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**To: The Honorable Pat Quinn, Governor and Members of the General Assembly**

Attached are three reports concerning the Illinois Medicaid Redetermination Project (IMRP) undertaken by the Departments of Healthcare and Family Services (HFS) and Human Services (DHS) pursuant to PA 97-0689 (also known as the SMART Act). These reports help explain the work that has been done and how it is trending.

- Report for activity in Quarter 2 of 2014—and a summary of all activity in the Phase Two of the IMRP
- Agreement of State with Maximus recommendation during the last quarter
- Reason for State disagreement with vendor recommendation during the last quarter

**Background**

The goal of the IMRP is to process the backlog of cases that require immediate redeterminations of eligibility and to ensure that going forward redeterminations will be processed in a timely manner so that Medicaid coverage eligibility is verified on an annual basis. The IMRP is improving Medicaid program integrity by validating that clients who qualify for medical benefits receive them, while those who are not qualified are dis-enrolled. This is particularly important as HFS moves toward enrolling more clients in some form of managed care, which will entail regular monthly capitation payments based on enrollment as opposed to bills on specific services actually used.

The contract with Maximus was signed in September 2012—on the schedule specified by the SMART Act. Over the following three months, Maximus leased space, created a state-of-the-art call center and mail room, hired more than 500 new employees and reassigned about 50 employees to work on Illinois redeterminations. However, the development of the computer systems necessary to work cases did not go as smoothly. Although Maximus started reviewing cases in January 2013, progress in the early months was much slower than anticipated. There were continued improvements to the computer system, including a major upgrade in the first week of May 2013, that improved Maximus' productivity. Also, DHS began bringing on additional case workers focused solely on redeterminations.

Because of the persistent backlog in annual redeterminations – including cases that had been previously “passively redetermined” – we prioritized identification of those clients and cases that had the greatest likelihood of being ineligible or in the wrong program. Accordingly, Maximus ran the entire data base and applied high-level filters to identify and prioritize working those cases requiring immediate attention,

regardless of the client's annual redetermination date. Maximus worked a case by reviewing the evidence from the high-level filters and assessing what issues must be resolved before the case's eligibility could be determined. It then attempted to use additional data bases to obtain other information and, in some cases, contact clients when more information was necessary. Per the SMART Act, clients had only 10 business days to respond to Maximus. At the end of that period, Maximus pulled together all the available data—including documentation from the client—and posted a recommendation on a secure Internet site for State caseworkers. The assigned caseworkers reviewed the assembled information and made the final determination about whether the client was eligible or ineligible and entered the redetermination accordingly in the State system.

## **Phase Two**

As we noted in previous quarterly reports, an external arbitrator responding to an AFSCME-filed grievance ruled that the contract with Maximus violated the State's Collective Bargaining Agreement with AFSCME. The arbitrator's ruling would have ended the contract by December 31, 2013. To avoid disruption, HFS amended the agreement with Maximus in December to conform to the ruling and streamline the redetermination process while maintaining some of Maximus' most positive performance aspects.

Under this agreement and in conformance with the SMART Act, Maximus continues to provide electronic review of all cases to make a preliminary recommendation on the likelihood of a case's eligibility. This eliminates the step of Maximus eligibility workers also reviewing the data before going to the State caseworker. This results in a substantial reduction in the monthly cost of the contract, dropping from an average of \$3.2M per month under the original contract to an estimated average of \$1.7M per month. Maximus continues to provide the underlying software used for data matching, process management and reporting. In fact, the system has been completely updated and the new version became operational in February. Maximus also continues to provide their call center and mail room capabilities until such time as the State's new eligibility system is fully implemented (currently scheduled for September, 2015) when these capabilities will be available directly to the State.

Additionally, DHS has hired a number of new caseworkers and established two substantial redetermination centers that will be connected to the Maximus systems. These centers will have more than 200 workers solely focused on redeterminations for Medicaid clients who do not also participate in the Supplemental Nutritional Assistance Program (SNAP, originally known as Food Stamps). Medicaid redetermination for clients participating in SNAP (or cash assistance) will continue to be conducted as part of their SNAP redetermination, which is done annually or in some cases every six months.

Attachment 1 contains a report on Phase Two of the IMRP, with particular focus on the quarter ending June 30, 2014. These results show:

- A continued high level of cancellations (55% in Q2 of cases reviewed, 54% YTD) for cases without SNAP
- Most of the cancellations (87% YTD) are because the client has failed to return information
- The percentage of cases cancelled for clients with SNAP is 16% YTD, 15% Q2

We believe the reason for the difference in the two cancellation rates is that clients receiving SNAP have a stronger incentive to return information in a timely way, as failure to do so results in immediate termination of a benefit needed for day-to-day survival. Medicaid by itself is less compelling in the short term. (This is supported by the fact that the people disenrolled from Medicaid apparently have fewer immediate medical needs and thus have much lower Medicaid-use rates than the people who are motivated to stay enrolled.)

