ILLINOIS DEPARTMENT OF
Healthcare and
Family Services

Presentation to House Human Services Appropriations Committee

Julie Hamos, HFS Director

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HFS Mission

- To empower Illinoisans to lead healthier and more independent lives through the "Triple Aim" by improving the quality of healthcare, improving the health of populations and reducing the growth in healthcare costs; and

- To enhance children's well-being and families' self-sufficiency by establishing and enforcing child-support obligations.

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Agenda

- Review FY15 introduced budget

- Provide updates on:

  o Enrollment under Affordable Care Act (ACA)

  o Rebalancing long-term care

  o Care coordination initiatives

  o Program integrity initiatives

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Managing the Medicaid Budget

- Health care inflation is a national issue

  o General health care expenditures have been growing about 4%

  o State Medicaid programs have been growing slightly more than 2% the past couple years

- Illinois base Medicaid costs grew by an average of 6.3% per year from FY 2007 to FY 2011

Managing the Medicaid Budget

- Base Medicaid costs were relatively flat in FY 2012

- Base Medicaid costs declined approximately 6% in FY 2013 (SMART Act)

- HFS projects base Medicaid liability growth (excluding ACA impact and other program modifications) of 2% in FY 2015

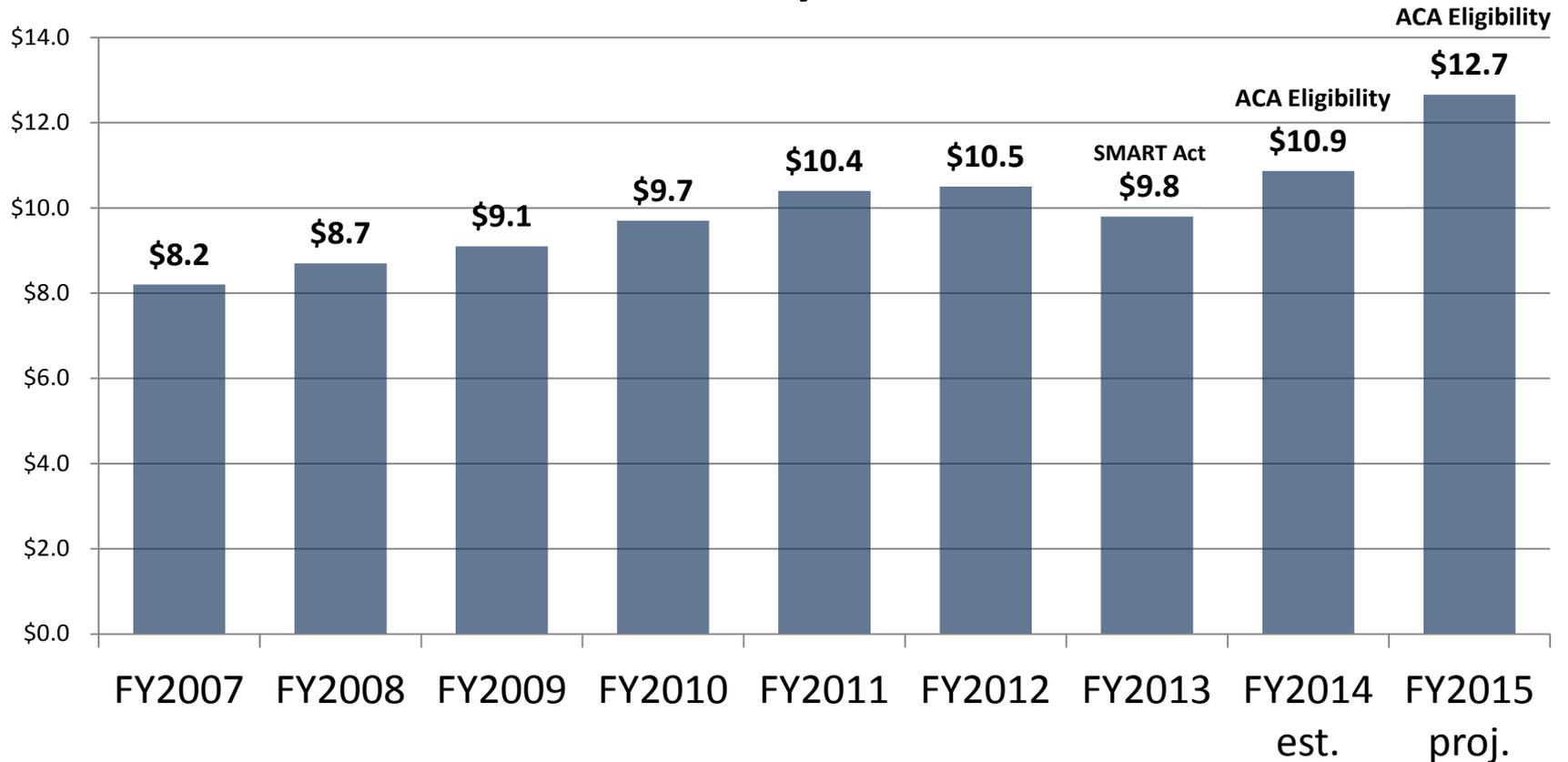- Medicaid budget requires constant attention

