

DHS REFORM ACTIVITIES

June 8, 2016 Update



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DHS Organizational Review Plan

Three-Phase Review

March - April:

1. Phase One - 60-Day Review of Core Business Structures



May - July:

Initiate implementation of Phase One changes

June - September:

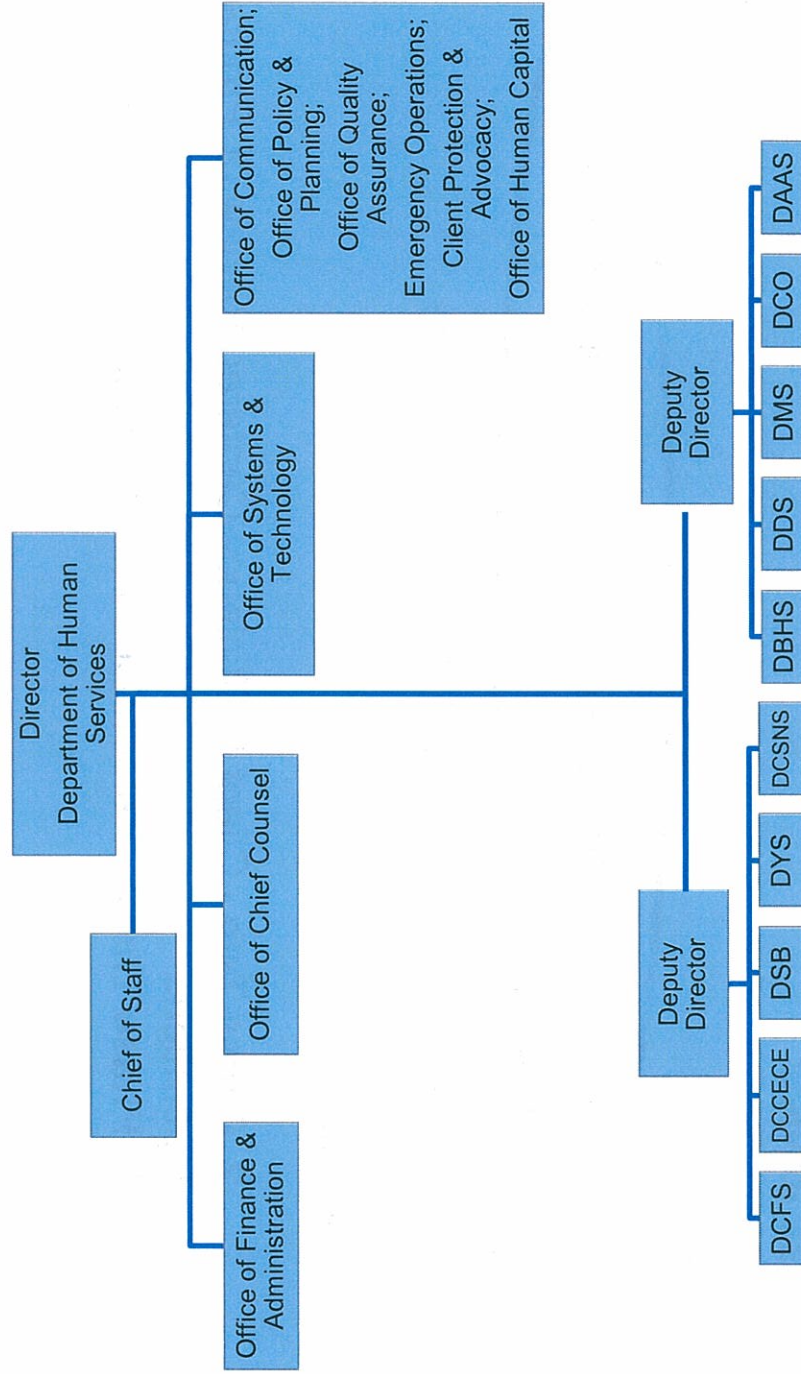
2. Phase Two - Client & Efficiency-Centered Review of Program Operations

3. Phase Three - Personnel & Human Resources Review

October -

Initiate implementation from Phase Two and Three (Note: Phase Two changes likely to require some legislative action and coordination with ongoing OPM personnel policies review)

CURRENT DHS ORGANIZATIONAL STRUCTURE



Summary

- We have talented and dedicated employees
- Ten divisions with independent Finance, HR, IT, and Procurement operations and an additional nine executive level offices that provide limited level of division support
- Ad hoc interactions with key external entities (legislature, community engagement)
- Very limited centralized reporting or oversight
- Very limited metrics or data collection established to measure performance
- **Result:**
 - NO centralized visibility at the Director's Office of the core business functions of the agency
 - NO clarity on accountability and responsibility
 - NO strategic or effective focus on external engagement
- We need systemic change

Major changes needed to transform 4 large functions critical for DHS to deliver on its mission

Procurement

- Lack of central point of accountability with clear responsibility for procurement strategy, project status and contract standards enforcement to achieve best value for DHS
- No central visibility into the number, type or value of procurements across divisions leading to redundant, sub-scale and often poorly-managed contracts
- Processes are not standardized and there is insufficient expertise including:
 - Lack of ability to effectively write, source and review RFPs
 - Lack of procurement legal expertise
 - Ineffective vendor management to prevent delays, cost overruns or issues

