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Illinois Medicaid Redetermination Project Cost Savings Methodology September, 2013

The methodology for estimating savings from the Illinois Medicaid Redetermination Project (IMRP) is based on an estimate of what events will not happen in the future but would have happened were it not for the IMRP (Maximus).

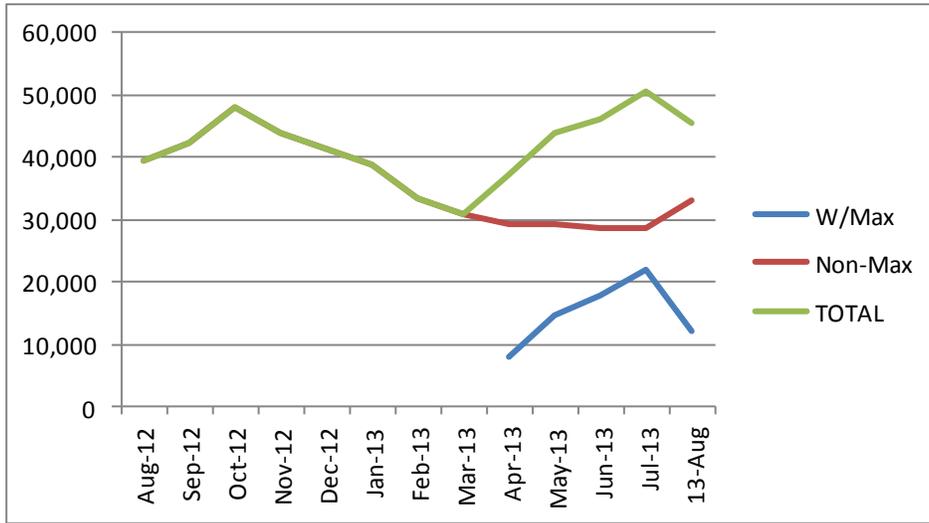
The core methodology is straightforward:

- We review every cancellation made as a result of a Maximus recommendation that did not return to rolls within 3 months of cancellation (if the client re-enrolls within 3 months, no savings are attributed).
- We total the actual expenditures made on behalf of the cancelled individual for the previous 6 months.
- We assume that in the absence of the Maximus intervention, we would have continued spending at the same rate on behalf of the client for the 12 months following the client's removal from the rolls.
- The sum of these individual estimated expenditures is the overall estimate of savings.

We call attention to several important nuances:

1. Since the "savings" are calculated on a rate of expenditure, they are only "realized" at the time when the expenditure would have happened. Thus, if a case had average expenditures of \$100/month, we assume total savings of \$1200 (i.e. \$100 x 12 months). We attribute each month of "savings" at a rate of one month at a time for the next 12 months. Thus "savings" typically stretch over multiple fiscal years depending on the month of disenrollment.
2. The Maximus contract is not the only source of disenrollments from Medicaid. In fact, the majority of Medicaid disenrollments happen without a Maximus recommendation. This is because the system automatically removes some clients (e.g. children turning 19 years of age) and because DHS caseworkers continue to update the status of clients, particularly those who also have SNAP. The graph on the next page shows that during FY13, between 35,000 and 40,000 cases per month were removed from Medicaid even before Maximus started doing reviews. Even with Maximus doing reviews, many cases continue to be disenrolled without Maximus involvement. However, total disenrollment is greater with Maximus.

Medicaid Cancellations Before and After Maximus (July, 2012 through August, 2013)



Illinois Medicaid Redetermination Project

Questions and Answers for House-Senate Human Services Appropriations Committees

September 17, 2013

General update on the Illinois Medicaid Redetermination Project

What is the Illinois Medicaid Redetermination Project (IMRP)?

The purpose of the Illinois Medicaid Redetermination Project (IMRP) is to provide enhanced annual eligibility screening of clients' income and residency to ensure that they remain eligible for Medicaid services. This is an ongoing process to root out fraud in Illinois' Medicaid program and to cancel the cases of people no longer eligible. As of September 23, 2012, HFS contracted with Maximus to assist state caseworkers with data matching and back-office functions. The state caseworkers are required under federal law to make the final decision on Maximus recommendations to continue, change or cancel clients from Medicaid.

How many cases have been reviewed by Maximus? How many have been recommended to cancel? How many have been cancelled?

As of September 9th, Maximus has reviewed or is in the process of reviewing 275,867 cases. Maximus has recommended cancelling 136,143 of these cases. State caseworkers have completed their review of 190,756 of these cases and have moved forward to cancel 75,707 cases that were determined to be ineligible. Each case represents about 1.7 people - so this means 128,700 individuals have been removed from the rolls for not meeting the eligibility standards.

