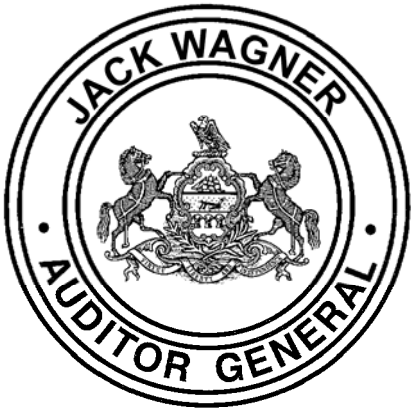
Compliance Audit

of the

Commonwealth of Pennsylvania
Department of Public Welfare
Medicaid Eligibility

Bedford County Assistance Office

Audit Period
January 1, 2005 to August 18, 2006



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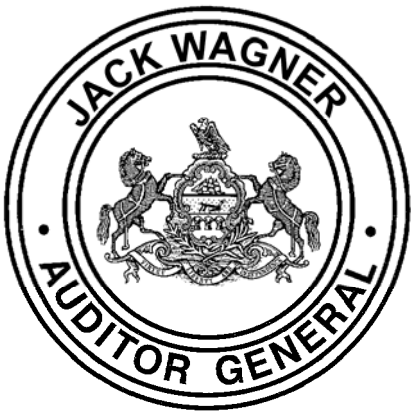
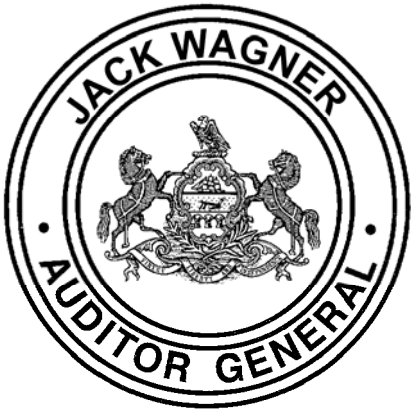

JACK WAGNER
AUDITOR GENERAL

CONTENTS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AUDITOR GENERAL

Report of Independent Auditors on Compliance

The Honorable Edward G. Rendell
Governor
Commonwealth Of Pennsylvania
Harrisburg, Pennsylvania 17120

Dear Governor Rendell:

We have conducted a compliance audit of the Bedford County Assistance Office (CAO) pursuant to the authority of Title 55, Chapter 109 of the Pennsylvania Code. The objectives of our audit were:

1) To determine whether the CAO made proper eligibility determinations for recipients of Medicaid based on Department of Public Welfare (DPW) policies and procedures, while evaluating the CAO's implementation of the Medicaid Eligibility Determination Automation (MEDA) system; and

2) To determine whether the CAO obtained and properly recorded all third-party liability in the Client Information System.

When recipients are not eligible for Medicaid, the cost to Pennsylvania taxpayers of the resulting improper payments could be significant. For individuals in a managed care organization (MCO), a set monthly capitation fee is paid to the MCO even if the recipient did not receive services during the period of ineligibility. For individuals not in a MCO, the amount of improper payments depends on the types of services, such as prescriptions, hospitalization, dental services, and other medical services received by individuals during periods of ineligibility.

A burden of improper Medicaid payments to taxpayers also occurs when CAOs do not obtain and record sources of existing Third Party Liability (TPL) insurance into the system. Medicaid law states that Medicaid funds should not be paid for services covered by TPL insurance - in other words, Medicaid funds should only be paid as a last resort when other sources are not

available. When CAOs do not obtain and record sources of existing TPL insurance into the system, DPW's Medicaid payment system is unaware of the TPL insurance and pays for services or pays capitation fees that should not be paid with Medicaid funds.

Our audit resulted in the following finding and observation.

Finding - Failure To Make Proper Medicaid Eligibility Determinations

Observation - MEDA Inquiry Screen Information Does Not Match MEDA Action Screen Information

During the April 23, 2007 exit conference, we reviewed this finding, observation and recommendations with the Bedford CAO representatives. We have included the CAO and DPW comments, where applicable, in this report.