Finance

- No single point of accountability to manage and report on DHS's financial strategy and performance
- Lack of formal long-term planning at both a division and DHS-wide level
- High variability in the quality and content of financial reports and insights due to non-standardized processes and little transparency
- Little coordination of finance activities or best-practice sharing
- Audit function independent in Director's office; not positioned to act on findings

Major changes needed to transform 4 large functions critical for DHS to deliver on its mission

IT

- Lack of CIO authority, oversight and accountability for performance of all in-house and vendor supplied IT
- Lack of strategic planning/coordination of IT needs and few in-house experts to guide division-level activity or oversee vendors
- Many projects are underway but there is limited central visibility into issues or plans to fix them

Human Resources

- Lack of consistency or standards in how HR is conducted within divisions, including hiring criteria, performance rewards and promotions and no accountability for HR to effectively serve divisions
- Limited insights into the staffing and skills needs, retirements and turnover
- Critically missing talent strategy and management capability to understand talent needs, identify internal and external candidates, and build the value proposition for them to stay/join DHS
- Few roles have professional development plans or clear career paths

Other functional areas are either missing or need to be strengthened to improve performance and better connect divisions

Legislative & Inter-governmental Affairs

- Reactive, rather than proactive, relationship with the Legislature
- Lack of centralized point of contact for legislature and other government entities to ensure timely response to constituent, policy & information requests
- Lack of central visibility into legislative issues and coordinated DHS/Division responses

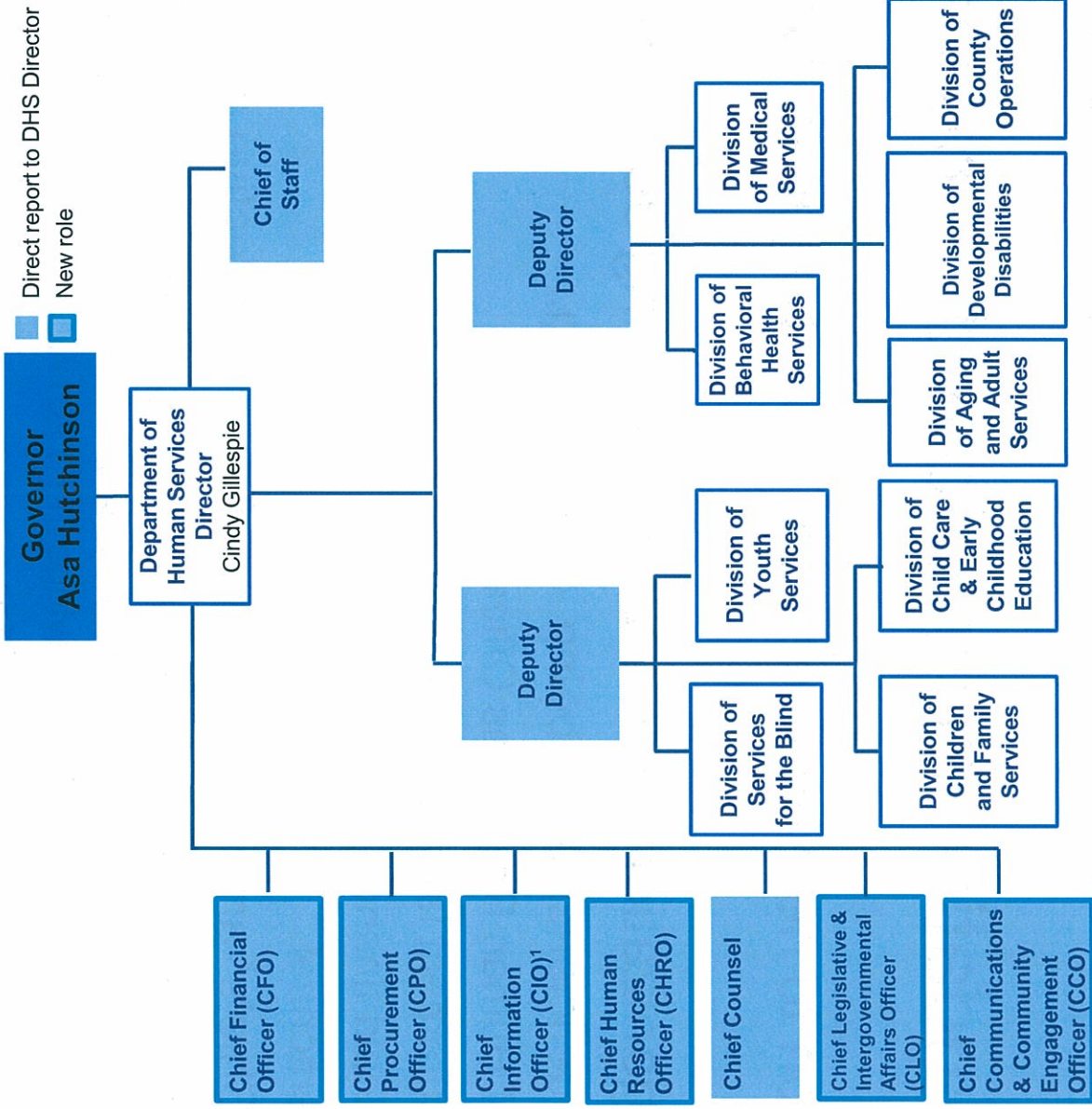
Communications and Community Engagement

- Internal communications are often slow and do not reach many employees
- Limited centralized coordination of communications activities by staff within divisions
- Lack of department-wide strategic focus on award and use of funding and other resources provided to non-profits
- Missed opportunities to recruit/harness power and interest of volunteers

