

Letter Report

Enrollment Services Center

June 2011



Legislative Audit Bureau

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STATE OF WISCONSIN

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Janice Mueller
State Auditor

June 2, 2011

Senator Robert Cowles and
Representative Samantha Kerkman, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Dear Senator Cowles and Representative Kerkman:

As the first phase of our comprehensive evaluation of the Medical Assistance program requested by the Joint Legislative Audit Committee, we have completed a review of the Enrollment Services Center established by the Department of Health Services (DHS) in 2008 to centrally manage day-to-day operations of certain public assistance programs. As of March 2011, the center was staffed by 482 individuals, 432 of whom were employed by Hewlett-Packard (HP) Enterprise Services, Inc., under amendments to its contract as the State's fiscal agent for Medical Assistance. Since fiscal year (FY) 2008-09, HP Enterprise Services and another private contractor—Automated Health Systems, Inc.—have been paid nearly \$27.6 million for services related to the BadgerCare Plus plans that expand health care services to adults without dependent children, as well the FoodShare program for low-income, childless adults.

DHS appears to have established and rapidly expanded the Enrollment Services Center with little organized planning, limited legislative oversight, and no formal efforts to determine the appropriate mix of contract and state staff. We identified a number of concerns the Legislature may wish to consider as it deliberates a proposal that would create operations similar to those at the Enrollment Services Center for all BadgerCare Plus plans. For example, we noted a lack of quality assurance activities prior to 2011, the potential loss of federal funding under program rules that require public employees to make eligibility determinations, and mixed success in other states' efforts to implement similar initiatives. The extent to which DHS has used an existing contract to staff the Enrollment Services Center also raises questions about the transparency of its contracting practices.

We appreciate the courtesy and cooperation extended to us by staff of DHS, HP Enterprise Services, and Automated Health Systems in completing this review.

Sincerely,

Janice Mueller
State Auditor

JM/SH/ss

ENROLLMENT SERVICES CENTER

Traditionally, counties and tribal governments have been responsible for the day-to-day management of most public assistance programs administered by the Department of Health Services (DHS), including processing and verifying application materials, determining eligibility for services, providing program information, and conducting certain quality assurance activities. However, DHS began developing centralized, automated systems for some of the activities performed by county and tribal contractors in the 1990s as part of an effort to improve consistency, reduce administrative costs, and streamline the process for participants, and in 2002 it established a centralized eligibility unit to process applications for the SeniorCare prescription drug assistance program. That unit was housed within DHS but staffed primarily with employees of Hewlett-Packard (HP) Enterprise Services, Inc., the State's Medical Assistance fiscal agent.

In 2008, DHS decided also to administer both a new Medical Assistance program for low-income adults without dependent children—the BadgerCare Plus Core Plan—and FoodShare program services for childless adults through a centralized Enrollment Services Center that would be established in Madison and operated by a private contractor. DHS received bids from four vendors and awarded a three-year contract to the lowest bidder, Pittsburgh-based Automated Health Systems, Inc., in December 2008.

When Automated Health Systems began accepting Core Plan and FoodShare applications in June 2009, the Enrollment Services Center was staffed by 64 of the contractor's employees and 15 DHS employees. However, caseloads for both programs were almost immediately higher than expected, and by December 2009 the State's Medical Assistance fiscal agent, HP Enterprise Services, was also providing staffing assistance. By October 2010, DHS had transferred management of the Enrollment Services Center from Automated Health Systems to HP Enterprise Services through an amendment to its contract for fiscal agent services, including Medical Assistance claims processing, which had been executed in January 2005.

DHS terminated the Enrollment Services Center contract with Automated Health Systems in May 2011. While it was in force, the contract was amended six times. Amendments increased its value from nearly \$2.8 million to \$7.1 million in the first year. By its second year, the contract's value had increased to nearly \$13.3 million. As shown in Table 1, DHS paid Automated Health Systems \$10.0 million for Enrollment Services Center activities performed during the period the contract remained in effect.

Table 1

Enrollment Services Center Expenditures under DHS Contract with Automated Health Systems, Inc.

Fiscal Year	Expenditures
2008-09 ¹	\$ 163,900
2009-10	6,895,200
2010-11	2,941,400
	\$10,000,500

¹ Reflects only one month of expenditures, because invoices received after April 2009 were paid in FY 2009-10.

As shown in Table 2, DHS paid HP Enterprise Services \$17.6 million for its Enrollment Services Center activities through May 6, 2011. Federal program funding supported \$12.1 million of those expenditures. The rest were funded by general purpose revenue (GPR), application fees paid by Core Plan participants, and, in FY 2010-11, by a portion of the additional \$42.0 million appropriated in 2011 Wisconsin Act 13 for Medical Assistance program administration.

