHS  
John K. Holton, Director, DoA  
Bradley K. Hart, Inspector General, HFS

# Second Status Report on Expedited Long Term Care Eligibility Determination and Enrollment Pursuant to 305 ILCS 5/11-5.4

January 31, 2014

This is the second of two reports mandated by 305 ILCS 5/11-5.4 (PA 98-0104) regarding processing applications for long term care (LTC). The first report is available online at <http://www2.illinois.gov/hfs/SiteCollectionDocuments/SB26LTC2012.pdf>.

PA98-0104, the relevant sections of which are included in Attachment 1, has three basic requirements with regard to Long Term Care (LTC) eligibility determination and enrollment:

- Complete LTC eligibility determinations in a timely manner
- Develop and implement a stream-lined LTC application process
- Assess feasibility of incorporating all information needed to determine eligibility for long-term care services, including asset transfer and spousal impoverishment, into the State's integrated eligibility system.

This report addresses these three areas.

## I. Complete LTC Eligibility Determination Processes in a Timely Manner

Progress has been made in this area, but mostly with regard to creating an appropriate infrastructure and improving the asset verification process in the HFS Office of Inspector General (OIG).

### Infrastructure

Two major accomplishments in this area.

***First, the Department of Human Services (DHS) has substantially reorganized its process for approaching Long Term Care (LTC) case processing.***

Long Term Care (LTC) case processing is different from the regular Medicaid eligibility determination. It is a two stage process involving, first, general determination of Medicaid eligibility, and, second, special policy around assets/resources, transfers of assets/resources, diversion of income to avoid spousal impoverishment, use of monthly income toward the cost of care and determination of the functional need for LTC services. Some of the applicants for Medicaid LTC coverage have already been enrolled for Medicaid coverage before needing LTC and some have not previously been on Medicaid.

Because of the specialized nature of LTC eligibility determination and enrollment, DHS has determined it would be more efficient to handle these cases in specific units using caseworkers who specialize in LTC to ensure that they become expert and are better able to keep up with changes in policy. To that end, DHS is working to centralize LTC processing in two hubs with dedicated LTC caseworkers. This will allow for development of LTC expertise and better management ability to focus on LTC processing issues.

Part of this was already done in Cook County. For many years, all LTC cases in Cook County nursing facilities have been handled by Medical Field Operations (MFO), a single local office that worked only on medical applications from nursing homes and hospitals (as distinct from applications also requesting Supplemental Nutrition Assistance Program or Cash Assistance benefits.) Late last year, DHS shifted hospital applications out of MFO to other offices throughout the county, freeing up additional resources in MFO to focus exclusively on LTC cases. There are currently 71 caseworkers in MFO.

In addition to Cook County cases, offices in Region 2 (the collar counties, which contain a relatively large number of LTC clients) will begin transitioning their LTC cases from the regional offices to MFO beginning in February.

Furthermore, DHS also formed an LTC hub in Macon County, which will have about 32 new caseworkers processing cases for Regions 3 – 5 (roughly counties south of I-80) and will be transitioning LTC cases from these regions in February through April to the new hub. This will ensure that LTC cases in these regions can be handled by specially trained and dedicated LTC workers. These specific cases transitioning from Regions 3 and 5 to the Macon County LTC hub will include Supportive Living Program and Department of Aging Community Care Program cases.

***Second, DHS and HFS have created a data base of pending LTC applications (that will include subsequent applications).***

Prior to the current effort, there has been no statewide, centralized repository of applications for LTC eligibility but control was left to each office as applications were largely submitted on paper.

Attachment 2 summarizes the status of all LTC applications in mid January 2014. It shows how much work remains to be done to achieve the time frames mandated in the amended law. HFS intends to post updates to this report on its website on a monthly basis so that will be possible to track progress as DHS brings on more caseworkers and realize the efficiencies of DHS's hubs.

### **Asset Discovery Process**

Over the last several years, federal changes have placed significant new demands on states and applicants for LTC services. In Illinois, the HFS Office of Inspector General has shouldered the largest share of work to investigate and evaluate whether individuals have failed to disclose or have transferred their assets/resources in a manner that is not permitted to insure appropriate use of scarce state tax dollars.

