

Compliance Audit

of the

Commonwealth of Pennsylvania
Department of Public Welfare
Medicaid Eligibility

Sullivan County Assistance Office

Audit Period

January 1, 2005 to November 9, 2006



Compliance Audit

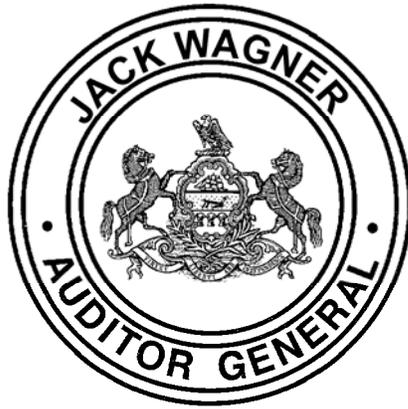
of the

Commonwealth of Pennsylvania
Department of Public Welfare
Medicaid Eligibility

Sullivan County Assistance Office

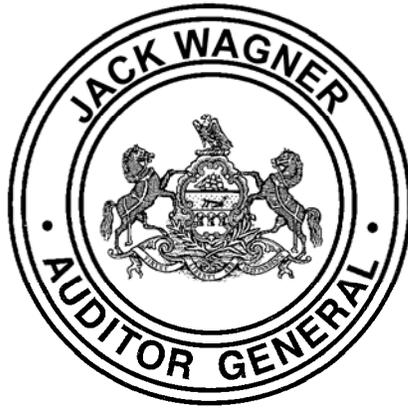
Audit Period

January 1, 2005 to November 9, 2006



CONTENTS

	Page
REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE	1
BACKGROUND INFORMATION	4
OBJECTIVES, SCOPE AND METHODOLOGY	8
FINDINGS AND RECOMMENDATIONS	
Finding No. 1 - Failure To Make Proper Medicaid Eligibility Determinations	10
Finding No. 2 - Failure To Obtain And/Or Properly Record All Third Party Liability On The Client Information System.....	13
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 Sullivan County Assistance Office (CAO) pursuant to the authority of Title 55, Chapter 109 of the Pennsylvania Code. The audit period was January 1, 2005 through November 9, 2006. 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

Report of Independent Auditors on Compliance (Continued)

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.

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

During the May 22, 2007 exit conference, we reviewed these findings and recommendations with the Sullivan CAO representatives. We have included the CAO and DPW comments, where applicable, in this report.

Sincerely,

JACK WAGNER
Auditor General

January 11, 2008

**Commonwealth of Pennsylvania
Department of Public Welfare
Sullivan 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.

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 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.

Background Information

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.



**Commonwealth of Pennsylvania
Department of Public Welfare
Sullivan 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 June 30, 2006. We selected a random sample of 115 cases from the 486 cases related to the Sullivan CAO represented in the data file. Our audit period was January 1, 2005 to November 9, 2006, 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
Sullivan County Assistance Office**

FINDINGS AND RECOMMENDATIONS

Findings and Recommendations

Our audit testing included 115 out of 486 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 14 of the 115, or 12% 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 11 of these cases, recipients were not eligible for Medicaid benefits. In these 11 cases, benefits were paid for recipients while they were ineligible. As a result, improper payments of \$2,007 were issued to managed care organizations on behalf of recipients in the form of capitation payments¹, as shown in Table 1 on page 11 of this report.

In 3 of the 14 cases, the recipients were not in the proper Medicaid category of aid. 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.

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.

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 CAO management did not monitor to ensure that income and resource amounts were properly entered on the Client Information System.
- 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 annual and/or semi-annual reviews were performed 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 review.

Table 1

	Case Number	Ineligibility Period		Benefits Paid
		From	To	
1.	MA-22	01/01/06	03/29/06	\$ 54.60
2.	MA-45	04/21/05	09/21/06	1,419.64
3.	MA-48	07/01/05	03/31/06	40.95
4.	MA-51	07/28/05	09/11/06	61.81
5.	MA-58	10/07/05	05/24/06	31.85
6.	MA-61	12/01/05	03/27/06	18.20
7.	MA-85	06/01/06	01/29/07	233.01
8.	MA-93	07/01/05	06/20/06	50.05
9.	MA-95	07/01/06	08/09/06	9.36
10.	MA-98	03/01/06	09/14/06	59.93
11.	MA-99	01/01/06	06/11/06	27.30
	Total			\$2,006.70

Findings and Recommendations

Recommendations

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

- 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 trained to accurately enter income and resource information into the Client Information System.
- 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 properly reconcile reported income with IEVS alerts.
- Improve monitoring to ensure that caseworkers perform annual 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
- 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.

Management Response

The CAO Management agreed with the finding as presented at the exit conference and will take action to comply with the recommendations.

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 17 of the cases we tested, or 15% of our sample, the CAO failed to obtain and/or properly record all third party liability into the Client Information System. Specifically, in 12 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. In 1 of these cases, the recipient's case record included both documentation of medical and auto insurance which was not included in the Client Information System.

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 third party insurance information was obtained during the application and renewal process.
- The CAO management did not monitor to ensure that documentation of 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 follow the Medicaid Eligibility Handbook, 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 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

The CAO Management agreed with the finding as presented at the exit conference and will take action to comply with the recommendations.

Audit Report Distribution List

This report was originally distributed to the following:

Commonwealth of Pennsylvania

The Honorable Edward G. Rendell
Governor

The Honorable Estelle B. Richman
Secretary
Department of Public Welfare

The Honorable Michael J. Masch
Secretary
Office of the Budget

The Honorable Robin L. Wiessmann
State Treasurer

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

The Honorable Edwin B. Erickson
Chair
Public Health and Welfare Committee
Senate of Pennsylvania

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

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

The Honorable George Kenney
Republican Chair
Health and Human Services Committee
Pennsylvania House of Representatives

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

Joyce Haskins, Acting Comptroller
Public Health and Human Services
Department of Public Welfare

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

Kathy Jellison, President
PA Social Services Union
Local 668 S.E.I.U. AFL-CIO

County Assistance Office

Sharon Dunmore, Executive Director
Sullivan County Assistance Office

Chairperson
Sullivan 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.