

Economic Services Administration
060 - M2 - F4 - MEDICAID COST ALLOCATION CHANGES

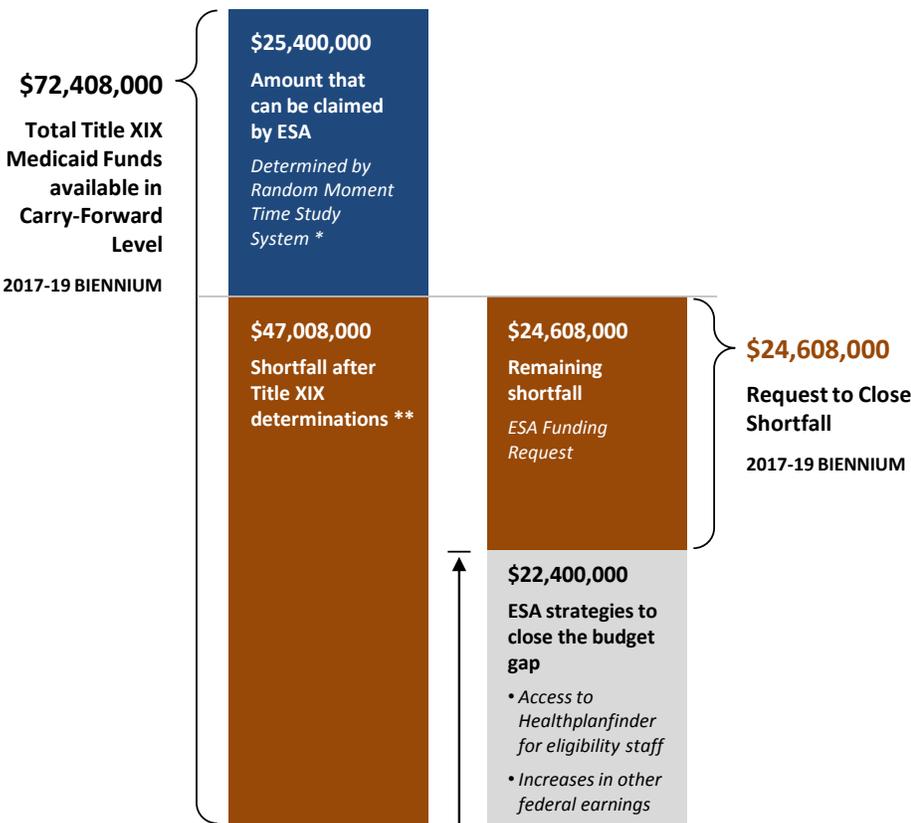
Agency Submittal: 11-2017-19-YR Agency Req

Budget Period: 2017-19

SUMMARY

The Economic Services Administration (ESA) risks reduced services to low-income individuals in the 2017-19 Biennium if funding is not secured to cover a loss in Title XIX Medicaid funds. With implementation of the Affordable Care Act (ACA), Medicaid eligibility services for Modified Adjusted Gross Income (MAGI) clients were transferred out of ESA, though workload did not decrease significantly. The 2017-19 Biennial Carry-Forward Budget assumes \$72,400,000 GF-Federal in Title XIX funding; however, it is anticipated that only about \$25,400,000 can be claimed due to the limited amount of Medicaid eligibility determinations ESA makes. Significant progress has been made to close the projected \$47,000,000 budget gap by 1) giving ESA eligibility staff access to the Healthplanfinder (HPF) online application beginning in State Fiscal Year 2016 and 2) increasing other federal earnings. ESA is requesting \$24,608,000 GF-State to eliminate the budget gap that still remains despite these efforts. This funding is needed to avoid significant delays in processing time, adverse impacts for clients, and increased costs to the state from “churn” on and off programs.

PROBLEM STATEMENT



A \$24,608,000 Funding Shortfall

*The proportion of staffing costs that can be claimed as Title XIX has increased since ESA eligibility staff acquired access to the HPF online application. The federally approved methodology for allocating staffing costs to federal fund sources is the Random Moment Time Study (RMTS) system.