We know the effective cancellation rate will be lower than the initial cancellation rate reported here because as clients realize they have been cancelled, they will return required information. In fact, for the first four months of Phase Two, almost half (48%) of the clients who were initially cancelled returned within three months after cancellation. We are working with Maximus to find ways of getting more clients to return information in a timely way to avoid the unnecessary administrative churn. This will be an even larger issue once clients are enrolled in managed care plans.

We also note that the rate of cases reviewed in Phase Two continues at a high level. In Q2, IMRP reviewed 164,000 cases, very close to all the Medicaid cases without SNAP coming due in this quarter. We will need to increase the number of reviews as we get into 2015 to accommodate the increase in total case volume due to the ACA, a material number of whom will need to be reviewed outside the SNAP review cycle.

### **Reasons for Disagreement**

Attachment 2 shows the reasons that the State workers have disagreed with the Maximus recommendations during this quarter. We note, however, that in relatively few cases is the information sufficient to make a firm recommendation—to *cancel*, *continue* or *change* the case. In more than 80 percent of the cases, the information that can be gathered electronically has not been sufficient to make a specific recommendation.

Attachment 2 shows agreement with Maximus recommendations. Where Maximus does make a specific recommendation, agreement with their assessment remains relatively high, although the State is a little more likely to cancel a case when Maximus recommended continue. The State concurred on 76% of the cases that Maximus identified as likely ineligible. Overall, of the total number the State cancelled, 61% were in agreement with the Maximus recommendation. Of the number of cases that Maximus recommended as likely-eligible, the State agreed with Maximus 60% of the time. (Note, almost all of the difference was due to cases where Maximus recommended continue and, indeed, the case was continued, but with some changes in the composition of the case.) Of all the cases the State continued without change, 77% were consistent with the Maximus recommendation. The recommendation of change--where the case is continued but some aspect of the case is changed--is the most difficult to categorize, but it is also the smallest of the three. In general, the cases flagged by Maximus for possible change warranted examination—80% were changed or cancelled—but there were some cases that Maximus didn't flag that needed attention.

To the extent there are disagreements, particularly around cases where there is recommendation of cancel, the reason is usually that the client shows up with additional information after the recommendation has been made but before the State has made its decision.

Attachment 3 shows specific reasons for disagreement primarily for May and June. This is because at the beginning of May we made major software upgrades that loaded more electronic verifications into the system and also changed the explanation codes for disagreement. Changes made in May, that will start showing up in reports for the next quarter, include adding data from Wire to Wire Third Party Query System (a computer match with the Social Security Administration), additional matches from Illinois Departments of Economic Security, Revenue, and Public Health and commercial data. Consequently, we expect subsequent reports will provide more specific recommendations and, perhaps, more disagreements.

We will continue to report regularly on our progress. We also note around the 10th of each month we post a rolling summary of the three previous months and the entire data for Phase Two of the IMRP. It can be found at <http://www2.illinois.gov/hfs/SiteCollectionDocuments/IMRPReport.pdf>. Other information on IMRP can also be found on the HFS website.

Michael Koetting  
HFS Deputy Director Planning & Reform Implementation

**Attachment 1**

**Medicaid Redetermination Activity, 2014**

**(April-June and Phase Two of IMRP since February, 2014)**

**I. Case Level Maximus Related Redetermination Activity Summary**  
(reflects month in which action was taken)

<i>State Decision</i>	<b>April</b>	<b>May</b>	<b>June</b>	<b>YTD*</b>	<b>YTD* Percent</b>
Continue	22,715	20,402	17,233	76,620	38%
Change	4,976	4,783	4,216	15,474	8%
Cancel	28,315	39,928	21,872	108,346	54%
<b>Reason for Cancellation</b>					
% Lack of Reponse	84%	91%	85%	87%	
% Other	16%	9%	15%	13%	
<b>TOTAL</b>	<b>56,006</b>	<b>65,113</b>	<b>43,321</b>	<b>200,440</b>	

