



PERFORMANCE AUDIT REPORT

KanCare: Reviewing the Timeliness of Medicaid Eligibility Determinations

**A Report to the Legislative Post Audit Committee
By the Legislative Division of Post Audit
State of Kansas
September 2016**

Legislative Division of Post Audit

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September 21, 2016

To: Members, Legislative Post Audit Committee

Senator Michael O'Donnell, Chair
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Senator Julia Lynn

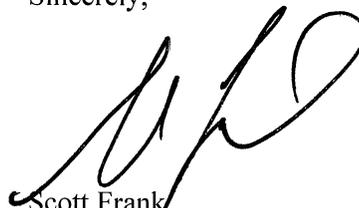
Representative Virgil Peck, Jr., Vice-Chair
Representative John Barker
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Representative Peggy Mast
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This report contains the findings from our completed performance audit, *KanCare: Reviewing the Timeliness of Medicaid Eligibility Determinations*. The audit was requested by Representative Louis Ruiz.

In its response, the agency concurred with the report's findings. The agency's full response can be found in *Appendix B* on page 15.

We would be happy to discuss the findings or any other items presented in this report with any legislative committees, individual legislators, or other state officials.

Sincerely,



Scott Frank
Legislative Post Auditor

This audit was conducted by Brad Hoff and Betty Liu. Chris Clarke was the audit manager. If you need any additional information about the audit's findings, please contact Brad at the Division's offices.

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KanCare: Reviewing the Timeliness of Medicaid Eligibility Determinations

Launched in January 2013, KanCare is the program through which the State of Kansas administers Medicaid. KanCare offers health care for people with limited income, which may include pregnant women, children, and low-income families with children. The Kansas Department of Health and Environment (KDHE) and the Kansas Department for Aging and Disability Services (KDADS) jointly administer KanCare. KDHE maintains financial management and contract oversight of the KanCare program, and KDADS administers the Medicaid waiver programs for disabilities, mental health issues, and substance abuse problems, as well as overseeing the state hospitals and institutions.

In July 2015, the state launched the Kansas Eligibility Enforcement System (KEES)—a web-based application intended to help streamline eligibility determination for state medical and social service benefits. In January 2016, the state transferred Medicaid eligibility determinations for the elderly and individuals with disabilities from the Kansas Department of Children and Families (DCF) to KDHE. As a result, KDHE is now responsible for all Medicaid eligibility determinations. DCF still maintains responsibility for eligibility determinations for most of the state's other social programs.

News articles in 2016 reported that many Kansans who were seeking Medicaid benefits were being forced to wait months for services because of continuing problems with KEES and the transfer of eligibility determinations from DCF to KDHE. Legislators have expressed concerns regarding those delays and would like to know what is being done to resolve them.

This performance audit answers the following questions:

1. What caused the current backlog of Medicaid applications in the KEES system and what are state officials doing to address the backlog?

A copy of the scope statement for this audit approved by the Legislative Post Audit Committee is included in *Appendix A*. This report focuses only on the backlogged applications section of the scope statement. Specifically, this report focuses only on determining the current count of backlogged applications, the causes of the backlog, and what KDHE is planning to do to resolve the backlog.

To answer this question, we interviewed a variety of stakeholders and reviewed processing data. We spoke with officials from the Kansas Department of Health and Environment, the Centers for Medicare and Medicaid Services (CMS), the Kansas Disability Rights Center, and the Kansas Legislative Research Department regarding the backlog of applications, the cause of the backlog and any ramifications. We reviewed processing data and interviewed officials from Accenture—the private contractor that maintains the Kansas Eligibility Enforcement System (KEES)—to understand their role in the Medicaid eligibility determination process and its reporting process. We also reviewed a portion of the Accenture data query designed to tabulate the number of applications in backlog status. Finally, we toured the KanCare central eligibility-processing center operated by Maximus, another independent contractor.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We conducted only limited data reliability as described below. However, we think the numbers reported are not grossly inaccurate and that they provide a reasonable basis for our findings and conclusions.

