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9.0.04 TEFRA LIENS

HMS TEFRA LIENS OVERVIEW

As the incumbent vendor, HMS currently operates the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) lien recovery process for AHCCCS in accordance with A.R.S. §§ 36-2915 and 36-2916. AHCCCS will continue to maximize its recoveries under the program while limiting any undue burden on Medicaid members by selecting HMS's already-established relationships and comprehensive processes. We are prepared to execute the TEFRA Lien program on day one of a new contract in accordance with AHCCCS requirements to recover the cost of Arizona Long Term Care System (ALTCS) benefits upon sale or transfer of qualifying ALTCS members' property prior to death.

HMS will continue to prepare, file, and release TEFRA liens as appropriate under a new contract term. If a property is sold prior to a member's death, we will pursue recovery of the AHCCCS claim from proceeds of the sale where there is no statutory exemption from recovery.

The national best practice experience HMS brings to this project includes using our case management system, Maestro™. At a high level, this application allows case management staff to:

- Enter notes and updates
- Generate correspondence
- Attach outgoing and incoming documentation to cases
- Review other related cases such as a trust or annuity
- View eligibility and claim information
- Respond to automated workflow events
- Produce project and ad hoc reports

HMS'S TEFRA RECOVERY SUCCESS FOR ARIZONA

Since the start of the TEFRA project in October 2004, HMS has recovered more than $3.6 million for the State. In addition, the AHCCCS TEFRA program has generated more than $3.1 million in recoveries for our Estate Recovery program through pre-death liens placed on property owned by ALTCS members once they have passed away.

ARIZONA-SPECIFIC KNOWLEDGE

A comprehensive estate recovery program includes both pre-death and post-death liens, adding additional layers of protection to the state's interest. TEFRA liens function similarly to estate recovery liens, protecting Arizona's right of recovery for medical claims paid on behalf of Medicaid members with real property assets. These pre-death liens prevent a Medicaid member from transferring real property prior to his/her death as a means of avoiding estate recovery by Medicaid. As the current vendor for AHCCCS's TEFRA and Estate Recovery program, HMS records TEFRA liens to protect the State's right of recovery. The efficient recording of TEFRA liens is an essential part of maximizing collections for estate recovery, since most TEFRA liens are resolved through the estate recovery process after a member passes away.

Our Arizona experience with both estate and TEFRA lien recovery adds value to AHCCCS as we are a known and trusted vendor; a new vendor who lacks existing community relationships and familiarity with the sensitive nature of recovering the assets of Medicaid members would present a risk of stakeholder abrasion and potential loss of recoveries.

HMS understands AHCCCS policy and legal and regulatory requirements related to pre-death recoveries. We also draw on our substantial national expertise with TEFRA regulations to improve our practices in Arizona. HMS regularly monitors changes in statutes and regulations, case law, and policy guidance and will discuss any issues or concerns we identify with AHCCCS. Our Phoenix-based team is already familiar with Arizona law, program policy, and reporting requirements. We will continue to manage recovery cases to meet AHCCCS expectations in the upcoming contract term.

In the following sections, we provide our method of approach to meeting AHCCCS and the State of Arizona scope of work and continuing to provide industry leading TEFRA lien services. Also, in response **Section 9.1** we provide a quick reference cross-walk to the requirements from AHCCCS's scope of work.

HMS'S TEFRA LIEN RECOVERY PROCESS

IDENTIFYING TEFRA LIEN RECOVERY OPPORTUNITIES

[redacted]

Figure 9.0.04-1. [redacted]

[redacted]

NOTIFYING MEMBERS AND MANAGING TEFRA LIENS

[redacted]

TEFRA LIEN RECOVERY

In addition to the exceptions to filing the lien, state and federal law also provides for exempt circumstances for recovery of a TEFRA lien. Recovery of a TEFRA lien occurs only upon the sale or transfer of the real property. The exempt circumstances apply when any of the following individuals are

lawfully residing in the home and have lawfully resided in the home continually since the date of the member's admission to the facility:

- A sibling of the member who was residing in the member's home for at least one year immediately before the date of the individual's admission to the facility
- A son or daughter of the member who was residing in the home for at least two years immediately before the date of the individual's admission to the facility and who establishes to the satisfaction of the State that he/she provided care to the member, thereby permitting the member to reside at home rather than in the facility

[redacted]

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Transition from TEFRA to Estate Recovery

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Reporting

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