

In summary, NC FAST enhances DHHS's mechanisms for supervising and monitoring county DSS offices, but DHHS has limited ability and authority to hold them accountable. The system provides real-time data on Medicaid eligibility workload and timeliness that can be used to measure the performance of county DSS offices. However, DHHS's authority to hold county DSS offices accountable for meeting state timeliness performance standards for Medicaid eligibility administration is undefined. The state intervention law governing county provision of child welfare services offers a potential model for strengthening DHHS's authority to hold county DSS offices accountable for performing Medicaid eligibility determinations in a timely manner.

Recommendations

Recommendation 1. The General Assembly should direct the Department of Health and Human Services to report on the timeliness of Medicaid eligibility determinations performed by county DSS offices for Fiscal Years 2015–16 and 2016–17.

As discussed in Finding 1, county DSS offices failed to meet North Carolina's timeliness standards during Fiscal Years 2013–14 and 2014–15. The implementation of the NC FAST system and enactment of the Affordable Care Act created conditions that increased the workload of county DSS offices and posed other challenges to making timely Medicaid eligibility determinations (See Findings 2 and 3). Departmental staff and county DSS directors have reported that they expect timeliness to improve during Fiscal Year 2015–16 because

- Medicaid application and recertification backlogs have been reduced or eliminated,
- Medicaid eligibility workers have learned how to use the NC FAST system and processing times have improved,
- new Medicaid eligibility workers hired during Fiscal Year 2014–15 are fully trained, and
- the increased workload caused by the implementation of the Affordable Care Act has stabilized.

The General Assembly should monitor the timeliness of Medicaid eligibility determinations performed by county DSS offices by requiring the Department of Health and Human Services (DHHS) to report annually for Fiscal Years 2015–16 and 2016–17. The report for each fiscal year should include the following information:

- the annual statewide percentage for processing Medicaid applications in a timely manner;
- the statewide average number of days to process Medicaid applications for each month;
- the annual percentage of Medicaid applications processed in a timely manner by each county DSS office;
- the average number of days to process Medicaid applications for each month for each county DSS office;
- the number of months during the fiscal year that each county DSS office met its timeliness performance standard; and
- the number of months during the fiscal year that each county DSS office failed to meet its timeliness performance standard.

To supplement the descriptive statistics, the report should also describe any corrective action activities conducted by DHHS and county DSS offices. If the performance metrics for processing Medicaid applications in a timely manner do not show significant improvement, the report should describe how DHHS plans to assist county DSS offices in meeting North Carolina's timeliness standards for processing Medicaid applications.

DHHS should be directed to submit this report to the Joint Legislative Oversight Committee on Health and Human Services, the Joint Legislative Oversight Committee on Medicaid and NC Health Choice, and the Fiscal Research Division. The due date for the Fiscal Year 2015–16 report should be November 1, 2016, and the due date for the Fiscal Year 2016–17 report should be November 1, 2017.

Recommendation 2. The General Assembly should enact state law authorizing the Department of Health and Human Services to intervene and take over county administration of Medicaid eligibility determinations when necessary.

As discussed in Finding 4, the Department of Health and Human Services (DHHS) has limited state legal authority to hold county DSS offices accountable for meeting performance standards for Medicaid. State administrative rules direct how DHHS monitors the timeliness of Medicaid eligibility determinations and provides a corrective action process, but DHHS does not have clear state authority to compel a county to expend resources so that its county DSS office can comply with the timeliness standards. In addition, DHHS does not have explicit state authority to rescind a county DSS office's authorization to administer Medicaid eligibility determinations if it fails to comply with state timeliness performance standards.

To strengthen DHHS supervision and oversight of county DSS offices administering Medicaid, the General Assembly should enact state law authorizing DHHS to intervene and take over county administration of Medicaid eligibility determinations when a county DSS office fails to take corrective action after failing to comply with timeliness performance standards. Using the state intervention law for county administration of child welfare services as a model, the state intervention authority for taking over county administration of Medicaid eligibility determinations should include the following components:

- **Corrective action trigger.** DHHS determines that a county DSS office is noncompliant with its Medicaid timeliness performance standard for 3 consecutive months or 5 months out of any 12 consecutive months.
- **Corrective action plan.** DHHS and the county DSS office jointly develop a corrective action plan to improve timeliness. The corrective action plan would specify the implementation time period, but the time period cannot exceed 12 months. The corrective action plan can include employing additional staff, altering office procedures, purchasing office equipment, retaining private consultants, reopening and correcting cases, and any other actions deemed necessary.
- **State takeover trigger.** The county DSS office fails to meet the timeliness performance standard in the time period specified in the joint corrective action plan.

