

Compliance Audit

of the

Commonwealth of Pennsylvania
Department of Public Welfare
Medicaid Eligibility

Clearfield County Assistance Office

Audit Period

December 1, 2006 to September 26, 2008



Compliance Audit

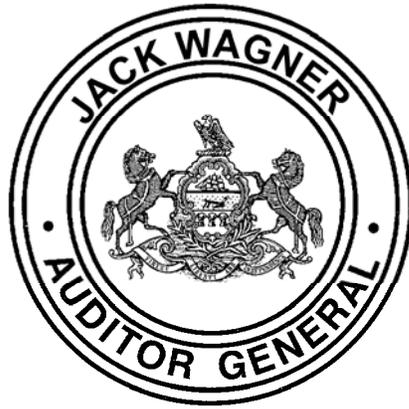
of the

Commonwealth of Pennsylvania
Department of Public Welfare
Medicaid Eligibility

Clearfield County Assistance Office

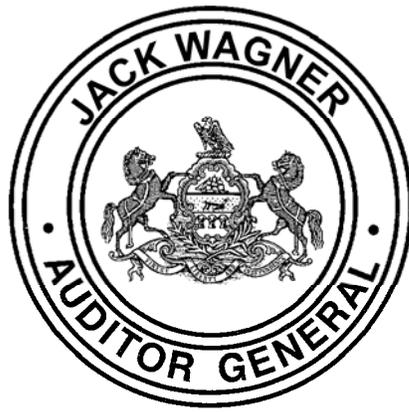
Audit Period

December 1, 2006 to September 26, 2008



CONTENTS

	Page
REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE	1
BACKGROUND INFORMATION	4
OBJECTIVES, SCOPE, AND METHODOLOGY	8
FINDING AND RECOMMENDATIONS	
Finding - Failure To Make Proper Medicaid Eligibility Determinations	10
AUDIT REPORT DISTRIBUTION LIST	15



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 Clearfield County Assistance Office (CAO) pursuant to the authority of Title 55, Chapter 109 of the Pennsylvania Code and P.S. §402 and §403 of the Fiscal Code. The audit period was December 1, 2006 through September 26, 2008. 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 an 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.

Report of Independent Auditors on Compliance (Continued)

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.

Finding - Failure To Make Proper Medicaid Eligibility Determinations

During the February 5, 2009 exit conference, we reviewed this finding and recommendations with the Clearfield CAO management. We have included the CAO and DPW comments, where applicable, in this report.

Sincerely,

JACK WAGNER
Auditor General

February 8, 2010

**Commonwealth of Pennsylvania
Department of Public Welfare
Clearfield 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 on a regular basis with information from several sources including wage information from the Department of Labor and Industry, benefit information from the SSA, and tax and unearned income information from the Internal Revenue Service. CAO caseworkers are required to review this information at the time of application, when the recipient submits their semi-annual reporting (SAR) form and at the annual renewal. Caseworkers receive an alert when they are required to review new wage information received between the application date, the SAR and at the time of the

Background Information

annual renewal. However, IEVS only sends caseworkers an alert when there is 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. Consequently, information that could affect a recipient's continued eligibility for benefits is not reviewed until the recipient's SAR or the annual renewal.

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
Clearfield County Assistance Office**

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, 2008. We selected a random sample of 144 cases from the 6,154 cases related to our audit objectives for the Clearfield CAO represented in the data file. Our audit period was December 1, 2006 to September 26, 2008, 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.

It is DPW's position that the Department of the Auditor General is 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
Clearfield County Assistance Office**

FINDING AND RECOMMENDATIONS

Finding and Recommendations

Our audit testing included 144 out of 6,154 Medicaid cases. Cases where a significant number of deficiencies occurred 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 144, or 17% 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 15 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 these 18 cases, benefits were paid while the recipients were ineligible. As a result, improper payments of \$16,058 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, \$7,779 was issued to managed care organizations in the form of capitation payments and \$8,279 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 7 of the 25 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.

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

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.

Finding and Recommendations

These improper determinations occurred because:

- CAO management did not monitor to ensure that income from IEVS history was properly reconciled with reported income at application and renewals.
- CAO management did not monitor to ensure that income from IEVS alerts was properly reconciled with reported income.
- CAO management did not monitor to ensure that recipients met the age limitation requirements and that they met the family relationship requirement.
- CAO management did not monitor to ensure that income was properly entered on the Client Information System.
- 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.

Table 1

	Case Number	Ineligibility Period		Benefits Paid
		From	To	
1.	MA - 9	12/01/06	03/07/07	\$521.44
2.	MA - 12	06/01/07	06/30/07	190.03
3.	MA - 17	01/01/08	03/31/08	254.86
4.	MA - 36	01/01/08	02/29/08	168.14
5.	MA - 39	01/01/08	06/30/08	138.32
6.	MA - 40	01/01/07	01/03/08	6,422.03
7.	MA - 48	03/01/08	05/14/08	310.57
8.	MA - 49	08/01/07	08/31/07	262.08
9.	MA - 50	01/01/07	03/31/07	243.54
10.	MA - 52	04/01/08	07/29/08	271.89
11.	MA - 61	12/01/06	12/31/06	171.94
		04/01/07	08/07/07	2,605.05
12.	MA - 62	12/01/06	12/31/06	4.68
		04/01/07	09/30/07	310.31

Finding and Recommendations

Table 1 (Continued)

