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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.

- Final report for Phase One of the IMRP
- Reason for State disagreement with vendor recommendation during the last quarter
- Initial report for Phase Two of the IMRP

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.

This goal could not be achieved without additional resources to assist the DHS case workers (who perform most of the eligibility activities for Medicaid). Over many years prior to 2013, the complement of DHS case workers had decreased substantially while the number of cases continued to rise substantially. In 2013, that trend started to reverse with the addition of case workers, both for redetermination and other needs.

The IMRP has been implemented by retaining, under the guidance of the State's Chief Procurement Officer, the services of Maximus, a national vendor that assists other states in making eligibility determinations. In Phase One of the contract, Maximus' role was to provide backup resources for the State caseworkers by making recommendations regarding the client's continued eligibility; pursuant to federal requirements, caseworkers are then required to make the final determination.

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 is 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.

Results

Attachment 1 shows results from the beginning of operation through the end of Phase One, February 28, 2014. It shows that since its beginning about 148,000 cases (about 234,000 individuals) were removed from the rolls following this review.

These numbers can be misleading. While about 41% of the cases redetermined through this project so far were found ineligible, this is not indicative of the total population's ineligibility rate. By far, the predominant reason for cancelling a client is the client's failure to return information, not any specific knowledge of the client's eligibility status. In addition, because cases have been reviewed in the order of the probability of ineligibility, most of the work Maximus did over the past year has focused on high-priority cases (where there was a particular suggestion that the case exceeded income limits, did not meet residency requirements or had not been reviewed in a long time). For most of the operating period, Maximus made recommendations on high-priority cases. Results were posted weekly on the HFS website.

We also note that about one-third of all cancelled cases return to the rolls within three months of cancellation. In almost all cases this is because the client eventually returns with the requested information.

Attachment 2 shows the reasons that the State workers have disagreed with the Maximus recommendations during this quarter. In general, agreement is high. For cases where Maximus recommended cancellation, it stands at 69 percent for the entire Phase One.

Generally speaking, particularly in the case of recommendations to cancel, the largest single reason for disagreement is that clients who did not get information submitted in time for the Maximus recommendation brought that information to DHS caseworkers subsequently.

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 will continue to provide electronic review of all cases and will use that review 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 in summer 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 will continue to be conducted as part of their SNAP redetermination, which is done annually or in some cases every six months.

Attachment 3 contains an initial report for Phase Two through March 31, 2014. These results show:

- A continued high level of cancellations (50.6% of cases reviewed) for cases without SNAP
- Most of the cancellations (83%) are because the client has failed to return information
- The percentage of cases cancelled for clients with SNAP is 20.8%

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 do expect 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. (For instance, as can be seen in Attachment 3, 40% of the clients cancelled in February have been re-instated.)

Finally, we note that the rate of cases reviewed in Phase Two continues to increase since the first weeks. In the first three weeks of April, DHS had already reviewed more cases than in the entire month of March.

We will continue to report regularly on our progress.

Michael Koetting
HFS Deputy Director Planning & Reform Implementation

ATTACHMENT 1

**IMRP Phase One Summary
Beginning Through February 28, 2014**

Maximus Recommendations to State, Year to Date (January 15, 2014)	Year to Date Total
REVIEWS COMPLETED by Maximus	
Recommend to Continue	232,478
Recommend to Change	60,735
Recommend to Cancel	249,912
TOTAL	543,125

