F I S C A L I M P A C T R E P O R T

SPONSOR Feldman **ORIGINAL DATE** 02/14/06 **LAST UPDATED** **HB** SJM 21

SHORT TITLE DISCONTINUE MEDICAID PROGRAM AUTOCLOSURE **SB**

ANALYST Weber

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY06	**FY07**		
	NFI		

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates HJM 32

SOURCES OF INFORMATION
LFC Files

Responses Received From
Human Services Department (HSD)

SUMMARY

Synopsis of Bill

Human Services Department is asked to end the practice of auto-closure for Medicaid program participants.

FISCAL IMPLICATIONS

If implemented there would be costs associated with an indeterminate number of additional persons on the Medicaid program.

SIGNIFICANT ISSUES

HSD offers the following information.

The Memorial asks HSD to end the practice of autoclosure for persons who do not reenroll within appropriate time frames. Federal regulations require state Medicaid agencies to make an eligibility determination "at least once every twelve months." Autoclosure is a feature of the Department's Income Support Division eligibility computer system (ISD2), which has been

programmed since May 1, 2004 to automatically close cases in certain Medicaid categories if a recipient fails to take the necessary steps to recertify before the end of their certification period.

Prior to the implementation of autoclosure, caseworkers were required to manually close cases of recipients who failed to recertify. If a caseworker failed to manually close a case, benefits would continue beyond the certification period and the state would be paying persons who were, because they failed to reapply, ineligible. At least 10,000 recipients were overdue for recertification in the period between January 2003 and January 2004. As a result, the Department continued to pay benefits to ineligible recipients, misusing federal and state funds in the process and exposing the Department to the risk of federal sanctions. CMS issued an audit finding on March 18, 2003, requiring recoupment from the Department for its overpayments to ineligible recipients. The issue of autoclosure is also currently the subject of litigation. As a result, it would be inappropriate for the legislature to direct the Department on this issue until the litigation is resolved.

Recipients receive a notice that they must recertify their case at least 45 days before the end of their Medicaid certification period. The letter informs recipients that their benefits will continue without delay if they bring in, mail, or fax a signed reapplication, proof of income and health insurance by a specific date. The notice also tells them that if they do not provide this information by that date, their case will close. If the recipient does not provide the information needed to process the case, the worker allows the ISD2 system to generate a "Notice of Closure," approximately 10 to 11 days before the case will close. This notice tells the recipient that his/her benefits will end because he/she did not reapply. This notice also includes information about the recipient's right to an administrative hearing and his/her right to request continuation of benefits until a hearing decision is made. If the recipient submits the necessary paperwork upon receipt of the "Notice of Closure" and prior to the last day of the month, the worker can still process the case so that the person's Medicaid benefits do not end. Depending on when the information is submitted, the person may be on the fee-for-service system for a month before being enrolled back into the managed care program. This has to do with when the capitation payments are due to the Managed Care Organizations (MCO). If the person brings in the information a few weeks after the case has closed, the worker can do a new application and make the benefits retroactive so that the individual does not lose any Medicaid coverage.

Recipients can appeal any decisions made on their case, including case closure, through the Fair Hearings process. Recipients can request a continuation of benefits while the appeal is pending.

It should be noted that the same population whose Medicaid cases are subject to autoclosure often receive TANF and Food Stamp benefits where autoclosure is a long established practice (at least fifteen years for the Food Stamp program).

The memorial states that providers report that it is difficult to reenroll these women and children by using the process of presumptive eligibility due to burdensome paperwork requirements. It should also be noted that the presumptive eligibility form consists of one two-sided page and the only documentation required is the social security number(s) of the applicant(s).

MW/mt