

Compliance Audit

of the

Commonwealth of Pennsylvania
Department of Public Welfare
Medicaid Eligibility

Bradford County Assistance Office

Audit Period

January 1, 2006 to November 16, 2007



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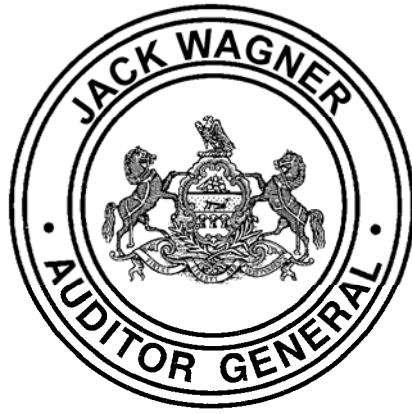
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Report of Independent Auditors on Compliance

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

Dear Governor Rendell:

We have conducted a compliance audit of the Bradford County Assistance Office (CAO), pursuant to the authority of Title 55, Chapter 109 of the Pennsylvania Code. The audit period was January 1, 2006 through November 16, 2007. 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. It should be noted that payments made on behalf of ineligible recipients cannot be recouped by the Commonwealth from the MCO or from individual providers.

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

Report of Independent Auditors on Compliance (Continued)

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 findings and observation.

Finding No. 1 - Failure To Make Proper Medicaid Eligibility Determinations

Finding No. 2 - Failure To Obtain And/Or Properly Record All Third Party Liability On The Client Information System

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

During the March 4, 2008 exit conference, we reviewed these findings, observation and recommendations with the Bradford CAO representatives. We have included the CAO and DPW comments, where applicable, in this report.

Sincerely,

JACK WAGNER
Auditor General

January 21, 2009

**Commonwealth of Pennsylvania
Department of Public Welfare
Bradford County Assistance Office**

BACKGROUND INFORMATION

Background Information

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.

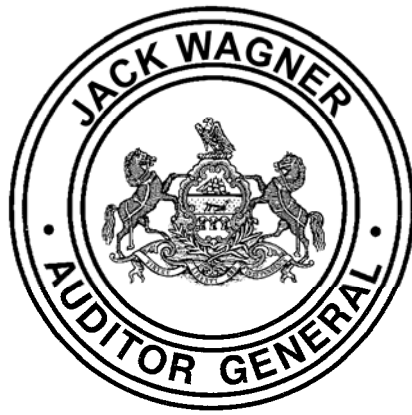
Once an applicant is determined eligible for benefits, relevant information about the recipient is recorded and maintained in DPW's Client Information System (CIS), where benefit information is maintained based on eligibility status and category of aid. The CAO performs a "renewal" or annual review,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

CAO personnel utilize DPW's Income Eligibility Verification System (IEVS) to compare income and resource information with income and resource information obtained from outside sources. IEVS is updated quarterly with information from several sources including wage information from the Social Security Administration, and tax and unearned income information from the Internal Revenue Service. CAO caseworkers are to review this information at the time of application, when the recipient submits his or her semi-annual report (SAR) and at the annual renewal. Caseworkers receive an alert when they are required to review wage information received between the application date, the SAR and the renewal. However, IEVS only sends caseworkers an alert when there is

Background Information

wage information from a new or additional employer. IEVS does not provide caseworkers an alert when there is an increase in wages from ongoing employment even though the wage increase could affect a recipient's eligibility. Consequently, information that could affect a recipient's continued eligibility for Medicaid benefits is not reviewed until the recipient's SAR or annual review.

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.



**Commonwealth of Pennsylvania
Department of Public Welfare
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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, 2007. We selected a random sample of 145 cases from the 3,708 cases related to our audit objectives for the Bradford CAO. Our audit period was January 1, 2006 to November 16, 2007, however in cases where we determined an ineligible individual was receiving Medicaid benefits, we expanded our test work through the last date of his or her ineligibility.