- **Action required before State takeover.** DHHS issues a written notice to county officials at least 90 days prior to the department taking over county administration of Medicaid eligibility determinations.
- **State action during takeover.** DHHS withholds federal funds for Medicaid administration from the county DSS office and ensures administration of Medicaid eligibility through contracts with government agencies as permitted under federal law or through direct operation by DHHS including supervision of county Medicaid eligibility workers. County DSS office is divested of Medicaid administration authority.
- **County action during takeover.** County continues to pay the nonfederal share of Medicaid administration of eligibility determinations during the state takeover and pays the nonfederal share of additional costs incurred to comply with the Medicaid timeliness performance standard.
- **Resumption of county control of Medicaid administration.** DHHS works with county officials to enable Medicaid administration to be returned to the county if and when the department has determined that Medicaid eligibility determinations can be performed in a timely manner by the county DSS office and in accordance with state law and applicable rules. After county resumes control of Medicaid administration, DHHS restores federal funding.

This proposed legislation enhances DHHS's ability to hold county DSS offices accountable for adhering to state timeliness standards and ensures applicants receive an eligibility determination in a timely manner.

Recommendation 3. The General Assembly should appropriate \$300,000 to the Department of Health and Human Services to support better utilization of NC FAST data for performance measurement and evaluation of Medicaid eligibility determinations performed by county DSS offices.

As discussed in Finding 4, NC FAST data could enhance how the Department of Health and Human Services (DHHS) monitors and supervises the Medicaid eligibility determination process performed by county DSS offices. DHHS has identified the need for a more robust data analysis capacity to effectively utilize the data that NC FAST collects and to provide resources to support county DSS offices' use of NC FAST data from the Client Services Data Warehouse (CSDW).

To improve DHHS's data analysis capacity, the General Assembly should appropriate \$300,000 from the General Fund to the department. These funds would support seven new positions to support the following DHHS units:

- **Operational Support Team (OST).** To improve Medicaid application and recertification processing, this unit would receive three Business System Analysts to interpret Medicaid data by combining and analyzing diverse types of data from several data warehouses to extract actionable data discoveries and new trend analytics for DHHS divisions and operational support staff and counties. These positions would develop statistical models and methods to predict, quantify, and forecast various Medicaid business metrics that can be used to develop solutions and recommended business process changes. Data analysis

performed by these positions would allow DHHS to quickly identify which county DSS offices need attention because they are not meeting performance standards for timeliness. The OST also can use the data analysis performed by these positions to develop performance standards for county DSS offices, monitor the data to measure performance, and provide better guidance to county DSS offices on how to improve the timeliness and accuracy of Medicaid eligibility determinations. These positions can also assist with training county DSS offices on how to effectively use NC FAST data to manage the Medicaid eligibility determination workload.

- **Performance Management Section and the CSDW.** This unit would receive four Human Services Evaluator/Planner positions to assist county DSS offices in using the CSDW to analyze NC FAST eligibility data for Medicaid and other economic services programs. With these additional staff resources, the Performance Management Section can provide CSDW training for county DSS offices and develop NC FAST or other data queries for use by the 100 counties. These staff can develop internal queries and reports to assist DHHS with monitoring county DSS office performance.

The Program Evaluation Division estimates that these seven new positions would require recurring total expenditures of \$600,000, with \$300,000 coming from the General Fund after federal cost-sharing is applied.²⁷

Appendices

Appendix A: Medicaid Eligibility Guide

Appendix B: County DSS Office Financial and Staffing Information for Medicaid Administration

Appendix C: County Medicaid Enrollment and DSS Office Workload Information

Appendix D: Percentage of Medicaid Applications Processed Timely by County DSS Offices

Agency Response

A draft of this report was submitted to the Department of Health and Human Services and the North Carolina Association of County Directors of Social Services to review. Their responses are provided following the appendices.

Program Evaluation Division Contact and Acknowledgments

For more information on this report, please contact the lead evaluator, Carol Shaw, at carol.shaw@ncleg.net.

Staff members who made key contributions to this report include Jim Horne, Brent Lucas, and Pam Taylor. John W. Turcotte is the director of the Program Evaluation Division.

²⁷ The \$600,000 estimated cost assumes 3 business system analysts with salaries and benefits at \$274,000, 4 Human Services Evaluator/Planner positions with salaries and benefits at \$297,000, and \$29,000 for other operating costs associated with new positions. The estimate assumes a 50% federal financial participation rate.