The HFS Inspector General's Long Term Care-Asset Discovery Investigations (LTC-ADI) initiative is charged with insuring that asset/resource disclosure and transfer policies are appropriately enforced. Execution of this effort is a partnership between HFS OIG and DHS local offices. After initial review by DHS caseworkers—a review that will happen more accurately and efficiently in the new DHS structure—LTC-ADI evaluates LTC applications meeting special criteria for investigations. The initiative's goal is to prevent ineligible persons from receiving long term care benefits and to deter improper sheltering of assets/resources. The investigations uncover undisclosed asset/resources and unallowable asset/resource transfers, thereby saving tax dollars and making funds available to qualified applicants who truly have no ability to pay for their own care.

In calendar year 2011, the LTC-ADI initiative completed 419 investigations. Of the investigations completed, unallowable asset transfers were identified and penalty periods imposed in 117 of these investigations. The gross savings realized in 2011, based on the identified penalty periods of the 117 cases was about \$12.3M. For every \$1 spent on administration costs relevant to the LTC-ADI initiative, \$8.83 of savings was realized.

However, in 2011 and 2012 Illinois changed its policies to conform to previous Federal mandates. These changes expanded the role of the LTC-ADI initiative and increased the number of monthly referrals to the LTC-ADI unit by more than 600 percent. Following this dramatic increase in referrals, a substantial backlog of LTC-ADI cases developed. On October 1, 2013, the backlog of cases numbered 3,575 and an action plan was implemented. Following the plan, LTC-ADI has stayed current with applications arriving since then and begun to make progress on the backlog. In the first three months, the OIG action plan resulted in the completion of more than 1,000 LTC-ADI investigations, reducing the backlog to 2,153. The number of investigations that LTC-ADI completed during the three-month period is more than double the 419 total investigations completed during all of calendar year 2011. Based on the current OIG action plan, the LTC-ADI initiative expects full resolution of the backlog by May of 2014, prior to the July 1, 2014 deadline established in PA 98-104.

The OIG action plan includes conducting outreach to stakeholders impacted by the LTC-ADI backlog. This includes members of the National Association of Elder Law Attorneys (NAELA) and LTC providers.

## **2. Develop and Implement a Streamlined Application Process**

PA98-0104 includes three areas for consideration to be accomplished on or before December 31, 2015:

- (1) Minimize the burden on applicants by collecting only the data necessary to determine eligibility for medical services, long-term care services, and spousal impoverishment offset.
- (2) Integrate online data sources to simplify the application process by reducing the amount of information needed to be entered and to expedite eligibility verification.
- (3) Provide online prompts to alert the applicant that information is missing or not complete.

With regard to the first and third items, work continues to improve the state's new online application for medical, SNAP and cash assistance ABE (Application for Benefits Eligibility). Over the next two years, work will continue to make improvements to both minimize information required and make the ABE application more user friendly such as considering the addition of prompts when information is incomplete. The State is currently reviewing Form 3654, the data collection instrument used to support the LTC-ADI initiative, to determine if there are items that can be removed. A related improvement that the State is considering is adding more "dynamism" into the application process so that the only questions a person sees are those that need to be completed by that person as determined by answers to previous questions.

The second item poses a greater challenge because the information available from online data sources remains limited. At this time, there are no data bases that could provide all the information needed.

- Banks and other financial institutions in Illinois are not mandated to electronically provide the information required by to the State to conduct LTC-ADI and have explicitly refused to do so on a voluntary basis.
- Even with a change in state law to mandate such cooperation from state chartered banks and other financial institutions, it is likely that federal chartered entities could still refuse to cooperate and applicants would still be required to produce the information themselves..
- Not all required information (for instance real estate transfers) would necessarily be available from banks.

Beyond addressing the specific principles established in the law, it is critical to understanding the purpose and structure currently in place. The solution to achieving a streamlined process for determining eligibility and effecting enrollment for LTC services in the Integrated Eligibility System (IES) is a multi-faceted issue because these processes involve several unique evaluations including:

