

## Grant Outcomes Report

### Streamlining The Medicaid Excess Income Program

#### I. Executive Summary

New York State spends roughly \$900 million on its community Excess Income participants on an annual basis, an optional Federal program that allows individuals who have large or ongoing medical expenses access to Medicaid coverage even though their household income is too high to meet the regular Medicaid income eligibility standards.

Individuals “spend down” by paying in or incurring medical expenses that equal or exceed the difference between their monthly income and the Medicaid eligibility level. Local Departments of Social Service (Local Districts) across New York State are then responsible for gathering health care receipts and payments and tracking these enrollees’ continued eligibility.

Under this grant, Melinda Dutton of Manatt Health Solutions (Manatt) analyzed the Excess Income Program in New York State, and identified opportunities to improve the administrative efficiency and programmatic implementation of its enrollment and eligibility processes. Manatt found wide variation at the local district level in the way the spend-down is processed, and recommended that the State offer several options designed to improve the system for subsets of the population served by the program. Manatt also found that situations where consumers bring in monthly bills are the most labor intensive for the Local Districts. The option for individuals to meet their spend-down with incurred medical bills rather than money is intended to make it easier for the consumers to meet their spend-down.

The results of this report—which were widely disseminated by the media—galvanized the consumer advocacy community to use the report as leverage to push for reforms of the Excess Income program. The work has also had some immediate impact. The State is developing a new guidance document to Local Districts on administering the program (the last one was issued in 1999). The State has also made changes to the application to better explain spend-down in preparation for the elimination of the face-to-face interview in April 2010, and the New York State Department of Health’s (NYSDOH) Office of Health Insurance Programs (OHIP) has formed a workgroup to prioritize other recommendations in the report for potential implementation. It is important to note that most of the report’s recommendations require a Federal waiver. Though this grant resulted in actionable and well publicized information, Manatt encountered difficulties in obtaining and using the data necessary for completing its research. Manatt worked closely with OHIP to extract information from State data systems about the Excess Income

#### KEY INFORMATION:

**GRANTEE**

Manatt Health Solutions

**GRANT TITLE**

Streamlining Medicaid Spend Down

**DATES**

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**GRANT AMOUNT**

\$48,204

population, including enrollment, demographics, and utilization. The extra work related to the data analysis added significantly to the project timeline and resources required to complete the project—it went from a three- or four-month project to an approximately nine-month project.

This project was part of a larger New York State Health Foundation (NYSHealth) authorization that funded a series of quick-strike analyses to assist New York State with identifying strategies to streamline and expand its public health insurance programs. A summary of findings from this authorization is available on NYSHealth's website.

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## II. The Problem

Local Districts across New York State are struggling under the burden of managing the eligibility of Medicaid recipients enrolled in the Excess Income program. A small minority of the overall Medicaid population (at least 150,000 New Yorkers obtain Medicaid coverage through the Excess Income Program, which is only about 4% of the total Medicaid population), participants in this program reportedly require a disproportionate amount of local district time and resources.<sup>1</sup> Approximately 60% of Excess Income Recipients typically reside in nursing homes or other institutional settings, and the institutional provider coordinates their proof of ongoing medical expenses.<sup>2</sup> For those who reside in the community, this burden falls on their shoulders. Community-dwelling Excess Income beneficiaries are generally elderly or disabled and have chronic or significant health care needs. In fact, home health care accounts for half of the Medicaid expenditures for these consumers according to Manatt's analysis of State data on Excess Income program enrollees. A small percentage of Excess Income beneficiaries are parents, children, and pregnant women. Most are eligible for both Medicare and Medicaid. The State spends approximately \$900 million on the community Excess Income Program population annually, or \$19,000 per beneficiary, per year.<sup>3</sup> This figure is less than \$11,000 for all Medicaid beneficiaries in the State.<sup>4</sup>

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The Excess Income program is a state option under Federal Medicaid. States are not required to offer the program. New York has chosen to offer the program to enable consumers with medical needs to

<sup>1</sup> Manatt Health Solutions. *Streamlining New York's Medicaid Excess Program*. New York, 2009.

<sup>2</sup> Ibid.

<sup>3</sup> New York State Department of Health data—not generally available.