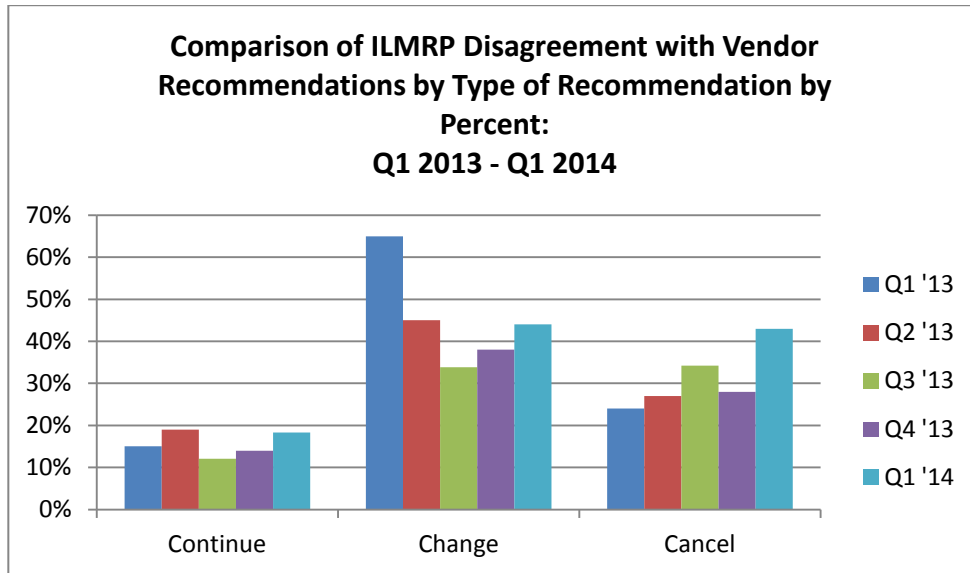
State Actions, Year to Date (February 28, 2014)	Year to Date Total	State Action by Recommendation		
DETERMINATIONS COMPLETED		% Continue	% Change	% Cancel
Determination - Continue	165,760	84%	9%	7%
Determination - Change	46,698	37%	52%	11%
Determination - Cancel	148,283	23%	8%	69%
<i>SUB TOTAL</i>	360,741			

*The State received the last Maximus recommendation under the initial contract on January 15, 2014. The remaining 182, 384 State cases "Needed Review" will be reviewed under a new system that will launch in February.

ATTACHMENT 2:

**Reasons for Disagreement with Maximus Recommendation
January & February, 2014**

26,346	Total Determinations Made by State	100%
17,808	State Agreed with Recommendation	68%
8,538	State Disagreed	32%



RECOMMENDATION TO CONTINUE CASE (Q1 2014)

9,897	Total Recommendations to Continue Case for Decided Cases	100%
8,336	State Agreed with Recommendation	84%
1,561	State Disagreed	16%

Reasons for Disagreement with Recommendation to Continue Case

State Disagreed	Reason	% Disagreed
-	INCLUDED NON-COUNTABLE ASSETS	0%
151	DID NOT INCLUDE ALL COUNTABLE ASSETS	10%
25	INCORRECT ASSET REVIEW AND CALCULATION FOR THIS CASE	2%
20	CLIENT PROVIDED ADDITIONAL INFORMATION	1%
-	AGREE WITH RECOMMENDATION	0%
180	ADDITIONAL INFO AVAILABLE FROM COMPANION CASE	12%
24	CE COVERAGE CONTINUES FOR CHILD	2%
7	COUNTED HOUSEHOLD MEMBERS NOT INCLUDED IN THE CASE	0%
4	DID NOT INCLUDE ALL HOUSEHOLD MEMBERS IN THE CASE	0%
358	POST RECOMMENDATION:HOUSEHOLD MEMBER CHANGE I.E. BIRTH,DEATH	23%
215	POST RECOMMENDATION: INCOME CHANGE	14%
7	INCLUDED INCOME THAT SHOULD NOT HAVE BEEN COUNTED	0%
265	INCOME INFORMATION PROVIDED TO FCRC AFTER RECOMMENDATION	17%
99	INCORRECT BUDGETING APPLIED	6%
58	POST RECOMMENDATION: RESIDENCY PROOF	4%
1	POST RECOMMENDATION: CITIZENSHIP,IMMIGRATION PROOF	0%
147	CLIENT FAILED TO COOPERATE WITH MEU REDE	9%
1,561		100%

RECOMMENDATION TO CHANGE AN ASPECT OF CASE BUT NOT ENTIRE CASE (Q1 2014)

941	Total Recommendations to Change Case for Decided Cases	100%
538	State Agreed with Recommendation	57%
403	State Disagreed	43%

Reasons for Disagreement with Recommendation to Change Case

State Disagreed	Reason	% Disagreed
-	INCLUDED NON-COUNTABLE ASSETS	0%
7	DID NOT INCLUDE ALL COUNTABLE ASSETS	2%
4	INCORRECT ASSET REVIEW AND CALCULATION FOR THIS CASE	1%
39	CLIENT PROVIDED ADDITIONAL INFORMATION	10%
-	AGREE WITH RECOMMENDATION	0%
33	ADDITIONAL INFO AVAILABLE FROM COMPANION CASE	8%
47	CE COVERAGE CONTINUES FOR CHILD	12%
18	COUNTED HOUSEHOLD MEMBERS NOT INCLUDED IN THE CASE	4%
5	DID NOT INCLUDE ALL HOUSEHOLD MEMBERS IN THE CASE	1%
20	POST RECOMMENDATION:HOUSEHOLD MEMBER CHANGE I.E. BIRTH,DEATH	5%
57	POST RECOMMENDATION: INCOME CHANGE	14%
5	INCLUDED INCOME THAT SHOULD NOT HAVE BEEN COUNTED	1%
80	INCOME INFORMATION PROVIDED TO FCRC AFTER RECOMMENDATION	20%
16	INCORRECT BUDGETING APPLIED	4%
6	POST RECOMMENDATION: RESIDENCY PROOF	1%
1	POST RECOMMENDATION: CITIZENSHIP, IMMIGRATION PROOF	0%
65	CLIENT FAILED TO COOPERATE WITH MEU REDE	16%
403		100%