Legal

- Unclear guidelines for when or how to engage legal
- Frequent loss of staff to other divisions where there are high needs (legal serves as a “talent factory” but is often left without sufficient staff)
- Internal investigations “stand alone” in Director’s office, outside legal structure
- Beneficiary fraud “stands alone” in Director’s office, outside legal structure

Phase One Reorganization: Central Offices for DHS-Wide Core Business Functions



- High level points**
- Creates line of sight into all functional services
 - Enables accountability and authority for each of the functional roles
 - Increases collaboration and decision-making between business functions
 - Improves ability to recruit top talent
 - Emphasizes strategic benchmarking and performance management
 - Allows DHS to better serve legislative needs by creating the Legislative & Intergovernmental Affairs role

¹ CIO title exists within DHS today, but role and responsibilities in the new structure would be redefined

A Foundation for Improved Performance

- Transition to new business structure began in June; launch July 1
- New organizational structures are being developed
 - Talent deficiencies are being identified; e.g.:
 - Chief Human Resources Officer
 - Procurement law; RFP writing
 - Medicaid finance
 - IT personnel
 - New “Chiefs” are organizing for efficient & effective delivery of services
 - Financial and Performance Metrics being established for each office
 - Example: Within Finance, the Payment Integrity Unit is committed to identifying a minimum of \$25 million in savings in FY2017.
 - We see enormous potential for savings...

Potential Spending Reductions from FY2016 Contract Changes

Contract Number	Vendor	Services	Amount if all Extensions are used (Yrs vary)
4600034224	AR Chapter American Academy of Pediatrics	Support Patient Center Medical Homes	\$ 1,130,820.00
4600033905	Arkansas Foundation for Medical Care, Inc.	Medical Assistance Program	\$ 4,218,372.00
4600033886	Arkansas Medical Society	Peer Review Committee	\$ 126,720.00
4600033915	Cognosante, LLC	Medical Assistance Program	\$ 9,070,800.00
4600036136	Commission on Accreditation of Rehabilitation	Accreditation Survey	\$ 292,170.00
4600034392	Dataphath Inc	Health Care Account Management Services	\$ 49,200,000.00
4600022558	Hayes and Wiesel	Booneville HDC - Quality Improvement	\$ 13,600.00
4600022555	Hayes and Wiesel	Southeast HDC - Quality Improvement	\$ 23,600.00
4600022556	Hayes and Wiesel	Arkadelphia HDC - Quality Improvement	\$ 33,520.00
4600022557	Hayes and Wiesel	Conway HDC - Quality Improvement	\$ 46,480.00
4600022559	Hayes and Wiesel	Jonesboro HDC - Quality Improvement	\$ 62,814.00
4600038041	Legal Aid of Arkansas	Public Guardianship	\$ 60,000.00
4600034157	McKinsey & Company, Inc.	Consulting Services - AR Health Care Payment Impr	\$ 92,400,000.00
4600023627	Mt. Hope Counseling	Court Ordered Psychosexual Eval & Outpatient Therapy	\$ 25,000.00
4600033675	Qualis Health	Practice Transformation Services (PCMH)	\$ 6,500,000.00
4600033883	Tri County Rural Health Network	Community Connector Program	\$ 8,580,166.00
4600033962	UAMS	Medicaid Pharmacy Program	\$ 2,573,897.00
Total FY2017-2023			\$ 174,357,959.00

Note: Totals are calculated on up to seven annual renewals of each contract, at the contract's total face value

Position Salaries

NAME	NEW TITLE	FORMER POSITION/GRADE/SALARY	NEW GRADE/SALARY	SALARY DIFFERENCE
Kelley Linck	Chief Legislative and Governmental Affairs Director	N/A	N911/\$108,243	\$108,243
Misty Bowen-Eubanks	Chief Procurement Officer	DHS Deputy Director of Administrative Services/N911/\$96,216.02	Remaining in N911/\$108,243	\$12,026.83
Amy Webb	Chief Communications & Community Engagement	DHS Director of Public Relations/N901/\$76,086.82	N906/\$88,968	\$12,899.18
Mark Story	Chief Fiscal Officer	DMS Assistant Director/N907/\$98,403.76	N916/\$131,694	\$33,290.24
Jeff Dean	Chief Information Officer	DFA Chief Information Officer/N912/\$125,080.80	N912/\$125,080.80	\$0
David Sterling	Chief Legal Counsel	DHS Director of Policy and Legal/N910/\$105,120.70	N910/\$105,120.70	\$0
N/A	Chief Human Resource Officer	N/A	N909/\$100,077	\$100,077

The total new cost to the Department of Human Services for the positions listed above is **\$266,536.25**. The agency intends to turn back 25 positions that have been unfilled since 2012 at a salary cost savings of **\$597,583**.