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
Bradford County Assistance Office**

FINDINGS AND RECOMMENDATIONS

Findings and Recommendations

Our audit testing included 145 out of 3,708 Medicaid cases. Cases where a significant number of deficiencies occurred are discussed in the following findings:

Finding No. 1 - Failure To Make Proper Medicaid Eligibility Determinations

During our audit we found that CAO personnel improperly determined recipient eligibility in 32 of the 145, or 22% of the cases we tested. Recipients in these cases were either over the income limit or did not meet other conditions of eligibility such as age limitation, citizenship, disability or family relationship requirements. In 20 of these cases, recipients were not eligible for Medicaid benefits, and in 3 additional cases the recipients had periods of ineligibility and periods where they were placed in the incorrect category of aid. In all 23 cases, benefits were paid while the recipients were ineligible. As a result, improper payments of \$18,684 were issued to both managed care organizations and individual providers on behalf of recipients,¹ as shown in Table 1, beginning on page 11 of this report. Specifically, \$7,908 was issued to managed care organizations in the form of capitation payments and \$10,776 was issued to providers in the form of medical claims paid. Payments made on behalf of ineligible recipients cannot be recouped by the Commonwealth from MCOs or from individual providers. In addition, we found no evidence that recoveries for Medicaid are pursued by DPW or referred for collection to the Office of Inspector General. Consequently, it is important for DPW to monitor recipients' eligibility, immediately identify ineligible recipients, and stop payment of benefits on their behalf.

In 9 of the 32 cases, recipients were placed in the incorrect category of aid although they had no periods of ineligibility. Failure to place recipients in the proper category of aid could result in recipients receiving services for which they are not entitled, or being denied services for which they are entitled. Because we do 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.

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. The managed care organization is then responsible to pay providers of services.

Findings and Recommendations

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

These improper determinations occurred because:

- 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 from IEVS history was properly reconciled with reported income at application and renewals.
- The CAO management did not monitor to ensure that income from IEVS alerts was timely and/or properly reconciled with reported income.
- The CAO management did not monitor to ensure that income and/or resource amounts were properly entered on the Client Information System.
- The CAO management did not monitor to ensure that citizenship and identity of recipients were verified during the application and renewal process.
- The CAO management did not monitor to ensure that the annual renewals and/or semi-annual reviews took place on the date they should have been done.
- 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 renewal or semi-annual review.

Table 1

	Case Number	Ineligibility Period		Benefits Paid
		From	To	
1.	MA-14	01/01/07	04/08/07	\$ 55.04
2.	MA-17	06/30/06	09/30/07	1,661.57

Findings and Recommendations

Table 1 continued

	Case Number	Ineligibility Period		Benefits Paid
		From	To	
3.	MA-20	11/16/06	05/20/07	\$ 463.13
4.	MA-22	01/30/06	06/01/06	582.65
5.	MA-26	04/01/06	12/13/07	578.21
6.	MA-32	08/01/07	09/27/07	47.73
7.	MA-36	04/10/06	01/21/07	1,375.99
8.	MA-38	01/01/06	05/21/07	3,498.47
9.	MA-39	01/29/07	04/16/07	240.99
10.	MA-53	11/15/06	03/31/07	2,656.09
11.	MA-55	01/12/07	02/28/07	109.44
12.	MA-58	10/18/07	12/11/07	27.24
13.	MA-60	09/01/06	09/30/06	4.68
		01/01/07	03/31/07	253.25
14.	MA-81	05/23/07	12/12/07	1,815.72
15.	MA-85	05/01/07	06/13/07	164.91
16.	MA-92	02/23/07	09/09/07	54.39
17.	MA-94	04/01/06	11/13/07	1,754.69
18.	MA-104	02/23/07	12/01/07	981.04
19.	MA-116	04/12/07	11/11/07	501.68
20.	MA-118	06/01/06	07/31/06	466.54
		10/01/06	02/12/07	669.33
21.	MA-122	09/26/07	11/27/07	52.13
22.	MA-127	10/11/07	11/22/07	64.38
23.	MA-131	01/01/07	06/30/07	604.63
	Total			\$18,683.92

Recommendations

To ensure that proper eligibility determinations are made, we 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.

Findings and Recommendations

- Improve monitoring to ensure that caseworkers properly reconcile reported income with IEVS history at application and renewals.
- Improve monitoring to ensure that caseworkers timely and/or properly reconcile reported income with IEVS alerts.
- Ensure that personnel are trained to accurately enter income and/or resource information into the Client Information System.
- Ensure that personnel are adequately trained to verify citizenship and identity during the application and renewal process.
- Improve monitoring to ensure that caseworkers perform annual renewals and/or semi-annual reviews in a timely manner.

