

Compliance Audit

of the

Commonwealth of Pennsylvania
Department of Public Welfare
Medicaid Eligibility

*Allegheny County Assistance Office
Southern District*

Audit Period

January 1, 2005 to July 27, 2007



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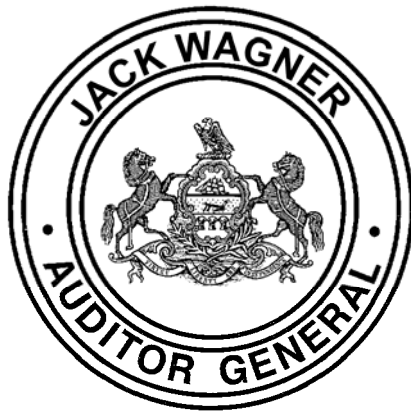
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Report of Independent Auditors on Compliance

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

Dear Governor Rendell:

We have conducted a compliance audit of the Allegheny County Assistance Office (CAO), Southern District, pursuant to the authority of Title 55, Chapter 109 of the Pennsylvania Code. The audit period was January 1, 2005 through July 27, 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.

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 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 November 30, 2007 exit conference, we reviewed these findings, observation and recommendations with the Allegheny CAO, Southern District, representatives. We have included the CAO and DPW comments, where applicable, in this report.

Sincerely,

JACK WAGNER
Auditor General

May 7, 2008

**Commonwealth of Pennsylvania
Department of Public Welfare
Allegheny County Assistance Office
Southern District**

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
Allegheny County Assistance Office
Southern District**

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 December 31, 2006. We selected a random sample of 148 cases from the 9,599 cases related to the Allegheny CAO, Southern District, represented in the data file. Our audit period was January 1, 2005 to July 27, 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
Allegheny County Assistance Office
Southern District**

FINDINGS AND RECOMMENDATIONS

Findings and Recommendations

Our audit testing included 148 out of 9,599 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 62 of the 148, or 42% 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 51 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 53 of these 54 cases, benefits were paid while the recipients were ineligible. As a result, improper payments of \$156,801 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, \$140,658 was issued to managed care organizations in the form of capitation payments and \$16,143 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 an additional 8 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.

Findings and Recommendations

These improper determinations occurred because:

- 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 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 alerts was timely and/or properly reconciled with reported income.
- 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.
- 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.
- 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 - 5	04/01/05	05/31/06	\$ 2,964.25
2.	MA - 6	11/23/05	12/31/06	2,956.95
3.	MA - 10	01/01/05	08/01/05	7,757.76
		01/01/06	03/31/06	731.36
4.	MA - 12	01/05/05	03/29/06	2,911.27
5.	MA - 13	10/01/06	07/18/07	2,182.68

Findings and Recommendations

Table 1 (Continued)

	Case Number	Ineligibility Period		Benefits Paid
		From	To	
6.	MA - 14	04/21/06	03/21/07	\$ 1,832.21
7.	MA - 18	01/01/07	05/30/07	2,019.48
8.	MA - 20	07/01/05	09/30/05	1,235.54
		01/01/06	03/31/06	1,430.82
9.	MA - 21	06/30/06	09/30/06	783.30
10.	MA - 23	04/01/07	07/08/07	2,549.39
11.	MA - 26	10/01/05	02/15/06	966.07
12.	MA - 38	01/12/07	09/04/07	1,982.57
13.	MA - 39	10/04/06	07/23/07	9,037.24
14.	MA - 40	10/25/06	07/12/07	2,014.76
15.	MA - 43	02/02/07	06/19/07	1,794.58
16.	MA - 45	10/13/06	01/15/07	667.45
17.	MA - 51	01/01/05	05/31/06	3,639.40
		08/25/06	07/23/07	2,432.73
18.	MA - 52	04/01/06	06/30/07	4,071.29
19.	MA - 53	07/01/05	12/31/06	3,741.19
20.	MA - 54	01/01/05	06/30/06	6,675.21
21.	MA - 55	12/08/06	07/23/07	1,544.75
22.	MA - 58	01/01/07	04/15/07	8,701.70
23.	MA - 60	01/01/05	12/31/06	4,897.81
24.	MA - 62	11/17/06	06/19/07	1,554.42
25.	MA - 67	12/02/05	06/14/07	4,232.88
26.	MA - 71	01/01/05	10/06/05	7,504.87
27.	MA - 74	07/01/05	06/30/06	2,575.32
		10/01/06	12/31/06	708.87
28.	MA - 79	01/01/05	08/21/05	1,141.35
29.	MA - 80	09/11/06	11/01/06	525.82
30.	MA - 85	04/01/06	01/07/07	2,476.94
31.	MA - 86	06/26/07	07/31/07	1,187.98
32.	MA - 87	01/06/05	12/06/05	3,411.46
33.	MA - 93	04/01/06	11/08/06	1,678.09
34.	MA - 95	04/01/06	09/30/06	2,100.88
35.	MA - 102	03/06/07	08/16/07	2,165.56

Findings and Recommendations

Table 1 (Continued)

	Case Number	Ineligibility Period		Benefits Paid
		From	To	
36.	MA - 103	10/01/06	08/13/07	\$ 3,030.88
37.	MA - 112	12/21/06	09/13/07	1,239.43
38.	MA - 113	04/01/05	11/01/06	4,363.45
39.	MA - 114	07/01/05	12/31/05	65.00
40.	MA - 116	02/28/06	06/27/07	4,452.49
41.	MA - 117	06/07/07	08/19/07	144.90
42.	MA - 121	04/18/06	10/03/06	1,343.33
43.	MA - 122	04/01/07	08/19/07	1,243.81
44.	MA - 125	01/23/07	06/05/07	9,865.51
45.	MA - 126	05/11/06	11/06/06	1,345.41
46.	MA - 127	07/01/05	09/30/05	563.39
		01/01/06	09/30/06	1,738.94
47.	MA - 128	11/01/06	06/17/07	1,732.61
48.	MA - 131	09/01/06	01/24/07	1,289.73
49.	MA - 133	07/07/06	03/22/07	3,857.76
50.	MA - 134	04/01/06	06/27/06	723.36
51.	MA - 138	05/01/06	08/05/07	3,916.07
52.	MA - 147	01/01/07	08/30/07	2,351.55
53.	MA - 149	05/28/07	08/19/07	747.63
	Total			\$156,801.45

