



STATE OF WASHINGTON

October 9, 2017

The Honorable Pat McCarthy
Washington State Auditor
P.O. Box 40021
Olympia, WA 98504-0021

Dear Auditor McCarthy:

Thank you for the opportunity to review and respond to the State Auditor's Office (SAO) performance audit report, *Reducing Costs through Faster Medicaid Income Verifications*. The Health Care Authority (HCA) worked with the Office of Financial Management to provide this response.

We appreciate SAO's recognition that over the past few years HCA has effectively implemented process improvements to manage the unexpected volume of people who applied for health care benefits under the federal Affordable Care Act. We particularly appreciate SAO's willingness to constantly adjust its analyses to adapt to the ever-changing, continuously improving results HCA provided throughout the audit.

As this report illustrates, HCA has been able to leverage existing resources to significantly decrease the backlog of cases requiring a manual eligibility review. Staff completed almost twice as many post-eligibility reviews in FY 2017 as they did in FY 2016. Because the results have been so successful, we believe we can eliminate the backlog of cases waiting verification for more than 60 days with about half the additional FTEs that the audit estimates we need.

We agree with the SAO's conclusion that completing post-enrollment eligibility reviews sooner will result in savings for Washington state. We are less certain about how much savings there will be. It is unclear whether the 5.9 percent of applicants who failed to respond to our request for additional information met income requirements during the period they received benefits. We do know that we re-enroll people who contact us once they realize their benefits have ended.

The most recent data shows that 94.2 percent of Washington state residents have health insurance. The Health Care Authority provides Medicaid/CHIP benefits to 1.9 million of those residents, including the 1.5 million residents classified as non-elderly and non-disabled residents in this report. We are proud to provide the benefits as quickly as we do.

We are committed to providing high-quality free or low-cost health care to all eligible residents and will continue to make that our first priority as we identify and implement improvements to the eligibility determination process.

Sincerely,

A blue ink signature of Lou McDermott, consisting of stylized cursive letters.

Lou McDermott
Acting Director
Health Care Authority

A black ink signature of David Schumacher, consisting of stylized cursive letters.

David Schumacher
Director
Office of Financial Management

cc: David Postman, Chief of Staff, Office of the Governor
Kelly Wicker, Deputy Chief of Staff, Office of the Governor
Drew Shirk, Executive Director of Legislative Affairs, Office of the Governor
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MaryAnne Lindeblad, Medicaid Director, Health Care Authority
Mary Wood, Assistant Director, Medicaid Eligibility and Community Support, Health Care Authority

OFFICIAL STATE CABINET AGENCY RESPONSE TO THE PERFORMANCE AUDIT ON REDUCING COSTS THROUGH FASTER MEDICAID INCOME VERIFICATIONS

OCTOBER 9, 2017

This coordinated management response to the State Auditor’s Office (SAO) performance audit report received September 25, is provided by the Office of Financial Management and the Health Care Authority (HCA).

SAO PERFORMANCE AUDIT OBJECTIVES:

The SAO designed the audit to answer:

1. Can the Health Care Authority verify Medicaid applicants’ incomes faster to reduce the amount of benefits purchased from insurance companies for people with ineligible incomes?
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SAO Findings:

1. Hiring more verification staff would help HCA eliminate its backlog more quickly and achieve net state savings that likely total about \$13 million for the two years ending June 2020.
 2. Formalizing expectations for processing times would help HCA better manage verification staff’s performance.
 3. Prioritizing income verifications on programs with the highest cost to the state could result in further savings.
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SAO Recommendation 1: Add verification staff. This will require HCA to work with the Legislature to obtain the necessary funding for hiring people and leasing additional office space.

STATE RESPONSE: HCA agrees with the recommendation and is taking steps to increase staffing.

Action Steps and Time Frame

- Using unexpected savings generated from staff taking leave without pay, HCA hired several non-permanent staff to focus solely on income verifications. We anticipate these staff continuing until June 30, 2018. *Hiring completed by 9/1/17.*
 - HCA will submit a 2018 supplemental budget request for additional staff to complete income verifications. *By 10/9/17.*
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SAO Recommendation 2: Work with the union representing verification workers to establish written performance benchmarks, which would improve management of verification staffing levels and individual staff performance.

STATE RESPONSE: HCA agrees with the recommendation for performance benchmarks. While HCA does not have union-approved production standards, leadership does monitor staff work

performance to ensure quality and quantity. Before developing workload standards, HCA wants to confirm workload processes are stabilized to help ensure accurate production standards.

Action Steps and Time Frame

- Continue to monitor work performance to ensure quality and quantity. Develop performance expectations for staff. *By 11/2018*
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SAO Recommendation 3: Work with Centers for Medicare & Medicaid Services (CMS) to identify ways to prioritize verifications on clients in programs with larger state-funded premiums while working through the backlog.

STATE RESPONSE: HCA agrees with the recommendation and will work with CMS to explore prioritization options.

Action Steps and Time Frame

- Conduct an analysis of General Fund dollars expended per coverage group to identify possible savings. *By 6/30/18.*
 - Develop prioritization proposal. *By 8/30/18.*
 - Present proposal to CMS. *By 9/30/18.*
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SAO Recommendation 4 to the Legislature: Provide HCA with funding in fiscal year 2019 to increase the size of agency verification staff.

STATE RESPONSE: Not applicable.