**The Title XIX shortfall was expected to be \$47,000,000 GF-Federal for the 2017-19 Biennium; however, ESA conducted an in-depth review of the RMTS procedures that included the application of Lean principles and an analysis of how RMTS is implemented in other states. Based on findings from this review, a number of changes were made to RMTS, including new response options, an expansion of response times, training, worker prompts, and a new auditing methodology. These changes were effective October 2015. As a result, federal earnings overall have increased an average of approximately \$900,000 per month beginning February 2016, reducing the budget gap by approximately \$22,400,000 for the 2017-19 Biennium.



DSHS VISION
 People are healthy • People are safe • People are supported • Taxpayer resources are guarded

DSHS MISSION
 To transform lives

DSHS VALUES
 Honesty and Integrity • Pursuit of Excellence • Open Communication • Diversity and Inclusion • Commitment to Service

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Prior to the implementation of ACA, ESA determined Medicaid eligibility for its clients as a part of a consolidated application process for clients seeking cash, food and/or medical benefits. Removing Medicaid eligibility did not decrease the workload for processing applications, because the same process determined eligibility for all programs. With the implementation of ACA, primary responsibility for providing Medicaid eligibility services was transferred to Health Benefit Exchange (HBE) and the Health Care Authority (HCA) with the utilization of the HPF online application. As a result of the virtual elimination of the Medicaid component of the combined workload, ESA has not been able to claim the same levels of Title XIX funding as it did prior to ACA.

The amount of Title XIX funding claimed by ESA is determined by a Random Moment Time Study (RMTS) system. The RMTS system identifies the proportion of eligibility worker time spent on various programs, including the Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), Child Care Development Fund (CCDF), Medicaid, and certain state-funded programs. As a result of the shift in ESA's responsibility for Medicaid eligibility determination, Medicaid RMTS hits represent only six percent of the ESA total, versus 33.4 percent for a similar time period prior to ACA's implementation.

This has had a significant negative impact on the ESA's budget since funding decisions are determined by a baseline established prior to ACA implementation. Beginning in the 2017-19 Biennium ESA has worked to address this situation through two strategies that have helped to reduce but not eliminate the budget gap:

- First, in an effort to both help low-income individuals and families access Medicaid and secure additional Title XIX funds, ESA gained access to HPF for eligibility staff and incurred costs for the application's overall maintenance and operations. Despite this effort, ESA has not been able to claim the same levels of Title XIX funding as prior to ACA implementation.
- Second, ESA, in collaboration with agency accounting staff, conducted an in-depth review of the RMTS procedures used for cost allocation that included the application of Lean principles and an analysis of how the RMTS is implemented in other states. Based on findings from this review, a number of changes, including new response options, an expansion of response times, training, worker prompts, and new auditing methodology were implemented in October 2015. As a result, federal earnings overall (which includes SNAP, Refugee, Title XIX and TANF) have increased an average of approximately \$900,000 per month beginning February 2016.

Although Title XIX funding for ESA has decreased significantly since the implementation of ACA, the amount of staff time and effort necessary to determine eligibility for Medicaid and public assistance programs administered by ESA has not decreased. The process for determining Medicaid eligibility determination now takes more time because it is no longer a combined application and staff have to enter data into two different systems.

Without adequate funding to cover the projected budget gap, ESA would most likely need to reduce essential public assistance programs or make staffing cuts that would impact the department's clients' ability to access essential benefits in a timely manner. Such cuts would have a direct impact on many of the low-income families and individuals ESA serves and likely impact their ability to achieve self-sufficiency. These effects would trickle over into community and non-profit services as clients would need to access other services (like food banks) while waiting for ESA benefits. Difficulty in accessing DSHS services would also discourage some people from following through and getting needed help. In particular, seniors and other vulnerable individuals might go without any assistance if it became more difficult and time-consuming to access benefits.