MEDICAID PROGRAM UPDATES

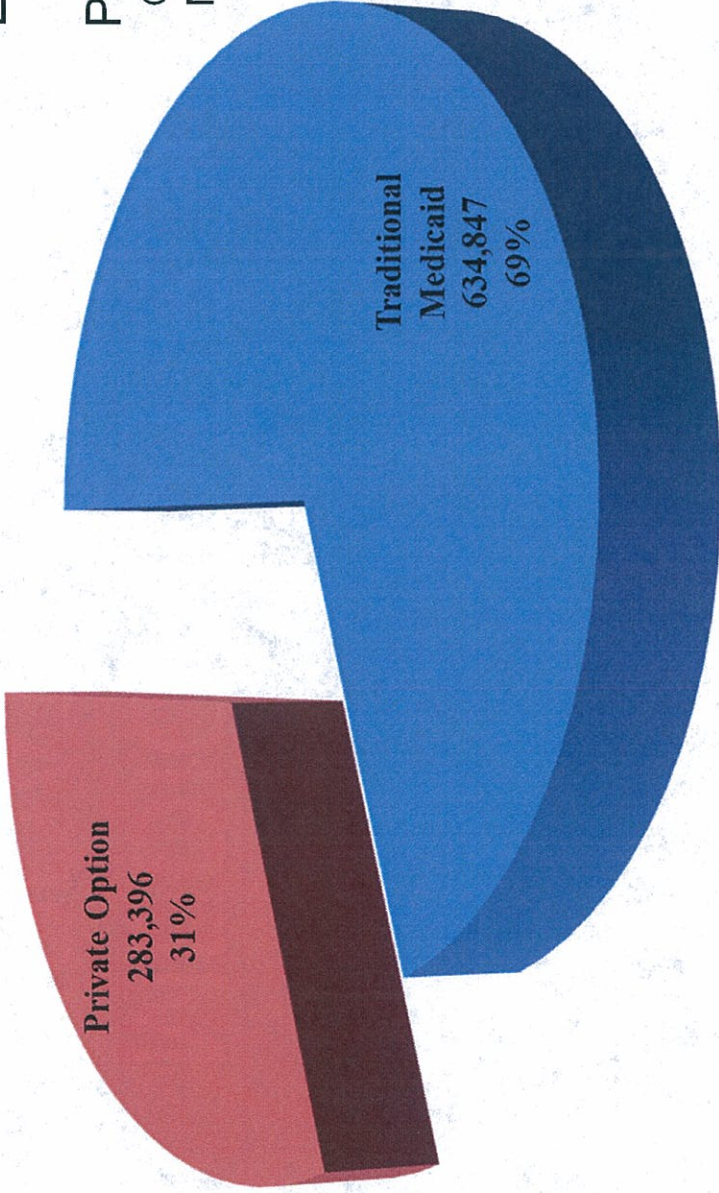
Overview

Arkansas Medicaid by the Numbers

Private Option Enrollment
as of April 30, 2016

Enrolled & Eligible: 292,526

Paid Recipients: 283,396
QHP Premium Paid: 238,050
Medically Frail or Interim: 45,346



MEDICAID PROGRAM UPDATES

Arkansas Works

Implementation of Arkansas Works

- Waiver schedule
 - Stakeholder comment until June 17, 2016
 - Submission to CMS planned by July 1, 2016
 - CMS approval expected by October 2016
- New “work referral” requirement
 - Workgroup underway
 - Directors Bassett (DWS) & Gillespie (DHS) Chairing
- New “ESI option”
 - Workgroup underway
 - DHS and AHIM leading
- On track for timely implementation

SPECIAL NEEDS POPULATIONS

Behavioral Health

Developmental Disabilities

Long-Term Care

SNP: Current Waivers

Arkansas Autism Partnership

- Intensive, temporary home-based intervention for young children with Autism Spectrum Disorder
- 100 clients, 57 on waiting list

Alternative Community Services

- Flexible array of supports for the developmentally disabled to allow them to live in the community
- 3,989 clients, 2,975 on waiting list

ARChoices

- Services based on assessed need to allow physically-disabled adults and the frail elderly to remain home
- 7,626 clients

Living Choices

- Places physically-disabled adults and the frail elderly in assisted living facilities rather than nursing homes
- 1,000 clients