We also recommend that DPW:

- Change its policy to require a review of all changes in income including income from ongoing employment when it becomes available.
- Follow up with the Office of Inspector General to see if overpayments made on behalf of recipients can be recouped.

Management Response

In a July 24, 2008 letter to this Department, the CAO management stated, in part that they took the following corrective action in order to increase the accuracy and efficiency of the CAO management:

Specialized the IEVS function utilizing one Income Maintenance worker as an IEVS specialist to act on all CAO IEVS dispositions; and

Focused on proper application of Citizenship and Identity policy utilizing the Rushmore Case Review system.

CAO management also stated that staff refresher training will be provided on the reconciliation of system cleared IEVS data at application, SAR review and renewal, and

Findings and Recommendations

income and resource data entry. Also, supervisory training will be provided to include monitoring of system alerts including age, disability, income, SAR and renewal alerts.

In additional comments, the CAO management stated, in part, that they questioned our finding based on the following:

In one case the period of ineligibility was incorrect based on the Citizenship and Identity requirement with regard to a newborn;

The 9 cases cited for incorrect categories did not result in recipients receiving services for which they are not entitled, or being denied services for which they are entitled.

Auditors Conclusion

We acknowledge Bradford CAO management's efforts to implement corrective action to reduce the number of improper Medicaid eligibility determinations; however, without additional corrective action payments will continue to be made on behalf of ineligible recipients.

Regarding proof of citizenship and identity, which is required to be eligible for benefits, documentation was not provided to audit staff during fieldwork or after fieldwork was completed. In the instance noted above, proof of citizenship and identity for a newborn of an ineligible recipient is required and was not provided.

Regarding the 9 recipients who were placed in the incorrect category, five were assigned to categories with more benefits (dental, vision and prescription) than the recipients were entitled to receive. In the remaining cases, even though the recipients were entitled to receive equal benefits when assigned to the correct category, the new category only allows the recipient to remain on benefits for six months to a year, and at the time of our audit the restricted time periods would have expired. These additional nine eligibility errors contributed to the 22% error rate, which is significant.

Therefore our finding remains as written and we continue to recommend that personnel are adequately trained and closely monitored to make proper eligibility determinations. We also continue to recommend that DPW management change its policy to require a review of all changes in income including income from ongoing employment when it becomes available.

Findings and Recommendations

Finding No. 2 - Failure To Obtain And/Or Properly Record All Third Party Liability On The Client Information System

During our audit we determined that in 25 of the cases we tested, or 17% of our sample, the CAO failed to obtain and/or properly record all third party liability into the Client Information System. Specifically, in 20 of these cases, the recipient's case record included documentation of auto insurance which was not recorded in the Client Information System. In 4 of these cases, an auto was listed as a resource; however documentation of auto insurance was neither contained in the case record, nor listed on the Client Information System. We also determined that in 1 of the cases, the CAO failed to obtain documentation of health insurance from recipients who had health coverage under another plan.

DPW's claims processing system makes payments to providers based on information found on the Client Information System. If no other insurance information is recorded, it is possible that medical claims will be paid with Medicaid funds, including medical claims and the cost of hospitalization resulting from auto accidents.

The Medicaid Eligibility Handbook, Chapter 338.2, and CFR 433.138 and 433.139 provide criteria to assist the CAO in properly identifying and recording all third party resources.

These deficiencies occurred because:

- The CAO management did not monitor to ensure that third party insurance information was entered into the Client Information System even though this documentation was contained in the case record.
- The CAO management did not monitor to ensure that auto insurance information was obtained and entered into the Client Information System, even though an auto was listed as a resource.

Failure to obtain and/or enter all third party liability resources into the Client Information System increases the likelihood that medical claims will be paid by Medicaid, which should be the payor of last resort.

Findings and Recommendations

Recommendations

We recommend that CAO management ensure that caseworkers request all third party resources, including auto insurance, during the application and renewal processes and enter this information into the Client Information System. Also, DPW should revise current policy to require recipients to show evidence of auto insurance when an auto is listed as a resource.