The reader needs to be aware of two important caveats related to the findings presented in the report. They are as follows:

- **We relied significantly on testimonial evidence from KDHE and Accenture officials.** We talked to KDHE and Accenture officials who both told us the number of backlogged applications we used in the report as of August 9, 2016 is accurate. We were not able to test their testimonial evidence.
- **We relied on queries written by Accenture staff that we were not able to fully test for data reliability.** Because of the complexity and sophistication of the Accenture query used to generate the backlog report, we cannot provide any assurance regarding its accuracy. To the extent to which Accenture's queries are subject to error, our findings regarding the current number of applications in backlog status could be inaccurate. Because we were unable to fully test the queries for accuracy, we cannot be assured the reported numbers are accurate.

Our findings begin on page 7, following an overview of KanCare.

Kansas Administers Medicaid Through the KanCare Program

Medicaid is a federal entitlement program established by the 1965 Social Security Act to provide health insurance and long-term care to individuals who meet income-eligibility requirements. These population groups include low-income adults, children under the age of 19, pregnant women, elderly and individuals with disabilities. On average, there are about 130,000 new Medicaid applications in Kansas each year.

States administer Medicaid under federal rules and guidelines. Medicaid is generally funded through a combination of federal grants through Title XIX (Medicaid) or Title XXI (Children's Health Insurance Program) and state matching funds. For Kansas, federal government typically provides about 60 percent of the cost of Medicaid services, while the state provides the remaining 40 percent. In fiscal year 2015, state Medicaid expenditures were nearly \$2.6 billion. Of the total, the state general fund paid nearly \$1.1 billion.

In January 2013, Kansas launched KanCare, which significantly changed how the state administers the Medicaid program. This change resulted in Kansas focusing on providing person-centered care coordinated through private managed care organizations. Currently, Kansas contracts with three managed care organizations to manage Medicaid recipients' health care plans. These organizations are Amerigroup of Kansas, Inc., Sunflower Health Plan, and UnitedHealthcare Community Plan of Kansas.

KanCare has approximately 400,000 individuals enrolled in the program. KanCare offers medical assistance to several different types of groups who meet the eligibility guidelines based on income. These include individuals with disabilities, elderly persons, pregnant women and children. Under the Children's Health Insurance Program (CHIP), children under the age of 19 who do not qualify for Medicaid and low-income parents and caretakers caring for children may also qualify for KanCare services. Medicaid services provided through KanCare include doctor visits and hospital care, mental health therapy, dental and eye care medicine, non-emergency medical transportation, and nursing home care.

Both KDHE and KDADS Have Roles in Administering the KanCare Program

Two state agencies are primarily involved in operating and administering the KanCare program, as described below:

- The Kansas Department of Health and Environment (KDHE) administers the financial management and contract oversight of the three managed care organizations. Specifically, the Division of Health Care Finance purchases health care services for qualified Medicaid recipients. Additionally, KDHE is responsible for processing all Medicaid applications and annual reviews with the help of a private contractor, Maximus, through a clearinghouse. (Prior to January 1, 2016, the Department for Children and Families was responsible for processing Medicaid applications for elderly or disabled individuals.)
- The Kansas Department for Aging and Disability Services (KDADS) is responsible for administering the Medicaid waiver programs for disability services, mental health and substance abuse, along with operating state hospitals and institutions.

KanCare Applications Are Processed Through a Clearinghouse

The state contracts with a private company, Maximus, to help process applications for the KanCare program. The contract requires Maximus to operate a clearinghouse that acts as the central Medicaid eligibility processing center. Additionally, Maximus is responsible for providing support services in the eligibility process. These services include tracking applications, completing verification and data entry of applications before passing them to KDHE employees for final approval. The contract also requires Maximus to operate a call center to assist current and potential KanCare participants.

The Medicaid application process includes several steps before an individual is approved or denied for services. First, individuals generally complete either a paper or online application. The application asks the applicant to provide information on the number and ages of individuals living in the household, income status, and health summary. Next, applicants are required to submit supporting documentation based on their responses. For example, applicants may need to provide copies of bank statements, income tax returns, life insurance policies, and paychecks. Once this information is received, the clearinghouse assembles the application and supporting documentation and forwards the materials to KDHE to make the eligibility determination. Finally, KDHE reviews the cases for all beneficiaries on a yearly basis to ensure they are still eligible. During this review, the beneficiary may need to submit financial or health information and other supporting documentation to show they continue to be eligible for Medicaid.