RECOMMENDATION TO CANCEL CASE (Q1 2014)

15,508	Total Recommendations to Cancel Case for Decided Cases	100%
8,934	State Agreed with Recommendation	58%
6,574	State Disagreed	42%

Reasons for Disagreement with Recommendation to Cancel Case

State Disagreed	Reason	% Disagreed
1	INCLUDED NON-COUNTABLE ASSETS	0%
4	DID NOT INCLUDE ALL COUNTABLE ASSETS	0%
68	INCORRECT ASSET REVIEW AND CALCULATION FOR THIS CASE	1%
774	CLIENT PROVIDED ADDITIONAL INFORMATION	12%
-	AGREE WITH RECOMMENDATION	0%
563	ADDITIONAL INFO AVAILABLE FROM COMPANION CASE	9%
801	CE COVERAGE CONTINUES FOR CHILD	12%
12	COUNTED HOUSEHOLD MEMBERS NOT INCLUDED IN THE CASE	0%
16	DID NOT INCLUDE ALL HOUSEHOLD MEMBERS IN THE CASE	0%
55	POST RECOMMENDATION:HOUSEHOLD MEMBER CHANGE I.E. BIRTH,DEATH	1%
741	POST RECOMMENDATION: INCOME CHANGE	11%
11	INCLUDED INCOME THAT SHOULD NOT HAVE BEEN COUNTED	0%
3,337	INCOME INFORMATION PROVIDED TO FCRC AFTER RECOMMENDATION	51%
72	INCORRECT BUDGETING APPLIED	1%
87	POST RECOMMENDATION: RESIDENCY PROOF	1%
11	POST RECOMMENDATION: CITIZENSHIP, IMMIGRATION PROOF	0%
21	CLIENT FAILED TO COOPERATE WITH MEU REDE	0%
6,574		100%

Attachment 3 IMRP Data - Phase Two (Through March 31, 2014)

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

<i>State Decision</i>	Feb	March	YTD
Continue	2,672	13,608	16,280
Change	127	1,374	1,501
Cancel	118	18,095	18,213
Reason for Cancellation*			
% Lack of Reponse	7%	84%	83%
% Other	93%	16%	17%
TOTAL	2,917	33,077	35,994

Activity shown here starts with the implementation of the new Maximus operating system, in late February. (Hence, the small number of applications resolved in February). Throughput continues to grow and we anticipate processing materially more applications in April.

±Data on Maximus Preliminary Recommendations will not be available until May

*Data is currently based on type action reason codes from HFS EDW

II. Summary Case Level Activity for all Redeterminations

	Feb	March	YTD
Total W/ Maximus Involvement	2,917	33,077	35,994
Continuation/Change	2,799	14,982	17,781
Initial Cancellations	118	18,095	18,213
Total W/o Maximus Involvement	67,967	61,993	129,960
Continuation/Change	53,381	49,609	102,990
Initial Cancellations	14,586	12,384	26,970

Maximus is involved almost exclusively with Medicaid cases that do not also have Food Stamps on the case. We believe a smaller proportion of cases with Food Stamps are cancelled because clients have a much stronger incentive to return information in a timely way. Moreover, there is no retroactivity for Food Stamps. Clients receiving Medicaid-only often wait until there is a medical issue.

III. Individual Level Cancellation Data

	Feb	March	YTD
Total Initial Cancellations	30,415	52,236	82,651
Return from Cancellation	12,328	11,202	23,530
Net Cancellations	18,087	41,034	59,121
% persistent after 1 month	60%	79%	72%
% persistent after 2 months	59%	---	59%
% persistent after 3 months	---	---	---

1. Note that this table shows individuals--as opposed to cases.
2. A significant number of people are reinstated. Typically this happens because they eventually bring the information that was requested earlier.