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

- With Section 25 caps, Governor and General Assembly imposed discipline on spending within Medicaid budget

- HFS is generally processing GRF-related bills to Comptroller in less than 30 days

SMART Act Reconciliation

(Dollars in Millions)

Original FY13 SMART Act savings target	$1,600.0
Plus: budgeted new revenues	$1,100.0
Equals: FY13 budget plan to close projected $2.7 billion shortfall	$2,700.0
FY13 actual SMART Act savings	$1,037.6
Actual new revenue item receipts (values double with federal match)	
$151 million GRF transfer to Healthcare Prov. Relief	$302.0
$50 million from new hospital assessment (rec'd retro in FY14)	$100.0
Cigarette/Tobacco tax increase ($283.5 million actual to HFS)	$567.0
Sub-total-new revenues	$969.0
Lower than budgeted FY12 liability (out of FY12 and FY13 base)	$702.2
Total lower costs and new revenue	**$2,708.8**

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Historical Medical Programs Liability
GRF and Related Funds

Total Liability in Billions

Medicaid FY 2015 Introduced Budget

- Introduced budget is maintenance budget; increases for:

  - $35m for restoration of adult dental benefits

  - $60m for care coordination fees

  - $130m for nursing facility RUGs methodology

  - $70m for anticipated hospital rate reform transitional payments

- Medical Programs requesting 31 additional staff for ACA implementation

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

  o In FY 2013, for the ninth straight year, the Department achieved collections of more than $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

Child Support Services

- FY 2015 budget assumes that only 14 cents of every child support services operational dollar comes from GRF; remaining resources include:

  o retained child support collections from clients receiving TANF grants

  o federal performance incentives -- $15.3M for improved performance in FY 2012

  o federal match -- 66% match rate

- DCSS requesting 33 additional staff for call center, customer service and to work cases in arrears

