

Administrative Costs Associated with Enrollment and Renewal for the Medicare Savings Programs: A Case Study of Practices in Minnesota

Author: Laura L. Summer, Georgetown University Health Policy Institute

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Introduction

This is the third in a series of reports sponsored by the *State Solutions* project examining the time and costs associated with performing tasks related to enrollment and renewal for the Medicare Savings Programs also known as the Qualified Medicare Beneficiary (QMB), the Specified Low-Income Medicare Beneficiary (SLMB), and the Qualifying Individuals (QI) programs. The *State Solutions* project provides technical assistance to grantees in five states, examines current program policies, and, based on research and experience, provides information that policy makers can use as they consider how to operate the Medicare Savings Programs most effectively.

This Issue Brief describes the enrollment and renewal processes for the Medicare Savings Programs, or MSP, in Minnesota. It examines some of the costs associated with each process. State data on enrollment patterns are also examined. The data suggest that certain policy changes have the potential to reduce administrative costs in the Medicare Savings Programs without having a major impact on the number of people participating in the programs. For example:

- A policy change to require renewals annually instead of every six months could save millions of dollars annually.
- Furthermore, less frequent renewals would be unlikely to have a major impact on the number of program participants. State data show that, on average, only one percent of MSP cases are closed at renewal each month.
- Changes in rules regarding asset limits and the asset verification process have already had a positive impact on the application and renewal processes.
- A renewal process which relies first on information already available to the state could simplify the process for enrollees and financial workers and reduce administrative costs.

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*The Institute for Health,
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National Program Office

Susan Reinhard, *Director*
Marlene Walsh, *Deputy Director*
Heather Allen, *Program Administrator*

Rutgers CSHP

55 Commercial Avenue, 3rd Floor
New Brunswick, NJ 08901-1340

p) 732-932-3105
f) 732-932-0069
e) statesolutions@ifh.rutgers.edu
www.statesolutions.rutgers.edu

The information presented here pertains to policies and practices in Minnesota, but is also relevant for policy makers in other states as they contemplate how to improve the administration of the enrollment and renewal process for public programs, particularly at a time when states are taking on new responsibilities related to enrollment for the Medicare Part D low-income subsidy and contending with significant budget pressures.

Background

Federal rules set income and asset limits for the Medicare Savings Programs, but states have some discretion with regard to the methods used to count income and assets and the process used to make eligibility determinations for the programs.¹ Many have taken steps to develop simple application and renewal processes for the Medicare Savings Programs, though there is still considerable difference in procedures across states. Among the actions that states have taken:

- Some states disregard – or do not count – particular assets, or disregard some part of the value of assets when eligibility is determined so that asset limits for the programs are effectively higher than the federal standard.²
- Some states allow applicants to make “self-declarations” about the value of their income or assets. They are not required to provide verification documents.
- State Medicaid programs are required to collect from the estate of deceased Medicaid beneficiaries the amounts paid for long-term care services. They may extend estate recovery to other services too. Some states have made an effort to clearly state that estate recovery does not apply to Medicare Savings Program benefits.
- Most states allow individuals to submit applications by mail rather than having to appear for a face-to-face interview.
- Most states have taken steps to simplify the application form for the Medicare Savings Programs.
- Some states have streamlined the renewal process so that program participants are not required to reapply for benefits, but are simply asked to indicate that their financial circumstances have not changed significantly and therefore they remain eligible. Or, the state Medicaid program checks other program records, such as Food Stamp records, to verify that financial circumstances have not changed. Eligibility can then be extended for another year.

¹ Federal rules specify that various Medicare Savings Program benefits be made available to people with incomes less than 135 percent of the federal poverty level and with countable assets valued at less than \$4,000 for an individual and \$6,000 for a couple. Under section 1902(r)(2) of the Social Security Act, however, states have the ability to use less restrictive methods for calculating the value of income or assets than those specified in federal law.

² Certain deductions are allowed in making calculations for the value of assets. For example, federal law allows a deduction for the value of an applicant’s home. Federal law also specifies deductions for the value of certain assets, such as automobiles, that applicants can own.