Table 2

Enrollment Services Center Expenditures under DHS Contract with Hewlett-Packard Enterprise Services, Inc.

Fiscal Year	Expenditures
2008-09	\$ -
2009-10	654,000
2010-11 ¹	16,940,300
	\$17,594,300

¹ Expenditures shown reflect payments through May 6, 2011.

The Enrollment Services Center currently has three primary functions related to services for low-income, childless adults:

- customer service activities provided through a call center;

- eligibility processing activities, including processing initial and renewal applications received by telephone or the Internet, identifying and requesting missing information, and data entry; and
- support and mailroom services, including scanning and assembling application materials for further processing.

Most of these activities are performed by HP Enterprise Services employees. State employees make final eligibility determinations and conduct portions of federally required telephone interviews for the FoodShare program. As shown in Table 3, HP Enterprise Services staffing increased from 23 positions in December 2009 to 412 in December 2010. As of March 2011, 482 individuals staffed the Enrollment Services Center, including 432 HP Enterprise Services employees, 29 DHS employees, and 21 University of Wisconsin-Oshkosh employees who typically provide training and technical assistance to county staff managing public assistance programs but also assist DHS in making eligibility determinations at the Enrollment Services Center.

Table 3

Growth in Enrollment Services Center Staffing by Hewlett-Packard Enterprise Services, Inc.¹

Function	December 2009	March 2010	June 2010	September 2010	December 2010	March 2011
Customer Service	23	45	137	158	160	166
Eligibility Processing	–	–	86	163	185	198
Mailroom	–	–	–	9	12	12
Support	–	2	39	35	36	36
Oversight/Supervision	–	2	11	19	19	20
Total	23	49	273	384	412	432

¹ Excludes 15 HP Enterprise Services employees who process SeniorCare applications at the Enrollment Services Center in Madison.

Source: Hewlett-Packard Enterprise Services, Inc.

Even though DHS stopped accepting Core Plan applications in October 2009, the Enrollment Services Center’s workload has remained high. It processed applications for BadgerCare Plus Basic, a non-Medical Assistance plan to provide temporary, unsubsidized health insurance for childless adults on a waiting list for the Core Plan, until enrollment was suspended in March 2011. We expressed concerns related to eligibility verification activities related to the Basic Plan in a letter report dated May 9, 2011. Currently, Enrollment Services Center staff process new FoodShare applications and renewals for all programs that enroll low-income, childless adults.

Appendix 1 shows the organization of the Enrollment Services Center. Caseloads as of March 2011 are shown in Appendix 2, and a time line for its creation is Appendix 3.

Enrollment Services Center Issues

DHS appears to have established and rapidly expanded the Enrollment Services Center with little organized planning, limited legislative oversight, and no formal efforts to determine the appropriate mix of contract and state staff. For example, the 2008 federal waiver request seeking to extend Medical Assistance benefits to low-income, childless adults indicates that operations of the centralized eligibility determination unit could potentially be expanded to all BadgerCare Plus plans, but we found no documentation that DHS had formally communicated plans to create a centralized application processing unit to the Legislature or to counties until November 2008, when the Wisconsin County Human Services Association expressed concern about potentially duplicative efforts and alleged that counties had not been adequately involved in the decision. Our interviews and the records we reviewed indicate that counties were informed only that the new Core Plan would be administered centrally, and that DHS did not communicate its intention to administer other public assistance programs for childless adults through the Enrollment Services Center until shortly before it awarded the December 2008 contract to Automated Health Systems.

Increasing Enrollment Services Center staffing by expanding an existing contract with HP Enterprise Services, rather than reopening the bidding process, also appears to have been a decision of which the Legislature was not made aware. DHS believes terms of the existing fiscal agent services contract are sufficiently broad to enable the addition of staff for several Medical Assistance program functions, including eligibility determinations, and agency staff indicated to us that the assistance was intended to be temporary. However, the contract amendments specify staffing and funding levels necessary to continue managing the Enrollment Services Center through December 2013, the expiration date of the original fiscal agent services contract between DHS and HP Enterprise Services.

In addition, although DHS indicated it attempts to maintain an 80/20 ratio of contract to public employees, it was unable to document either this policy or whether it had been approved by the federal government, which requires that eligibility determinations for federally funded programs be made by public employees. We note that as of March 2011, HP Enterprise Services employees represented 89.6 percent of all Enrollment Services Center staff.

Future Considerations

A proposal currently before the Legislature would create operations similar to those of the Enrollment Services Center for all BadgerCare Plus plans. As it deliberates this proposed consolidation, the Legislature may wish to consider several issues related to the creation and past performance of the Enrollment Services Center.