<sup>4</sup> New York State Department of Health Medicaid Enrollee and Expenditure Reports—Calendar Year 2007.

access to Medicaid even if their income is over the Medicaid eligibility level. The rules of the program are established by the Federal government and are quite complicated. Excess Income rules provide that applicants with incomes above Medicaid eligibility levels may receive Medicaid coverage after they have incurred medical expenses equal to the difference between their income and the Medicaid standard of need. Enrollees must submit receipts verifying that the expenses have been incurred at the time of enrollment and on up to a monthly basis thereafter. Enrollees also have the option to pay in their excess amount to become eligible for Medicaid. The determination and administrative processes for those enrollees who choose to pay in their excess amount is reported to be less burdensome for both consumers and Local District workers. However, consumers benefit from having the option to use incurred medical bills to meet their spend down. Many may not be able to afford to pay for the actual spend down.

Currently, Local Districts are responsible for gathering receipts and payments, and tracking enrollees' continued eligibility. The process requires Local Districts to manage large volumes of paper receipts, as well as cash payments. Because Excess Income recipients are likely to have ongoing health needs, the timely processing of their eligibility decisions is particularly crucial. Some Local Districts have reported difficulty serving recipients who often report with jars of change and pockets full of crumpled receipts.

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OHIP reached out to Local Districts to solicit their input for streamlining initiatives that would alleviate their workload. Most Districts placed streamlining the Excess Income program at the top of their list. They questioned OHIP officials on whether there was a better way to implement the program. “We agreed that, even though Federal rules governed how the State administered the program, we wanted to know if there were options available to us to simplify the program for Local Districts and consumers without sacrificing the consumer benefits of the program,” says Judith Arnold, Director, Division of Coverage and Enrollment at OHIP. “We approached the Foundation about possibly funding some research in this area, and we reached out to Melinda Dutton at Manatt to conduct the research.”

### III. Grant Strategy

Under this grant, Manatt conducted research and analyses to help identify opportunities to improve the administrative efficiency and programmatic implementation of the enrollment and eligibility processes of its Excess Income program.

As a result of this project, NYSHealth supported Manatt to produce a report on New York State's Excess Income program that included recommendations for simplifying administration of the program.

<sup>3</sup> New York State Department of Health data—not generally available.

<sup>4</sup> New York State Department of Health Medicaid Enrollee and Expenditure Reports—Calendar Year 2007.

## IV. Grant Activities

The major activities of the project included legal research; analysis of Medicaid data; targeted interviews; research regarding activities in other states; analysis of data findings and development of recommendations; and completion of a written report. More specifically, Manatt completed the following activities under this grant:

- The project team conducted extensive research on State and Federal administrative guidance, statutes, and regulations regarding both the existing program and alternative approaches.
- Manatt worked in partnership with OHIP to analyze their data indicating the number and characteristics of the Medicaid Excess Income participants. Manatt coordinated this work with OHIP staff to ensure compliance with Medicaid policies related to confidentiality.
- Manatt completed interviews with approximately 15 organizations/entities (Local Districts, consumer advocates, and Medicaid providers serving Excess Income recipients) to gather detailed information about the current eligibility process including timelines, procedures, and the specific scope and nature of the challenges.



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- Manatt performed a Medicaid Excess Income “landscape scan,” including a literature review and two interviews with the nation’s leading expert on Medicaid for disabled populations, Jeff Crowley. They found no previous reports or research had been done on state implementation of the Excess Income Program and therefore they were unable to identify best practices in the area.
- Relying on interviews with Local Districts, Manatt identified significant regional variation in how Local Districts within New York administered the Excess Income program. Some districts have specialty spend-down units while others allow recipients to visit any worker in any community office. Some offices process community and inpatient coverage at the same site while others have separate sites for community cases. Some offices have separate processing for home care clients, inpatient (six months) coverage, and month-to-month cases. In some smaller counties, the eligibility and undercare workers work closely alongside their local districts’ adult services offices, which assist with the Medicaid application and monthly activation processes.

- Manatt developed several options for restructuring the Medicaid Excess Income enrollment and eligibility process. For each option, Manatt outlined programmatic considerations, including legal requirements and implications. They vetted these recommendations with targeted State and local officials, as well as consumer groups.

