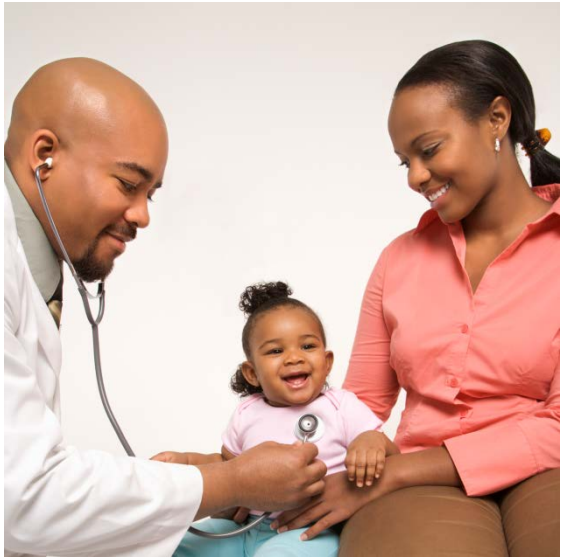
Illinois Department of Healthcare and Family Services



House Human Services Appropriations Committee

February 27, 2014

Pat Quinn, Governor

Julie Hamos, Director

HFS Mission

- To empower Illinoisans to lead healthier and more independent lives through the "Triple Aim": by improving the quality of healthcare, improving health outcomes, and reducing the growth in healthcare costs; and
- To enhance the well-being of children and the self-sufficiency of families by establishing and enforcing child support obligations.

Programs & Costs Required by Statute: Medical Programs

- Medicaid is a federal entitlement program (Titles XIX & XXI of the Social Security Act)
  - The State must comply with federal program requirements and reimburse providers for services rendered to eligible clients, regardless of budgeted state appropriation levels
- Medicaid is also governed by state laws and administrative rules
  - Public Aid Code, Children's Health Insurance Program Act, Covering All Kids Health Insurance Act, etc.
  - Requires cooperation between the General Assembly and the Administration to make changes to the underlying program required to achieve any significant budgetary reduction

Programs & Costs Required by Statute: Medical Programs

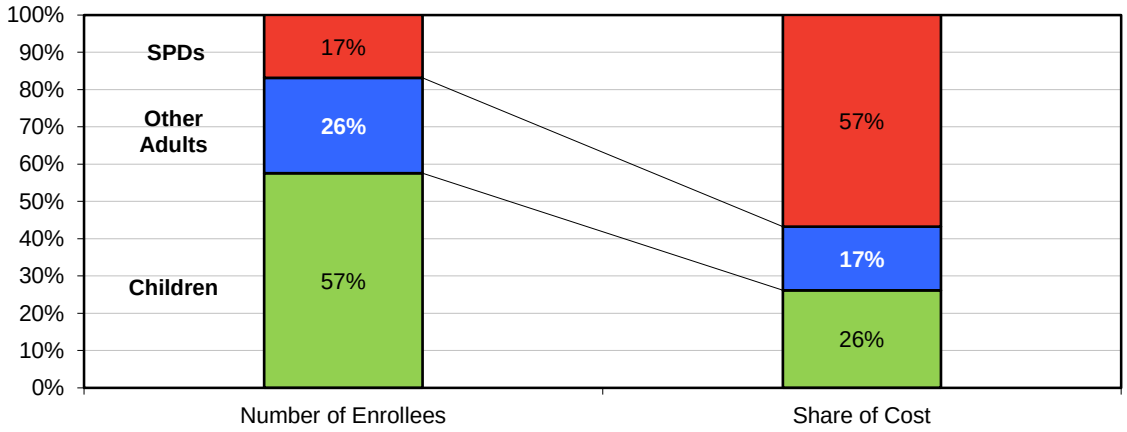
- The State appropriates at the "gross" cost level – which includes the federal match; the state cost is the "net" level
  - Expenditures for eligible Medicaid services are generally matched by the federal government at 50% (Title XIX of Social Security Act)
  - Costs for children eligible under the Children's Health Insurance Program (Title XXI of Social Security Act) are matched at 65%
  - Costs for individuals made newly eligible under the Affordable Care Act (ACA) are matched at 100% by the federal government through Calendar Year 2016, with the match rate declining gradually to 90% by Calendar Year 2020
  - Administrative costs in support of Medicaid activities are generally matched at 50%, with certain information technology and medical professional costs eligible for 75%-90% federal match