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.
- 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 timely and/or properly reconcile reported income with IEVS alerts.
- Improve monitoring to ensure that caseworkers perform annual renewals and/or semi-annual reviews in a timely manner.
- 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.

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 an April 10, 2008 letter to this Department, the CAO management provided the following response:

The Southern DO management agrees with the Auditor General's (AG), recommendation to improve monitoring to ensure that caseworkers properly reconcile reported income for IEVS history at applications and renewals. On October 5, 2007, Southern DO management implemented a Corrective Action Plan (CAP), placing renewed emphasis on the importance of processing renewals timely, and working to decrease the backlog. This initiative has been very successful, as evidenced by the reduction in overdue renewals by 52 percent, from October 2007 to March 2008. Additionally, area meetings where Income Maintenance supervisors will reinforce the need for Income Maintenance Caseworkers (IMCWs) to reconcile IEVS history at applications and renewal will take place in April.

Findings and Recommendations

The Southern DO management disagrees that monitoring was not in place to ensure recipients met age, disability or family relationship requirements. IMCW supervisors review cases monthly, using Targeted Supervisory Reviews (TSRs), and Comprehensive Supervisory Reviews (CSRs). These reviews are completed for the purpose of monitoring eligibility decisions. In January 2006, Allegheny County Assistance Office (ACAO) implemented the Medical Eligibility Determination Automation (MEDA), system to ensure proper eligibility decisions are made. The errors identified in this area were based on the failure to convert cases to the new MEDA system. All cases in the Southern DO have now been converted.

The Southern DO management disagrees that monitoring did not take place to ensure income from IEVS alerts was timely and/or properly reconciled with reported income. Since March 2005, Southern DO management has made the timely completion of IEVS a top priority. An Income Maintenance Manager is assigned the task of reviewing IEVS regularly and works through the supervisors to ensure 100 percent compliance with the requirement that IEVS be reviewed and completed timely.

The Southern DO management disagrees that monitoring did not take place to ensure that the annual renewals and/or semi-annual reviews took place when they should have been done. The use of the new Automated Renewal System reduced the time it takes IMCWs to plan, gather, write, and mail renewal packets so that it would be easier for the IMCWs to process renewals in a timely manner, and permit supervisors and managers to monitor and control the completion of these renewal interviews.

The Southern DO management agrees with the recommendation that personnel must be trained to accurately enter income and/or resource information into CIS. At the April, 2008 supervisors meeting, office management will reinforce the importance of IMCWs accurately entering income and resource information into CIS. The supervisors will discuss this at their next area meeting and will give special attention to this when completing their case reviews.

The Southern DO management disagrees that monitoring did not take place to ensure citizenship and identity of recipients were verified during the application and renewal process. On August 2, 2006, the director issued a citizenship and identity procedure memo that specified the actions required to maintain

Findings and Recommendations

compliance with this policy. Also, in May 2007, all ACAO managers and supervisors began using the Division of Corrective Action's Rushmore software system. Questions 13, 14 and 15 on the TSR specifically addressed the requirement for verifying citizenship and identity. These TSRs were done on both applications and renewals which ensures compliance with these requirements.

Auditors Conclusion

We acknowledge Allegheny CAO, Southern District's efforts to implement additional training and monitoring of staff. However, the deficiencies in this finding show that information which was key in determining eligibility was overlooked, or not verified, indicating that additional monitoring is necessary. Allegheny County is one of 25 mandatory managed care counties in Pennsylvania. Recipients in these counties are required to belong to managed care organizations (MCOs) and monthly capitation fees are paid on their behalf. Without proper monitoring, capitation payments will continue to be made for recipients while they are ineligible. Therefore, we continue to recommend that caseworkers are more closely monitored to ensure that information required in determining eligibility is obtained and verified.

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 24 of the cases we tested, or 16% of our sample, the CAO failed to obtain and/or properly record all third party liability into the Client Information System. Specifically, in 14 of these cases, the recipient's case record included documentation of auto insurance which was not recorded in the Client Information System. In 10 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.

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.

Findings and Recommendations

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 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.

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 an April 10, 2008 letter to this Department, the CAO management provided the following response:

The Southern DO management agrees more monitoring needs to occur to ensure Third Party Insurance (TPL), information is obtained and entered into CIS during the application and renewal process. At the April, 2008, supervisor's meeting, management will instruct the supervisors to discuss the importance of obtaining and recording TPL resources available to the client.

Findings and Recommendations

The Southern DO management disagrees with the need to enter auto insurance on CIS as a resource. Medicaid Handbook, Section 340.13 (Pa. Code 78.6), states auto insurance is no longer considered a TPL resource. Southern DO is following this policy.

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 on 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
Allegheny County Assistance Office
Southern District**

OBSERVATION

Observation

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

We noted that in 36 of the 148 cases we tested, or 24% 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 an April 10, 2008 letter to this Department, the CAO management provided the following response:

The Southern DO management agrees with the recommendation that the Department of Public Welfare examine existing software for system logic problems.

Audit Report Distribution List

This report was originally distributed to the following:

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Southern District

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