Enrollment and renewal simplification offer advantages to applicants in that they are better able to understand the process and comply with the requirements. A simpler process also has consequences for program administration. If the process is modified to be less labor intensive, the cost of making eligibility and renewal determinations will decrease. More staff time may be available for other tasks and, in states that have to contend with staff shortages, a simple process may make workloads more manageable.

Policy issues of particular interest for Minnesota's Medicare Savings Programs

Minnesota already has made a number of changes to simplify the enrollment and renewal processes:

- Simplified renewal forms are used.
- Face-to-face interviews are not required.
- The asset limits for the Medicare Savings Programs are \$10,000 for individuals and \$18,000 for couples, considerably higher than the minimum specified by federal rules.
- Verification of assets is not required unless the declared value of assets is within \$300 of the limit.

One rule that is more restrictive than those in most other states, however, is that Minnesota requires that recertification occur every six months rather than annually for MSP beneficiaries who have fluctuating income. The Minnesota Department of Human Services, the *State Solutions* grantee in Minnesota, was interested in examining the implications of this policy for program costs and program integrity.

Medicare Savings Programs and the Medicare Part D Low-Income Subsidy

The new Medicare Part D Prescription Drug Plan became available in January 2006. Subsidies to help low-income Medicare beneficiaries with the cost of premiums and copayments for the drug plan also are available. The financial eligibility criteria for the subsidies are similar to the criteria for the Medicare Savings Programs. In addition, individuals receiving MSP benefits automatically qualify for the low-income subsidies. Low-income Medicare beneficiaries who are not already enrolled in the Medicaid program or in Medicare Savings Programs must apply for subsidies either at state Medicaid offices or through the Social Security Administration. State Medicaid programs are required to screen and enroll low-income subsidy applicants for Medicaid and MSP as well. Although the same screening requirements do not apply when applications are processed through the Social Security Administration, there is great potential to streamline the income and asset verification processes through referrals to state Medicaid offices and information sharing. Processing applications for the subsidy, as well as responding to Medicare beneficiaries' questions about the subsidy and the new benefit, are added administrative functions for state and local Medicaid offices, which already have limited resources. Therefore, this is a logical time to consider ways to simplify the enrollment and renewal processes for both the Medicare Savings Programs and the Medicare Part D low-income subsidy.

Methods

Costs associated with the enrollment and renewal processes were examined as were data on enrollment patterns for the Medicare Savings Programs.

Examining costs

A case study approach was used to describe the enrollment and renewal processes in Minnesota at a point in time and to make estimates of some of the basic costs associated with each process. The emphasis was on activities that occur at local Medicaid offices.

Initially, a few state and local officials were contacted and asked to describe the enrollment and renewal processes in Minnesota. Two sets of questions were developed based on that information: one for financial workers who make eligibility determinations and one for clerks who generally help with some of the clerical tasks related to processing applications. Questions were asked about enrollment and renewal activities (see Appendix A).

The sets of questions were used by representatives from Minnesota's Department of Human Services in the process of interviewing Medicaid staff. Structured interviews were conducted in the winter and spring of 2005 in five county offices that vary in geographic location and size but are not necessarily representative of the entire state: Carver, Hennepin, Mille Lacs, Olmsted, and Ramsey counties. Interviews were conducted with one or two clerks, and two or three financial workers. Office supervisors also were interviewed. The number of individuals interviewed was dependent on the size of the local staff. Also, because there are differences in who performs tasks and how they are performed locally it was necessary to be somewhat flexible in asking the questions about tasks. The enrollment and renewal processes are similar enough across the state, however, that it was possible to make comparable time estimates for each process.

Each respondent was asked to estimate the amount of time required to accomplish specific tasks related to the enrollment of “typical,” or average, applicants for the Medicare Savings Programs or the renewal of benefits for the typical MSP beneficiary. The assumption in determining the total time for each process was that each of the routine tasks associated with enrollment and renewal would be performed for the typical MSP applicant or beneficiary. For example, in practice it is not necessary to contact every applicant to ask for missing information, but the assumption is that this task will be performed for the typical client. The totals do not include time associated with tasks that are not routine, but may be requested, however. For example, time spent talking with applicants who call to check on the status of their applications or to get information about the Medicare Savings Programs or related benefits are not reflected in the totals.

