



# COMMONWEALTH of VIRGINIA

Hal E. Greer  
Director

*Joint Legislative Audit and Review Commission*  
201 North 9<sup>th</sup> Street, General Assembly Building, Suite 1100  
Richmond, VA 23219

(804) 786-1258

JLARC Meeting – December 12, 2016

## MINUTES

### Attending

#### JLARC Members:

Delegate Robert Orrock, Chairman; Delegate David B. Albo, Delegate M. Kirkland Cox, Senator Emmett Hanger, Delegate Chris Jones, Delegate R. Steven Landes, Delegate James P. Massie, Senator Ryan McDougle, Senator Thomas K. Norment, Delegate John M. O'Bannon, Delegate Kenneth Plum, Senator Frank Ruff, Ms. Martha Mavredes, Ex Officio.

#### JLARC Staff:

Hal Greer, Director; Justin Brown, Senior Associate Director; Tracey Smith, Associate Director; Kimberly Sarte, Assistant Director; Lauren Axelle, Erik Beecroft, Sarah Berday-Sacks, Jamie Bitz, Susan Bond, Drew Dickinson, Kathy DuVall, Nicole Gaffen, Nick Galvin, Maria Garnett, Mark Gribbin, Nia Harrison, Paula Lambert, Jeff Lunardi, Liana Major, Bridget Marcek, Joe McMahon, Ellen Miller, Jordan Paschal, Nathan Skreslet, Nichelle Williams, Christine Wolfe.

#### Others:

Bill Hazel, Secretary of Health and Human Resources; Joe Flores (Deputy Secretary of Health & Human Services); Cynthia Jones, Linda Nablo, Suzanne Gore, Karen Kimsey, Cheryl Roberts, Teri Smith, Bill Lessard, Jonathan Yost (Department of Medical Assistance Services); Christian Jensrud, Stacey Lampkin, Jonathan Myers (Mercer Health and Benefits); Nathalie Molliet-Ribet, Deputy Secretary of Education (former Senior Associate Director, JLARC); Tripp Perrin (lobbyist representing personal care providers); Doug Gray (Virginia Association of Health Plans); George Strudgeon (Auditor of Public Accounts); Karen Addison (Troutman Sanders); Matt Mansell (Virginia Healthcare Association); Massey Whorley (Office of the Governor); Charlotte Arbogast (Department for Aging and Rehabilitative Services); Trish Bishop, Cindy Wilkinson, Michael Cooper, Ron Schmitz, Jeanne Chenault (Virginia Retirement System); Jordan Forbes (Virginia 529); Mary Jo Fields (Virginia Municipal League); Michael Jay and Susan Hogge (House Appropriations Committee Staff); Mike Tweedy and Sarah Herzog (Senate Finance Committee Staff); David Rosenburg (Division of Legislative Services); Chris Duncombe (The Commonwealth Institute); Katie Webb (Virginia Hospital and Healthcare Association); Alana Austin (NBC29 WVIR Charlottesville); Travis Fain (Daily Press); Ann Marie Morgan, Saraya Wintersmith, and Mallory Noe-Payne (Virginia Public Radio); Michael Martz (Richmond Times Dispatch).

The meeting was called to order at 10:00 a.m. by Delegate Orrock, Chairman. Delegate Orrock then recognized Mr. Greer who provided the Commission with a brief overview of the meeting agenda and provided some brief remarks about the Medicaid report. Mr. Greer then introduced Jeff Lunardi,

the project leader for the Medicaid study, who provided the Commission with a presentation on the *Managing Spending in Virginia's Medicaid Program* report.

Mr. Lunardi responded to several questions from the Commission throughout his presentation. Delegate Orrock asked how many patients have been seen in a hospital setting versus a physician setting. Mr. Lunardi stated that the report includes an appendix with this information and he will also address this question in the managed care section of his presentation.

Delegate Cox asked about how much other states have saved through implementing cost sharing requirements based on family income and how much could Virginia save by doing this. Mr. Lunardi mentioned that the cost sharing varies significantly depending on the specific requirements, as well as enrollment.