Programs & Costs Required by Statute: Medical Programs

- Health care inflation is a national issue
  - General health care expenditures have been growing about 4%
  - State Medicaid programs have been growing slightly over 2% the past couple years
- Illinois base Medicaid costs grew by an average of 6.3% per year from Fiscal Year 2007 – Fiscal Year 2011
- Base Medicaid costs were relatively flat in Fiscal Year 2012 and declined approximately 6% in Fiscal Year 2013 (SMART Act)
- Medicaid budget requires constant attention

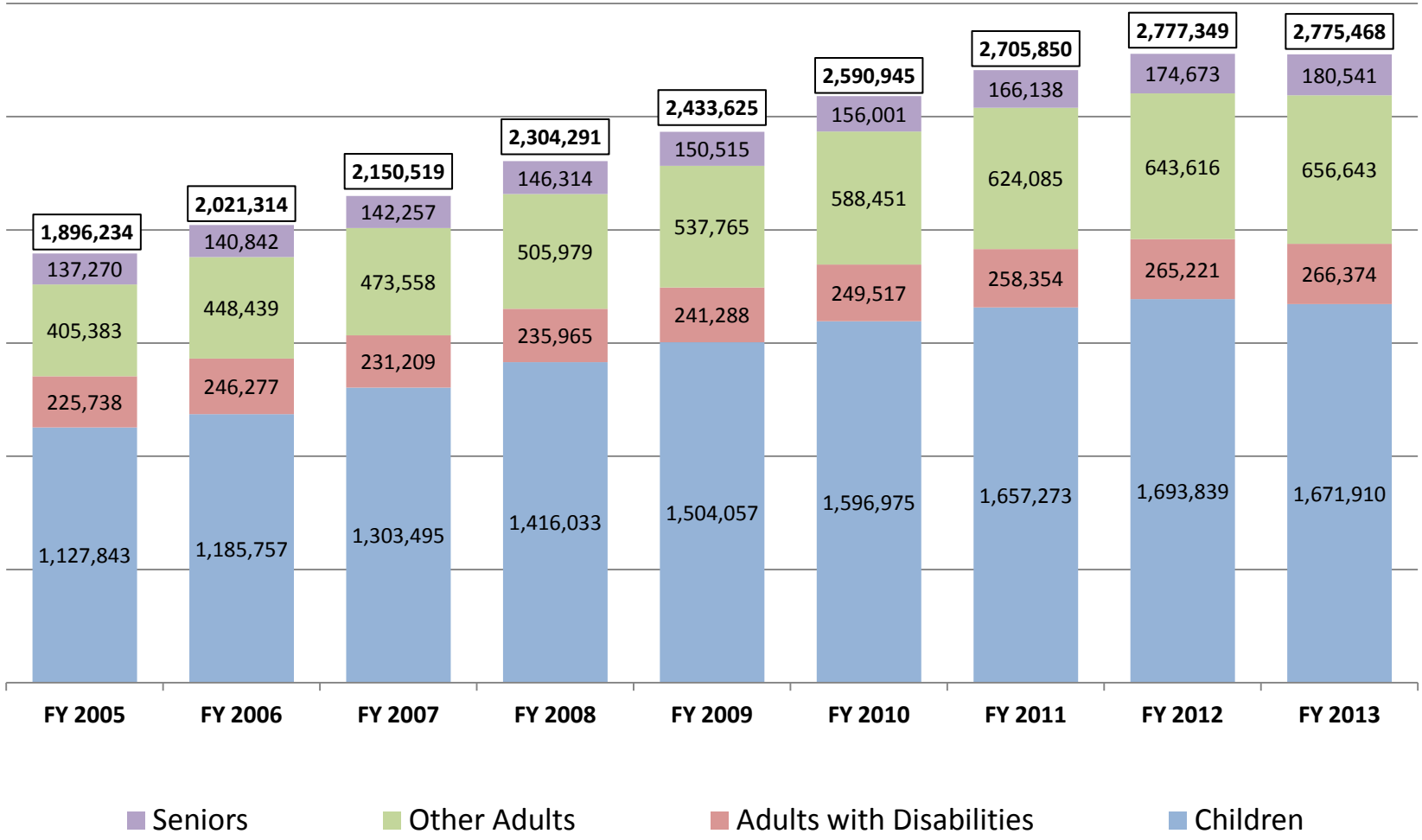
Programs & Costs Required by Statute: Small % of Medicaid Clients Incur Majority of Medicaid Costs

17% of recipients who are Seniors and Persons with Disabilities (SPD) result in 57% of Medicaid costs (all agencies) – they have most complex health/behavioral health needs



Medicaid costs are driven by the number and type of recipients (eligibility rules), their service utilization patterns and the established reimbursement methodologies for those services.