Costs related to the enrollment and renewal processes were calculated by multiplying the average amount of time associated with each process by the personnel cost per employee for each of the types of employees involved at each site. An average of the personnel costs per site was then calculated to get an estimate of the basic personnel costs associated with enrollment and renewal in the state. Personnel costs, provided by the state Medicaid program, include the salary and related benefits for each type of employee as well as costs related to space, telephones, supplies, and equipment. Generally, employees who have been on the job for more years have higher salaries. The figures used in this analysis for salaries and benefits represent the midpoint in the salary range for each type of employee. Costs for printing and postage also were included in estimates of costs for enrollment and renewal.

It is important to note that these estimates represent just a portion of the cost of enrollment and renewal. They only represent the costs associated with the work performed locally by clerks, financial workers, and supervisors. The estimates are conservative because not included is the time that other employees spend, such as state staff who provide program, data, or other types of support. In addition, the estimates do not include the cost of purchasing, programming and reprogramming, and maintaining data systems. And, the cost of activities related to program outreach is not included.

Examining enrollment

The Minnesota Department of Human Services tracks renewal outcomes on a monthly basis for individuals enrolled in the QMB, SLMB, and QI programs. The reasons for case closures are also tracked. These data were compiled and reviewed for the period between January 2003 and March 2005.

*ENROLLMENT AND RENEWAL
FOR THE MEDICARE SAVINGS PROGRAMS IN MINNESOTA*

The enrollment process

Eligibility determinations for the Medicare Savings Programs occur at County Offices across the state. In response to inquiries about MSP enrollment, application forms are sent to potential applicants. Returned applications are sorted in the mail room and distributed to intake workers or financial workers. Staff assignments vary depending on the size of the county. At intake, the worker checks the system for an existing case record. Financial workers use the established record, or establish a new record, and enter information from the application. In Hennepin County, applications and supporting documents are scanned into the computer system first. If all of the required information and required verification documents have been submitted, the financial worker can make an eligibility determination and enter the result in the system. A notice to the client is automatically generated and sent. If additional information is needed, the financial worker sends a notice requesting further information or verification. If a response is not received in 30 days the case is closed. If adequate information is submitted within 30 days the financial worker continues with the eligibility determination. If information is still missing after the applicant has responded the first time, the worker may send another notice or may call the applicant to explain what is needed.

The renewal process

Enrollees receive notices for renewal 45 days before their coverage will end. Returned renewal forms are sorted in the mail room and sent to the appropriate financial worker. Workers send notices to individuals who have not supplied complete information or verification documents. When all information is available it is entered in the system, an eligibility decision is made, and a notice is sent to the enrollee. If the renewal application is incomplete the case is closed after 30 days. If a renewal form or needed documentation is received in the month after the case is closed, financial workers reinstate the case to renew benefits.

Findings and Discussion

Findings on administrative costs associated with enrollment and renewal for the Medicare Savings programs indicate that rules to increase asset limits and to limit the instances when verification of assets is required have made the renewal process simpler and less costly. More administrative savings could be achieved if renewal occurred annually instead of every six months and if more internal verification of financial status occurred at renewal.

The basic costs of enrollment and renewal

On average, in five counties in Minnesota, the basic cost associated with enrolling applicants in the Medicare Savings Programs is \$48.35 per applicant. Costs are lower, on average, when beneficiaries are re-enrolled in the programs, \$36.35 (see Table 1).