TEFRA

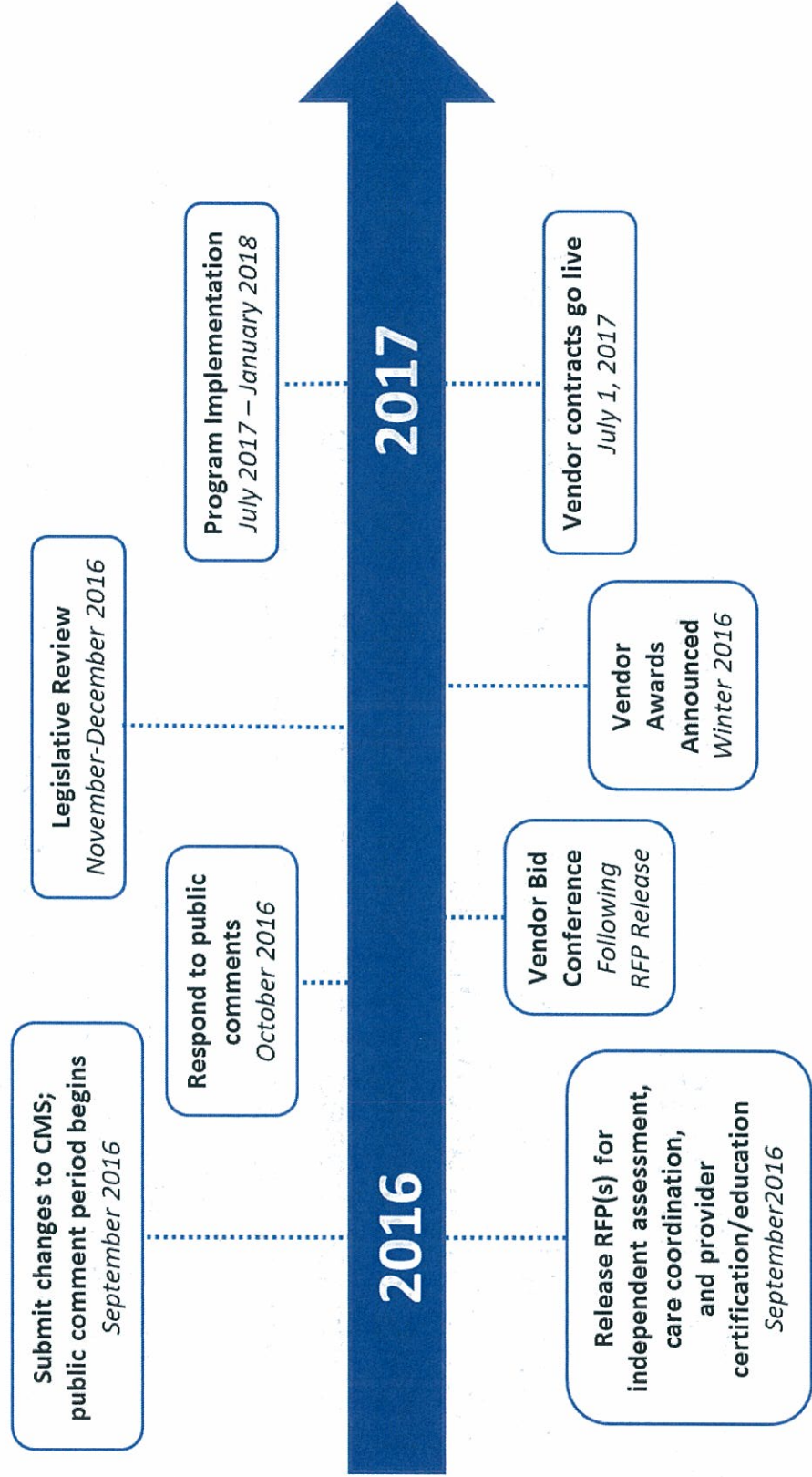
- Provides care to allow disabled children to stay home with their families rather than in an institution
- 5,001 clients

SNP: Behavioral Health

- Rehabilitative Services for Persons with Mental Illness (RSPMI) Transformation
 - DHS is finalizing a proposal to transform the RSPMI benefit into an evidence-based, best-practice benefit, to include:
 - Services tailored to specific populations with multiple levels of service (*TSG Rec.*)
 - Independent assessments using LOCUS for adults and CANS for children (*TSG Rec.*)
 - Individual plans of care and levels of service tied to acuity and level of severity based on the independent assessment and relevant risk factors (*TSG Rec.*)
 - Care coordination, including coordination for inpatient hospital admissions, as well as multi-department wrap-around services for DCFS and DYS children (*TSG Rec.*)

SNP: Behavioral Health

Timeline for Behavioral Health Transformation



SNP: Behavioral Health

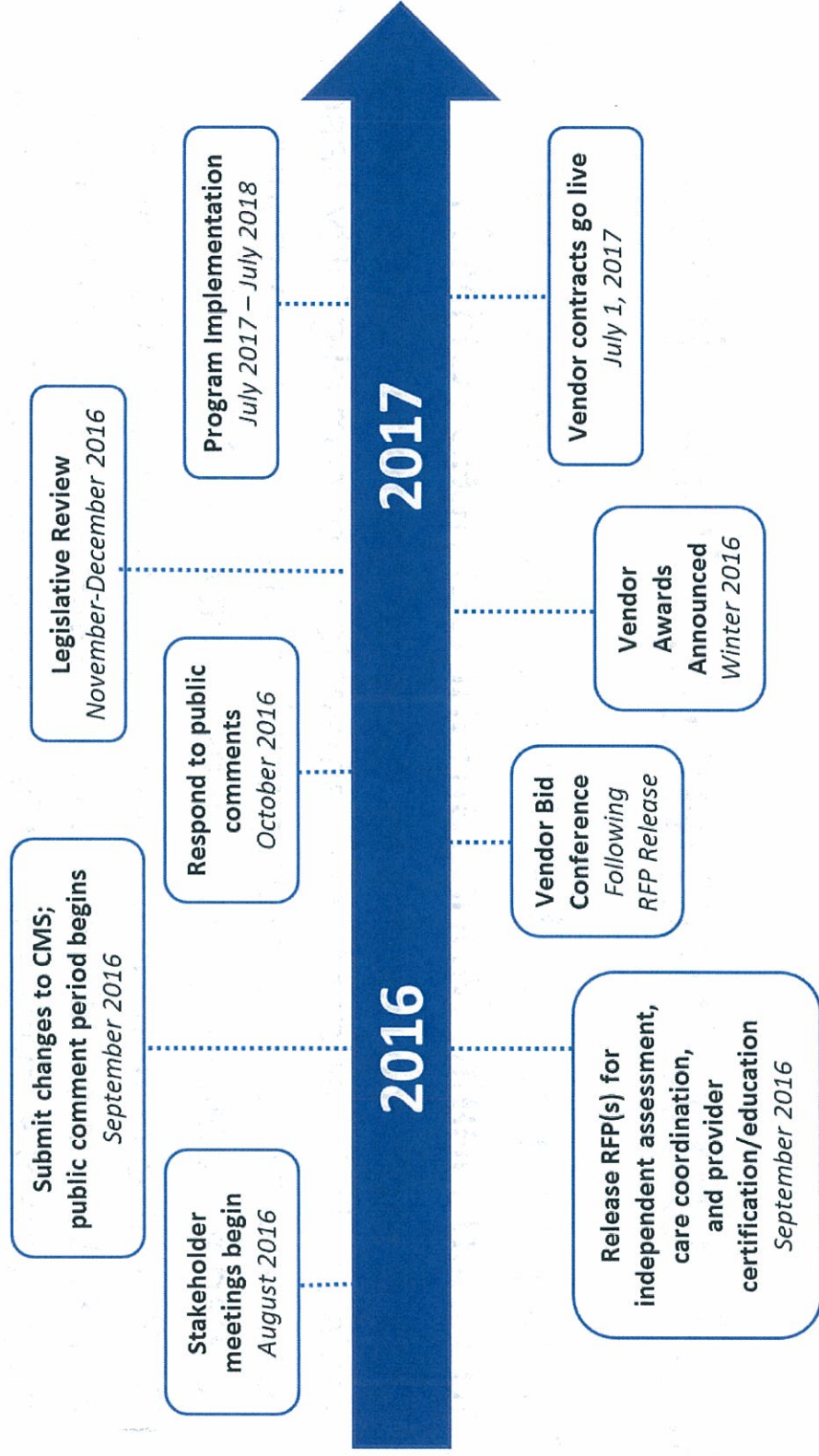
- Group psychotherapy code and rate changes (*TSG/OMIG Rec.*)
 - Proposed changes were published June 2, 2016
 - Public comment period runs through July 1, 2016
 - Proposed rule should come to legislative committees for review and approval in August and September 2016

