

SENATE BILL REPORT

SB 5258

As of January 24, 2025

Title: An act relating to implementing state auditor recommendations for reducing improper medicaid concurrent enrollment payments.

Brief Description: Implementing state auditor recommendations for reducing improper medicaid concurrent enrollment payments.

Sponsors: Senators Gildon, Braun, Christian, Fortunato, MacEwen, Nobles and Wilson, J..

Brief History:

Committee Activity: Health & Long-Term Care: 1/24/25.

Brief Summary of Bill

- Adopts a series of recommendations from the State Auditor's Office addressing premium payments made as a result of concurrent Medicaid enrollments.

SENATE COMMITTEE ON HEALTH & LONG-TERM CARE

Staff: Julie Tran (786-7283)

Background: Medicaid. Medicaid is a federal-state partnership with programs established in the federal Social Security Act and implemented at the state level with federal matching funds. Medicaid is Washington State's largest public assistance program, providing health insurance for state residents who meet certain eligibility criteria. As of the fall of 2024, approximately 2.1 million people receive physical and behavioral health care through one of five managed care organizations (MCOs). Health Care Authority (HCA) contracts with MCOs under a comprehensive risk contract to provide prepaid health care services to persons enrolled in a Medicaid managed care plan.

Medicaid Eligibility. There are three agencies involved in determining Medicaid

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eligibility—HCA, Department of Social and Health Services (DSHS), and the federal Social Security Administration (SSA). HCA administers Medicaid programs for people who qualify based on their income. This includes about 95 percent of managed care recipients in Washington State. DSHS administers Medicaid programs for people who receive long-term care or who are elderly or disabled. This represents about 5 percent of managed care recipients in Washington State.

The federal SSA is responsible for determining Medicaid eligibility for people who enrolled in Supplemental Security Income (SSI), which provides monthly cash assistance for people who are blind, disabled, or older than 65 and have limited resources. Currently, the federal SSA sends data confirming the person to Washington's systems and then, the person is automatically enrolled in the state's Medicaid program.

Concurrent Medicaid Enrollment. Concurrent enrollment occurs when one person is enrolled in Medicaid managed care in two or more states. This typically occurs when a Medicaid enrolled-person relocates from one state to another without closing their Medicaid coverage in the previous state and signing up for Medicaid coverage in the new state. This results in two states paying for two policies when only one policy is needed.

State Auditor's Office. The Office of the Washington State Auditor (SAO) holds state and local governments accountable for the use of public resources. The State Auditor has the power to examine the financial affairs of all governments in the state, including local governments, schools, state agencies, and institutions of higher education. SAO carries out special investigations and performance audits of state agencies and local governments, and may contract with certified public accountants to audit state agencies and local governments.

In October 2024, SAO conducted a performance audit examining Washington State's concurrent Medicaid enrollments. The audit asked:

- to what extent did Washington pay premiums to MCOs for clients concurrently enrolled in another state's Medicaid program; and
- what additional steps could HCA and DSHS take to ensure MCOs are not paid for enrollees who no longer live in Washington.

SAO found that both HCA and DSHS made premium payments for Medicaid clients who were residents in other states due to various factors. On average during the audit period, Washington State paid \$8.6 million a year on unnecessary premiums for clients residing in just seven states reviewed, with even more costs nationwide. More than 131,000 people were concurrently enrolled in Medicaid managed care programs in Washington State and at least one other state during the 2019-2022 calendar years.

State Auditor's Office Recommendations. The performance audit made a series of recommendations to both HCA and DSHS to address the lack of notifications for some clients who have likely become residents of other states and address the uncertainty

concerning how to handle SSI enrollees who have established residency in another state and to HCA to recover premiums unnecessarily paid to MCOs and to address the need for additional ways to identify concurrent enrollments.

In addition to the specific recommendations within the performance audit, SAO also provided correspondence to HCA with other potential process improvement recommendations to address early identification of when a client moves out of state that includes: applying Plain Talk principles to letters sent to Medicaid clients; using ADDRESS SERVICE REQUESTED on all mail pieces; and periodically running the full Medicaid roster against National Change of Address (NCOA) .

