



STATE OF WASHINGTON

October 22, 2024

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 performance audit report, *Examining Washington's Concurrent Medicaid Enrollments*.

Under federal regulations, state agencies must provide Medicaid to eligible residents of the state, unless a person has established residency and enrolled in Medicaid in another state. The Medicaid agency may not deny or terminate a resident's Medicaid eligibility because of that person's temporary absence from the state if the person intends to return, unless another state has determined that the person is a resident there for purposes of Medicaid.¹

The state must also provide Medicaid to aged, blind, and disabled individuals or couples who are receiving or are deemed to be receiving Supplemental Security Income (SSI).² Under the state's agreement with the Social Security Administration (SSA), SSA is responsible for determining eligibility for Medicaid related to SSI clients. The state has a data exchange with SSA that provides information to the state from SSA regarding client eligibility and residency. If clients do not update their residency status with SSA and are still receiving SSI, then the state is required by federal regulations to provide Medicaid.

The federal government focuses on ensuring that individuals maintain Medicaid eligibility; therefore, disenrolling a Medicaid client is a serious matter. The state must verify – with certainty – that the client has permanently moved out of state before disenrolling them from Medicaid. As detailed in the audit report, the state uses the Public Assistance Reporting Information System (PARIS) and residency information from other assistance programs to monitor out-of-state residency changes. However, if clients are not forthcoming regarding their change of residency, the process to verify their current state of residency and Medicaid enrollment is not an easy task.

We appreciate the SAO acknowledging that states need federal solutions for early identification of people enrolled in Medicaid in more than one state concurrently. States currently lack comprehensive real-time data that would confirm a client is enrolled in another state's Medicaid program at the same time.

The SAO's report also highlights how the public health emergency (PHE) exacerbated this issue. While concurrent enrollment was an issue prior to the PHE, existing procedures limited the impact. As stated in the audit report, concurrent enrollment increased 272% from 2019 to 2023, yet remained less than 1% of the Medicaid program. During the PHE, retaining access to care was critical. Federal guidance temporarily prioritized retention of care and discouraged disenrollment. Implementation of these policies across the country resulted in higher rates of concurrent enrollment.

¹ 42 CFR 435.403(a) and (j)(3)

² 42 CFR 435.120

During the audit, HCA staff presented information demonstrating that the potential financial risk of concurrent enrollment is mitigated through the managed care rate-setting process and the risk mitigation mechanism known as the risk corridor. Monthly premiums paid to managed care organizations (MCOs) are determined by actuarial capitation rates, which cover the underlying costs of operating the program. In essence, the capitation rate is determined by dividing total costs incurred by MCOs in the base year by total projected enrollment for the upcoming year. Removing a significant number of concurrent enrollees could increase premium payments in future years because reducing membership while maintaining the same benefit costs means that the cost per person is more. Under the risk corridor program, MCOs are limited to profit and loss margins each year, which can reduce the financial impact of concurrent enrollment.

HCA and DSHS are committed to improving this process. Pursuing concurrent enrollment more aggressively comes with risks to the program. We will consider the impacts of implementing each SAO recommendation as we continue to comply with federal requirements.

We take our role as stewards of Washington's resources and access to care seriously. We encourage you to share the results of the audit with the federal government and promote the idea of a federal system to help the states reduce unnecessary spending.

Sincerely,



Pat Sullivan
Director
Office of Financial Management



Jilma Meneses
Secretary
Department of Social and Health Services



Sue Birch
Director
Health Care Authority

cc: Joby Shimomura, Chief of Staff, Office of the Governor
Kelly Wicker, Deputy Chief of Staff, Office of the Governor
Rob Duff, Executive Director of Policy and Outreach, Office of the Governor
Mandeep Kaundal, Director, Results Washington, Office of the Governor
Tammy Firkins, Performance Audit Liaison, Results Washington, Office of the Governor
Scott Frank, Director of Performance Audit, Office of the State Auditor
Dr. Charissa Fotinos, State Medicaid Director, Health Care Authority
William Sogge, External Audit Compliance Specialist, Health Care Authority

OFFICIAL RESPONSE TO PERFORMANCE AUDIT ON EXAMINING WASHINGTON'S CONCURRENT MEDICAID ENROLLMENTS – OCTOBER 22, 2024

The Department of Social and Health Services (DSHS), Health Care Authority (HCA), and Office of Financial Management (OFM) provide this management response to the State Auditor's Office (SAO) performance audit report received on September 23, 2024.

SAO PERFORMANCE AUDIT OBJECTIVES

The SAO's performance audit addressed two questions:

1. To what extent did Washington pay premiums to managed care organizations for enrollees concurrently enrolled in another state Medicaid program?
 2. What additional steps could HCA and DSHS take to ensure managed care organizations are not paid for enrollees who no longer live in Washington?
-

Recommendations 1-2 to HCA and DSHS in brief:

SAO Recommendation 1: To address the lack of notifications for some clients who have likely become residents of other states, we recommend they:

1. Continue collaboration between HCA and DSHS to streamline processes, and work together to ensure that DSHS notifies HCA when clients enrolled in SNAP or other programs, who are also enrolled in income-based (MAGI) Medicaid, move out of state.

STATE RESPONSE: HCA and DSHS concur with the recommendation.

Action Steps and Time Frame

- HCA will work with DSHS on a process improvement project and determine if there are any actions they can take that will improve communications between the agencies. *By December 31, 2025.*
-

SAO Recommendation 2: To address the uncertainty concerning how to handle SSI enrollees who have established residency in another state, we recommend they:

2. Request needed clarity from the Social Security Administration and the Centers for Medicare and Medicaid Services about when and how state Medicaid agencies can determine SSI clients are no longer eligible for the state's Medicaid program due to out of state residency.
 - a. Once that guidance has been clarified, update and provide consistent procedures to all caseworkers.

STATE RESPONSE: HCA and DSHS concur with the recommendation.

Action Steps and Time Frame

- HCA will contact the Centers for Medicare and Medicaid Services and the Social Security Administration for official guidance. *By March 31, 2025.*
- HCA will provide DSHS official guidance regarding how to process eligibility for SSI recipients determined to be out of state. *By June 30, 2025.*

Recommendations 3-4 to HCA in brief:

SAO Recommendation 3: To recover premiums unnecessarily paid to Managed Care Organizations, we recommend it:

3. Amend HCA’s contracts and processes with the MCOs to allow the state to recover premiums for concurrent enrollees later determined to be resident in another state.

STATE RESPONSE: HCA partially concurs with the recommendation.

Action Steps and Time Frame

- HCA will meet with the contracted actuary and MCOs to determine whether amending the contract to recover premiums for concurrent enrollees is in the best interest of the Medicaid program. *By March 30, 2025.*
- If applicable, HCA will submit amendments to the contracts. *By January 1, 2026.*

SAO Recommendation 4: To address the need for additional ways to identify concurrent enrollments, we recommend it:

4. Amend HCA’s contracts and processes to require MCOs to identify instances when that MCO’s enrollment records show the same person is enrolled in more than one state’s Medicaid program, and then to inform these states that someone is concurrently enrolled in their Medicaid programs.

STATE RESPONSE: HCA concurs with the recommendation.

Action Steps and Time Frame

- HCA will evaluate the impact of the reporting and submit a contract amendment to require MCOs to identify instances when enrollment records show the same person is enrolled in more than one state’s Medicaid program. *By July 31, 2025.*