SNP: Developmental Disabilities

- Community and Employment First Waiver
 - DDS is developing a tier-based 1115 demonstration waiver (Community and Employment First Waiver) to serve individuals, both children and adults, who have developmental or intellectual disabilities that meet the Institutional Level of Care criteria.
 - The waiver is expected to include:
 - Independent assessments using the Supports Intensity Scale (SIS) (*TSG Rec.*)
 - An individual cost neutrality cap for individuals enrollees to ensure the cost of waiver services does not exceed the comparable total cost of institutional services (*TSG Rec.*)
 - Individuals currently receiving ACS waiver services will have the option of transitioning to this new waiver program

SNP: Developmental Disabilities

Timeline for Developmental Disabilities Reform



SNP: Developmental Disabilities

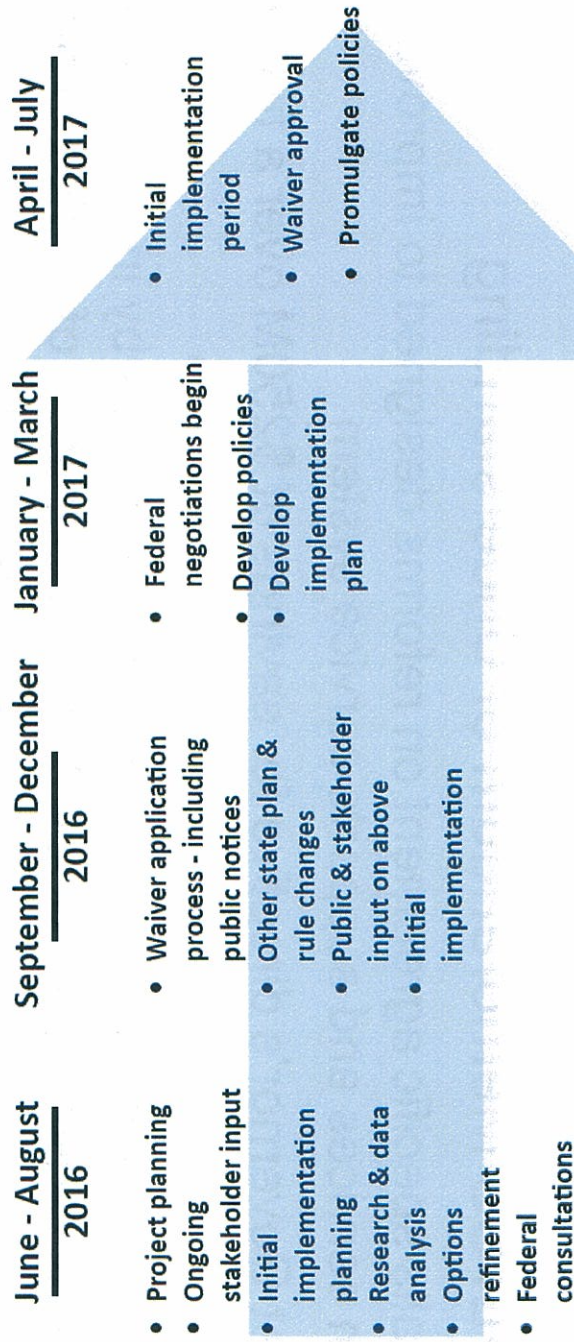
- Developmental Day Treatment Clinic Services (DDTCS) and Child Health Management Services (CHMS)
 - DDS is exploring reforms for these programs to include policy revision, independent assessment for program eligibility based on functional need, treatment planning, and outcome measures related to continuing medical necessity (*TSG Rec.*)
- DDS is also reviewing the option of pursuing a 1915(i) Medicaid State Plan Amendment to allow greater access to integrated employment services, including supported employment, as an alternative to day habilitation

SNP: Long-Term Care

- DHS/LTSS Memorandum of Understanding
 - Details specific agreement on reforms designed to improve long term services and supports service system
 - Meet Governor's directive for savings of \$250M over a five-year period
 - Encourages a smart re-balancing of services by increasing access to, strengthening and providing more options of choice in home- and community-based services (*TSG Rec.*)
 - Creates a tiered-based, person-centered level of care, tied to an independent assessment, to ensure beneficiaries are served in the most appropriate setting (*TSG Rec.*)
 - Places a cap on the current number of licensed nursing home beds

SNP: Long-Term Care

Long Term Care Savings & Reform Timeline*



* Timeline subject to change based on federal negotiations, legislative process and stakeholder input.