- a) Functional assessment of the need for LTC and the amount and type of care required;
- b) Determination of eligibility for Medicaid on the basis of the same financial and non-financial criteria as those used for determining the eligibility of persons who do not need LTC, including the amount of income or resources in excess of Medicaid standards which the applicant must “spenddown” to qualify for Medicaid;
- c) Additional review of whether, within the five years prior to applying for Medicaid coverage of LTC services, the applicant transferred assets/resources in a manner that is not allowed. If an improper transfer occurred, the start date of state coverage of LTC is delayed for a period of time equal to the number of days of care the improperly transferred resources would have covered. (Note, everyone assessed a penalty period has a right to request, and if approved, be granted a waiver of the penalty period); and
- d) Calculation of the amount of his or her monthly income that a client must pay the facility toward the cost of LTC care. This amount reduces the state’s payment to the facility and must be adjusted continually as circumstances change for as long as the client needs LTC coverage. It is generally referred to as the patient credit or group care credit. This is one of the most complex processes to explain.
  - i. First, married people are permitted to divert income to a spouse living in the community. Federal regulations set maximum and minimum deductions, state law sets a cap within the allowable range. This adjustment is usually made once annually for an entire year.
  - ii. Next, there are other allowable deductions, see below, but after those, people in nursing facilities are permitted to keep \$30/month of their income.
  - iii. Federal and state law and regulations permit LTC residents to first use their income on allowable medical or rehabilitation expenses that Medicaid does not cover. Today, because of the recent budget cuts, adult dental services are likely to be a prime example of needed services for which a resident may use their income before using it to pay for LTC. Generally, such expenses vary by month and residents must supply proof of them and submit them to DHS caseworkers for processing.

Item (a) on this list is completed in various ways. For example, the Department on Aging supports a statewide network of care coordination units that complete assessments of seniors who need LTC services. These results are communicated directly or through the LTC facility to DHS caseworkers who must enter them into a special subsystem of MMIS that is used to generate payments to LTC providers.

Item (b) is completed by DHS caseworkers using the eligibility data system.

Item (c) is completed by OIG and DHS caseworkers in collaboration and the caseworkers enter the results into the eligibility data system.

Item (d) is completed by DHS caseworkers who enter the results into the special subsystem of MMIS (the Medicaid Management Information System, the primary system for paying Medicaid claims).

These various steps have been designed in part to support a decision made long ago that the state would generate all payments to LTC facilities. That means that nursing facilities, for example, do not bill HFS for the Medicaid covered residents in their care. Rather, facilities report their residents when they are admitted and discharged. Many make these reports through the online MEDI system as the HFS Bureau of Long Term Care (BLTC) has worked to allow nursing facilities to electronically enter much of the enrollment information they must provide. (MEDI is the Medical Electronic Data Interchange, which is a way that providers can communicate with the MMIS.)

The current state of affairs is something HFS, DHS and DoA are all committed to streamlining through several major initiatives that are currently underway. These include, in addition to IES, deployment of a new MMIS as well as the Balancing Incentive Program (BIP).

BIP presents another important opportunity for simplification of LTC eligibility determination and enrollment. Illinois is committed, as part of the terms of this substantial federal incentive program, to improving the coordination of functional and financial eligibility determinations for consumers seeking Long Term Services and Supports (LTSS). Additionally, included in the BIP requirements is the development of a Core Standardized Assessment. Illinois is in the process of procuring a vendor to develop a uniform assessment tool (UAT) for all forms of LTSS. The implementation of the UAT and the coordination of functional and financial determinations is being developed in cooperation with the IES development team and the BIP Steering Committee and is targeted for deployment in the fall of 2015. Among other things, it will coordinate the determination of functional eligibility among various agencies with the financial eligibility determinations addressed above.

In the meantime, as HFS and DHS continue to deploy additional features of the Integrated Eligibility System some automation is currently in place. IES is already able to receive online Medicaid applications--item (b) above--including those of persons in need of long term care. Additional functionality will be implemented shortly to automate calculation of some values that caseworkers handle manually today. These include calculating penalty periods - based on the caseworker's review of non-allowable transfers and the results of OIG-ADI; tallying group care credits; and building an interface to transmit these results to MMIS.

Nonetheless, change will not come easily as it must be done in a way that assures appropriate care is delivered to eligible people and paid correctly by the state. Moreover, all of this must be taken into account as the state moves away from a system where it generates LTC claims to one where claims are submitted by the LTC facilities themselves as PA 98-104 also requires.