**II. Summary Case Level Activity for all Redeterminations**

	<b>April</b>	<b>May</b>	<b>June</b>	<b>YTD*</b>
Total W/ Maximus Involvement	56,006	65,113	43,321	200,440
Continuation/Change	27,691	25,185	21,449	92,094
Initial Cancellations	28,315	39,928	21,872	108,346
Total W/o Maximus Involvement	59,203	63,046	73,043	338,482
Continuation/Change	50,406	54,978	61,200	283,199
Initial Cancellations	8,797	8,068	11,843	55,283

**III. Individual Level Cancellation Data**

	<b>April</b>	<b>May</b>	<b>June</b>	<b>YTD*</b>
Total Initial Cancellations	65,590	89,122	61,138	298,066
Return from Cancellation	30,387	29,305	16,232	117,079
Net Cancellations	35,203	59,817	44,906	180,987
% persistent after 1 month	77%	83%	73%	
% persistent after 2 months	68%	67%	---	
% persistent after 3 months	54%	---	---	

\*YTD is from February 2014 onward

Attachment 2

State Agreement with Max-IL Electronic Recommendations

(April-June, 2014)

	Max-IL Electronic Recommendation					
	Max-IL Rec 'LIKELY INELIGIBLE'		Max-IL Rec 'CHANGE'		Max-IL Rec 'LIKELY ELIGIBLE'	
	Cases	Percent	Cases	Percent	Cases	Percent
State Determination						
CANCELLED	1,069	76.41%	369	71.51%	311	13.90%
CHANGED	36	2.57%	42	8.14%	581	25.96%
CONTINUED	294	21.02%	105	20.35%	1,346	60.14%
<b>Grand Total</b>	<b>1,399</b>	<b>100%</b>	<b>516</b>	<b>100%</b>	<b>2,238</b>	<b>100%</b>

	State Determination					
	Determination CANCELLED		Determination CHANGED		Determination CONTINUED	
	Cases	Percent	Cases	Percent	Cases	Percent
Max-IL Electronic Recommendation						
LIKELY INELIGIBLE	1,069	61.12%	36	5.46%	294	16.85%
CHANGE	369	21.10%	42	6.37%	105	6.02%
LIKELY ELIGIBLE	311	17.78%	581	88.16%	1,346	77.13%
<b>Grand Total</b>	<b>1,749</b>	<b>100%</b>	<b>659</b>	<b>100%</b>	<b>1,745</b>	<b>100%</b>

**Attachment 3**

**Reasons for State Disagreement with Max-IL Electronic Recommendations  
(April-June, 2014)**

Reporting Period: Q2-2014		State Disagreements by MAXIMUS Electronic Recommendation				
MAXIMUS Electronic Recommendation						
State Reason for Disagreement	CHANGE	LIKELY ELIGIBLE	LIKELY INELIGIBLE	Total	Percent of Total	
<b>Income Not Correctly Applied</b>	<b>41</b>	<b>113</b>	<b>121</b>	<b>275</b>	<b>25%</b>	
Apr	-	-	1	1	0%	
May	19	-	30	49	4%	
Jun	22	113	90	225	20%	
<b>Post Recommendation Information on Income Presented</b>	<b>42</b>	<b>20</b>	<b>27</b>	<b>89</b>	<b>8%</b>	
May	33	0	11	44	4%	
Jun	9	20	16	45	4%	
<b>Household Composition Not Correctly Included</b>	<b>27</b>	<b>13</b>	<b>9</b>	<b>49</b>	<b>4%</b>	
May	20	-	5	25	2%	
Jun	7	13	4	24	2%	
<b>Post Recommendation Change of Household Composition</b>	<b>25</b>	<b>3</b>	<b>5</b>	<b>33</b>	<b>3%</b>	
May	24	-	3	27	2%	
Jun	1	3	2	6	1%	
<b>Post Recommendation Change in Residency Verification</b>	<b>65</b>	<b>1</b>	<b>99</b>	<b>165</b>	<b>15%</b>	
Apr	1	-	2	3	0%	
May	36	-	30	66	6%	
Jun	28	1	67	96	9%	
<b>HOH Failed to Cooperate</b>	<b>181</b>	<b>158</b>	<b>5</b>	<b>344</b>	<b>31%</b>	
May	58	-	2	60	5%	
Jun	123	158	3	284	26%	
<b>(blank)</b>	<b>93</b>	<b>3</b>	<b>64</b>	<b>160</b>	<b>14%</b>	
Apr	75	-	42	117	10%	
May	12	-	3	15	1%	
Jun	6	3	19	28	3%	
<b>Grand Total</b>	<b>474</b>	<b>311</b>	<b>330</b>	<b>1,115</b>	<b>100%</b>	

**Note:** Overall number of specific recommendations is relatively small since more than 80% of total recommendations were due to insufficient information to make a specific recommendation.