***In 2015, Kansas
Launched a New
Integrated Eligibility
System for Medical and
Social Services Programs***

The Kansas Eligibility Enforcement System (KEES) is the computerized system that allows individuals to apply for state medical and social service benefits in a centralized way. Specifically, KEES allows individuals to complete a single application for multiple medical and social service benefits. In addition, KEES provides the state a centralized way to determine an applicant's eligibility for both medical and social service benefits. However, KEES is not nearly as automated as originally planned as the verification process still requires staff intervention. This takes place at the clearinghouse, where staff receive applications, scan materials, and enter data into KEES.

Prior to KEES, individuals could not submit electronic applications for both medical and social service benefits and the state relied on several different legacy mainframe-systems to process these applications. Kansas has contracted with Accenture to be the primary entity responsible for building and maintaining KEES.

Question 1: What Caused the Current Backlog of Medicaid Applications in KEES and What Are State Officials Doing to Address the Backlog?

KDHE officials told us implementation of KEES and an influx of applications contributed to the backlog of 14,000 applications as of June 2016. (p.7). KDHE has increased staffing resources to address the backlog and is modifying KEES (p.8). According to KEES' reports, KDHE has reduced the backlog by thousands in recent months and hopes to have it resolved by October 2016 (p.9). In its efforts to address the backlog, KDHE has stopped reviewing renewal applications (p.11). Finally, Kansas is not in compliance with federal law related to timely eligibility determinations (p.11).

KDHE Officials Told Us Implementation of KEES and an Influx of Applications Contributed to a Backlog of 14,000 Applications As of June 2016

Federal law requires applicants receive a Medicaid eligibility determination within 90 days of the application data if applying for Medicaid with a disability and 45 days for all other applicants. An application without a disability determination is considered backlogged if it has not been processed in 45 days upon receipt. Additionally, federal law requires the state to provide applicants the opportunity to a fair hearing if their claim is denied or not upon within a timely manner.

According to the system, there were more than 14,000 backlogged applications in June. KDHE used reports that Accenture staff had generated from the KEES system to show the number of backlogged applications. As reported in the media, KDHE was reporting incorrect information in Spring 2016. In June 2016, KDHE officials acknowledged to the Federal Centers for Medicare and Medicaid Services (CMS) they had significantly underreported the number of backlogged applications by nearly 12,000. This reporting error meant the backlog was not 2,700 applications, but closer to 14,000. KDHE and Accenture officials told us the error has been resolved and any number reported after June 1, 2016 is accurate.

Overall, KDHE officials told us there were three main factors that caused this backlog of Medicaid applications in the eligibility determination system.

- **The new eligibility system went live in July 2015.** In July 2015, the state launched the Kansas Eligibility Enforcement System (KEES), a web-based application intended to streamline eligibility determination for state medical and social service benefits. KDHE officials told us KEES experienced several technical glitches and problems, including problems with scanning documents and data

entry. Finally, because KEES was a new system, both KDHE and Maximus staff had many questions. This slowed down processing time and contributed to applications not being processed within 45 days.

- **KDHE significantly underestimated the number of Kansans who would apply for Medicaid in Fall 2015 as a result of the federal Affordable Care Act.** The Affordable Care Act requires everyone to obtain health insurance. A majority of the population receive health insurance through their employer. However, individuals who do not have insurance with their employer can purchase health insurance through the federal exchange marketplace. When shopping for health insurance, the federal exchange will assist the individual and indicate whether they might be eligible for any assistance programs including Medicaid. KDHE officials told us they anticipated thousands of residents to be referred to KanCare. However, they significantly underestimated the number of individuals. KDHE officials told us they were expecting about 5,000 applications, but instead received close to 14,000 applications between November 2015 to January 2016.
- **KDHE became responsible for all Medicaid eligibility determinations in January 2016.** Beginning January 1, 2016, an executive reorganization order transferred responsibility for determining Medicaid eligibility for elderly and disabled applicants from the Department for Children and Families to KDHE. This order resulted in a one-time transfer of about 3,800 applications that had not been fully processed and became the responsibility of KDHE and the clearinghouse.

