Sky Island AI and the Virtual Case Manager

The Company

Sky Island AI is an Arizona-based company whose core product is the Virtual Case Manager (VCM), an AI-powered HIPAA-compliant virtual call center. The VCM engages people in real two-way conversations via inbound and outbound phone calls and SMS text messages, in English and Spanish, serving them the way a live human case manager would.

The company was founded by Ed Hendel and Jay Fowler. Ed spent 10 years in healthcare AI and data science, most recently as the Lead Data Scientist for a healthcare AI startup product that sold for $32 million, and then the Associate Director of Data Science for the company that acquired it (Evolent Health). He previously founded the Medicaid Data Science team at Banner University Health Plans in Tucson in 2017 and the Stars Survey Data Science team at UnitedHealth Group in 2020. Ed holds a Master's in Systems Biology from Harvard.

Jay brings extensive experience in grant management, having won over $90 million in grants across his career, including numerous HHS grants with clinical and case management components.

The Medicaid Cliff

The One Big Beautiful Bill Act (OBBBA) introduces new Medicaid work requirements effective on January 1, 2027, with required state outreach beginning in late summer or early fall 2026. Nationally, five million Medicaid enrollees are projected to lose coverage and become uninsured.[1] This will create significant financial strain across the Medicaid ecosystem: hospitals, health systems, and FQHCs will absorb uncompensated care, and managed care organizations will lose PMPM revenue.

When Arkansas implemented a similar work requirement, over 18,000 Medicaid enrollees lost coverage.[2] This was driven primarily by administrative burden, not failure to work.[3] People were unaware of the requirement, confused about the notices they received, and unable to reach a live person on the phone for help.[4]

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[1] Congressional Budget Office, "Re: Estimated Effects on the Number of Uninsured People in 2034 Resulting From Policies Incorporated Within CBO's Baseline Projections and H.R. 1, the One Big Beautiful Bill Act," 2025. cbo.gov/system/files/2025-06/Wyden-Pallone-Neal_Letter_6-4-25.pdf

[2] KFF, "February State Data for Medicaid Work Requirements in Arkansas," 2019. kff.org/medicaid/state-data-for-medicaid-work-requirements-in-arkansas/

[3] Brookings Institution, "How would implementing an Arkansas-style work requirement affect Medicaid enrollment?," 2025. brookings.edu/articles/how-would-implementing-an-arkansas-style-work-requirement-affect-medicaid-enrollment/

[4] KFF, "Medicaid Work Requirements in Arkansas: Experience and Perspectives of Enrollees," 2018. kff.org/medicaid/medicaid-work-requirements-in-arkansas-experience-and-perspectives-of-enrollees/

Most people who lose coverage due to the work requirements will remain uninsured. In Arkansas, only 11% of the people who lost coverage in 2018 had regained it the next year.[2] Reenrollment under OBBBA is even harder; to regain coverage, enrollees must satisfy a lookback window (1-3 months depending on their state's choice). For example, a person who lost coverage after a job loss would need to find work and document 80 hours per month for 1-3 consecutive months before reapplying, uninsured the entire time. The law also bars people disenrolled under work requirements from receiving Marketplace premium tax credits, so there is no fallback.[5]

This is the Medicaid cliff: most enrollees who fall off in early 2027 will not come back. They will be uninsured, and the organizations that were serving them will absorb the loss.

Avoiding this cliff means reaching enrollees as state outreach begins, ideally sooner. However, reaching every at-risk enrollee proactively would require hundreds of additional case managers. That level of staffing is not realistic for most organizations. The Virtual Case Manager was built to solve this.

The VCM Solution

The VCM acts as a dedicated case manager for every enrollee simultaneously. It calls each at-risk enrollee and explains the new requirements in plain language, helps determine exemption eligibility, and walks them through the steps needed to stay covered. It sends personalized follow-up SMS text messages, connects enrollees with job training and volunteering programs to ensure compliance, and calls back periodically as deadlines approach. It has natural two-way conversations and it remembers each enrollee's situation across every interaction, as a human case manager would.