Department of Healthcare and Family Services
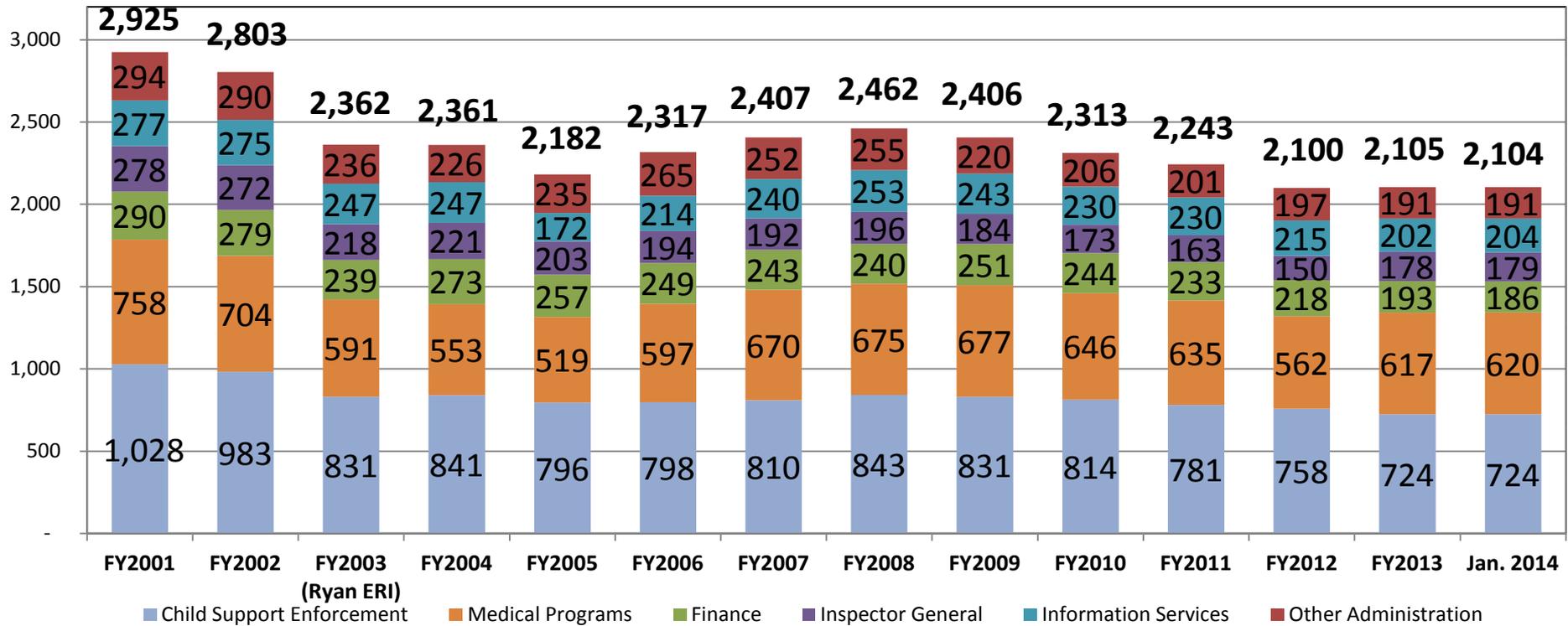# Program Area Appropriations Comparison
(Dollars in Millions)

All Funds*

Total By Program	FY 2014	FY 2015	$ Change
Medical Assistance	$18,981.0	$19,138.1	$157.1
Child Support Services	212.7	259.6	46.9
Program Operations	297.6	268.7	(29.0)
Cost Recoveries	42.8	43.5	0.7
Inspector General	23.3	32.6	9.2
Total	$19,557.5	$19,742.5	$185.0

General Revenue Fund*

	FY 2014	FY 2015	$ Change
Medical Assistance	$6,965.8	$7,039.0	$73.2
Child Support Services	0.0	32.2	32.2
Program Operations	72.8	57.1	(15.6)
Inspector General	0.0	6.7	6.7
Total	$7,038.6	$7,135.1	$96.5

* In FY2014, the General Assembly appropriated GRF Operations, including the Inspector General and the Child Support fund deposit, from a lump sum appropriation which is reflected in Program Operations. The FY2015 budget assumes operations costs are budgeted in the legacy appropriation lines.

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Historical On-Board Headcount: Serving More Clients With Fewer Employees

	FY2001	FY2002	FY2003 (Ryan ERI)	FY2004	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	Jan. 2014
Total	**2,925**	**2,803**	**2,362**	**2,361**	**2,182**	**2,317**	**2,407**	**2,462**	**2,406**	**2,313**	**2,243**	**2,100**	**2,105**	**2,104**
Other Administration	294	290	236	226	235	265	252	255	220	206	201	197	191	191
Information Services	277	275	247	247	172	214	240	253	243	230	230	215	202	204
Inspector General	278	272	218	221	203	194	192	196	184	173	163	150	178	179
Finance	290	279	239	273	257	249	243	240	251	244	233	218	193	186
Medical Programs	758	704	591	553	519	597	670	675	677	646	635	562	617	620
Child Support Enforcement	1,028	983	831	841	796	798	810	843	831	814	781	758	724	724