Management Response

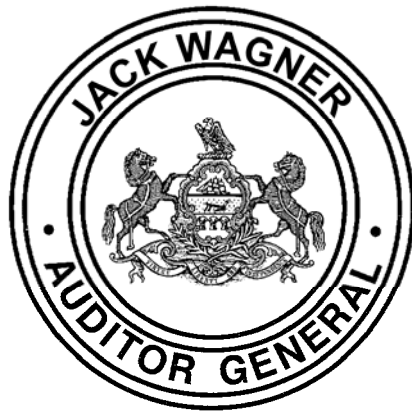
In a July 24, 2008 letter to this Department, the CAO management provided the following response:

- DPW has reviewed the recommendation made by the Auditor General that CAO management follow the Medicaid Eligibility Handbook (MEH), Chapter 338.2 regarding third party liability to ensure that caseworkers request all third party resources during the application and renewal processes and enter this information into CIS.
- Based on Policy Clarification PMA13745340, the OIM and the Division of Third Party Liability (TPL) have determined that auto insurance is no longer beneficial as a TPL resource. PMA13745340 provided that information and instructed CAOs to close all auto insurance TPLs effective May 24, 2007.
- In accordance with 42 CFR 433.138 and 139, TPL is required to pursue claims with trauma diagnoses. This is far more effective than relying on the CAO and the client to provide updated auto insurance information. The trauma diagnoses process reveals many more trauma situations for investigation than just auto accidents.
- The MEH Chapter 338.2 has been revised to remove the requirement to record auto insurance in CIS. However, it has been reinforced to CAOs the need to add other third party resources to CIS. Every resource helps ensure Medical Assistance is the payer of last resort.

Findings and Recommendations

Auditors Conclusion

The Medicaid Eligibility Handbook, which is part of our audit criteria, was revised to reflect DPW's change in policy after our audit period. In addition, even though the criteria no longer requires CAO caseworkers to enter available auto TPL into the Client Information System, doing so decreases the likelihood that medical claims resulting from auto accidents would automatically be paid with Medicaid funds, which should be the payor of last resort. Therefore, our finding remains as written and we continue to recommend that CAO caseworkers request and enter all third party resources, including auto insurance, into the Client Information System.



**Commonwealth of Pennsylvania
Department of Public Welfare
Bradford County Assistance Office**

OBSERVATION

Observation

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

We noted that in 39 of the 145 cases we tested, or 27% of our sample, information on the Client Information System screens should match and does not. Specifically, family relationship information on the inquiry screen does not match family relationship information on the action screen. 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 family relationship information, improper eligibility determinations could result.

Recommendations

We recommend that DPW examine existing software for system logic problems. Furthermore, the CAO management should establish additional procedures to help identify the inconsistencies between action screens and inquiry screens in MEDA.

Management Response

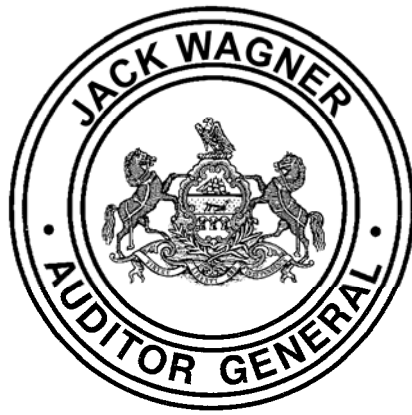
In a July 24, 2008 letter to this Department, the CAO management provided the following response:

- The DPW acknowledges that there was a logic problem in the MEDA system regarding family relationships on the inquiry and action screens in that the information did not always match.
- A software change was implemented October 15, 2007; all cases accessed after that date should no longer have the deficiency. Another problem identified has been that the CQRELN screen was not available for closed budgets/cases. To correct this problem the Office of Income Maintenance has submitted a problem change request to add the CQRELN screen to the CQSQUE for closed cases.

Observation

Auditors Conclusion

We acknowledge the CAO management's efforts to ensure that accurate relationship information is utilized. Without the successful implementation of the efforts the CAO has described, relationship information between the action screen and the relationship screen in MEDA will not be accurate.



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