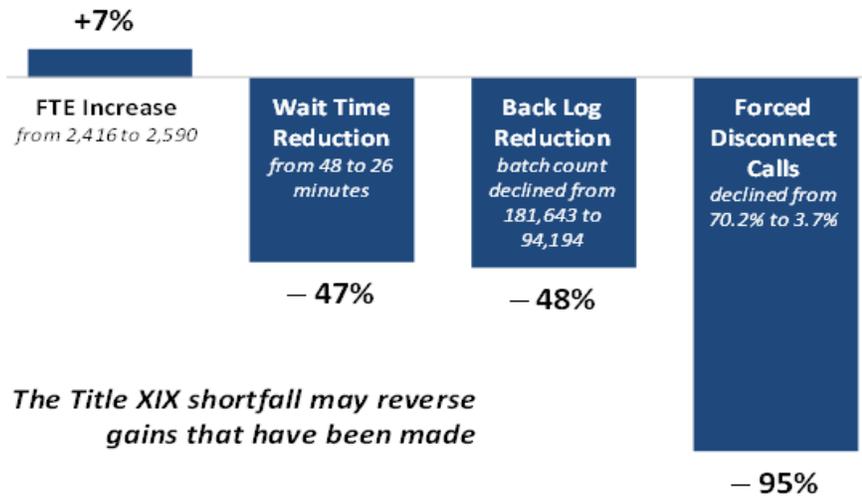
As the below charts show, ESA has made significant progress since Fiscal Year 2012 (FY12) on key performance metrics, including 1) the number of client calls experiencing forced disconnections, 2) the amount of back office paperwork

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(applications, re-certifications, verification, etc.) needing to be processed, and 3) average client wait times in lobbies. In addition to process improvements, ESA attributes improvements on these measures to improved staffing levels.

Recent FTE Increases Allowed ESA to Resolve Wait Times, Backlogs, and Disconnected Calls

PERCENT CHANGE FROM MARCH SFY 2012 TO MARCH SFY 2016



With the requested \$24,608,000 GF-State, ESA would be able to maintain current levels of service and not risk a deficiency that can directly impact the Administration’s mission and outcomes for low-income individuals.

PROPOSED SOLUTION

ESA requests funding to address the Medicaid cost allocation changes. Funding this decision package will bring ESA's budget into alignment with actual spending, including improved trends in federal earnings based on recent RMTS results and allow for ESA to maintain current levels of service to needy clients.

EXPECTED RESULTS

Funding this package will allow ESA to have correct funding sources to cover eligibility determinations for public assistance programs, and to provide case management services and social services to clients.

STAKEHOLDER IMPACT

There is no known opposition.

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Program Contact: Jie Tang, (360) 725-4509

OTHER CONNECTIONS

Performance Outcomes/Important Connections

1. **Does this DP provide essential support to one or more of the Governor's Results Washington priorities?**
Goal 4: Healthy & Safe Communities - Healthy People - Provide access to good medical care to improve people's lives.
2. **The decision package meets the following DSHS' strategic objectives:**
Objective 5.1: The percentage of Community Service Division (CSD) clients receiving timely service will increase.
3. **Identify other important connections or impacts below.** (Indicate 'Yes' or 'No'. If 'Yes' identify the connections or impacts related to the proposal.)
 - a) Regional/County impacts? No
 - b) Other local government impacts? No
 - c) Tribal government impacts? No
 - d) Other state agency impacts? No
 - e) Responds to specific task force, report, mandate or executive order? No
 - f) Does request contain a compensation change or require changes to a Collective Bargaining Agreement? No
 - g) Facility/workplace needs or impacts? No
 - h) Capital budget impacts? No
 - i) Is change required to existing statutes, rules or contracts? No
 - j) Is the request related to litigation? No
 - k) Is the request related to Puget Sound recovery? No
 - l) Other important connections?
4. **Please provide a detailed discussion of connections/impacts identified above.**
N/A

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Alternatives/Consequences/Other

5. What alternatives were explored by the agency, and why was this alternative chosen?

In the fall of 2015, ESA conducted an in-depth review of the RMTS procedures used for cost allocation that included the application of LEAN principles and an analysis of how the RMTS is implemented in other states. Based on findings from this review, a number of changes, including new response options, an expansion of response times, training, worker prompts, and new auditing methodology were implemented in October 2015. As a result federal earnings overall have increased and reduced the budget gap by \$22,400,000 but the remaining \$24,608,000 in GF-State is needed to cover the remaining balance.

6. How has or can the agency address the issue or need within its current appropriation level?

ESA has already taken a reduction of \$3,940,000 which equates to 62 FTEs as a partial means to fund the deficit in the last biennium. If no additional funding is received and further significant reductions must be implemented, it would negatively impact DSHS clients.

7. Does this decision package include funding for any IT-related costs (hardware, software, services, cloud-based services, contracts or IT staff)?