First, although counties and tribes are contractually obligated to conduct various quality assurance activities for the public assistance programs they operate, such as sampling eligibility decisions to assess accuracy and addressing reports that suggest participants may not qualify

for the public assistance they are receiving, no similar activities occurred or were required at the Enrollment Services Center until DHS established a quality assurance unit in December 2010. At that time, a backlog of 400 applications related to all programs administered by the Enrollment Services Center required review. DHS indicates it has since reviewed all 400 applications and identified 250 instances of potential overpayments. The quality assurance unit, consisting of seven DHS employees and four HP Enterprise Services employees, is currently responsible for both the Enrollment Services Center and the State's administration of BadgerCare Plus and FoodShare programs in Milwaukee County. It should also be noted that while prospective participants apply in person for benefits available through public assistance programs operated by counties and tribes, personal interaction is limited under the Enrollment Services Center model, which may increase the potential for fraud.

Second, the federal Department of Agriculture expressed concerns with the timeliness of FoodShare application processing and the quality of applicant interviews. The Department of Agriculture also recently notified DHS that unless staffing at the Enrollment Services Center is adjusted, the State will forfeit federal administrative funding for the FoodShare program because contract staff cannot make eligibility determinations for that program or have contact with FoodShare applicants. DHS staff indicated to us that the agency does not agree it is violating federal regulations, but it plans to reduce contractor staffing in the future.

Furthermore, other states have had mixed success in contracting for operations of the public assistance programs they administer. For example, Texas projected it could achieve significant savings by staffing centralized call centers with contract employees and increasing the automation of application processing for its public assistance programs, including Medical Assistance and food stamps, but the program it implemented in 2006 was discontinued after only a few months because of information technology difficulties and staffing issues. Indiana established a similar project using contract employees in 2007. It was terminated in late 2009, in part because of delays in processing applications. We note, however, that Florida experienced some success in using a mix of contract and public employees.

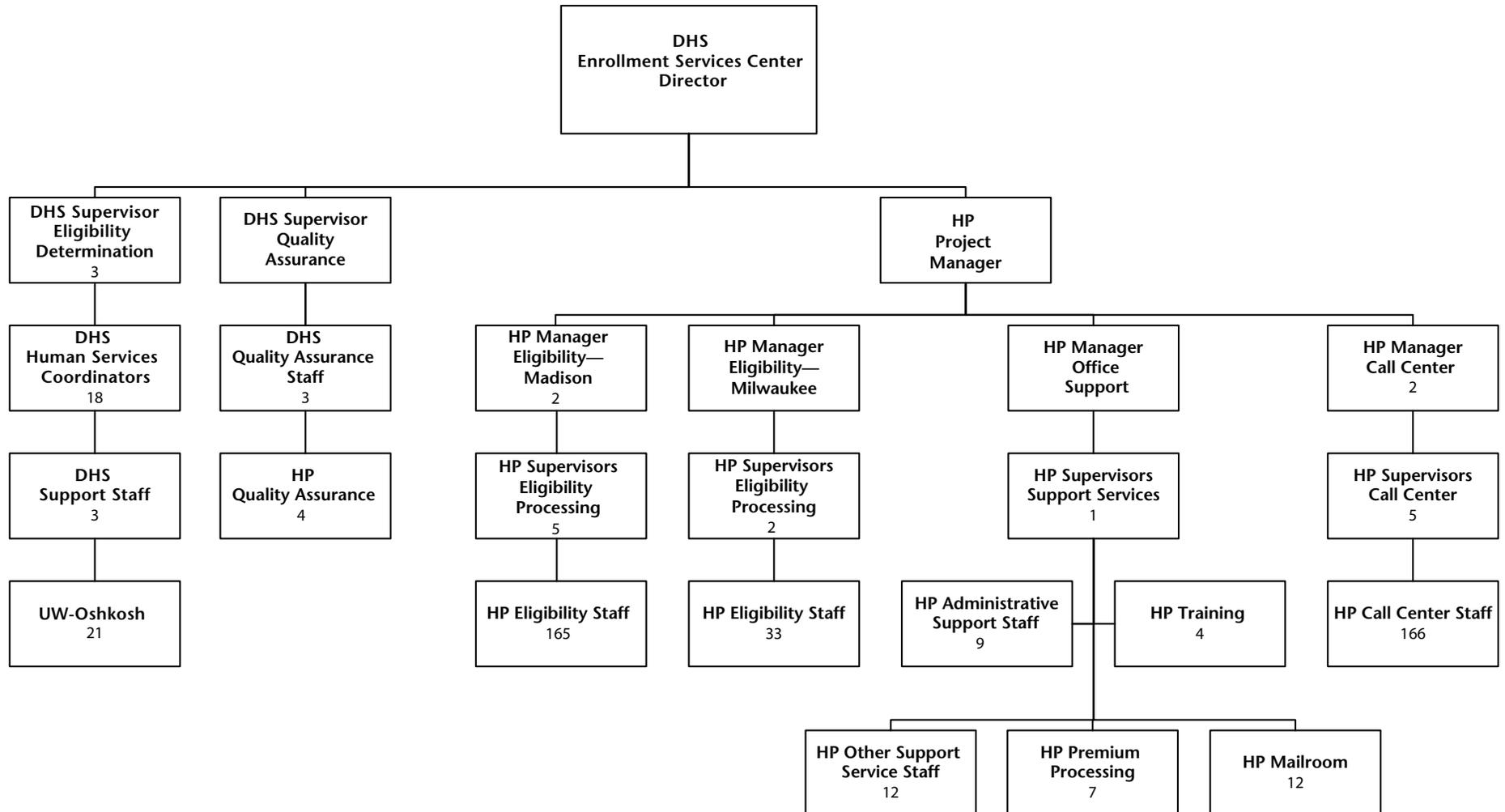
Finally, DHS conducted a cost-benefit analysis, as required by s. 16.705(2), Wis. Stats., and determined that contracting would be less expensive than hiring state employees in 2008, when it first sought vendors to operate the Enrollment Services Center. However, because DHS transferred management of the Enrollment Services Center from the initial contractor to an existing contract with HP Enterprise Services in 2010, it was not required to reevaluate the cost-effectiveness of contracting for these services. DHS has also indicated that it will not reopen contract bidding for staffing the Enrollment Services Center until a decision is made on the current budget proposal to further centralize income maintenance activities. Although terms of the existing contract with HP Enterprise Services for Medical Assistance fiscal agent services are arguably broad, the extent to which DHS has used it to privatize functions for which staffing has never previously been contracted raises questions about the transparency of its contracting practices.