## V. Challenges

Manatt worked closely with OHIP to extract information from State data systems about the Excess Income population, including enrollment, demographics, and utilization. This data was critical to Manatt's analysis and development of recommendations, but proved difficult to obtain. This data had never been published, collected, or reviewed by OHIP. OHIP staff was actively engaged with Manatt and responded to their inquiries promptly, however, it took a lot of time and required multiple data runs by OHIP to get accurate information for local districts outside of NYC. OHIP was unable to secure accurate data for populations in New York City, and Manatt undertook an intensive effort with cooperation of the New York City Human Resources Administration to obtain City data separately. Manatt worked with the City and State to develop a methodology to merge these two datasets together. In sum, all of the extra work related to the data analysis added significantly to the project timeline and resources required to complete the project—it went from a three- or four-month project to approximately a nine-month project.

In addition, Manatt originally planned to outline best practices in other states' Excess Income programs. However, it found no available data on other state practices. Such information would require primary research that was beyond the scope of the project.

## VI. Key Findings

Manatt produced a final, public report on the Excess Income program, complete with a description of the program, characteristics and health care needs of enrollees, and options for streamlining the program: *Streamlining New York's Medicaid Excess Income Program*. Media coverage ran in six papers statewide in Rochester, Poughkeepsie, Ithaca, and Westchester.

Following is a summary of the report's recommendations:

**CREATE A NEW "BUY-IN" OPTION WITH FLAT FEE PREMIUM AMOUNTS.** This recommendation suggests allowing recipients to pay one flat fee premium, based on a sliding scale according to the beneficiary's income—instead of individually based pay-in amounts. To encourage participants to use this option, pay in amounts could be lower than current pay-in amounts.

**CREATE INCENTIVES THAT ENCOURAGE DUALY ELIGIBLE RECIPIENTS TO ENROLL IN MANAGED CARE PLANS THAT ALIGN MEDICARE AND MEDICAID PAYMENTS.** This recommendation suggests leveraging current State and Federal efforts to align Medicare and Medicaid payments for dually eligible populations. Though admittedly a difficult goal because of low participation rates in the general dually eligible population, Manatt suggests payment incentives to encourage dually eligible Excess Income beneficiaries to enroll in a managed care buy-in option.

**IMPLEMENT A “PLAN OF CARE” OPTION THAT WOULD ALLOW PROSPECTIVE ACTIVATION OF MEDICAID COVERAGE.** Rather than requiring Excess Income participants to repeatedly show the same types of bills on a monthly basis, the State could automate the process for proving these expenses. This option suggests that consumers with such ongoing needs could present to the Local District a provider “Plan of Care,” which would state their ongoing medical needs and costs. The Local District would activate coverage for a prospective period of up to six months.

**AUTOMATE INTERACTION BETWEEN PROVIDERS AND LOCAL DISTRICTS TO FACILITATE ACTIVATION OF CONSUMER COVERAGE.** Two changes would facilitate these interactions. First, enable more direct communication between Local Districts and home care providers. This type of change would give the home care agency more control over activating coverage for potential beneficiaries and would reduce the paperwork burden on consumers. Second, allow providers to submit bills for provisional Excess Income enrollees directly. This change would activate coverage on a timely basis, when excess income amount is met.

**STREAMLINE STATE ADMINISTRATIVE SYSTEMS.** Local District workers currently must enter information into two separate data systems to complete an application. The same worker has to enter data twice over a period of two days to complete one transaction. Manatt suggests streamlining this to one screen on WMS and allowing same-day entry.

**USE THE NEW STATE ENROLLMENT CENTER.** The NYSDOH is currently implementing a new statewide Enrollment Center for Medicaid to centralize and streamline some enrollment and renewal tasks across its public health insurance programs. A centralized Enrollment Center is an opportunity for the State to also process Excess Income participants and remove the burden from Local Districts.

**CENTRALIZE/AUTOMATE THE PROCESS FOR PUBLIC PROGRAM BILLS.** Some Local Districts already automate the application of public program bills to the excess income, which allows for simpler administrative processing.

**RECONFIGURE ELIGIBILITY.** The population served by the Excess Income Program is an extraordinarily medically vulnerable and low-income population. Many suggested to Manatt in their interviews that the State consider increasing the underlying Medicaid eligibility limits for this population, or allowing an income deduction for housing or other basic expenses.