Historical Medical Programs Enrollment



Reflects average annual enrollees
Excludes enrollees in partial benefit programs

Programs & Costs Required by Statute: Child Support Services

- Division of Child Support Services (DCSS) serves both families who receive TANF and Medical Assistance and families who are not receiving government assistance, but still need child support services
  - In Fiscal Year 2013, for the 9th straight year, the Department achieved collections over $1 billion, with a total of $1.38 billion – most of it passed on to families
- Child Support services are authorized under Title IV-D of the federal Social Security Act, state law and administrative rules
- DCSS costs are mainly driven by increases in staffing expenses since child support services functions are administrative in nature
- Fiscal Year 2014 budget assumes that only 14 cents of every child support services operational dollar comes from GRF; remaining resources include:
  - retained child support collections from clients receiving TANF grants
  - federal performance incentives -- $15.3M for improved performance in FY12
  - federal match -- 66% match rate

Programs & Costs Required by Federal Maintenance of Effort (MOE)

- ACA requires Illinois to maintain its current Medical Assistance eligibility levels for children through September 2019
  - Current children's eligibility level is 318% of the federal poverty level
  - Federal minimum children's eligibility level is 147% of the federal poverty level
  - Includes approximately 70,000 children with an estimated annual gross cost of $100 million

- ACA MOE for adults expired December 2013

Programs & Costs Related to Court Orders & Consent Decrees

Title	Description
Jeffries v. Weaver	Requires an administrative decision within 60 days from the request for a fair hearing absent a request for continuance by the applicant/recipient. If the decision is not rendered within the time period, the applicant/recipient is entitled to receive $100.00 and $100.00 for each additional 30-day delay.
Cohen v. Miller	Mandates action on applications for medical assistance within 45 days (60 days for disability). If the application is more than 15 days past the appropriate time limit (10 days for a long term care resident) then, upon request of the applicant, HFS must provide full medical assistance coverage to the applicant for the period beyond the appropriate time limit.
Machado, et al. v. Coler, et al.,	Allows households receiving grant assistance to "earmark" and receive child support collections for certain children in the household including those on supplemental social security income (SSI) and those children in the assistance unit where the amount of child support collected for those children is greater than the assistance payments applicable to them. Requires a review by child support workers to allocate the earmarked child support.
Doston, et al. v. Duffy, et al.,	Prohibits certain practices involving the sanctioning of grant assistance recipients for failure to cooperate with the child support enforcement program. Requires agency implementation of procedures by which sanctioned recipients can show cooperation in order to have terminated assistance reinstated.
Agee v. Duffy, et al.	Requires the Division of Child Support Services (DCSS) to conduct account reviews at the request of custodial parents in former grant assistance cases (AFDC) to determine if child support collections were properly distributed under federal law and, particularly, if the State retained in excess of the appropriate share of collections for reimbursement of grant assistance provided to the family. Requires that any such excess amount be paid to the family.

Programs & Costs Related to Court Orders & Consent Decrees

Title	Description
Bogard v. Bradley	Primarily a DHS issue centered on services to persons with developmental disabilities. The class is limited to persons institutionalized prior to March 31, 1994, for 120 days or more. The extent of impact on HFS is the provision of adaptive equipment to members of the class.
Beeks v. Bradley	Requires DHS to continue to make timely Temporary Assistance to Needy Families (TANF) payments. It requires the Department of Healthcare and Family Services (HFS) and the Department of Human Services (DHS) to continue timely processing of eligibility applications for Medical Assistance. It also requires continuance of the General Assistance (GA) program and Aid to the Aged Blind and Disabled (AABD).
Memisovski v. Maram	Requires the State to provide equal access to medical care and services for children in the Medical Assistance program in Cook County to an extent at least equal to that at which medical care and services are available to the general population. Equal access is defined in the decree to mean implementing regulations "to assure that payments are consistent with efficiency, economy, and quality of care and are sufficient to enlist enough providers so that care and services are available under a plan at least to the extent that such care and services are available to the general population in the geographic area." This requires expenditures related to outreach programs to Medicaid Recipients with information about Early and Periodic Screening Diagnostic and Treatment (EPSDT); KidCare Member Handbooks; reminders and notices to class members for treatment; higher reimbursement rates and incentive payments to be paid to physicians to treat class members; specialist study regarding access to specialist services by class member and non-class member children; availability of services to the class; and various reports on implementation on a quarterly and annual basis.