KDHE Has Increased Staffing Resources to Address the Backlog and is Modifying KEES

We interviewed KDHE officials to determine how they have been addressing the backlog. Overall, KDHE officials told us they have implemented several strategies and expressed confidence these actions will significantly decrease the number of backlogged applications by October 2016. These strategies include:

- **KDHE and Maximus have increased staffing.** KDHE retained three temporary staff to help continue processing Medicaid applications. Maximus, the company contracted by the state to operate the clearinghouse, added 40 temporary staff for the entire 2016 calendar year and hired an additional 22 workers to work from July 2016 to December 2016. The 62 additional staff brought the total number of clearinghouse staff to 327. Further, both KDHE employees and clearinghouse employees were authorized to receive overtime pay.
- **KDHE is borrowing about 50 Department for Children and Families (DCF) staff.** As stated above, responsibility for determining Medicaid eligibility for elderly and disabled individuals was transferred from DCF to KDHE on January 1, 2016. However, DCF officials agreed to make 50 staff members available to the clearinghouse to process these applications and provide guidance to

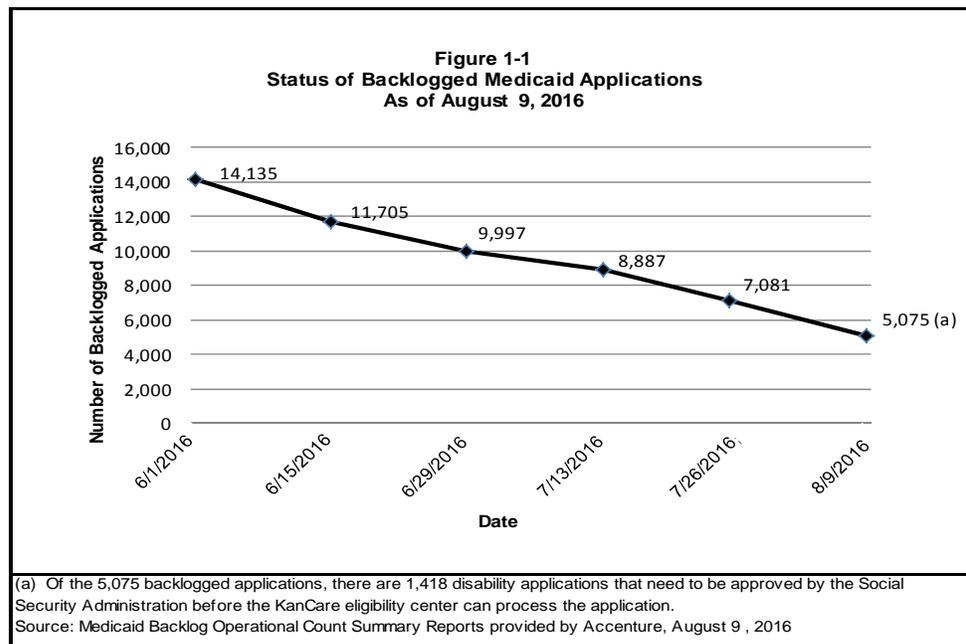
KDHE and Maximus employees. KDHE officials told us the plan is to have at least a portion of these workers work on the backlog through September.

- **Additionally, KDHE is working with Accenture to fix glitches in KEES.** Specifically, KDHE officials told us KDHE and Accenture have developed and implemented 22 major enhancements to improve performance across several areas in the system including customer service, imaging, and data entry.

As of August 2016, KDHE officials estimate these staffing actions have cost \$2.3 million.

According to KEES' Reports, KDHE Has Reduced the Backlog by Thousands in Recent Months and Hopes to Have it Resolved by October 2016

According to the system, the number of backlogged applications decreased from more than 14,000 to 5,100 between June 2016 and August 2016. Accenture officials use KEES to produce a daily report showing the number of backlogged applications. To determine the number of backlogged applications (those that have not been processed within 45 days), we reviewed status reports from Accenture and talked to officials from Accenture and KDHE. *Figure 1-1* below shows the progress the clearinghouse has made in processing applications. As *Figure 1-1* shows, the reports indicate the backlog has been reduced by more than 9,000 backlogged applications since early June 2016.



