



March 2, 2020

To: The Honorable Dr. Richard Pan
Chair, Senate Budget Subcommittee No. 3

Honorable Members
Senate Budget Subcommittee No. 3

From: Frank J. Mecca, Executive Director, CWDA

Tia Orr, Director of Government Relations, SEIU California

**RE: MEDI-CAL ELIGIBILITY: COMMENTS ON LAO
REPORT, CONTINUING CALHEERS ISSUES - REQUEST
ADOPTION OF TRAILER BILL LANGUAGE**

The County Welfare Directors Association of California (CWDA) and Service Employees International Union (SEIU) appreciate the LAO's recent report regarding Medi-Cal eligibility. As you consider the recommendations in the report, we urge the committee to discuss, concerns the county human services agencies and SEIU's eligibility worker members continue to experience with the oversight and administration of the CalHEERS system and delays in needed system improvements.

The LAO appropriately reviews the status of county performance and the eligibility budgeting methodology and makes some recommendations to the Legislature with regards to both. The LAO assumes - quite reasonably, in light of the fact that the ACA has been in effect for over six years - that the automation-related issues have been resolved and we are now in a steady state. Unfortunately, the reality is that a number of issues with CalHEERS, some of which were identified years ago, still have not been fixed. Some of these fixes have been delayed by the system sponsors (the Department of Health Care Services and Covered California) numerous times. As a result, while some of the recent audit findings are within the counties' control, others are driven by CalHEERS, which counties use in addition to the Statewide Automated Welfare System (SAWS), the legal system of record for Medi-Cal.

It is critical for the Legislature to understand the shortcomings of CalHEERS and inordinate delays in developing functionalities that are considered to be a baseline for most eligibility systems. Specifically, our organizations ask that you adopt trailer bill language that: (1)

specifies a timeline for known eligibility-related issues to be fixed, (2) provides greater accountability on the part of the Administration for delays and workarounds, (3) sets forth a more inclusive, statutory governance process for the system, and (4) suspends the onset of county penalties until needed eligibility fixes have been implemented.

Background: The CalHEERS System and Interaction with SAWS

County human services agencies employ more than 20,000 eligibility workers across the state to handle the more than 13 million cases on Medi-Cal at any given time. Our staff work very hard to ensure accurate and timely coverage, ease movement between programs when individuals' circumstances change, and perform ongoing eligibility work that responds to changes in clients' lives and ensures an annual redetermination is completed for each case as required by the federal government.

CalHEERS was created to implement the new exchange coverage offered by the Affordable Care Act, as well as the "MAGI-based" rules for Medi-Cal coverage contained in the act. CWDA and SEIU recommended at the time that the MAGI rules be programmed into SAWS, rather than embedded into a new, separate system. Our objections were overruled, resulting in a *second* system our workers must interact with in order to effectuate and maintain proper coverage for millions of customers. We also were promised that CalHEERS would be connected to SAWS via an "interface," but the promised connection is not the seamless interface we had anticipated. Instead, the connection has been a generally serviceable, but far from ideal, system of transactions sent between the systems. As a result, our workers must toggle back and forth between two systems to see real-time information on customers, increasing the time it takes to conduct eligibility work and introducing the potential for errors. This is an issue inherent in the decision by the Schwarzenegger Administration, Covered California and the Legislature to build CalHEERS separate from SAWS.

Since the new system went live in 2014, significant issues have been identified with eligibility programming in CalHEERS. A number of these have been corrected over the past six years, but many remain, causing manual workarounds for our county staff, affecting coverage for clients, and resulting in case errors beyond counties' control. These issues fall into two categories - (1) functionality that should be considered baseline for an eligibility system and is available to workers via SAWS but not CalHEERS, and (2) defects and workarounds that are caused by problems with each release of system changes.

Baseline Functionality: Business Rules Exposure for SAWS (BREfS)

As CalHEERS was implemented, county workers identified a number of shortcomings that we considered "baseline," meaning, these items would typically be basic functionality in an eligibility system of this nature. In 2016, CWDA and SEIU worked with the Brown Administration on an agreed set of changes, grouped into four phases and collectively

known as “Business Rules Exposure for SAWS,” or BREfS, that would generally resolve these issues. A fifth phase was also planned to correct any additional issues identified during the prior phases.

As an example of the basic functionality that BREfS includes, these changes would allow county staff to send corrected eligibility transactions to CalHEERS when the system incorrectly determines eligibility. Such an error might occur due to a defect in CalHEERS or a policy change that has not yet been programmed. This functionality has been in SAWS since the systems were first programmed and is present in most other states’ eligibility systems that we know of, yet it has never been available in CalHEERS – despite being first requested during the original design work that began nine years ago.

As of now, phases 3 and 4 of BREfS remain unimplemented and have continually been either scheduled but pushed back, or not scheduled at all for the necessary design, coding and implementation work. Meanwhile, CWDA and SEIU have been required to attend multiple meetings – outside of the regular change implementation process, which is unusual and not how change requests are otherwise handled – to reconfirm the need for these changes repeatedly despite the sponsors’ agreement nearly four years ago that these items are necessary. This repeated relitigating of issues that workers need demonstrates a lack of support that began during the previous Administration and unfortunately is carrying over into the current Administration.