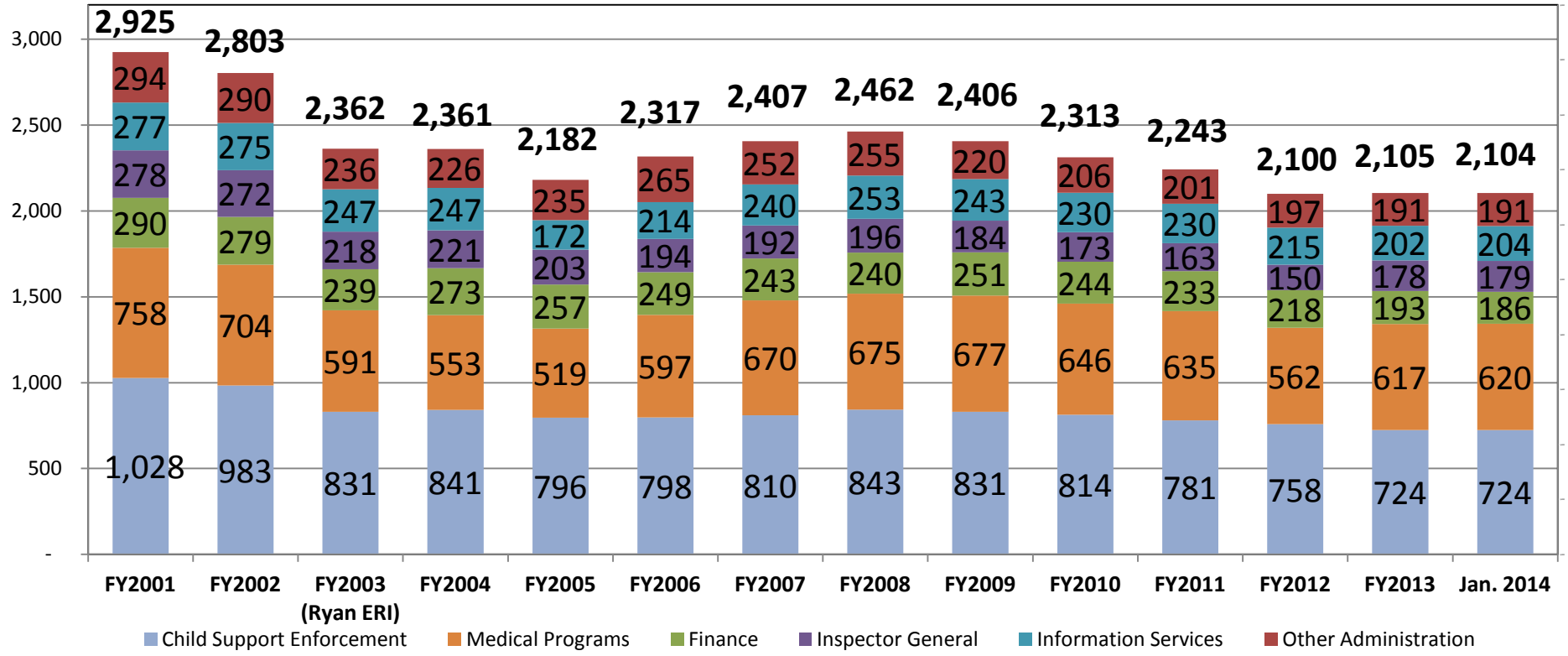
Programs & Costs Related to Court Orders & Consent Decrees