The VCM works from the enrollee data the partner organization already has. It knows the full OBBBA exemption criteria and analyzes each enrollee's records for signals of eligibility: a disability diagnosis, tribal affiliation, pregnancy, a dependent child under the age of 13, or other qualifying criteria. When it finds one, it tailors the first call to confirm the exemption and explain how to document it to the state, rather than triaging from scratch. Enrollees with minimal data or unclear status get a longer, more exploratory conversation.

Partner staff will also see real-time status and a complete audit trail through a dashboard, and can contact any enrollee directly. The VCM escalates the most complex cases to human staff. Because the VCM is handling most of the caseload, staff can dedicate their time to those complex cases.

Inbound callers will not wait on hold, since the system is available 24/7. And since the VCM communicates through phone calls and SMS text messages, there are no apps to download or portals to learn, making it easy for enrollees to use. The VCM can operate under the partner's brand, with calls and texts coming from a partner-affiliated phone number and caller ID.

[5] KFF, "A Closer Look at the Work Requirement Provisions in the 2025 Federal Budget Reconciliation Law," 2025. kff.org/medicaid/a-closer-look-at-the-work-requirement-provisions-in-the-2025-federal-budget-reconciliation-law/

Why This Will Work

The case for proactive phone and text outreach is well-supported in the health insurance literature. Studies show that even a single phone call improves renewal and enrollment outcomes.[6,7] The VCM goes much further: it holds live two-way phone conversations, sends SMS text message follow-ups immediately after each call, and checks back in over the following days and weeks, because multi-channel contact compounds the effect.[8]

The VCM is also fluent in Spanish, which addresses a critical gap identified in the Medicaid literature. Hispanic enrollees are twice as likely to lose coverage due to inability to complete the renewal process.[9] In many states, Medicaid phone menus begin with long English prompts before reaching language options, creating an additional barrier for non-English speakers.[10] Phone outreach in Spanish is particularly effective[11], and the VCM is designed to close that gap.

Broader Applications

Sky Island AI has been awarded a City of Tucson grant to bring TenantAid, an application of the VCM platform, to Tucson's 29th Street Thrive Zone to provide AI-powered legal guidance to tenants facing housing disputes.

The TenantAid grant illustrates a key point: the VCM is a highly versatile HIPAA-compliant virtual call center. Beyond Medicaid work requirements, the VCM can be deployed for a wide variety of high-volume tasks. For hospitals, health systems, and FQHCs: appointment reminders to reduce no-shows, insurance verification calls, targeted inbound call handling. For MCOs: medication adherence, health risk assessments, Star/HEDIS gap closure. Because the VCM can interact with an entire population simultaneously, it enables far greater coverage than current human case management teams can feasibly handle, at much lower costs.

Try the VCM

Call **(520) 809-9518** and roleplay a Medicaid enrollee navigating the OBBBA work requirements. The demo is live and available anytime. Reach out to info@skyislandai.com to learn more.

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[6] Health Affairs, "Personalized Telephone Outreach Increased Health Insurance Take-Up For Hard-To-Reach Populations, But Challenges Remain," 2022. healthaffairs.org/doi/10.1377/hlthaff.2021.01000
[7] NBER, "Navigating Medicaid: Experimental Evidence on Administrative Burden and Coverage Loss," 2025. nber.org/system/files/working_papers/w34191/w34191.pdf
[8] JAMA Health Forum, "Effect of Personalized Outreach on Medicaid to Marketplace Coverage Transitions: A Randomized Clinical Trial," 2022. jamanetwork.com/journals/jama-health-forum/fullarticle/2797464
[9] JAMA Internal Medicine, "Racial and Ethnic Disparities in Medicaid Disenrollment After the End of the COVID-19 Public Health Emergency," 2024. jamanetwork.com/journals/jamainternalmedicine/fullarticle/2819478
[10] National Immigration Law Center, "States Need to Improve Language Access for Medicaid Renewals," 2023. nilc.org/articles/states-need-to-improve-language-access-for-medicaid-renewals/
[11] Health Affairs Scholar, "Smooth journey: facilitating transitions from Medicaid to Marketplace plans using phone outreach," 2025. academic.oup.com/healthaffairsscholar/article/3/9/qxaf163/8234109