National Change of Address Program. More than 40 million Americans change their addresses annually and submit a change of address orders to the United States Postal Service (USPS). The NCOA is a USPS system database that holds records for all change of address requests and holds approximately 160 million permanent change of address records from names and addresses of individuals, families, and businesses who have filed a change of address with USPS.

Washington State's Plain Language Policy. In October 2023, Washington State Governor Jay Inslee signed Executive Order 23-02 ordering all executive cabinets and small cabinet agencies to create and adopt a plain language policy, which is the practice of prioritizing ease of use and ease of understand in writing and design. The goal of plain language practices is to deliver a message that recipients will understand on their first read. It makes information accessible and easier to understand.

Summary of Bill: HCA must amend MCO contracts and processes beginning January 1, 2026, to:

- allow the state to recover premiums when the managed care enrollee has moved out of Washington State and has not received any services in the managed care service area;
- require MCOs conduct business in more than one state to analyze their enrollment records monthly and identify occurrences when the enrollment records show that the same person is enrolled in more than one state Medicaid program; and
- direct MCOs to inform states of the analysis results that the same person is concurrently enrolled in their Medicaid programs and report those reports to HCA monthly.

Out-of-State Residency Determination. HCA and DSHS must collaborate to ensure that DSHS notifies HCA when individuals, who are enrolled in both the income-based Medicaid program and other income-based program, have moved out of state. Both agencies must consult and seek recommendations from agency caseworkers and other frontline staff to more effectively and efficiently identify individuals who have moved out of the state.

HCA must work with the federal SSA and Centers for Medicare and Medicaid Services to

clarify when and how state Medicaid agencies may determine whether SSI clients are no longer eligible for Medicaid. After HCA and DSHS receives guidance and clarification, DSHS must update procedures and provide training to all caseworkers and relevant staff to ensure clients are not concurrently enrolled in multiple Medicaid programs. If HCA and DSHS does not receive any guidance or clarification from the federal agencies, SAO must make recommendations and provide further guidance on how HCA and DSHS should proceed.

HCA must analyze the full list of Medicaid enrolled client's addresses through the USPS NCOA database quarterly to identify clients who have moved out of the state.

HCA must ensure Medicaid notices and program eligibility letters sent to people who are the applicant for, or the recipient of, Medicaid health care coverage, meet the state's Plain Language Guideline standards. HCA must also ensure that all written notices and correspondence mailed include ADDRESS SERVICE REQUESTED on the mailing piece.

Future Reporting and Performance Audit Requirements. HCA must submit an annual report to the Governor and Legislature by January 1, 2027, and every year for the next five years, that details for the previous year, the amount of premiums recovered from MCOs and the total number of individuals that MCOs has identified being enrolled in more than one state Medicaid program.

SAO must conduct a performance audit of the concurrent Medicaid enrollments in the state by December 31, 2031, to:

- examine how much the state is paying for concurrent Medicaid coverage;
- evaluate the progress the state has made in limiting the unnecessary premiums since the 2024 performance audit; and
- make any additional recommendations to limit unnecessary premiums in the future.

Appropriation: None.

Fiscal Note: Requested on January 14, 2025.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: This bill can help close the budget gap, achieve some savings, improve the system's efficiency, and help the taxpayers in the state. This is a leak to fix and it has the potential to stop a lot of other leaks in other programs and achieve additional savings to the state.

CON: This bill would not result in significant savings in the state and has the potential to put the most vulnerable residents at risk of losing their health coverage. A real solution can

only be achieved at the federal level. The national change of address database is unreliable.

OTHER: The audit was conducted during a time when HCA was not going through the normal Medicaid redetermination process. Also, reducing the number of enrollees could increase the per member per month cost. There are concerns about overstating any savings associated with the bill and as new federal rules are being implemented, this bill and its implementation could impact compliance with those rules. There is a CMS requirement regarding compliance with the NCOA database that might be helpful. The risk corridor is set up to capture back savings and the premiums are constantly adjusted to reflect that.

Persons Testifying: PRO: Senator Chris Gildon, Prime Sponsor.

CON: Vanessa Saavedra, Northwest Health Law Advocates.

OTHER: Evan Klein, Health Care Authority (HCA) - Special Assistant, Legislative & Policy Affairs; Jennifer Ziegler, Association of Washington Health Care Plans.

Persons Signed In To Testify But Not Testifying: No one.