Title	Description
Williams & Wrightsell v. Pat Quinn et al.	The Defendants include the Governor, the Secretary of the Department of Human Services, the Director of the Division of Mental Health for DHS, the Director of the Department of Public Health, and the Director of HFS. The lawsuit was brought to redress alleged violations of the community integration mandates of the Americans with Disabilities Act and the Rehabilitation Act. The Class includes all Illinois residents who are 18 years old and older who have a mental illness, are institutionalized in a privately-owned Institution for Mental Diseases ("IMD"), and with appropriate supports and services may be able to live in an integrated community setting. On September 29, 2010, the Court granted final approval of the consent decree. The State will evaluate every class member to determine his or her preferences, including geography, strengths, and needs for living in a community-based setting. After two years, the evaluations for IMD residents will be conducted on an annual basis. By June 29, 2012, no one will be admitted to an IMD without first receiving an evaluation and service plan to determine appropriateness for living in a community-based setting. By June 29, 2016, the state will have offered all class members who are appropriate for living in a community- based setting and do not oppose the transition, the opportunity to move into such a setting. Cost of this decree will primarily impact the Department of Human Services; however, there are potential service and administrative costs for HFS.
Ligas v. Hamos et al.	The Defendants include the Governor, the Director of HFS, and the Secretary of the Department of Human Services. The lawsuit was brought to redress alleged violations of the community integration mandates of the Americans with Disabilities Act and the Rehabilitation Act. The Class is divided into two sub-classes: (1) adults in Illinois with developmental disabilities who qualify for Medicaid Waiver services, who reside in Intermediate Care Facilities for the Developmentally Disabled ("ICF-DD") with nine or more residents, and for whom the Defendants have a current record reflecting that the individual has affirmatively requested to receive Community-Based Services or placement in a Community-Based Setting; and (2) adults in Illinois with developmental disabilities, who reside in a family home and are in need of Community-Based Services of placement in a Community-Based Setting, and for whom Defendants have a current record reflecting that the individual has affirmatively requested to receive Community -Based Services or placement in a Community-Based Setting. The Court permitted a group of individuals with developmental disabilities to intervene in order to ensure that the State continues to meet its obligations to provide ICF-DD services. A Consent decree was entered on June 15, 2011. The decree provides for determining eligibility for community services and providing sufficient services to individuals so that they can live in the most integrated setting appropriate to their needs. The program is run by Department of Human Services and implementation will largely be from their budget. However, there are potential administrative costs for HFS.