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Appendix 1

Enrollment Services Center Organization

As of March 2011



Appendix 2

Enrollment Services Center Enrollment Statistics¹

Month	Core Plan	FoodShare Program	Basic Plan
March 2009	12,443	–	–
June 2009	12,123	1,004	–
September 2009	32,959	19,165	–
December 2009	63,644	58,040	–
March 2010	64,810	65,876	–
June 2010	56,287	68,340	–
September 2010	52,370	81,119	2,996
December 2010	46,984	86,206	4,443
March 2011	40,137	96,811	5,714

¹ Based on DHS monthly enrollment statistics. Core Plan enrollees prior to June 2009 reflect the transition of participants from prior county programs.

Appendix 3

Enrollment Services Center Time Line

Date	Event
October 2007	2007 Wisconsin Act 20 authorizes DHS to seek a waiver to extend Medical Assistance benefits to low-income adults without dependent children.
July 2008	DHS develops an initial 1115(a) demonstration waiver extending Medical Assistance coverage to adults (ages 19-64) with incomes below 200 percent of the federal poverty limit. DHS requests bids from contractors to operate a centralized eligibility determination unit. Both the waiver and the request for bids project that eligibility determination activities for all BadgerCare Plus plans could be consolidated in the unit in the future.
December 2008	The federal Centers for Medicare and Medicaid Services approve the waiver request. DHS executes a contract with Automated Health Systems to operate the Enrollment Services Center.
June 2009	Statewide implementation of the Core Plan begins.
July 2009	DHS approves a \$4.3 million contract increase for Automated Health Systems through November 2009.
October 2009	DHS stops accepting applications for the Core Plan.
November 2009	The federal Department of Agriculture conducts site visits at the Enrollment Services Center.
December 2009	HP Enterprise Services staff begin assisting with Enrollment Services Center customer service operations.
January 2010	The federal Department of Agriculture cautions the State against increasing the number of contract staff at the Enrollment Services Center
April 2010	2009 Wisconsin Act 219 establishes the BadgerCare Plus Basic Plan. A plan for HP Enterprise Services to operate the Enrollment Services Center is proposed to DHS by the contractor.
June 2010	The Enrollment Services Center begins to accept applications for the BadgerCare Plus Basic Plan.
October 2010	DHS completes shifting the Enrollment Services Center operations from Automated Health Systems to HP Enterprise Services.
December 2010	A quality assurance unit is established in the Enrollment Services Center.
April 2011	The federal Department of Agriculture requires changes in Enrollment Services Center staffing if administrative funding is to continue for the FoodShare program.
May 2011	The federal Department of Agriculture requires a corrective action plan within 30 days or the State may forfeit administrative funding for the FoodShare program.