

# Vendor plan for Medi-Cal criticized

**The governor wants to expand a contract with a troubled firm.**

**By Clea Benson -- Bee Capitol Bureau**

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Calling it a first step toward creating a one-stop center where needy Californians can apply for all state services, the Schwarzenegger administration is pushing a budget proposal that would give a controversial private firm some Medi-Cal work now handled by county employees.

But the proposal is already igniting a debate over whether giving the job to a private company is the best way to improve customer service.

Administration officials want the state to allow Maximus Inc. to start determining whether some children are eligible for Medi-Cal, the mammoth health insurance program for the disabled, the elderly and the needy that covers one in six Californians.

Maximus, a Virginia-based government-consulting company, already handles enrollment for Healthy Families, the California insurance program that covers about 675,000 children in families with slightly higher incomes than Medi-Cal recipients.

Budget documents project that expanding the contract to include Medi-Cal would save the state \$7 million a year, factoring in an additional \$1.5 million annual payment to Maximus.

Some critics - counties and advocates for the poor - say Medi-Cal, with 165 ways to qualify, is just too complicated to give to a private vendor that does not have the same computer programs that county offices use.

And they point to Maximus' bumpy start last year at the beginning of its Healthy Families contract, when many children were mistakenly dropped from the program and users complained about poor customer service.

Maximus has had its share of other problems. New Jersey recently fired the company from running a state program similar to Healthy Families after many complaints that Maximus took too long to process applications and lost paperwork.

In December, the company disclosed that the U.S. attorney's office in the District of Columbia was conducting a fraud investigation into its work with the city's Medicaid program.

Rachael Rowland, a spokeswoman for Maximus, said the company believed it had prepared Washington, D.C.'s Medi-caid claims "in compliance with the law."

Regarding the loss of the New Jersey contract, she said, "While there were certainly issues, as is the case with any implementation, we believe we moved very aggressively to resolve those issues. ... We were pleased that we had the opportunity to serve the state of New Jersey." The company makes a similar argument in defense of its performance in California last year.

The way Maximus officials describe it, they provide a level of service that governments can't.

"We can do it faster," said Steve Tough, president of Maximus' Western region. "What we provide is the hopeful perspective. We bring technology and streamline the process."

Streamlining the process is the goal, according to Schwarzenegger administration officials.

The proposal originally surfaced in the California Performance Review, Gov. Arnold Schwarzenegger's plan for reshaping government. The report's authors envisioned a single place where poor Californians could go to apply for everything from welfare to food stamps to Medi-Cal. Currently, the needy must apply for each program separately through county offices.

The authors had input from Maximus when they came up with the idea. The report acknowledges help from Kathryn Lowell, a Maximus employee who was a deputy health secretary under former Gov. Pete Wilson.

Stan Rosenstein, deputy director of the Office of Medical Care Services in the state Department of Health Services, described the proposed shift of some Medi-Cal applications to Maximus as a small piece of the original idea.

Under the Republican governor's budget plan, Maximus would handle about 120,000 applications for Medi-Cal annually - those that it already receives

on a joint application for Healthy Families and Medi-Cal. Right now, Maximus sends the Medi-Cal applications it receives to the counties.

The health department would hire about 20 more state workers to oversee Maximus' work, at a cost of \$6.9 million a year.

The budget assumes the state would save money because the application processing time would cut down on the amount the state spends on temporary insurance for children with pending applications who are later deemed ineligible for Medi-Cal.

"Certainly, this will test the concept," Rosenstein said. "It will provide us with a lot of information that will be useful in evaluating in the future whether we proceed with the CPR proposal or not."

County officials are skeptical.

"We don't believe the implementation, operational and financial consequences have been fully thought-out," said Frank Mecca, head of the County Welfare Directors Association. "If there's a way to make it work that's better for clients, then we would support it."

To be eligible for Healthy Families, a child must come from a family whose income is no more than 250 percent of the federal poverty level, or \$39,000 for a family of three.

Medi-Cal is also based on income, generally up to 133 percent of the poverty level. But unlike Healthy Families, Medi-Cal has complicated rules allowing deductions for everything from child support payments to the number of hours a parent works and whether any members of the family are disabled.

"Medi-Cal is such a huge and complex program," said Celia Valdez of Maternal and Child Health Access, a Los Angeles-based group that helps people sign up for state services. "There's no way you can look at one person and say this person is eligible or not eligible. It would be very difficult for a company like Maximus to just handle it all of a sudden."

Maximus officials said they would have to modify their existing technology only slightly to accommodate the new work.

Officials at the Managed Risk Medical Insurance Board, the state body in charge of Healthy Families, said the problems California recipients

experienced during the first few months of the Maximus contract have largely cleared up.

"Is it perfect now? No," said Lesley Cummings, executive director of the MRMIB. "I think it's pretty good."

Parents like James Turner, a self-employed pool and spa repairman in Madera County, would disagree. Turner enrolled three of his children in Healthy Families, only to have two of them suddenly dropped from the rolls in the middle of last year.

When he paid their premiums to correct the problem, he said, Maximus representatives applied the funds to only one child, making her eligible until October 2005, and kicked the other two out of the program again.

As of last week, he said, the situation still wasn't straightened out.

"In the past year, we have been canceled three times, all over bureaucracy," Turner said. "I gotta believe things should be easier than they are."

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