Table 1
Average basic costs per applicant for enrollment and renewal
in the Medicare Savings Programs in Minnesota

	Personnel	Postage and Printing	Total
Enrollment	\$46.63	\$1.72	\$48.35
Renewal	\$34.63	\$1.72	\$36.35

Source: Health Policy Institute, Georgetown University

Changes in rules for verifying assets have produced administrative savings

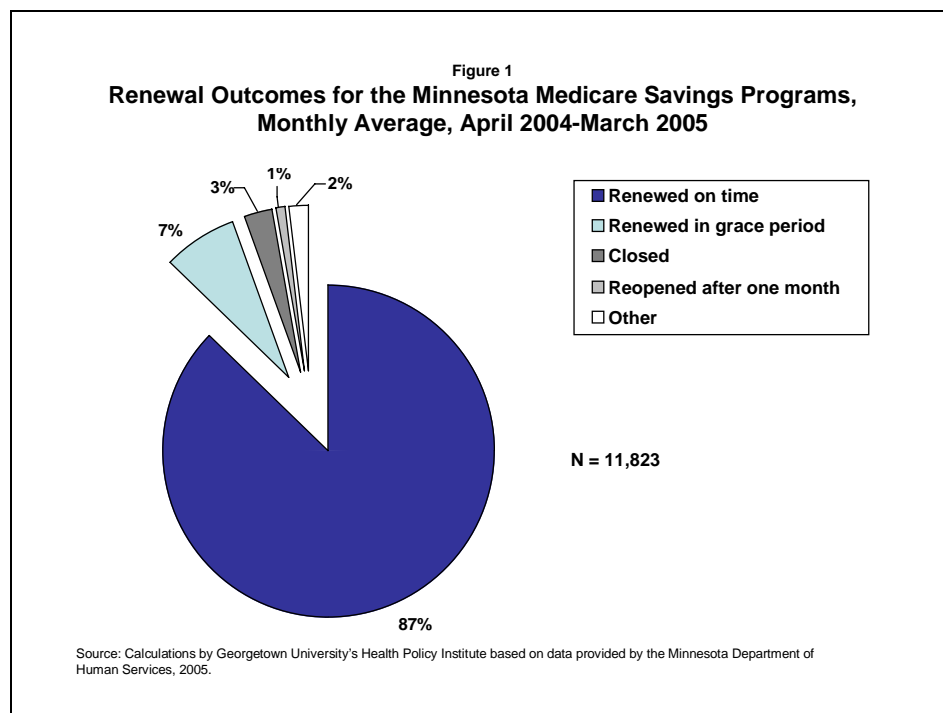
On average, financial workers report that, per enrollee, they spend nine minutes less at enrollment and ten minutes less at renewal verifying information related to assets since the implementation of a rule that only requires verification of assets if the declared value is within \$300 of the asset limit.³ Given the volume of applications and renewals processed annually, this time savings represents a savings of over \$800,000. Printing and postage costs also have been reduced because of a decreased need to send requests for information related to the value of assets and to return documents submitted for verification purposes.

³ Asset limits for the Medicare Savings Program in Minnesota are \$10,000 for individuals and \$18,000 for couples, substantially higher than the limits set by federal law – \$4,000 for individuals and \$6,000 for couples.

Less frequent renewals would generate significant administrative savings and would not have a significant impact on the number of beneficiaries enrolled in the programs