Programs & Costs Related to Court Orders & Consent Decrees

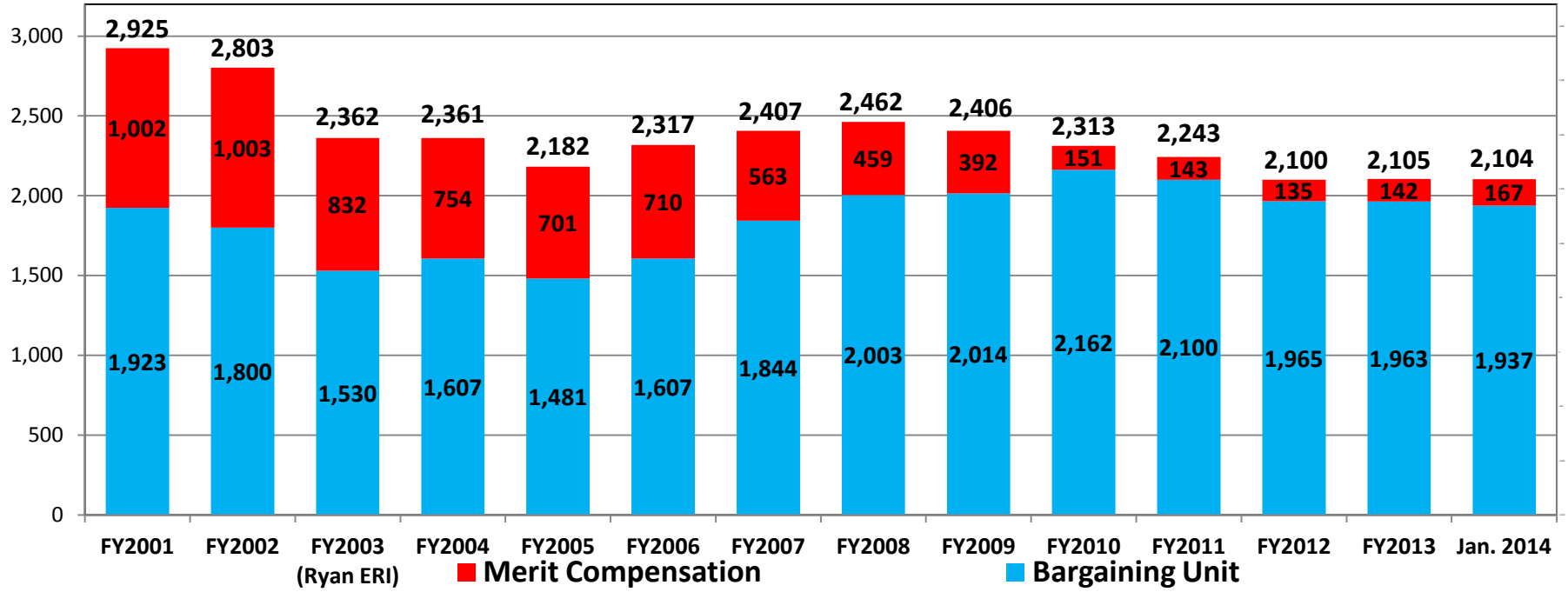
Title	Description
Colbert et. al v. Pat Quinn et al.	The Defendants include the Governor, the Director of HFS, the Secretary of Department of Human Services, the Director of the Department on Aging, and the Director of the Department of Public Health. The lawsuit was brought to redress alleged violations of the community integration mandates of Americans with Disabilities Act and the Rehabilitation Act. The Court certified a class of "all Medicaid-eligible adults with disabilities in Cook County, Illinois, who are being, or may in the future be unnecessarily confined to nursing facilities and who, with appropriate supports and services, may be able to live in a community setting." A Consent Decree was entered on December 21, 2011 to "assure that Defendants provide Plaintiffs and Class Members with the opportunity to receive the full array of supports and services they need in the most integrated settings appropriate to their needs, including Community-Based Settings, and to promote the development of integrated settings that attempt to maximize individuals' independence, choice, opportunities to develop and use independent living skills, and that attempt to afford them the opportunity to live their lives similar to individuals without disabilities." Although HFS initially led implementation of the consent decree, in January 2014 that duty was shifted to the Department on Aging. Implementation-related expenses will be paid by Aging beginning in Fiscal Year 2015. There will remain potential service and administrative costs for HFS.
Hampe v. Hamos	This is a class action lawsuit that is currently pending against the Director of HFS regarding the MF/TD waiver program. HFS established the MF/TD waiver program in the eighties to provide services under the medical assistance program (Medicaid) to minor children who are medically fragile and technologically dependent (e.g. minors who require ventilators). At age 21, the minors are no longer eligible for the hospital-cost-compared MF/TD waiver and must transition to the nursing facility-cost-compared Medicaid Home & Community-Based Services (HCBS) waiver for adults administered by DHS through its Home Services Program (HSP) if they wish to continue receiving services in the community. The *Hampe* lawsuit seeks to establish injunctive relief maintaining the same level of services beyond age 21 for a class of individuals and eight named plaintiffs. On November 22, 2010, the Court certified the class as: "All persons who are enrolled or will be enrolled or were enrolled in the State of Illinois' Medically Fragile, Technology Dependent Medicaid Waiver Program (MF/TD) and when they obtain the age of 21 years are subjected to reduced Medicaid funding which reduces the medical level of care which they had been receiving prior to obtaining 21 years." The approved Consent Decree provides for continuing medically-necessary benefits to Class Members after they turn 21 years old. The cost of the Consent Decree will primarily impact HFS.
N.B. v. Hamos, et al. (current class action suit)	Is a certified class action wherein it is alleged that HFS is not in compliance with the Early Periodic Screening, Diagnostic and Treatment (EPSDT) provisions of the Medicaid statute for treatment of children's behavioral and emotional disorders. In February 2014, the court certified the class to include "All Medicaid-eligible children under the age of 21 in the State of Illinois: (1) who have been diagnosed with a mental health or behavioral disorder; and (2) for whom a licensed practitioner of the healing arts has recommended intensive home- and community-based services to correct or ameliorate their disorders." The next court hearing in the case is set for March 13, 2014.

Historical On-Board Headcount: Doing More With Less



HFS on-board headcount has decreased by 28%, or 821 staff since Fiscal Year 2001, while enrollment in medical programs has increased 90% (1.3 million clients) and cases for which the Division of Child Support Services receives collections has grown by 54% (75,800) cases

Cost Increases Related to Collective Bargaining
On-Board Headcount:
Bargaining Unit and Merit Compensation Staff



The composition of HFS on-board headcount has changed from 66% bargaining unit at the end of Fiscal Year 2001 to 92% as of January 31, 2014

Budgetary impact of bargaining unit COLAs and step increases: $4.7 million in Fiscal Year 2014 (estimate) and $6.0 million in Fiscal Year 2015 (projected)

Other Issues Related to the Budget

- Status of Care Coordination initiatives
- Affordable Care Act (ACA) implementation
- Focus on program integrity
- SMART Act update

Status of Care Coordination Initiatives

- Goal is to fulfill state mandate to have 50% of clients in care coordination by January 1, 2015
- Began with the most complex, most expensive clients: Seniors & Persons with Disabilities (SPDs) who are 17% of enrollment but 57% of costs
  - By July 1, 2014, we will have all SPDs in care coordination
  - Currently have contracts with 8 Managed Care Organizations (MCOs), 5 Care Coordination Entities (CCEs), 1 Managed Care Community Network (MCCN)
- Made three awards to CCEs for children with complex health needs

Status of Care Coordination Initiatives, cont'd.