One reason that caseworkers make a different decision from the Maximus recommendation is that clients have 20 days to submit documentation after they receive the cancellation letter; when they provide the documentation, they are determined to be eligible. The weekly and year-to-date totals are posted on the HFS website every week.

What is the value of the Maximus contract? How much has been spent so far?

The total two-year contract with Maximus will be about \$70 million. (The exact dollar amount is influenced by volume, certain pass-through costs, and performance bonus payments.) Through August of 2013, we have paid out \$17.9 million with \$6 million in various stages of being paid out.

What are the major advantages of the Maximus contract?

They have adequately staffed the call center using contemporary technology which makes it possible for clients to reach Maximus with requested information and also for Maximus to systematically try to find clients.

They have a dedicated mail room using current technology, including scanning, which dramatically reduces the problem of lost mail; there is also a specific process for monitoring the disposition of mail.

Their software makes it possible for letters requesting additional information to be easily assembled, tailored and mailed out; for information to be accessed in real time by whichever staff is interacting with the client; and for the regular reporting that allows the tracking of progress and caseworker production.

What are the major disadvantages of the Maximus contract?

They did not provide the databases as promised. In fact, almost all databases used by Maximus are provided by the state. There is only one additional database, Equifax, a commercial credit checking data base. The key database that is missing is information about cash and assets (for long-term clients) in bank accounts. Without a law, Illinois banks would have to cooperate with IMRP to make bank records accessible.

In addition, final decisions must be made by a caseworker, which is duplicative. The redundancy built into the system makes this dual process less timely and more expensive. In addition to the \$35 million for Maximus, it is estimated that the State must spend an additional \$21 million for 200 caseworkers to review Maximus recommendations and make final decisions.

What are lessons learned from IMRP?

Savings have been less than some legislators hoped but in line with HFS' forecasts because most of the people cancelled are relatively low users of Medicaid services. Forty percent of the first 105,000 people cancelled had no claims filed on their behalf in the six months before their cancellation. So far, annualized savings on these clients are about \$44 million (just in the first 5 months: April – August). This is a per month savings per cancelled client of \$58.

The rate of cancellations will slow, since the queue was deliberately created to put priority cases first: those where data showed a discrepancy and those whose cases had been previously "passively redetermined" (i.e. not reviewed in a long time). The cost savings from these initial early cases likely will not be repeated in subsequent years and should not be relied upon.

Seventy five percent of the cases cancelled are because the client has failed to respond to the letter asking for additional information. When the electronic data sources do not yield enough information to confirm eligibility, a letter is sent to the client seeking additional information. Clients likely don't respond to the letter either because they know they are no longer eligible, or because the mail never reaches or is opened by them.

About 16-19 percent of those cases cancelled this calendar year have already re-enrolled and were found to be eligible – this was expected and is comparable with the re-enrollment rate experienced in the past.

The improvement in enrollment integrity is essential for the transition to managed care. Under the current system, Medicaid pays only for services actually used. Under managed care, the State will pay a capitation whether or not services are used. We will realize substantial cost savings by keeping eligibility files clean.

The status of the Maximus contract

What was the basis of the arbitrator's ruling?

On September 4, 2012, AFSCME filed a grievance against the Maximus contract. On June 20, 2013, an arbitrator ruled in AFSCME's favor, for the following reason: Under the State's collective bargaining agreement ("Master Contract") with AFSCME Council 31 ("Union"), the State has the right to contract out work performed by employees covered by the Master Contract ("bargaining unit work.")

However, there are limitations upon the state's right to contract out bargaining unit work and there are procedures the state must follow when the state chooses to exercise its right to contract out.

Is the IMRP work continuing, despite the ruling of the arbitrator?

Yes, as last week's report demonstrates, the work is continuing— Maximus is reviewing around 15,000 cases each week and State caseworkers are keeping up. However, Maximus' staff is beginning to seek other employment as the project remains in limbo. This could affect productivity.

Are other eligibility redetermination efforts resulting in cancellation of Medicaid clients?

Maximus has been assigned to review and make recommendations in cases that are Medicaid only. DHS caseworkers are required to review and make final redeterminations at least on a yearly basis that include SNAP and/or SNAP/Medicaid. In addition, the computer cancels some cases automatically (e.g. over 19 years of age). These other Medicaid eligibility cancellations for FY 13 total about 371,000 people.