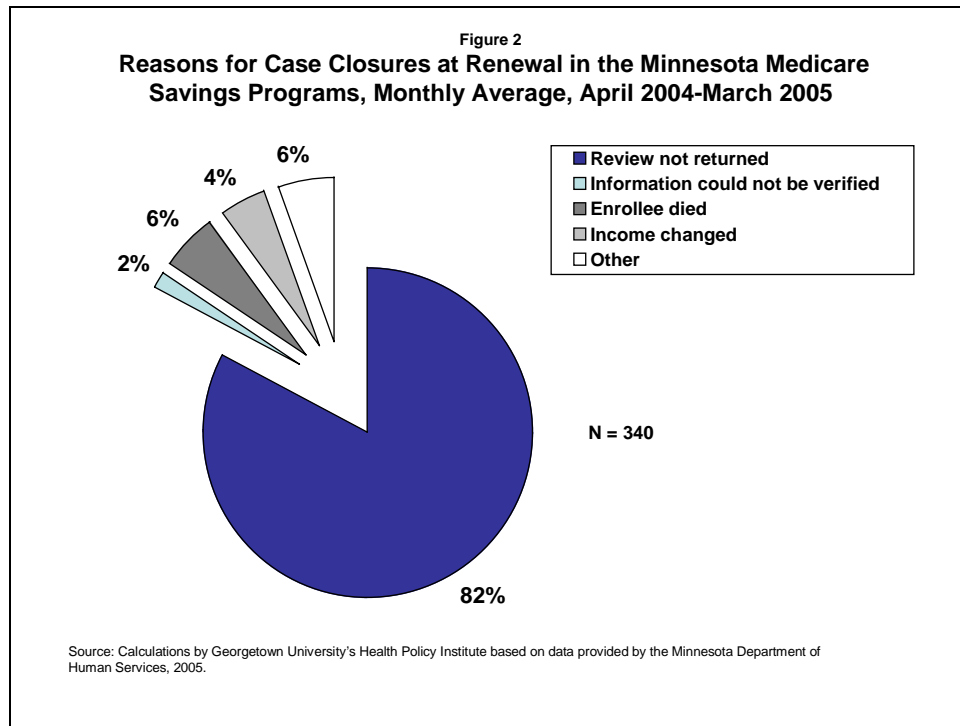
Some 167,030 eligibility reviews for the Medicare Savings Programs were conducted in Minnesota in 2004. At a cost of \$36.35 per review, the total cost is almost \$6.1 million. If recertification occurred annually instead of every six months for all beneficiaries, millions of dollars could be saved annually.

Recertification is required to ensure that individuals are still eligible to receive benefits. State data on the outcome of renewals indicate that very few individuals enrolled in the Medicare Savings Programs lose coverage at the six-month renewal. Over a 12-month period beginning in April 2004, for example, only one percent of the cases due for renewal were closed monthly, on average. The vast majority – 87 percent – were renewed with no interruption. An additional seven percent were processed within the one-month grace period, and three percent of enrollees re-enrolled after a short gap in coverage (see Figure 1).



Minnesota also tracks the reasons for case closures. The most common reason for case closures among the MSP population is the failure to return eligibility review forms. As noted above, however, many of those who fail to return the forms initially submit them later and are determined eligible for continued coverage. Death was the reason for the next largest category of closures. Only six percent of cases closed – representing 15 individuals or approximately .001 percent of the total cases due for renewal –

were closed for reasons related to changes in income. (see Figure 2). This very low proportion is not surprising; analyses of national data have shown that the financial circumstances of older people with low incomes do not change substantially over time.⁴



An ex parte renewal process could also generate substantial administrative savings

“Ex parte” renewals rely on information already available to the state agency, usually from other government records, such as Food Stamp program records. This approach to renewal eliminates unnecessary paperwork for the agency and for beneficiaries. States define “current information” as information obtained within a certain period of time prior to the renewal month.

The “ex parte” renewal process used for the Louisiana Medicare Savings Programs is worth considering. Before they contact MSP enrollees about renewal, Medicaid Analysts search Food Stamp database, along with others, to see if they can verify that individuals still qualify for benefits based on their income and assets. If input on the part of beneficiaries is not needed, the Analyst updates the information system, changes the date of eligibility, and sends a notice that enrollment has been extended and that program benefits will continue for another year. In considering such a change, it is important to note that the practice of asking applicants to submit documents to verify information about income or assets is not

⁴ Summer, Laura and Lee Thompson, *How Asset Tests Block Low-Income Medicare Beneficiaries from Needed Benefits*, The Commonwealth Fund, May 2004.

required by law. In fact, the only requirement regarding documentation for Medicaid is for verification of immigration status for applicants who are not citizens or nationals of the United States.⁵

An examination in Louisiana of administrative costs associated with renewal for the Medicare Savings Programs shows that, on average, ex parte renewals cost about half as much as the more traditional renewals.⁶ Administrative costs are lower with ex parte renewals because they can be conducted internally by Medicaid staff and therefore consume less time for agency workers than application-based renewals. They also eliminate the need to print, mail, and process renewal forms.