The pushing-back of these changes continues, as well. In November 2019, the governing body that includes the sponsors and CWDA agreed that two aspects of the phase 3 changes would go into the September 2020 release. However, at the February 2020 meeting of the same group – just two months later – these changes were shifted to the February 2021 release, over CWDA’s objections.

Ongoing Defects and Workarounds

In addition to the BREfS items noted above, the attached chart and narrative provides an overview of the system’s defects and related workarounds over time, showing that nearly every release creates new defects and workarounds, some creating a significant amount even as others reduce the number of defects in the system. The chart provides some examples of the types of issues that have been long-standing.

As just a few examples of outstanding defects requiring manual work and creating the potential for case processing delays and errors:

- County workers are still unable to reliably change the “county of responsibility” for a case and have to rely on workarounds or submit a help desk ticket to CalHEERS. This is basic functionality, and counties are able to do this in the SAWS system for other programs such as CalFresh and CalWORKs. Until the help desk resolves a

ticket, an individual remains in the incorrect county in the system, which is unacceptable given the differences in managed care plans and networks across counties.

- A number of immigration-related defects exist, such as CalHEERS inappropriately reaching out to the federal data hub to verify income for undocumented applicants even when they have no Social Security Number.
- Issues that affect the ability to cleanly and quickly transfer cases from Covered California to Medi-Cal when circumstances change, which also can create coverage delays, confusion, and excess premium charges for customers who should be eligible for Medi-Cal at no cost.

Governance Process Failings

Several years ago, CWDA worked with the Office of Systems Integration (OSI) to bring together the sponsors and project team to agree on a system of governance for CalHEERS that would give counties a seat at the table. We are represented on three standing committees, which range from executive-level membership to subject-matter experts.

This system initially worked quite well and CWDA felt included in the decision-making. Even though the sponsors had the ultimate say over items that were contentious, it was largely a productive, consensus-driven process.

Unfortunately, in the last year, the two higher-level committees have become less inclusive and less effective. The executive-level committee has not met in person in months and the mid-level committee is not conducive to true decision-making in partnership. It is clear from the interactions that decisions often are made outside of this meeting by sponsors and project staff and reported at the meeting, with the outcomes fairly certain even when CWDA raises concerns (such as with the above example, where the sponsors shifted a BREFS change to a later release during the February 3 meeting of this group).

In order to address these issues and get the governance process back on the right track, we request oversight and assistance from the Legislature in reorganizing (and formalizing through trailer bill language) the governance process to ensure a true and respected voice in the process for counties as critical partners in covering all eligible Californians.

County Performance System: Restart Performance Process, But Delay Penalties

The Administration has proposed as part of its CalAIM waiver to restart a process that was created more than 15 years ago to track county performance on application and annual redetermination processing as well as other measures such as resolution of critical alerts from the state's MEDS system, which SAWS and CalHEERS interact with to ensure accurate

eligibility. Part of the process was suspended during the recession of the early 2000s, when the state discontinued the practice of providing full funding for county eligibility staffing costs. However, counties were still required to track locally to the performance measures, which we supported due to the need to measure our effectiveness and pinpoint areas for improvement.

As part of CalAIM, the Administration proposes to restart the state reviews of these measures, to require counties to enter into improvement plans, and to allow the state to penalize counties if they fail to improve sufficiently over time. Counties have asked the state to partner with us to ensure the measures and process make sense in light of the new program rules and the existence of CalHEERS. This is still in progress. In the meantime, given the significant issues that remain with CalHEERS eligibility automation and the errors that such issues have the potential to introduce, counties should not be threatened with a potential penalty. We thus request that the trailer bill language adopted by the committee include a delay in any penalty structure until needed fixes are implemented in CalHEERS.

LAO Budget Methodology Recommendation

After about a decade of suspension due to the recession, the 2020-21 budget will mark the third year that the counties are proposed to receive a Cost of Doing Business increase to recognize the ongoing operational cost increases that counties experience, just as the state does. As noted above, the LAO has recommended the Legislature hold off on approving this year's proposed Cost of Doing Business increase for county staffing while it considers restarting discussions on an updated budget methodology. We share the goal of an updated budget methodology, and understand this recommendation; however, given the ongoing manual work due to delayed CalHEERS system improvements, we do not believe the system is in a "steady state" at this point.

We look forward to this conversation in budget hearings. However, we request the Legislature approve the Cost of Doing Business increase at the time it takes action on the remainder of the budget proposals regardless of the outcome of this discussion so that counties can appropriately conduct eligibility work on behalf of the state.

Conclusion

The continued deprioritization of changes and fixes that county workers need in order to properly conduct the work we do on the state's behalf has been going on for so long that we have no choice but to elevate this issue to the Legislature. Counties' voice at the table has been diminished and the governance process is no longer working.

We ask for your committee's assistance and oversight on this issue through discussion at the appropriate budget hearings and the adoption of trailer bill language as we outlined above. Thank you for your consideration of this request.

cc: Anthony Archie, Senate Budget Subcommittee No. 3
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