No

Yes (Include an IT Addendum)

Fiscal Detail**060 - M2 - F4 - Medicaid Cost Allocation Changes**

Operating Expenditures	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
001-1 General Fund-State	12,304,000	12,304,000	12,304,000	12,304,000
001-2 General Fund-Federal	11,207,000	11,210,000	11,210,000	11,210,000
001-C General Fund-Medicaid	-23,511,000	-23,514,000	-23,514,000	-23,514,000
Total Cost	0	0	0	0

Staffing	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
FTEs	0.0	0.0	0.0	0.0

Performance Measure Detail

Activity:	Incremental Changes			
	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
Program: 060				
F120 CSD Field Support Services	0	0	0	0
No measures submitted for package				

Object Detail

	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
A Salaries and Wages	0	0	0	0
B Employee Benefits	0	0	0	0
E Goods and Other Services	0	0	0	0
G Travel	0	0	0	0
Total Objects	0	0	0	0

DSHS Source Detail**Overall Funding**

Operating Expenditures	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
Fund 001-1, General Fund-State				
<u>Sources Title</u>				
0011 General Fund State	1,786,000	1,733,000	1,733,000	1,733,000
GFS2 General Fund State TANF Moe	10,518,000	10,571,000	10,571,000	10,571,000
Total for Fund 001-1	12,304,000	12,304,000	12,304,000	12,304,000
Fund 001-2, General Fund-Federal				
<u>Sources Title</u>				
E61L Food Stamp Program (50%)	11,207,000	11,210,000	11,210,000	11,210,000
Total for Fund 001-2	11,207,000	11,210,000	11,210,000	11,210,000
Fund 001-C, General Fund-Medicaid				
<u>Sources Title</u>				
19UL Title XIX Admin (50%)	-23,511,000	-23,514,000	-23,514,000	-23,514,000
Total for Fund 001-C	-23,511,000	-23,514,000	-23,514,000	-23,514,000
Total Overall Funding	0	0	0	0

2017-19 Biennium Budget

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Base Budget	FY 2018	FY 2019	FY 2020	FY 2021
SNAP	\$ 101,279,865	\$ 101,347,865	\$ 101,279,865	\$ 101,347,865
REFUGEE	\$ 2,643,230	\$ 2,644,230	\$ 2,643,230	\$ 2,644,230
STATE	\$ 23,234,641	\$ 23,315,641	\$ 23,234,641	\$ 23,315,641
TANF/CCDF	\$ 78,763,193	\$ 78,763,193	\$ 78,763,193	\$ 78,763,193
TITLE TXIX	\$ 72,394,991	\$ 72,410,991	\$ 72,394,991	\$ 72,410,991
Total	\$ 278,315,920	\$ 278,481,920	\$ 278,315,920	\$ 278,481,920

Ongoing Costs	FY 2018	FY 2019	FY 2020	FY 2021
SNAP	\$ 26,069,766	\$ 26,077,723	\$ 26,069,766	\$ 26,077,723
REFUGEE	\$ (1,828,242)	\$ (1,828,756)	\$ (1,828,242)	\$ (1,828,756)
STATE	\$ 17,462,304	\$ 17,405,578	\$ 17,462,304	\$ 17,405,578
TANF/CCDF	\$ 10,517,892	\$ 10,571,143	\$ 10,517,892	\$ 10,571,143
TITLE TXIX	\$ (52,221,720)	\$ (52,225,688)	\$ (52,221,720)	\$ (52,225,688)
Total	\$ -	\$ -	\$ -	\$ -

Total Costs \$ - \$ - \$ - \$ -

Fund Sources:	FY 2018	FY 2019	FY 2020	FY 2021
001-1	\$ 12,305,000	\$ 12,304,000	\$ 12,305,000	\$ 12,304,000
001-2	\$ 11,207,000	\$ 11,210,000	\$ 11,207,000	\$ 11,210,000
001-C	\$ (23,512,000)	\$ (23,514,000)	\$ (23,512,000)	\$ (23,514,000)
Total	\$ -	\$ -	\$ -	\$ -

Objects:	FY 2018	FY 2019	FY 2020	FY 2021
A	\$ -	\$ -	\$ -	\$ -
B	\$ -	\$ -	\$ -	\$ -
C	\$ -	\$ -	\$ -	\$ -
E	\$ -	\$ -	\$ -	\$ -
T	\$ -	\$ -	\$ -	\$ -