Delegate O'Bannon asked if the managed long-term services and supports (MLTSS) have a profit cap. Cynthia Jones, Director of the Department of Medical Assistance Services (DMAS), stated that the MLTSS has a medical loss ratio and that if the General Assembly would like to cap MCO profits for MLTSS, DMAS would welcome the General Assembly to direct DMAS to implement a profit cap.

Delegate Orrock asked why patients are presenting at the emergency room (ER) instead of a physician's office. He commented that there is a copay difference between the two options and that ER costs are written off by hospitals when patients are not able to pay. Mr. Lunardi said that appendix D of the report includes the number of visits and cost of visits but it does not include a breakdown by patient symptoms. However, all of the visits identified in the appendix were potentially preventable, either through better preventive treatment or being seen in a lower acuity setting.

Delegate O'Bannon stated that a higher percent of acute patients in hospitals are typically accepted to institutional long-term care. He asked if other states bifurcate this and who has control of the UAI. Ms. Jones said that the Joint Commission on Health Care set up the UAI in 1993, but the General Assembly could give DMAS this responsibility.

Delegate Orrock asked why two-thirds of eligibility screenings were not authorized for services by one community-based team while more than 98 percent were authorized in another. Mr. Lunardi said that it is difficult to determine the reason for the variation in the eligibility screenings. He then said that stronger oversight, including testing for inter-rater reliability, would tell whether or not the screenings are reliable. Delegate Albo then stated that it depends on who is doing the screening and the methods used to determine whether or not an applicant is eligible for services. Delegate Orrock said that DMAS may want to look into the screening process used by community-based teams to determine if additional training may be needed or if there have been any patterns in the determinations made.

Delegate Orrock asked about the conflicts of interest under MLTSS and which scenario is most like what they would have in a private long-term care model. Mr. Lunardi said the provider would still be part of the interdisciplinary care team in the model that JLARC recommends, but they would not be assessing the individual and giving recommendations to the MCO on the type and amount of long-term care services.

Senator Hanger complimented JLARC staff on the report and said that the program managers have been doing a good job. He said the General Assembly will work with DMAS to determine which recommendations to implement, and will also look at examples in other states, such as Arkansas, to make the MCO program more effective.

Delegate Albo asked if the team considered having a separate entity perform the oversight of MCOs. Mr. Lunardi said that this would be a fundamentally different model and it was not something the team looked into.

Delegate Landes asked about the priority of the 35 report recommendations in terms of those that would have the highest impact on cost. He acknowledged that some recommendations will be longer-term. Mr. Lunardi said that the team could provide this information to the Commission. He then said that the highest priority recommendations for cost savings could be grouped into three categories: rate setting to ensure efficiencies, profit sharing, and ensuring that eligibility screenings are reliable and done consistently across the state.

Delegate Landes then asked about the waivers for intellectually disabled individuals and whether the team looked at the cost related to the old versus the new system used for the aged, blind, and disabled population of long-term care recipients. Mr. Lunardi said that the impact on spending of this population was not part of the report, but explained that the team did talk to the Department of Behavioral Health and Developmental Services about this to understand the planned changes. Delegate Landes then stated that there is still a lot of work to be done to improve the system.

Delegate O'Bannon said that Virginia has had an MCO system for awhile but as they implement MLTSS, they need to catch up on the use of data. He said that MCOs work in the contract world and interface between General Assembly committees. He referenced page 108 of the report and asked if Virginia has the data to develop comprehensive report cards like other states have done. Mr. Lunardi said that yes, DMAS can get the data for these report cards from MCOs and that it is validated by a third party, but to get the raw data and do the analysis internally will require completing the overhaul of DMAS's IT system. DMAS needs to be able to obtain reliable, raw claims data directly from the MCOs.