SNP: Long-Term Care

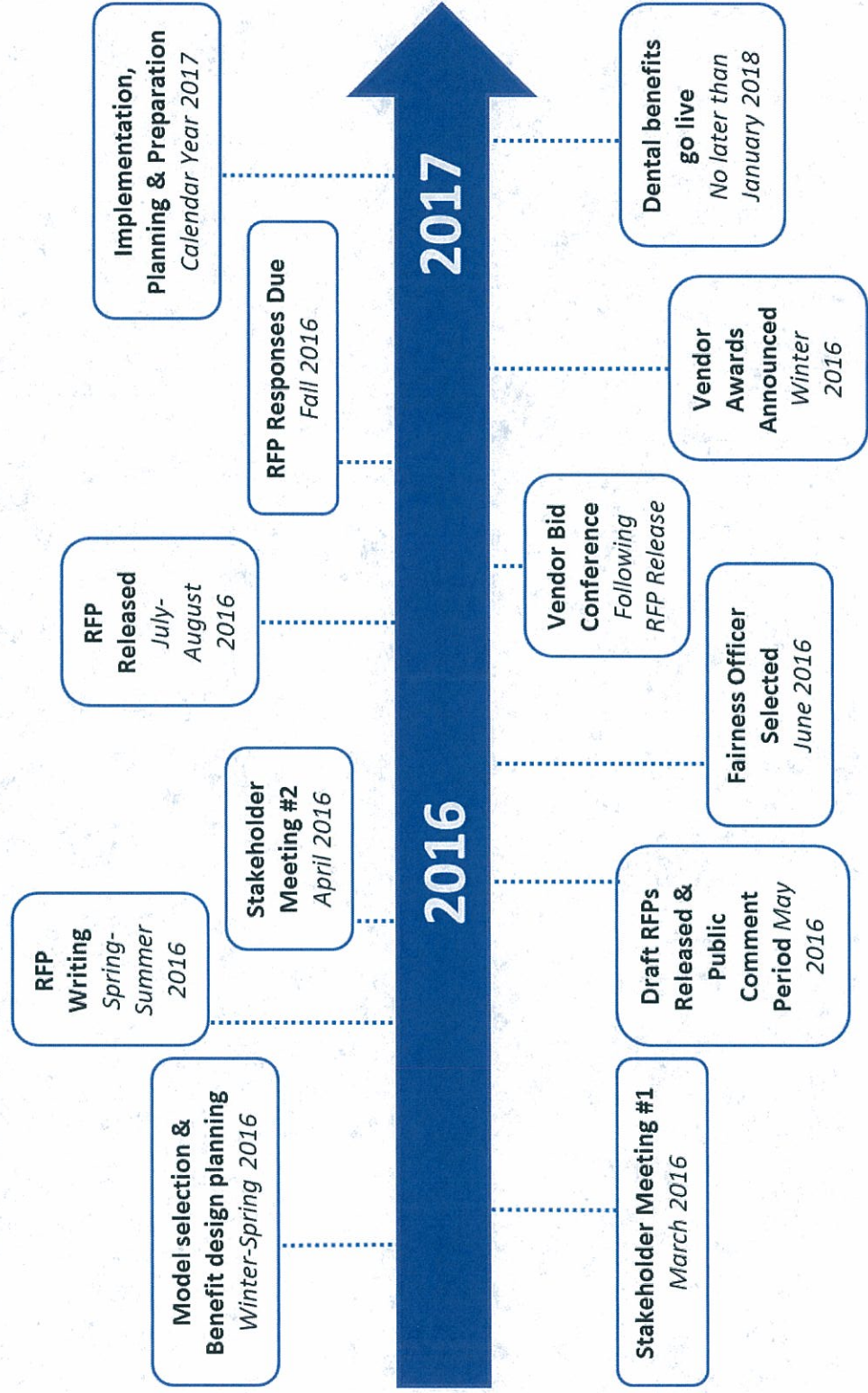
- Waivers for home- and community-based services
 - The ARChoices waiver, approved by CMS effective January 1, 2016, combines the Alternatives for Adults with Physical Disabilities and ElderChoices waivers
 - The Living Choices Assisted Living waiver is awaiting renewal approval by CMS
 - DHS has requested an increase in waiver slots from 1,000 to 1,200; without an increase, this waiver will soon have a waiting list
 - Both waivers base eligibility, level of care, and allocation of resources and services to an independent assessment to ensure the services provided appropriately match the recipient's assessed needs (*TSG Rec.*)