Legend: Child Support Enforcement · Medical Programs · Finance · Inspector General · Information Services · Other Administration

HFS on-board headcount has decreased by 28%, or 821 staff since FY 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)

Medicaid Without Current Tax Rates

- Governor's budget includes current tax rates, along with tax reform, to meet the state's budget needs

- HFS Medicaid budget is maintenance budget currently – but our clients are part of an ecosystem

  o If DHS reduces mental health budget, 140,000 clients will not receive care they need, or end up in psychiatric hospitals

  o If DHS reduces caseworkers, application processing will be even more delayed

  o If DOA reduces Community Care Program, 21,000 older adults now in their own homes will end up in nursing homes

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Enrollment Under ACA

- Originally estimated 509,000 enrollees post-ACA by 2017, but current surge of enrollment is higher than anticipated

- Newly eligible "ACA Adults" – 100% federal match
  - o 350,000 estimated enrollment by the end of FY 2014
  - o 385,000 projected enrollment by the end of FY 2015

- Medicaid clients who were previously eligible, but had not yet applied – 50/50% match
  - o 80,000 estimated by end of FY 2014 – in addition to historical enrollment
  - o 85,000 projected additional enrollment by end of FY 2015

Medical Programs Average Enrollment
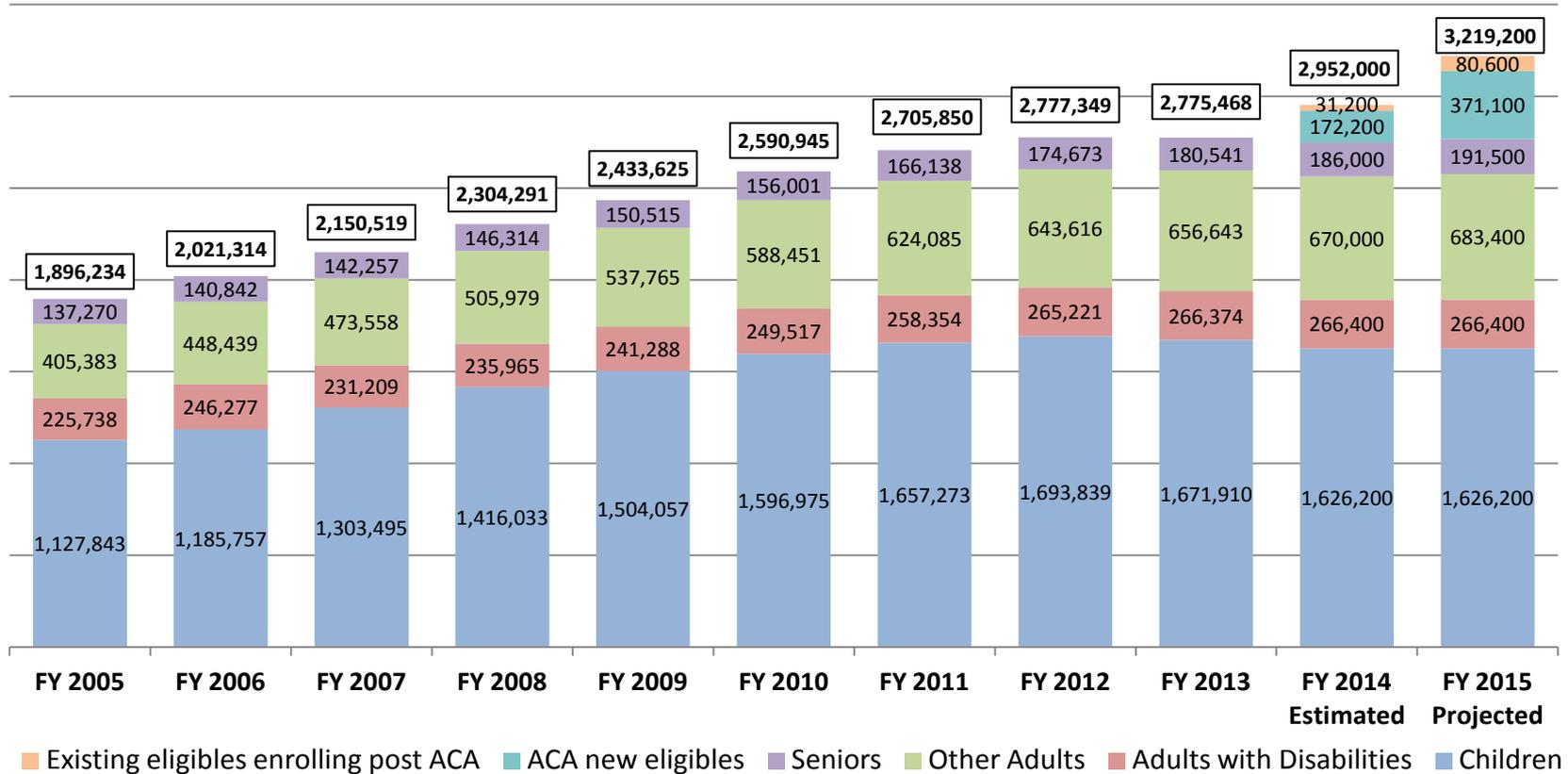
Reflects average annual enrollees
Excludes enrollees in partial benefit programs