Delegate Jones asked what percent of the \$355 million in spending growth for disabled enrollees was from the intellectually or developmentally disabled populations. He said that this accounts for 27.5 percent of enrollment growth, but these individuals are not in the MCO program. Mr. Lunardi said that in the waiver redesign, there is a support intensity scale for this population. Delegate Jones said that the MCO program should be reviewed again in five years to see how it is being implemented.

Following Mr. Lunardi's presentation, Delegate Orrock invited Ms. Cynthia Jones, Director of DMAS, to provide the Commission with her remarks in response to the JLARC report. The Commission members asked several questions throughout Ms. Jones' remarks.

Delegate Orrock asked about the objective of the eligibility screening training. Ms. Jones said that she thinks this information was based on old data. (JLARC note: The data Ms. Jones was referring to was for FY16.) Ms. Jones said that some localities screen individuals who they know will not be eligible. She also said that DMAS is monitoring this now better than they did before. Delegate Orrock asked if the results of eligibility screenings are sometimes influenced by the processes or the attitude of staff in local DSS offices. Ms. Jones said that the local department will sit in on an eligibility screening if an employee does not have the support they need. She said there is no one currently receiving long-term services and supports that does not need those services.

Delegate Landes asked about the cost of additional resources needed at DMAS. Ms. Jones said that DMAS can provide the Commission with this information. Delegate Landes then asked Ms. Jones if DMAS agrees with the minimum savings amount of \$17 million in the JLARC report. Ms. Jones said that DMAS would need to review this and also noted that \$17 million is a small percentage of the

total Medicaid budget. Senator Hanger requested a status update from DMAS of the JLARC report recommendations, as well as whether DMAS agrees or disagrees with each recommendation.

Subsequently, Delegate Orrock invited Secretary Bill Hazel (Health and Human Resources) to provide the Commission with his remarks in response to the JLARC report. At the conclusion of Secretary Hazel's remarks, Delegate Orrock stated that the report will be adopted by the Commission without objection. There being no objections, the motion was approved unanimously by the Commission.

Mr. Greer then introduced Mark Gribbin who presented a briefing of the *VRS Oversight Report: December 2016*. Mr. Greer also stated that this would be Mr. Gribbin's last presentation on the VRS oversight report and announced that Joe McMahon has been promoted to principal analyst for ongoing oversight and fiscal analysis and will be presenting this information to the Commission going forward. Mr. Gribbin responded to several questions of the Commission throughout his presentation.

Delegate Massie asked if investment professionals include individuals who are actively managing funds through VRS. Mr. Gribbin stated that this includes VRS staff who are overseeing external investment managers, as well as internal investment staff. Delegate Landes asked if JLARC staff received a response from VRS on the use of incentive awards and salaries. Mr. Gribbin said that they made suggestions to VRS and had discussions with their staff about the information presented in the report. Delegate Landes asked for JLARC staff to follow up with the Commission regarding what VRS does with these suggestions. Delegate Landes then asked when VRS began using a different model than other states in terms of how VRS sets pays for its investment staff and officers. Mr. Gribbin said that the review conducted by JLARC staff was limited to the more recent performance period. Mr. Gribbin said that JLARC staff could look at when incentive pay started being used by VRS but it would be challenging to obtain that type of information for other public funds.

At the conclusion of Mr. Gribbin's presentation, Delegate Orrock stated that the report will be adopted by the Commission without objection. There being no objections, the motion was approved unanimously by the Commission.

Following Mr. Gribbin's presentation, Mr. Greer turned the podium over to Justin Brown who presented a briefing of the *State Spending on the K-12 Standards of Quality: FY 2016* report. There were no questions from the Commission during Mr. Brown's presentation. Delegate Orrock stated that the report will be adopted by the Commission without objection. There being no objections, the motion was approved unanimously by the Commission.

There being no further business, the Commission adjourned at 11:59 a.m.

Approved by: Hal E. Greer  
Hal E. Greer, Director

Date: 12/20/16

Prepared by: Paula C. Lambert  
Paula C. Lambert  
Manager, Fiscal and Administrative Services  
& Senior Legislative Analyst