KDHE only has control for processing a portion of the backlog. Of the 5,100 applications in backlog status in August, about 1,400 needed a disability determination. Applicants applying for Medicaid based on a disability must first meet Social Security disability criteria before receiving KanCare services. The Social Security Administration is responsible for making this determination. This determination must be made before the state's clearinghouse approves KanCare coverage. KDHE officials told us the state has no control on the length of time it will take for individuals with disabilities to be notified on whether they met the eligibility requirements. Additionally, KDHE officials told us these decisions can take up to two to three years in some cases. The remaining 3,700 were standard applications and ready for the clearinghouse to process the application.

We cannot determine with certainty whether the backlog number reported by KEES is accurate. As noted on page 7, KDHE officials identified an error in the number of backlogged applications it reported to CMS. It was reported that KDHE officials told the media that Accenture was responsible for the error, while Accenture officials responded they provided the information KDHE officials requested. Regardless of what caused the error, KDHE officials underreported the number of backlogged applications for about five months. Both KDHE and Accenture officials told us the error has been resolved and any number reported after June 1, 2016 is accurate.

Although both KDHE and Accenture officials told us they have fixed the error, we cannot verify the error has been corrected. Accenture and KDHE officials rely on complex and sophisticated queries of the KEES system to determine the number of applications in backlog status. We reviewed one such query. Without access to the data tables it references and an in-depth understanding of how KEES processes application data, we could not determine whether the query was producing an accurate backlog count. Although the query appears to be written by knowledgeable staff with considerable programming expertise, its complexity results in a greater chance of error. In this report, we will use the numbers generated by the programming language, but the reader should be aware that the actual number of backlogged applications may be higher or lower to an unknown extent.

KDHE officials told us they hope to resolve the backlog by October 2016. As noted earlier, the number of backlogged applications in early August 2016 was about 3,700. KDHE officials told us the clearinghouse continues to process new applications as they are submitted and the increased staffing gives

them the ability to reduce the backlog between 800-1,000 applications every week or about 3,200 per month. This pace would significantly reduce the backlog and would almost eliminate it sometime in mid-September or early October at the latest.

According to KDHE officials, the number of backlogged applications will likely never reach zero. This is because there will always be applications needing additional information that will contribute to an application taking more than 45 days to make a determination. However, KDHE officials would like to see the number reach a more manageable number such as 100 backlogged applications. KDHE officials told us prior to KEES being implemented, KDHE generally had between 100-150 applications that had taken more than 45 days to process.

In its Efforts to Address the Backlog, KDHE Has Stopped Reviewing Renewal Applications

Each Medicaid beneficiary must be reviewed on an annual basis to ensure the individual still qualifies for Medicaid. In an effort to decrease the number of new, unprocessed KanCare applications, KDHE officials told us they have directed staff to stop processing all Medicaid renewal applications. As of mid-July 2016, there are nearly 35,000 reviews waiting to be processed.

KDHE officials told us they have deemed all renewal applicants to be eligible to continue receiving Medicaid services and have not discontinued services for any individual currently receiving assistance. KDHE officials estimate that no more than 5% of renewals historically have been denied, and as a result they are not concerned that a significant number of individuals who currently receive services are no longer eligible. KDHE officials told us they plan to start conducting these reviews as soon as the number of backlogged, new applications reaches a manageable number.

Kansas is Not in Compliance with Federal Law Related to Timely Eligibility Determinations

As stated on page 7, federal law requires applicants receive an eligibility determination no more than 90 days from their application date if applying for Medicaid based on disability, or 45 days for all other applicants. As of August 9, 2016, about 3,700 non-disability applications have not been processed within the 45 days, putting Kansas out of compliance with federal law.

The Centers for Medicare and Medicaid Services (CMS) officials have been tracking the backlog of Kansas Medicaid applications since February 2016. KDHE must produce bi-weekly status reports to help CMS analyze and track the state's progress in reducing the backlog. CMS officials told us they plan to continue requesting these status reports until the backlog has been cleared.

Even though Kansas has not been in compliance, CMS officials told us they plan no further actions once the backlog is resolved.