Other changes could improve the process

One consistent theme that emerged when financial workers were asked about the enrollment and renewal processes is that they are still confusing for applicants and enrollees. Several noted that a simpler process would be less time consuming, require less explanation, and leave some time to help individuals who need assistance with their applications. A number of financial workers noted that the new rules regarding verification of assets had made the application and renewal processes easier and had made their jobs easier. Several suggested that the development of application forms that are shorter and easier for consumers to understand would also be a welcome change.

Conclusion

Data from the Minnesota Department of Human Services show that renewal rates for the Medicare Savings Programs are very high and that few enrollees lose coverage because they fail to meet the program eligibility requirements. The stability of the caseload suggests that enrollment patterns would likely be similar if renewal were required annually rather than at six-month intervals. Such a policy change would also reduce administrative costs considerably. The changes that Minnesota has already made to increase asset limits and reduce verification requirements have helped streamline the application and renewal process. With so much current emphasis on enrolling low-income Medicare beneficiaries in Part D and assuring that they receive the low-income subsidy, administrative simplification may have some appeal to policy makers.

⁵ Centers for Medicare and Medicaid Services, *Continuing the Progress: Enrolling and Retaining Low-Income Families and Children in Health Care Coverage*, August 2001.

⁶ Summer, Laura, *Administrative Costs Associated with Enrollment and Renewal for the Medicare Savings Programs: A Case Study of Practices in Louisiana*, State Solutions National Program Office, available at www.statesolutions.rutgers.edu.

Appendix A

Structured Questions

Minnesota

Questions for Clerks

Questions regarding the enrollment process:

1. For a typical MSP applicant, how many minutes are spent processing the application in the mail room?
2. For a typical MSP applicant, how many minutes are spent at intake researching the system to see if the client name and information already exists?
3. For what proportion of MSP applicants is information in the system?
For a typical MSP applicant, if information is in the system, how much time does it take to pull the case and get it to the eligibility worker?
For a typical MSP applicant, if case does not exist, how much time does it take to get the case ready and get it to an eligibility worker?
4. For a typical MSP applicant, how long does it take to copy and return documents?
5. When the mail room receives items from MSP applicants in response to requests from eligibility workers for more information or verification documents, how many minutes does it typically take to process the items and get them to the appropriate eligibility workers (including determining which worker has the case)?
6. Are there other steps in the enrollment process for typical MSP applicants that we have not asked about? If so, please use the space below to:
 - Describe each task
 - Indicate what proportion of applicants the task applies to
 - Estimate how many minutes each task requires

Questions regarding the renewal process:

1. For a typical MSP enrollee how many minutes are spent processing the application in the mail room (including matching the renewal with the correct worker)?

2. When the mail room receives items from MSP enrollees in response to requests from eligibility workers for more information or verification documents, how many minutes does it typically take to process the items and get them to the appropriate eligibility workers (including matching the documents with the correct case and worker)?
3. Are there other steps in the renewal process for typical MSP enrollees that we have not asked about? If so, please use the space below to:
 - Describe each task
 - Indicate what proportion of applicants the task applies to
 - Estimate how many minutes each task requires

Questions for Financial Workers

Questions regarding the enrollment process:

1. For a typical MSP applicant, how many minutes are spent conducting electronic checks of program records?
2. For a typical MSP applicant, how many minutes are spent putting the initial application information into the system to “pend” the application?
3. What proportion of MSP applicants do you have to contact *by mail* to ask them to provide missing information?
For a typical MSP applicant how much time does this process take?
4. What proportion of MSP applicants do you have to contact *by phone* to ask them to provide missing information?
For a typical MSP applicant, how much time does this process take?
5. What proportion of MSP applicants do you have to contact a second time to ask them to provide missing information?
For a typical MSP applicant how much time does this process take?
6. For what proportion of applicants do you have to verify information related to assets (that is, what proportion report assets within \$300 of the limits)?
How much time does it take when you have to verify information related to assets? (What is involved)?
7. For what proportion of applicants do you have to verify information related to income?
How much time does it take when you have to verify information related to income? (What is involved)?
8. When you receive information or verification documents, how long does it take to finish putting the information in the system?
9. For a typical MSP applicant, how many minutes are spent making an eligibility determination? (What does this involve?)
10. How many minutes are spent sending notices to clients?