- Worked on CountyCare waiver to early enroll newly eligible Cook County adults ("ACA adults") – throughout 2013
- Now developing Accountable Care Entities (ACEs)
  - Will manage large populations of children, their family members and ACA adults
  - Will create robust network of primary care providers, specialists, hospitals and behavioral healthcare services
  - Will build infrastructure to support care management functions among the providers in the network
  - Will move toward full-risk payments in three years

ACA Implementation

- Of the 509,000 expected enrollees post-ACA, 430,000 are expected to enroll by the end of Fiscal Year 2014
- HFS is implementing ACA physician rate adjustments funded at 100% federal match from January 2013-December 2014
- First phase of new Integrated Eligibility System (IES) implemented, overhauling an antiquated computer system, with 90% federal funding. New on-line application form – called “ABE.”

ACA Implementation, cont'd.

- Federal government will pay 100% for Medicaid clients who are newly eligible, perhaps 400,000 by Fiscal Year 2016
- Federal government will pay 50% (current Medicaid 50/50% split) for Medicaid clients who are already eligible, but have not yet applied

Focus on Program Integrity

- Quinn Administration has made it a priority to root out Medicaid waste, fraud and abuse
- Both HFS and DHS conduct eligibility determinations and redeterminations
- State verifies eligibility through data matching
  - Secretary of State driver's license and state identification data
  - Social Security Administration data
  - Automated Wage Verification System data
  - DHS's SNAP and cash assistance data
  - HFS's child support data
  - IL Department of Revenue tax records
  - The Work Number -- Income verification service vendor

IL Medicaid Redetermination Project: Update

- 144,000 clients removed from Medicaid – mainly between March and December 2013
- Maximus reviews focused on clients receiving Medicaid, but not other types of assistance
- Cases reviewed by priority order – based on likelihood client would be found ineligible
- Resulting cancellation rate was 41%
  - Most cases were cancelled due to lack of response to the initial redetermination letter
  - 27% of clients cancelled returned to Medicaid within 3 months of cancellation – when they presented required information for eligibility

IL Medicaid Redetermination Project: Moving Forward

- HFS and DHS have worked to reorganize the redetermination project to be compliant with AFSCME arbitration resolution
- DHS has hired and trained additional caseworkers and support personnel to staff two main redetermination hubs
- Maximus continues to staff call center, mail room and provides needed software
- HFS and DHS expect to eliminate any backlog and achieve complete and timely eligibility redeterminations

Office of Inspector General (OIG)

- OIG's mission is to prevent, detect and eliminate fraud, waste, abuse, mismanagement and misconduct in HFS programs
- OIG's Fraud Prevention Investigation (FPI) program, in partnership with DHS, works to ensure only those eligible for Medicaid receive benefits
- Long-Term Care Asset Discovery Investigations (LTC-ADI) program, in partnership with DHS, uncovers undisclosed assets and improper asset transfers in long-term care program
- OIG collects overpayments and seeks sanctions of providers through audits, peer reviews, civil/criminal investigations and advanced data mining