APPENDIX A Scope Statement

KanCare: Reviewing the Timeliness of Medicaid Eligibility Determinations

Launched in January 2013, KanCare is the program through which the State of Kansas administers Medicaid. KanCare offers health care for people with limited income, which may include pregnant women, children, and low-income families with children. The Kansas Department of Health and Environment (KDHE) and the Kansas Department for Aging and Disability Services (KDADS) jointly administer KanCare. KDHE maintains financial management and contract oversight of the KanCare program, and KDADS administers the Medicaid waiver programs for disabilities, mental health issues, and substance abuse problems, as well as overseeing the state hospitals and institutions.

In July 2015, the state launched the Kansas Eligibility Enforcement System (KEES)—a web-based application intended to help streamline eligibility determination for state medical and social service benefits. In January 2016, the state transferred Medicaid eligibility determinations for pregnant women and individuals with disabilities from the Kansas Department of Children and Families (DCF) to KDHE. As a result, KDHE is now responsible for all Medicaid eligibility determinations. DCF still maintains responsibility for eligibility determinations for social programs.

News articles in 2016 reported that many Kansans who were seeking Medicaid benefits were being forced to wait months for services because of continuing problems with the KEES system and the transfer of eligibility determinations from DCF to KDHE.

Legislators have expressed concerns regarding these delays and would like to know what is being done to resolve them.

A performance audit in this area would address the following question:

1. **Has the time required to complete Medicaid eligibility determinations increased significantly in recent years, and what are the underlying causes of any delays?** To answer this question, we would collect eligibility-determination data from the Kansas Department of Health and Environment (KDHE) including the application date, processing time, and final notification date for Medicaid applicants over the past five years. We would analyze that data to determine if time required to complete eligibility determinations has increased significantly during that time for various groups of Medicaid applicants. We would follow up with KDHE officials and conduct additional testwork as necessary to determine the underlying causes for any delays in Medicaid eligibility determinations. In doing this work, we would specifically evaluate how the state's transition to KanCare, the implementation of the KEES system, and the transfer of eligibility determinations from the Department for Children and Families (DCF) to KDHE may have contributed to any delays we identify. We would also work with KDHE officials to understand the actions they have taken or plan to take to address the time

required to process Medicaid eligibility determinations. For any future plans, we would work with KDHE officials to determine what resources will be necessary to implement those plans and when they are expected to be completed. We would perform additional work in this area as necessary.

Estimated Resources: 3 LPA staff

Estimated Time: 4 months (a)

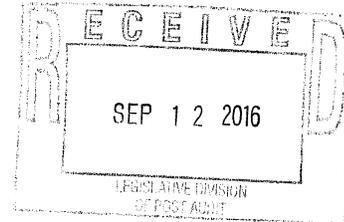
(a) From the audit start date to our best estimate of when it would be ready for the committee.

APPENDIX B
Agency Response

On August 29, 2016 we provided a copy of the draft report to the Kansas Department of Health and Environment. KDHE's response is included in this appendix. Agency officials concurred with our audit findings.

September 9, 2016

Mr. Scott Frank
Legislative Division of Post Audit
800 SW Jackson, Suite 1200
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Dear Mr. Frank:

Thank you for the opportunity to respond to your performance audit, KanCare: Reviewing the Timeliness of Medicaid Eligibility Determination.

Your auditors appear to have conducted a thorough review of the issue outlined in the original Scope Statement. Information in the audit report accurately reflects the issues impacting the creation of the backlog and our actions to date to address the backlog.

The Kansas Department of Health and Environment, along with our partners; Accenture and Maximus; will continue to improve our processes and our technology to ensure that we minimize any possibility of additional backlogs. We also want to make sure to reiterate our appreciation of the Department for Children and Families for their assistance in reducing the backlog.

To date we have been successful in our efforts to reduce dramatically the backlog and we anticipate the full elimination of the backlog in the next few weeks. Our report to the Centers for Medicare and Medicaid Services on September 2, 2016, shows we are down to an active backlog of 1,672 applications.

We appreciate the audit findings and the work of the Legislative Post Audit Staff.

Sincerely,



Aaron Dunkel
Deputy Secretary