11. For a typical MSP applicant, how many minutes are spent copying verification documents and returning them by mail?
12. Are there other steps in the enrollment process for typical MSP applicants that we have not asked about? If so, please use the space below to:
 - Describe each task
 - Indicate what proportion of applicants the task applies to
 - Estimate how many minutes each task requires

Policy related questions regarding enrollment:

1. For a typical MSP applicant, how much time does it take to verify information regarding income or assets?
2. When you have to verify information for MSP applicants, what proportion of your time is spent verifying information about income and what percent of your time is spent verifying information about assets?
3. Can you estimate what proportion of your time was spent verifying information about assets prior to the rule change “within \$300 of the limits” and since then?
4. What are the most common problems or questions that applicants have or enrollment barriers that they face?
5. What is the most difficult or time-consuming part of the enrollment process?
6. What would make (or has made) the enrollment process faster or easier?

Questions regarding the renewal process:

1. For a typical MSP enrollee, how many minutes are spent conducting clearances (electronic checks of program records) when renewal forms are returned?
2. What proportion of MSP enrollees do you have to contact *by letter* to ask them to return renewal forms because they have failed to do so after receiving the notice to renew?
How much time does it take to send the letter?
3. What proportion of MSP enrollees do you have to contact *by phone* to ask them to return renewal forms because they have failed to do so after receiving the notice to renew?
For a typical MSP enrollee, how much time does it take to make the call?
4. What proportion of MSP enrollees do you have to contact *by mail* to ask them to provide missing information?
For a typical MSP enrollee how much time does this process take?
5. What proportion of MSP enrollees do you have to contact *by phone* to ask them to provide missing information?
For a typical MSP enrollee, how much time does this process take?
6. What proportion of MSP enrollees do you have to contact a second time to ask them to provide missing information?
How much time does it take?

7. For what proportion of enrollees do you have to verify information related to assets (that is, what proportion report assets within \$300 of the limits)?
How much time does it take when you have to verify information related to assets? (What is involved)?
8. For what proportion of enrollees do you have to verify information related to income?
How much time does it take when you have to verify information related to income? (What is involved)?
9. When you receive information or verification documents, how long does it take to finish putting the information in the system?
10. For a typical MSP enrollee, how many minutes are spent making an eligibility determination? (What does this involve?)
11. For a typical MSP enrollee, how many minutes are spent printing and sending notices to clients?
12. For a typical MSP enrollee, how many minutes are spent copying verification documents and returning them by mail?
13. Are there other steps in the renewal process for typical MSP enrollees that we have not asked about?
If so, please use the space below to:
 - Describe each task
 - Indicate what proportion of applicants the task applies to
 - Estimate how many minutes each task requires

Policy related questions regarding renewal:

1. For a typical MSP enrollee, how much time does it take to verify information regarding income or assets?
2. When you have to verify information for MSP enrollees, what proportion of your time is spent verifying information about income and what percent of your time is spent verifying information about assets?
3. What are the most common problems or questions that enrollees have or barriers that they face when it is time to renew benefits?
4. What is the most difficult or time-consuming part of the renewal process?
5. What would make (or has made) the renewal process faster or easier?

State  Solutions

The Medicare Savings Programs are publicly financed programs that help people pay for costs associated with Medicare, such as premiums, co-payments and deductibles. It is estimated that 5 million people are eligible to receive financial help through the Medicare Savings Programs, but only half are enrolled. Eligibility is generally granted to Medicare enrollees with low incomes, including people with disabilities and seniors.

State Solutions is a national program working to increase enrollment in and access to the Medicare Savings Programs. Funding for State Solutions is provided by The Robert Wood Johnson Foundation and The Commonwealth Fund.