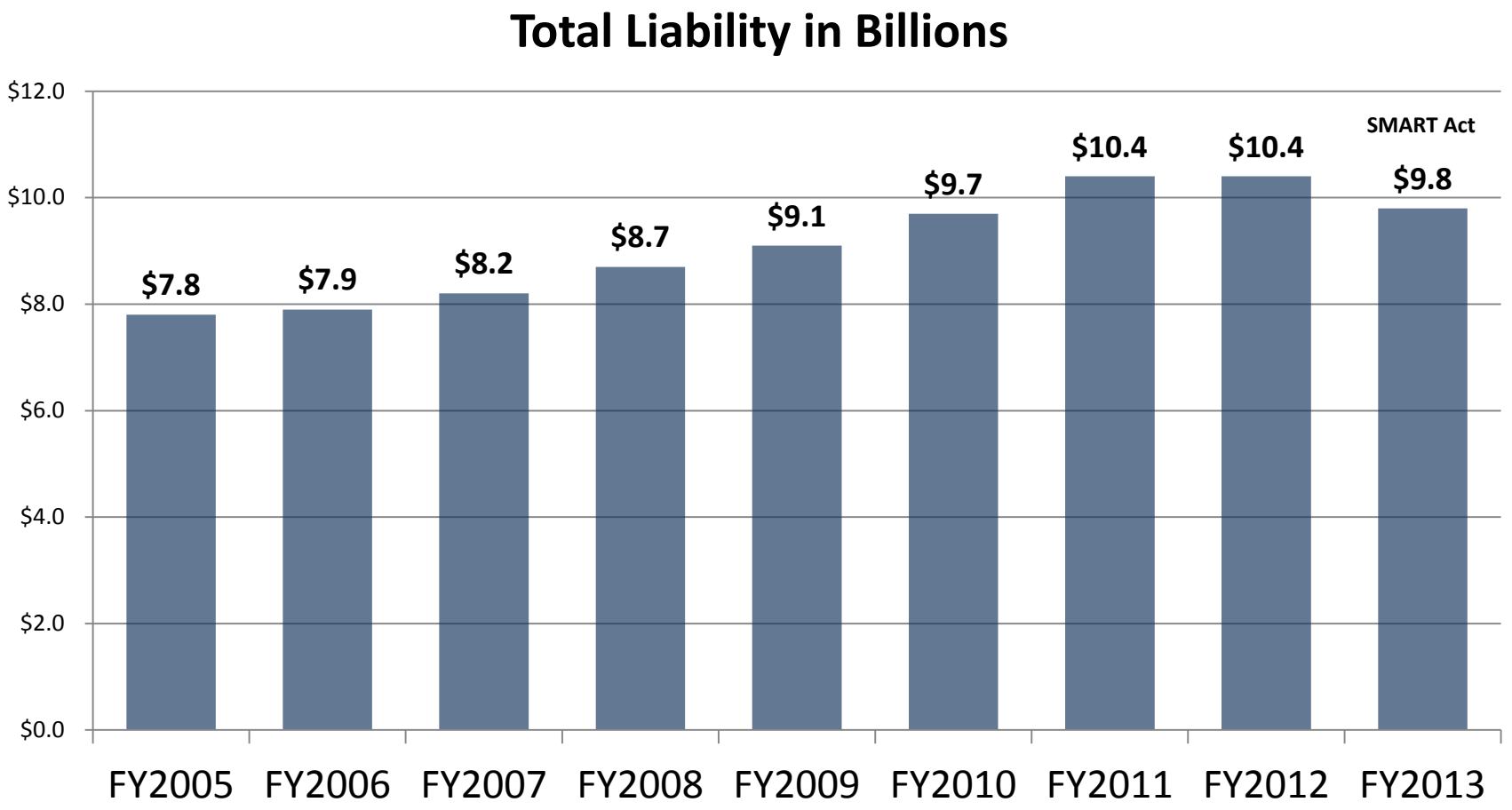
SMART Act: Summary

- Initial $2.7 billion Medicaid funding shortfall for Fiscal Year 2013
- SMART Act assumed $1.6 billion of savings through 62 program reductions, including:
  - eligibility reductions
  - optional services reductions
  - utilization control efforts
  - client cost sharing
  - provider rate reductions
- Remaining $1.1 billion funding shortfall was addressed by new program revenue

SMART Act: Update

- Not reaching original $1.6 billion savings target; estimate was revised to $1.1 billion in March 2013, being reevaluated now
- HFS is remaining within budget – due to the SMART Act, lower than estimated medical liability trends and less client enrollment
- Savings variance caused by:
  - state procurement timeframes
  - legislative prohibition of certain administrative rules
  - delays in federal approvals and denial of some items
  - changes negotiated with the provider community
  - pending litigation
  - overly aggressive savings estimate for redeterminations
  - operational issues

Historical Medical Programs Liability
GRF and Related Funds



Managing the Medicaid Budget

- Section 25 statutory caps
  - Require payment of GRF and related fund medical bills received by June 30th from current year appropriations
  - Eliminate long “budgeted” payment cycles – cannot push large amounts of unpaid medical bills into future fiscal years
  - HFS is processing GRF-related bills to the Comptroller in less than 30 days
  - GRF cash-flow payment delays will likely continue
- With Section 25 caps, Governor and General Assembly imposed discipline on spending within Medicaid budget