	Case Number	Ineligibility Period		Benefits Paid
		From	To	
13.	MA - 63	12/01/06	12/31/06	\$34.24
		03/01/08	03/31/08	86.72
14.	MA - 68	02/01/07	02/28/07	1.30
		04/01/07	09/11/07	542.45
15.	MA - 71	07/04/07	08/20/07	244.26
16.	MA - 76	10/01/07	12/31/07	647.60
17.	MA - 82	04/01/07	06/30/07	2,506.07
18.	MA - 147	07/01/08	09/16/08	120.09
	Total			\$16,057.61

Recommendations

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

- Improve monitoring to ensure that caseworkers properly reconcile reported income with IEVS history at application and renewals.
- Improve monitoring to ensure that caseworkers properly reconcile reported income with IEVS alerts.
- Ensure that personnel are adequately trained to understand the eligibility requirements pertaining to age and family relationship criteria for Medicaid categories.
- Ensure that personnel are trained to accurately enter income information into the Client Information System.

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.

Finding and Recommendations

- Follow up with the Office of Inspector General to determine if payments made on behalf of recipients can be recouped.

Management Response

In a July 13, 2009 letter to the Department of the Auditor General, DPW management provided the following response.

The Department disagrees with the following cases that were shown as improper determinations in the audit:

In Case Number MA-61, the CAO agrees that the client was opened in category PC/27 (NMP), but the client would have been eligible under category PC/71 (EMC) so no overpayment exists. The overpayment amount shown in the audit report was \$2,776.99.

In Case Number MA-76, the client would have been eligible for the work expense deduction and 50 percent work incentive for the August through January 2008 calculation so no overpayment exists. The overpayment amount shown in the audit report was \$647.60.

To address the finding, CAO Managers will re-emphasize to caseworkers the need to follow the established eligibility determination procedures and will take a more active role in case review through mandated automated reviews which are tracked by computer software. In addition, the Department is reviewing its eligibility determination procedures, including those regarding changes in income, to determine if its policies and procedures can be improved. Any overpayments made on behalf of recipients due to improper Medicaid eligibility determinations will be referred to the Office of Inspector General for possible recoupment.

Auditors' Conclusion

In case number MA-61, we agree that the recipient was correctly authorized in the PC/27 (NMP) category; however, the recipient's increase in income occurred within the first 3 months of eligibility. Therefore, the recipient did not meet the eligibility requirement for Emergency Medical Care (EMC) benefits. Had the CAO properly reviewed IEVS, it would have discovered the ineligibility.

Finding and Recommendations

In case number MA-76, our calculation allowed for the appropriate work expense and work incentive deduction for the time period in question. We found that the recipient exceeded the income limit during these months and therefore was ineligible to receive benefits. Had the CAO properly calculated the work expense and work incentive deduction, it would have discovered the ineligibility.

For the purpose of calculating overpayments to post to the overpayment system, DPW considers the period of ineligibility to start at the point when the ineligibility is discovered, not when the recipient actually became ineligible. Our audit identifies the amount of taxpayer dollars spent for benefits from the point in time when the recipient became ineligible in order to reveal the amount of payments made to ineligible recipients, which could be reduced by DPW if stronger internal controls existed.

It is important to note that payments made on behalf of ineligible recipients cannot be recouped by the Commonwealth from MCOs or from individual providers. Therefore, DPW should ensure that CAO personnel are adequately trained to understand the eligibility requirements and improve its oversight of the Medicaid program so that proper eligibility determinations are made. Furthermore, DPW should ensure that its policies are designed to quickly identify when a recipient's eligibility status changes so that benefits paid on behalf of ineligible recipients can be stopped.

Our finding remains as written and we continue to encourage CAO management to ensure that personnel are adequately trained and closely monitored to make proper eligibility determinations as noted in the above recommendations.

We will examine the implementation of any additional procedures during our next audit and determine whether or not the action taken adequately addresses the deficiencies noted in this report.

Audit Report Distribution List

This report was originally distributed to the following:

Commonwealth of Pennsylvania

The Honorable Edward G. Rendell
Governor

The Honorable Robert McCord
State Treasurer

Harriet Dichter
Acting Secretary
Department of Public Welfare

The Honorable Matthew Baker
Republican Chair
Health and Human Services Committee
Pennsylvania House of Representatives

The Honorable Mary A. Soderberg
Secretary
Office of the Budget

Tina Long, Director
Division of Financial Policy & Operations
Bureau of Financial Operations
Office of Administration
Department of Public Welfare

The Honorable Donald L. Patterson
Inspector General
Office of Inspector General

Linda T. Blanchette, Deputy Secretary
Office of Income Maintenance
Department of Public Welfare

The Honorable Patricia Vance
Chair
Public Health and Welfare Committee
Senate of Pennsylvania

Joanne Glover, Director
Bureau of Operations
Office of Income Maintenance
Department of Public Welfare

The Honorable Vincent Hughes
Democratic Chair
Public Health and Welfare Committee
Senate of Pennsylvania

John Kaschak, Director
Bureau of Audits
Office of the Budget

The Honorable Frank Oliver
Chair
Health and Human Services Committee
Pennsylvania House of Representatives

County Assistance Office

Gregory Lezanic, Executive Director
Clearfield County Assistance Office

Hugh Daley, Chairman
Clearfield County Board of Assistance

This report is a matter of public record. Copies of this report may be obtained from the Pennsylvania Department of the Auditor General, Office of Communications, 318 Finance Building, Harrisburg, PA 17120. If you have any questions regarding this report or any other matter, you may contact the Department by accessing our website at www.auditorgen.state.pa.us.