

**PUBLIC OVERSIGHT BRIEFING  
ON THE  
MEDICAID RESERVE FUND**

**Before the  
Committee of the Whole  
Council of the District of Columbia**

**The Honorable Linda W. Cropp, Chairman**

**November 6, 2003, 10:00 a.m.  
Council Chambers**



**Testimony of  
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Good morning, Madam Chair, and members of the committee. My name is Bert Molina, and I am the deputy chief financial officer for the Office of Budget and Planning (OBP). I am here to discuss the Medicaid Reserve and the progress the public provider agencies have made to date in improving their capabilities to maximize Medicaid revenues for the programs and services they provide.

There is little doubt that the Medicaid program is one of the most complex programs that the District government administers. This complexity often makes it difficult to identify issues and problems in a clear and concise manner and to offer solutions and options to these issues in an equally clear and concise manner. Yet, that is what we will all try to do here today – to tell you what the problems have been in recovering Medicaid revenues for public provider agency programs, what the public provider agencies and the OCFO are doing to address these problems, and what challenges we face as we all move forward to improve our efforts and ensure that the District is recovering every federal Medicaid dollar to which it is entitled.

### **Key Past Problems**

I believe we all agree on the fundamental premise for why the District chose and continues to undertake Medicaid revenue recovery efforts within our public provider agencies – to ensure that the District fully leverages the Medicaid program to support the wide variety of services provided to District residents. The District is certainly not alone in attempting to “maximize” Medicaid dollars. States across the nation have undertaken a wide variety of strategies to use the Medicaid program as a means of financing programs and services to residents, particularly

with lower incomes. However, in terms of the District's efforts, the initial efforts at Medicaid recovery by the public provider agencies were hampered by three important factors:

- 1. No initial, clear and comprehensive strategy to maximize Medicaid revenues across the public provider agencies*

Despite the agreement on the need to use fully the Medicaid program to finance applicable services and programs in the public provider agencies, the efforts to achieve this have occurred on an ad-hoc basis. As such, the public provider agencies developed these strategies on their own and without the benefit of cross-agency advice, support and technical assistance.

- 2. Unidentified program and service dollars*

Once public provider agencies devised strategies for utilizing and maximizing federal Medicaid dollars, there was no clear identification of the local dollars that would be used to leverage against the Medicaid program. As services and programs were expanded, assumptions were made regarding the level of federal Medicaid revenues that could be attained to support these expansions. Eventually, it became clear that these assumptions had flaws that resulted in additional local dollars being needed to sustain the programs and services.

- 3. No clear and consistent set of business processes to guide the Medicaid billing and collection efforts in the public provider agencies*

The most significant factor that hampered the Medicaid recovery effort in public provider agencies was the lack of strong business processes to guide Medicaid billing and collection efforts. Successful federal Medicaid revenue recovery is driven by accurate and complete billing information – the more complete and accurate the data is, the more successful the recovery efforts will be. By not having these robust processes in place, the public provider agencies were not able to draw down fully federal Medicaid revenue.

### **Efforts to Improve Medicaid Recovery**

From the OCFO perspective, the District has made great strides in improving the public provider agencies' Medicaid revenue recovery efforts. A number of essential activities and strategies are being implemented to strengthen and support the public provider agencies. Three of the more important actions are:

- 1. Establishing the Office of Medicaid Public Provider Operations Reform (OMPPOR)*

The creation of this office was the result of a collective effort on the part of this Council and the Mayor to address the Medicaid revenue recovery efforts in the public provider agencies. Establishing this office within the Executive Office of the Mayor clearly demonstrates not only a desire to coordinate efforts across the agencies but to ensure that this effort receives attention from the highest officials within the District government. With the arrival of OMPPOR's Executive Director, Mr. Brian Wilbon, there is strategic focus on strengthening the business processes supporting Medicaid revenue recovery within the public provider agencies. Equally important, Mr. Wilbon has strengthened communications

among the provider agencies with the Medical Assistance Administration and with the OCFO in coordinating these efforts.

## *2. Establishing the Medicaid Reserve*

In FY 2003, a Medicaid Reserve Fund was established to serve as a two-year “bridge” for the public provider agencies to account for possible Medicaid shortfalls as they improved their federal revenue recovery performance. The requirements for allocating the Reserve included the public provider agencies submitting to the OCFO for certification either a plan to generate savings comparable to the funds allocated from the Reserve or a performance plan to ensure future reduction of costs and maximization of third party revenues. For FY 2003, D.C. Public Schools submitted a savings plan that was certified by the OCFO as part of their comprehensive special education reform plan. The other public provider agencies, through OMPPOR, provided performance plans to the OCFO outlining accomplishments and activities related to improving their federal revenue collections. Additionally, for FY 2004, the public provider agencies submitted performance plans, through OMPPOR, to the OCFO detailing their ongoing efforts with regard to optimizing federal revenues. These plans are under review by the OCFO for certification and subsequent allocations from the Reserve.

## *3. Improving Efforts to Assess and Forecast Medicaid Revenue Recovery Activities*

As noted earlier, the communications between and among the public provider agencies, OMPPOR and the OCFO have improved greatly over the past several months. Through bi-weekly meetings of the public provider agency heads, the

City Administrator's office, OMPPOR, and OCFO staff, more information on the federal Medicaid recovery efforts is now available. However, there is still a need for better and more useful financial information to guide our analyses. I will elaborate further in my testimony on the need to develop more comprehensive and stable reporting mechanisms for these efforts.

Related to the assessment of these activities is the ability to forecast more accurately the federal revenue recovery efforts. In the past, the inability to forecast accurately the recovery efforts has resulted in subsequent local "spending pressures." In response, the OCFO developed a revenue certification process for federal Medicaid revenues. Staff in the Office of Research and Analysis is assigned to specifically track and monitor the Medicaid billings and collections within the public provider agencies. As this process matures, the OCFO will be able to forecast, with greater precision, how much federal Medicaid revenue will be coming to the public provider agencies.

### **Future Considerations**

Despite these laudable efforts and the hard work of many staff from all of the agencies, there are still many challenges to be faced in FY 2005 and beyond in terms of sustaining and improving upon the past record of federal Medicaid revenue recovery. Two of the more important challenges include:

- 1. "Right-Sizing" Budgets for Public Provider Agencies for FY 2005*

In the FY 2004 Mayoral budget request to the Council, there were proposals to "right-size" agency budget requests through permanent transfers of funding levels from the Medicaid Reserve to the public provider agency budgets. These

proposals acknowledged the reality that certain federal Medicaid revenue recovery targets could not be achieved by the agencies. The Council chose to return these funds to the Reserve.

The OCFO anticipates that we will again be faced with the prospect of having to “right-size” some of the budgets for public provider agencies in FY 2005 with local funds. This must occur in order to provide the same level of programs and services while correcting historic agency budget imbalances.

*2. Strengthening the Infrastructure and Oversight to Support Effective Medicaid Billings and Collections*

As noted previously, the public provider agencies and OMPPOR have made great progress in addressing these difficult and complex issues. However, a concern remains that a strong infrastructure be placed in these agencies to bill and collect every Medicaid dollar that is due to the District. Further, better and more stable fiscal information must be available in order to track, assess and forecast these activities. Finally, it is important to acknowledge the critical role of program staff in this effort, as it is clear that how the programs are designed and implemented ultimately affect how they can be financed.

**Conclusion**

Thank you Chairman Cropp and members of the Council for the opportunity to come before you and discuss this critical issue. I would be pleased to answer any questions you have.