### **3. Assess Feasibility of Incorporating Additional Information in the Application**

The law requires that HFS, on or before July 1, 2014, assess the feasibility of incorporating all information needed to determine eligibility for long-term care services, including asset transfer and spousal impoverishment financials, into the State's integrated eligibility system. Given the complexities described previously, it is clear that IES, MMIS and BIP will all play a critical part in improving administration of LTC services and the initiatives will have to be closely coordinated if the state is to be successful in accomplishing the goals of the law. HFS, DHS, DoA and other partners are all committed to this effort.

### **Conclusion**

In the last several months, the HFS and DHS have made substantial progress in addressing the issues of improved eligibility determination for LTC. But it is equally clear there is a great deal of work to be done in order to achieve compliance with the mandate that eligibility determination and enrollment be accomplished in a timely manner.

We will continue to take appropriate steps to reach this goal and report on our progress.

## **Attachment 1: Applicable Provisions of PA 98-0104**

### ***Sec. 11-5.4. Expedited long-term care eligibility determination and enrollment.***

(a) An expedited long-term care eligibility determination and enrollment system shall be established to reduce long-term care determinations to 90 days or fewer by July 1, 2014 and streamline the long-term care enrollment process.

Establishment of the system shall be a joint venture of the Department of Human Services and Healthcare and Family Services and the Department on Aging. The Governor shall name a lead agency no later than 30 days after the effective date of this amendatory Act of the 98th General Assembly to assume responsibility for the full implementation of the establishment and maintenance of the system. Project outcomes shall include an enhanced eligibility determination tracking system accessible to providers and a centralized application review and eligibility determination with all applicants reviewed within 90 days of receipt by the State of a complete application. If the Department of Healthcare and Family Services' Office of the Inspector General determines that there is a likelihood that a non-allowable transfer of assets has occurred, and the facility in which the applicant resides is notified, an extension of up to 90 days shall be permissible.

On or before December 31, 2015, a streamlined application and enrollment process shall be put in place based on the following principles:

- (1) Minimize the burden on applicants by collecting only the data necessary to determine eligibility for medical services, long-term care services, and spousal impoverishment offset.
- (2) Integrate online data sources to simplify the application process by reducing the amount of information needed to be entered and to expedite eligibility verification.
- (3) Provide online prompts to alert the applicant that information is missing or not complete.

(b) The Department shall, on or before July 1, 2014, assess the feasibility of incorporating all information needed to determine eligibility for long-term care services, including asset transfer and spousal impoverishment financials, into the State's integrated eligibility system identifying all resources needed and reasonable timeframes for achieving the specified integration.

(c) The lead agency shall file interim reports with the Chairs and Minority Spokespersons of the House and Senate Human Services Committees no later than September 1, 2013 and on February 1, 2014. The Department of Healthcare and Family Services shall include in the annual Medicaid report for State Fiscal Year 2014 and every fiscal year thereafter information concerning implementation of the provisions of this Section.

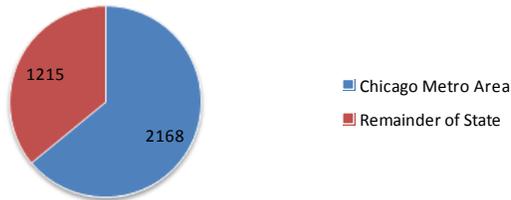
(d) No later than August 1, 2014, the Auditor General shall report to the General Assembly concerning the extent to which the timeframes specified in this Section have been met and the extent to which State staffing levels are adequate to meet the requirements of this Section.

## Attachment 2: Overview of LTC Admission Eligibility

<b>Total number of LTC Admission Cases in Queue</b>	10,272
<b>Total number of current cases with referral to OIG LTC-ADI (Either pending with ADI or returned to DHS Caseworkers)</b>	2,459
Percent of all pending cases	24%
<b>Total number of non-ADI referral cases pending over 90 days</b>	3,383
Percent of all pending cases	33%
Percent of cases that have not been referred to ADI	43%
<b>Total number of cases pending with ADI more than 90 days</b>	2,153
Percent of all pending cases	21%
Percent of all cases referred for ADI	88%
<b>Total number of cases with ADI referral pending more than 180 days</b>	1,627
Percent of all pending cases	16%
Percent of call cases with ADI referral	66%

NOTE: ADI is Asset Discovery Investigation unit in HFS OIG

### Non-referral LTC Cases Pending Over 90 Days



### Referred LTC Cases Over 180 Days