MEDICAID PROGRAM UPDATES

Dental Managed Care

Dental Managed Care

Timeline for Dental Managed Care RFP Release & Contracting

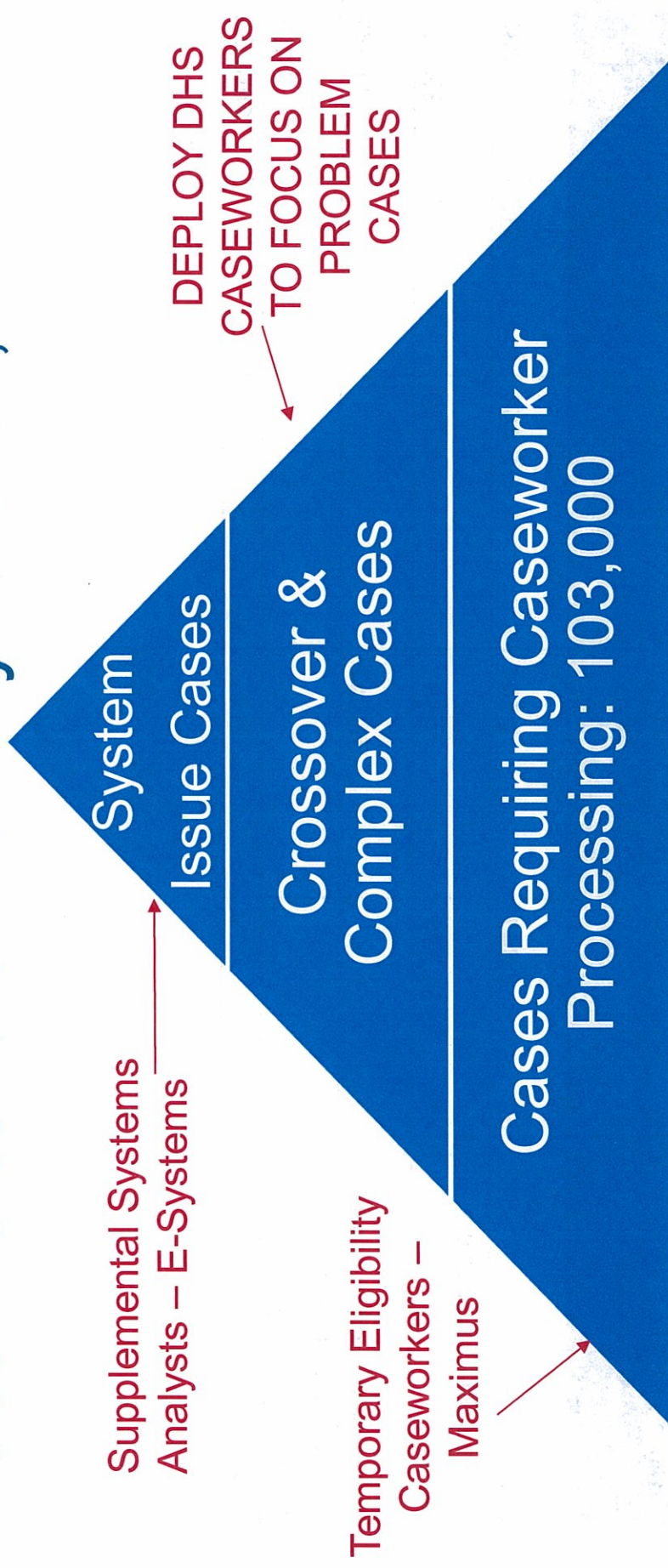


MEDICAID ELIGIBILITY & ENROLLMENT

Medicaid MAGI Pending Casework--By Type

Pending Casework As of June 5, 2016	Changes of Circumstance	Renewal	Pending Applications	Newborn	Total
Current	3,842	1,564	5,464	416	11,286
Overdue at Caseworker Level	51,172	7,301	34,339	3	92,815
Overdue at System Level		33,947			33,947
Overdue Problem Cases As of May 31, 2016					8,288
Total					146,336

Goal: Clear the Work by Dec. 31, 2016



- Supplemental Call Center Capability through December 31, 2016 – AFMC
- Current DHS employees at Medicaid Call Center will be redeployed to work cases
- AFMC will provide 21 additional personnel through current call center contract
- Call center hours expanded to 7am to 7 pm

Funding

- 75/25 MAGI Medicaid funding can be used to pay for this effort
- Total budget:
 - Temporary Caseworkers: \$7.5 million
 - DHS Caseworker Redeployment: (\$2.6 million) Annual SGR savings due to match
 - E-Systems Systems Analysts \$2.6 million
 - AFMC Call Center Supplement \$875,000
 - TOTAL Budget: \$8.375 million
 - **TOTAL STATE PORTION: \$2.09 million**

Next Steps

- Initial DHS caseworker redeployment began last week – 90 caseworkers redeployed
- Contract review by Legislature in July
- Temporary caseworker processing center, call center supplement, and increased systems analysts begin NLT August 1, 2016
- Reports on progress will be made public
- Temporary contracts end 12/31/2016

A note of thanks

- The severity of the problem DHS faces tackling the backlog of overdue cases was brought to my attention from multiple sources internally and externally, but I want to thank the members of the Legislature who reached out on this issue.
- - Many of you sent our new Constituent Services Office cases that were overdue or just “stuck”. I receive detailed reports weekly and we discuss these in Executive Team meetings. The problem this is causing for your constituents and our clients is clear.
- - Several of you reached out with concerns from our internal DHS workers – those trying to help people in spite of the problems and workload. These meetings further reinforced the severity of the issue inside DHS.
- Thank you for your insights and the information you helped us gather so we could define the scope of the backlog and develop a plan to address it. The next few months won't be easy, but the team at DHS is committed and ready to clear the backlog so we start January 2017 able to operate at a steady-state.

