



SOCIAL SERVICES APPROPRIATIONS SUBCOMMITTEE
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ORS MEDICAL COLLECTIONS INTENT LANGUAGE REPORT SUMMARY

ISSUE BRIEF

SUMMARY

The Utah Department of Health (DOH) has contracted with the Office of Recovery Services (ORS) since the early 1980s to perform insurance verification, medical collections, and cost avoidance¹ of medical claims for its Medicaid program. During the 2016 General Session, the Social Services Appropriations Subcommittee considered a reduction of \$386,200 in General Fund from the ORS Medical Collections program. This reduction was based upon the following: “In 2013, Utah implemented an Accountable Care Organization (ACO) model.”² “By contract, ACOs are now responsible for health claim collections. . . .”³ DOH adds, however, that “ACO’s are not responsible for insurance verification, investigation, and collection on personal injury cases involving Medicaid members or estate recovery. All of these functions are [still] required under Medicaid federal regulations.” Starting in July 2015 the percentage of Medicaid clients served by ACOs went from 70 percent to 85 percent. As a result, the state would expect to see an additional decrease in health claim collections from this change sometime between July 2018 through June 2019. The subcommittee did not implement the ORS reduction during the 2016 General Session but instead passed intent language requiring ORS to submit an interim report providing a five-year history of medical collections, changes in workload, and other supplementary information including an estimate of “how the ORS budget might be reduced to match actual collections to date and future projections.”⁴ ORS has complied with the requirements of that legislative intent language.

The report shows the most recent *ORS collection totals* went down nine percent, from \$18.5 to \$16.9 million. Total Medicaid collections, as shown on the Legislature’s Fiscal Health Dashboard (<http://le.utah.gov/lfa/fiscalhealth/#revenuesTab>) show a 36 percent decrease from \$28 million in FY 2014 to \$17.9 million in FY 2016. ORS states that “the number of health claims filed by ORS annually has not decreased in proportion to the number of clients now enrolled in ACOs.” Different from the Legislative Fiscal Analyst, ORS prefers reductions be based upon workload rather than collections “since each health claim referred requires caseworkers to take action regardless of the dollar amount of the collection potential.” ORS proposes any current or future reductions anticipated for BMC be used to increase efforts in its tort and estate recovery programs where the number of cases “have continued to increase each year.” DOH has expressed concern about making any reductions in ORS staff that are responsible for mandatory Medicaid functions. The Bureau of Medical Collections was authorized 39 full-time equivalent (FTE) staff during the 2016 General Session. ORS states that “only 7.25 FTE are devoted to Health Claim recovery.” BMC functions are typically funded 50 percent state General Fund and 50 percent Medicaid administrative matching funds. The report, titled *Office of Recovery Services, Bureau of Medical Collections – Response to 2016 Legislative Intent Language*, can be found at: <http://le.utah.gov/interim/2016/pdf/00003416.pdf>.

Possible Options

1. **Reduce the BMC General Fund budget 9 percent consistent with the recent reduction in ORS-related collections:**

¹ Cost avoidance: “BMC is responsible for locating and verifying private insurance coverage for all Medicaid members. This activity allows Medicaid to avoid these costs up-front, rather than trying to recover the funds from insurance companies after-the-fact.” Recovery Services Medical Collections Report, p. 6: <http://le.utah.gov/interim/2016/pdf/00003416.pdf>.

² Recovery Services Medical Collections Report, August, 2016, p. 4

³ Recovery Services Medical Collections Report, p. 3.

⁴ Recovery Services Medical Collections Report, p. 1.

- Calculation of 9 percent reduction: $9\% \times 39 \text{ FTE} = 3.5 \text{ FTE} \times \$33,000 \text{ state General Fund cost/FTE} = \$115,800$.
2. ***Reduce the BMC General Fund budget 18 percent consistent with the recent reduction in ORS-related collections and assuming a similar reduction for FY 2017⁵:***
 - Calculation of 9 percent reduction for two years, or 18 percent: $18\% \times 39 \text{ FTE} = 7.0 \text{ FTE} \times \$33,000 \text{ state General Fund cost/FTE} = \$231,600$.
 3. ***Reduce the BMC General Fund budget 27 percent consistent with the recent reduction in ORS-related collections and assuming similar reductions for FY 2017 and FY 2018:***
 - Calculation of 9 percent reduction for three years, or 27 percent: $27\% \times 39 \text{ FTE} = 10.5 \text{ FTE} \times \$33,000 \text{ state General Fund cost/FTE} = \$347,400$.
 4. ***Reduce the BMC General Fund budget 27 percent consistent with the recent reduction in ORS-related collections and assuming similar reductions for FY 2017 and FY 2018:***
 5. ***Consider the ORS-defined deficiency of tort and estate recovery staff as a budget increase request and shift some or all of any reduction in BMC state General Fund to pay for the tort and estate recovery increased request "IF combined workloads in Health Claim Recovery and Third Party Liability insurance coverage verification decrease in the future."***

⁵ The 18 percent reduction calculated in Option 2 is consistent with the 18 percent drop in health claims filed between FY 2012 and FY 2016 as shown in the Recovery Services Medical Collections Report, p. 9.