Sincerely,

JACK WAGNER
Auditor General

June 7, 2007

Commonwealth of Pennsylvania
Department of Public Welfare
Bedford County Assistance Office

BACKGROUND INFORMATION

BACKGROUND

The Department of Public Welfare (DPW) is responsible for the administration of public assistance benefits to needy recipients in Pennsylvania. Benefits include cash assistance, food stamps and Medicaid. Cash assistance is grant money which falls into two categories: Temporary Assistance to Needy Families (TANF), a federally-funded program which provides money to families with dependent children who are needy because financial support is not available from one or both parents, and General Assistance (GA), a state-funded program which provides money primarily to single individuals and childless couples who do not have enough income to meet their basic needs and who do not qualify for TANF. The Food Stamp program is designed to offer assistance to low-income households in order to raise their level of nutrition. It is federally funded and operated jointly by the U.S. Department of Agriculture, Food and Nutrition Service, and DPW. Medicaid is the federal health care program for families and individuals with low income and resources. It is funded jointly by both the state and the federal government. DPW administers the program while the federal Centers for Medicare and Medicaid establishes requirements for service delivery, quality and eligibility standards.

Eligibility determinations are based on federal and state regulations specifying which individuals qualify for a program and the amounts for which they qualify. The Code of Federal Regulations (CFR) contains the applicable federal regulations. The Pennsylvania Code, which includes DPW's Cash Assistance Handbook, Medicaid Eligibility Handbook and Supplemental Handbook contain the applicable state regulations.

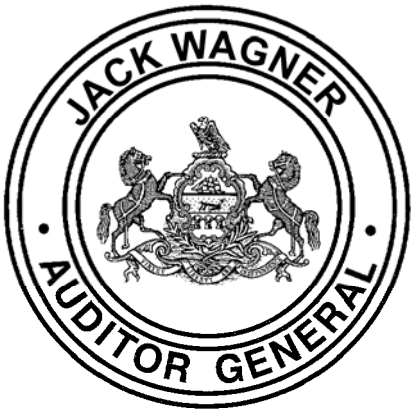
Once an applicant is determined eligible for benefits, relevant information about the recipient is recorded and maintained on DPW's Client Information System (CIS), where benefit information is maintained based on eligibility status and category of aid. The CAO performs a "renewal", or annual review, to determine continued eligibility for benefits.

The CAO personnel utilize DPW's Income Eligibility Verification System (IEVS) to compare income and resource information on the application with income and resource information obtained from outside sources. IEVS is updated quarterly with information from several sources including wage information from the Department of Labor and Industry, social security information from the Social Security Administration, and tax and unearned income information from the Internal Revenue Service. This new information

could affect a recipient's eligibility for benefits, however caseworkers are not always required to review it.

Caseworkers are not required to review all new information until a recipient renews his/her application, which occurs annually. Caseworkers receive an alert when they are required to review new information**.** However, the only instance when caseworkers receive an alert is when wage information is sent from a new or additional employer. As a result, increases in income from ongoing employment are not required to be reviewed until the annual renewal date. Consequently, information that may affect eligibility is not considered in the majority of cases until the recipient's annual renewal is due.

DPW recently implemented the Medicaid Eligibility Determination Automation (MEDA) system which was designed to automatically determine the level of Medicaid coverage based on demographic, resource and income information entered by the caseworker. Prior to this implementation, the caseworker made manual calculations to determine Medicaid eligibility.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OBJECTIVES, SCOPE AND METHODOLOGY

Objectives, Scope And Methodology

To achieve our audit objectives regarding eligibility we obtained a quarterly data file from the Department of Public Welfare of all recipients determined by the CAOs to be eligible for Medicaid benefits as of March 31, 2006. We selected a random sample of 163 cases from the 3,023 cases related to the Bedford CAO represented in the data file.

For each case selected in our sample, we tested certain aspects of eligibility and evaluated the CAO's examination and recording of third party liability to determine compliance with DPW regulations, governing laws, and administrative policies. We also tested cases that changed category when they were converted to MEDA to evaluate whether MEDA made the proper category determination.

The criteria we used to test cases in our sample included the Medicaid Eligibility Handbook, the Income Eligibility Verification System (IEVS) Manual, and the Client Information System Manual.

Due to the Internal Revenue Code paragraph 6103 regarding safeguarding of certain tax information, we are not authorized to have access to all information that contains wage and unearned income from the IRS. This scope limitation prevents us from confirming that all resources were included in calculating recipients' eligibility for benefits.

Commonwealth of Pennsylvania
Department of Public Welfare
Bedford County Assistance Office

FINDING AND RECOMMENDATIONS

Finding and Recommendations

Our audit testing included 163 out of 3,023 Medicaid cases. The results of our fieldwork disclosed 37 deficiencies in the cases we examined. The CAO took corrective action on these deficiencies, including terminating benefits. The most significant deficiencies are discussed in the following finding:

Finding - Failure To Make Proper Medicaid Eligibility Determinations

During our audit we found that CAO personnel improperly determined recipient eligibility in 25 of the 163, or 15% of the cases we tested. In 12 of these cases, recipients were not eligible for Medicaid benefits. In 7 of these 12 cases, benefits were paid for recipients while they were ineligible. In 13 of the 25 cases, the recipients were not in the proper Medicaid category of aid.