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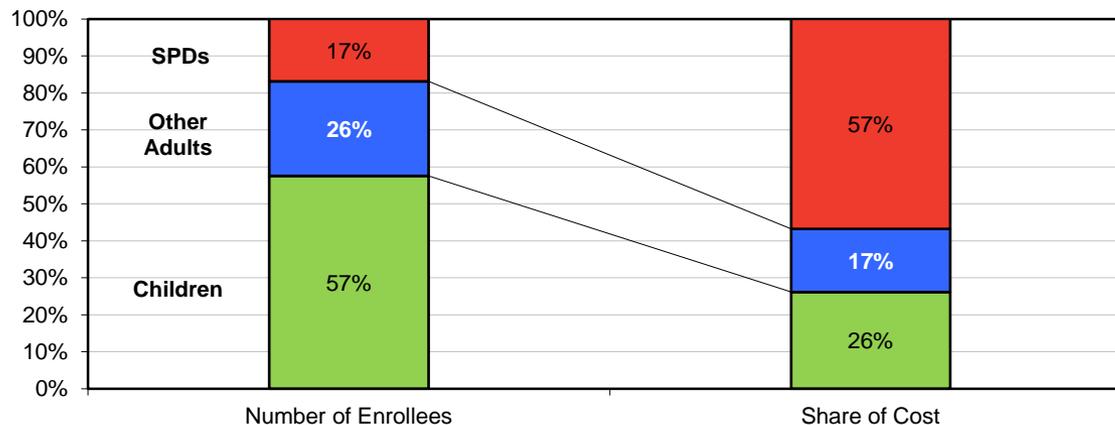
Medicaid costs are driven by the number and type of recipients (eligibility rules), their service utilization patterns and the established reimbursement methodologies for those services.

Illinois State Mandate

- 2011 Medicaid reform law (P.A. 96-1501) mandates 50% of clients to be enrolled in "care coordination" by 1/1/15

- Even without state mandate, we believe that care coordination is needed to achieve the Triple Aim:
  - Improving the quality of care
  - Improving the health of populations, and
  - Reducing the growth in health care costs

- We use "care coordination" and "managed care" interchangeably - it's about "managing" care

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Our Unique Structure: Models of "Managed Care Entities"

- Testing different models for 5 different Medicaid populations
  - Seniors and Persons with Disabilities (SPD) – Medicaid only
  - Seniors and Persons with Disabilities (SPD-duals) – Medicare/Medicaid
  - Children with complex medical needs
  - Children/family & caregivers
  - Newly eligible ACA Adults

- 4 different models, generally called "Managed Care Entities"
  - Managed Care Organizations (MCO)
  - Managed Care Community Networks (MCCN)
  - Care Coordination Entities (CCE)
  - Accountable Care Entities (ACE)

What Is Changing With Managed Care?

