



OFFICE OF RECOVERY SERVICES

MEDICAL COLLECTIONS REPORT SUMMARY

SOCIAL SERVICES APPROPRIATIONS SUBCOMMITTEE
STAFF: CLARE TOBIN LENCE

ISSUE BRIEF

SUMMARY

The Utah Department of Health (DOH) has contracted with the Office of Recovery Services (ORS) since the early 1980s to perform functions required by federal and state statutes related to the Medicaid program. The ORS Bureau of Medical Collections (BMC) provides the following services, as described in their report, [Office of Recovery Services, Bureau of Medical Collections – Response to 2016 Legislative Intent Language, 2017 Statistical Update](#):

1. “Verification of private insurance coverage for Medicaid recipients;
2. Collection on health claims paid by Medicaid when other private options were available;
3. Adjudication and collection of inappropriately filed provider claims;
4. Recovery from estates (probate); and,
5. Investigation and collection in personal injury cases involving Medicaid recipients (tort).”

During the 2016 and 2017 General Sessions, the Social Services Appropriations Subcommittee considered reductions of about \$350,000 in General Fund from the BMC program. This reduction was based upon the shift of 85 percent of the State’s Medicaid population to an Accountable Care Organization (ACO) model, in which ACOs are now responsible for health claim collections (service #2). BMC continues to provide the other services listed above, and continues to collect on health claims for fee-for-service Medicaid clients and in the case of “specific services that are “carved out” of the ACO contracts, such as psychotropic pharmaceuticals.”

The Subcommittee did not implement the BMC reduction during the 2016 General Session but instead passed intent language requiring ORS to submit an interim report providing a five-year history of all medical collections, changes in workload, and an estimate of “how the ORS budget might be reduced to match actual collections to date and future projections.” The Subcommittee also did not implement the reduction during the 2017 General Session, but asked that ORS update its report to continue to monitor trends in medical collections.

The updated report shows a \$3.07 million, or 35 percent, decline in health claim collections from FY 2016 to FY 2017. ORS states that the number of claims filed is a better workload measure, as federal law requires them to pursue all claims regardless of the potential collection amount. The report shows that the number of health claims filed declined by 14.5 percent over the same period.

ORS proposes that one full-time equivalent (FTE) employee reduction would be possible if health claims and TPL manual coverage verifications experienced a 15 percent net reduction, using a three-year average. With the three-year average, as calculated by ORS through FY 2017, health claims declined 4 percent and TPL increased 8 percent, for a net 4 percent increase. Although a three-year average generally provides a better statistical measure, particularly for TPL which is not impacted by ACOs, for health claims the three-year average would include years when a lower percentage of individuals were part of ACOs.

Further, ORS would like to re-direct any FTE reductions to other areas of BMC, specifically to increase efforts in its tort and estate recovery programs where the number of cases have been increasing.

In terms of the overall value of BMC, the chart below shows the decline for total medical collections (not only health claims) but also that BMC still provides upwards of \$5 in collections per \$1 of cost, although the return on investment has declined. This calculation further does not include cost avoidance savings, which have declined somewhat in recent years but totaled \$176.9 million in FY 2017.

History of Medical Collections and Costs					
ORS Collection Work Only					
Return on Investment	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
FTEs	37	36	36	35	37
Collections from ORS Work	\$ 19,759,029	\$ 16,898,162	\$ 18,488,994	\$ 16,889,202	\$ 14,957,696
Collections/FTE	\$ 533,000	\$ 472,000	\$ 513,600	\$ 482,500	\$ 404,300
Total Cost	\$ 2,359,850	\$ 2,969,510	\$ 2,855,730	\$ 2,864,871	\$ 2,931,400
Cost/FTE	\$ 63,659	\$ 82,947	\$ 79,326	\$ 81,853	\$ 79,227
Collections/Costs	\$ 8.37	\$ 5.69	\$ 6.47	\$ 5.90	\$ 5.10

Agency note: Total Costs are those funds allocated directly to the Medical Collections program, and do not include additional amounts allocated to administration, finance, data processing, etc.
LFA note: FY 2017 figures added by LFA based on ORS 2017 report and COBI.

Figure 1. History of Medical Collections and Cost

Sources: [ORS report for 2017 General Session](#); [Office of Recovery Services, Bureau of Medical Collections – Response to 2016 Legislative Intent Language, 2017 Statistical Update](#); [Compendium of Budget Information, Medical Collections](#)

OPTIONS FOR LEGISLATIVE ACTION

1. ***Reduce the BMC General Fund budget by \$45,000, consistent with the decline in health claims from FY 2016 to FY 2017.***
 - Based on the ORS report, the 14.5% decline in health claims equates to 1.05 FTE staff and 0.27 FTE managers.
 - ORS reports that the average staff salary is \$33,000 General Fund and \$33,000 Medicaid funds.
 - 1.32 FTE * \$33,000 General Fund = \$43,560.
2. ***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 health claim and/or third party liability General Fund to the tort and estate recovery budgets.***

The ORS report, titled *Office of Recovery Services, Bureau of Medical Collections – Response to 2016 Legislative Intent Language, 2017 Statistical Update*, can be found at: <https://le.utah.gov/interim/2017/pdf/00003199.pdf>.