Other opportunities for improvement may exist given some of the unanticipated findings of this research. “We were surprised at how many Excess Income participants were dually eligible for Medicare and Medicaid—I knew it would be high, but not as high as we found,” says Melinda Dutton, Partner at Manatt Health Solutions. “We were also surprised at how much the State is spending on pharmacy and a variety of other services through the Excess Income program because so many beneficiaries *are* dually eligible and the bulk of these expenses should be covered under Medicare.”

Staff members at OHIP were pleased that some of the recommendations in the report were changes they could actively pursue, given the boundaries they generally must work within the Excess Income program. “The results of this report exceeded my expectations,” says Judith Arnold, Director, Division of Coverage and Enrollment at OHIP. “Though many of the recommendations in the report require a Federal waiver, we can potentially implement some of them to help make the Excess Income program work better. These changes could make the program easier for Local Districts to administer and more customer-friendly.”

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The results of this report were widely disseminated by the media, and galvanized the consumer advocacy community, which is using the report as leverage to push for reforms of the Excess Income program. Though members of the advocacy movement have been active on the Excess Income program in the past, they were frustrated that there was little interest in grappling with making the program more accessible until fairly recently. “The Manatt report acted as a catalyst for us to enter into a dialogue with the State in a new and positive way,” comments Susan Dooha, Executive Director of the Center for Independence of the Disabled, New York (CIDNY). “I think this is an important moment in the process of developing policy around this program.”

The work has also had some immediate impact. The State is developing a new guidance document to Local Districts on administering the program (the last one was issued in 1999). The State has also committed to making changes to the application to better explain the Excess Income Program, and OHIP has formed a workgroup to prioritize other recommendations in the report for potential implementation.

## VII. Lessons Learned

The lesson learned from this project is related to the press coverage that resulted from the report. The resulting stories assume that the inefficiencies of the Excess Income program are related to State rules and regulations, when in fact the State is following Federal rules and the State initially requested that NYSHealth undertake the review to assist it in streamlining program rules. While press coverage can be difficult to control, more emphasis could have been placed on the collaboration between NYSHealth, OHIP, and Manatt to address this issue and jointly identify improvements.

## VIII. The Future

According to Dutton, more in-depth analyses of the program are possible. The Excess Income program covers a very expensive population, which fits into the State’s streamlining priorities. In addition, it’s possible that Federal health reforms will afford the State flexibility to improve the program, though reforms could have negative implications, too.



Finally, OHIP officials are in the beginning stages of considering the recommendations in this report and gathering more feedback from the consumer advocates. It will take some time to determine the feasibility of many of these recommendations, but OHIP intends to use the report to try to create a more efficient, customer-friendly Excess Income program.

## ADDENDUM

A statewide working group was convened after the Manatt report was issued in May 2009. The group includes three organizations: Empire Justice Center, Legal Aid Society, and Selfhelp Community Services, along with the Center for Independence of the Disabled (CIDNY), the National Center for Law and Economic Justice, and the Medicare Rights Center. The working group summarized its comments reacting to the Manatt report and recommended changes to the spend-down program in the article: "Advocacy to Improve the Medicaid Spend-Down Program in New York."<sup>5</sup> Its comments and recommendations were endorsed by 48 organizations.

“As a result of these efforts, in November 2010 the NYSDOH launched a new web page that explains how consumers can obtain Medicaid through the Medicaid “Excess Income” or “Spend-down” program. The page was designed in collaboration with the working group. In addition to the new consumer-facing website, the State also took concrete actions such as issuing new guidance to the counties on how to administer the program for the first time in many years.”

Since issuing that article, the working group met with NYSDOH and submitted recommendations to improve information about and procedures for accessing the Medicaid spend-down program by improving the State website, client notices, the State Medicaid Reference Guide (MRG), and the format and content of the Medicaid application.

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## Publications

Manatt Health Solutions. *Streamlining New York's Medicaid Excess Income Program*. New York, 2009.

<sup>5</sup> <http://wnylc.com/health/entry/78/>



## BACKGROUND INFORMATION:

### ABOUT THE GRANTEE

Manatt Health Solutions is an interdisciplinary policy and business advisory division of Manatt, Phelps & Phillips, LLP, a nationwide law and consulting firm. Manatt aligns business strategy, public policy, and the law to develop forward-thinking solutions in an evolving healthcare landscape. It helps companies, nonprofit organizations, and government agencies anticipate change and respond strategically in a way that meets their business needs or advances their mission.

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