- Managed care entities organize networks of providers
- Networks include primary care, specialists, hospitals, behavioral healthcare
- Clients select a managed care entity, then stay within network for 1 year
- Patient-centered health homes coordinate care of clients with complex needs
- Multidisciplinary teams focus on clients' holistic needs
- Care coordinators help navigate the system, arrange care transitions and follow-up care
- Electronic health records make care coordination possible with sharing of clinical information
- Payments reward for quality and health outcomes ("value-based purchasing"); transition from fee-for-service to full risk
- Renewed focus on social determinants of health and wellness

Managed Care Roll-Out Plan

- Managed care is mandatory in 5 regions, implemented in stages
  - Chicago region – 6 counties
  - Rockford region – 3 counties
  - Central Illinois region - 15 counties
  - Quad Cities region – 3 counties
  - Metro East region – 3 counties
- Clients in rural counties will continue to be in IL Health Connect (fee-for-service) for a while
- By January 2015, about 2 million clients will be enrolled or in the process of being enrolled into a managed care entity

Managed Care Roll-Out Plan, cont.

- Seniors and Persons with Disabilities – Medicaid only
  - Called Integrated Care Program
  - Offers Service Package I (medical) and II (long-term services and supports, or "LTSS"), as needed
  - Fully implemented in all mandatory regions by September 2014
  - MCOs, CCEs, MCCN

- Seniors and Persons with Disabilities – Duals
  - Called Medicare Medicaid Alignment Initiative (MMAI) – federal demonstration in 2 regions
  - Offers Service Package I and II, as needed
  - Enrollment has begun
  - MCOs only

Managed Care Roll-Out Plan, cont.

- Children with complex medical needs
  - o Enrollment to begin in July 2014
  - o 3 CCEs (plus other children as below)

- Family health population: children/families or caregivers
  - o Enrollment to begin in July 2014
  - o ACEs, MCCNs, MCOs

- Newly eligible ACA adults
  - o Enrollment began with CountyCare in February 2013; ongoing
  - o ACEs, MCCNs, MCOs

Rebalancing Long-Term Care System

- Assisting sister agencies with 3 Consent Decrees

- Applied for and received Balancing Incentive Program (BIP) award, with enhanced federal match, to increase community capacity

  o $19.5 million included in HFS' FY 2015 budget request

  o $90.3 million expected for State by September 2015

- Nursing home reimbursement system has been modernized (RUGs)

Continuing Program Integrity Efforts

- Quinn Administration has made it a priority to root out Medicaid waste, fraud and abuse

- State verifies eligibility through data matching

  o Secretary of State driver's license and state identification data
  o Social Security Administration data
  o Automated Wage Verification System data
  o DHS' SNAP and cash assistance data
  o HFS' child support data
  o IL Department of Revenue tax records
  o The Work Number – Income verification service vendor

- State enhanced the annual redetermination process with assistance from Maximus

IL Medicaid Redetermination Project: Phase I

- 234,000 clients (148,000 cases) 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
  - 33% of clients cancelled returned to Medicaid within 3 months of cancellation – when they presented required information for eligibility

IL Medicaid Redetermination Project: Phase II

- HFS and DHS have worked to reorganize the redetermination project to be compliant with AFSCME arbitration resolution and SMART Act

- 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

- In February and March 2014, 35,994 cases were reviewed – 50.6% were cancelled

  o 83% were cancelled due to lack of response

Office of Inspector General

- OIG's mission is to prevent, detect and eliminate fraud, waste, abuse, mismanagement and misconduct

- Fraud Prevention Investigation (FPI) program ensures only those eligible for Medicaid receive benefits

- Long-Term Care Asset Discovery Investigations (LTC-ADI) uncover undisclosed assets and improper asset transfers

- OIG collects overpayments and seeks sanctions of providers through audits, peer reviews, civil/criminal investigations and advanced data mining

- Preliminary results in CY2013 are $121m in cost avoidance, cost savings and recoupments – up from $90m in CY 2012