As a result, improper payments of $12,873 were issued to providers and managed care organizations on behalf of recipients[1], as shown in Table 1 on page 11 of this report. Failure to place recipients in the proper category of aid, which is based on income, could result in recipients receiving services for which they are not entitled, or being denied services for which they are entitled. Because we did not have access to all wage and unearned income information as noted in our scope limitation on page 8 of this report, we were not able to ascertain whether CAO personnel utilized all available wage and unearned income information to determine Medicaid eligibility. As a result, additional improper payments could have been made and not discovered during our audit.

The Medicaid Eligibility Handbook provides criteria to assist the CAO in making proper eligibility determinations.

These improper determinations occurred because:

- DPW's policy does not require a review of all changes to income, including income from ongoing employment, when the information becomes available on IEVS. Instead, DPW's policy requires information regarding ongoing employment be reviewed only during a recipient's annual review.

[1] In a fee-for-service environment providers are paid directly for services they provide to recipients. In a managed care environment, contracted managed care organizations are paid a set monthly capitation fee for all members of their organization whether or not members (recipients) received services. When services are provided, the managed care organization is responsible to pay the provider.

- The CAO management did not monitor to ensure that recipients met the age limitation requirements, were disabled and/or that they met the family relationship requirement.

- The CAO management did not monitor to ensure that income amounts were properly entered on the Client Information System.

- The CAO management did not monitor to ensure that annual reviews were performed on the date they should have been done.

Table 1

		Ineligibility Period		Claims
	Case Number	**From**	**To**	**Paid**
1.	MA - 57	10/26/04	06/19/06	$10,852.10
2.	MA - 95	05/01/05	09/01/05	234.13
3.	MA - 98	11/18/05	06/22/06	304.70
4.	MA - 116	07/01/05	12/31/05	27.30
5.	MA - 122	10/01/05	11/30/05	259.86
6.	MA - 124	01/01/05	12/31/05	622.32
7.	MA - 134	01/01/06	06/15/06	572.83
	Totals			**$12,873.24**

Recommendations

To ensure that proper eligibility determinations are made, we recommend that DPW:

- Change its policy to require a review of all changes in income, including income from ongoing employment when it becomes available, since the majority of improper eligibility determinations are a result of this deficiency.

- Adjust future capitation payments to managed care organizations to recoup payments made for ineligible recipients. In addition, DPW should follow up with the Office of Inspector General to see if overpayments made on behalf of recipients can be recouped.

We also recommend that CAO Management:

- Ensure that personnel are adequately trained to understand the eligibility requirements pertaining to age, disability and family relationship criteria for Medicaid categories.

- Ensure that personnel are adequately trained to reconcile reported income with IEVS information.

- Ensure that personnel are trained to accurately enter income, resource and relationship information into the Client Information System.

- Establish controls for caseworkers to act on eligibility alerts from the Client Information System.

- Improve monitoring to ensure that personnel properly reconcile reported income with IEVS, properly enter information into the Client Information System and act on eligibility alerts from the Client Information System.

Management Response

The Bedford CAO Management stated at the exit conference that they partially disagree with this finding as presented. Specifically, CAO management stated that they are not required to review changes in income until renewal based on current policy.

Auditors Conclusion

We maintain our position with this finding and encourage DPW to implement our recommendation to change its current policy to require a review of all changes to income, including income from ongoing employment when the information is available on IEVS. This would help to eliminate the improper payment of benefits. It is important to understand that the $12,873 in improper payments discussed in this finding was found in 12 of the 163 cases we sampled during the audit. This sample of 163 cases was selected from the total population of 3,023 cases. If similar discrepancies exist in the remaining 2,860 cases, the amount of improper payments could be significantly higher.

Commonwealth of Pennsylvania
Department of Public Welfare
Bedford County Assistance Office

OBSERVATION

Observation

Observation - MEDA Inquiry Screen Information Does Not Match MEDA Action Screen Information

We noted that in seven of the 163 cases in our sample, that information on the Client Information System screens should match and does not. Specifically, family relationship information on the inquiry screen (CQRELN) does not match family relationship information on the action screen (CARELN). Action screens are used to input information into the Client Information System, while inquiry screens are used only to reference information. No changes can be made in the system while in inquiry mode. If CAO personnel were to utilize the inquiry screen to gather information regarding household composition, improper eligibility determinations could result.

Audit Report Distribution List

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