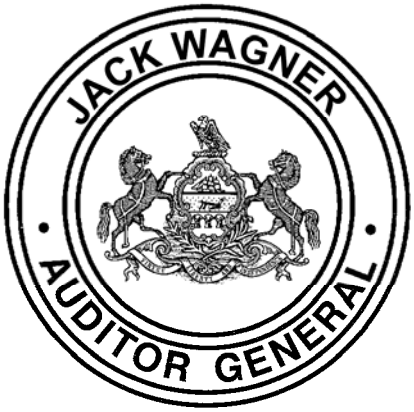
Compliance Audit

of the

Commonwealth of Pennsylvania
Department of Public Welfare
Medicaid Eligibility

Columbia County Assistance Office

Audit Period
September 1, 2006 to June 13, 2008



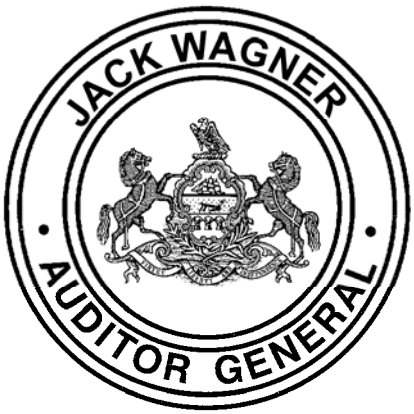
Compliance Audit

of the

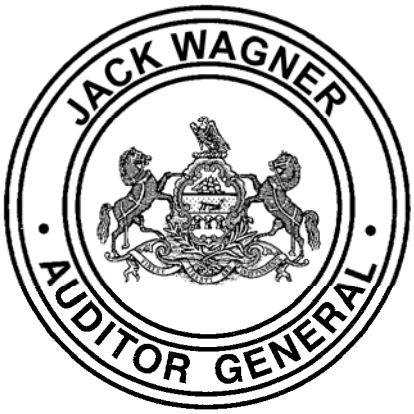
Commonwealth of Pennsylvania
Department of Public Welfare
Medicaid Eligibility

Columbia County Assistance Office

Audit Period
September 1, 2006 to June 13, 2008


JACK WAGNER
AUDITOR GENERAL

CONTENTS


JACK WAGNER
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 Columbia 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 September 1, 2006 through June 13, 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 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 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.

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 November 24, 2008 exit conference, we reviewed these findings and recommendations with the Columbia CAO representatives. We have included the CAO and DPW comments, where applicable, in this report.

Sincerely,

JACK WAGNER
Auditor General

August 5, 2009

Commonwealth of Pennsylvania
Department of Public Welfare
Columbia 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.

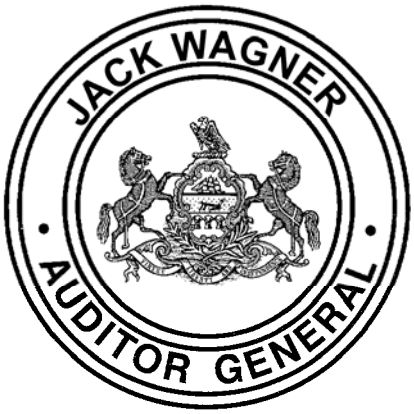
Eligibility determinations are based on federal and state regulations specifying which individuals qualify for a program and the amounts for which they qualify. The Code of Federal Regulations (CFR) contains the applicable federal regulations. The Pennsylvania Code, which includes DPW's Cash Assistance 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 the 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 even though the wage increase could affect a recipient's eligibility. Consequently, information that could affect a recipient's continued eligibility for benefits is not received 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.


JACK WAGNER
AUDITOR GENERAL

Commonwealth of Pennsylvania
Department of Public Welfare
Columbia 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 December 31, 2007. We selected a random sample of 143 cases from the 3,442 cases related to the Columbia CAO represented in the data file. Our audit period was September 1, 2006 to June 13, 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.

Due to the DPW's Supplemental Handbook policy for safeguarding certain tax information and the Internal Revenue Code, Section 6103, 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
Columbia County Assistance Office

FINDINGS AND RECOMMENDATIONS

Findings and Recommendations

Our audit testing included 143 out of 3,442 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 143, or 43% 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 31 of these cases, recipients were not eligible for Medicaid benefits, and in 6 additional cases the recipients had periods of ineligibility and periods where they were placed in the incorrect category of aid. In 34 of these 37 cases, benefits were paid while the recipients were ineligible. As a result, improper payments of $82,856 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, $37,606 was issued to managed care organizations in the form of capitation payments and $45,250 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 25 of the 143 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.

These improper determinations occurred because:

- The CAO management did not monitor to ensure that income from IEVS alerts was properly reconciled with reported income.

- The CAO management did not monitor to ensure that recipients met the age limitation requirements, were disabled and 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 citizenship and identity of recipients were verified during the application and renewal process.

- 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 the annual renewals and 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

		Ineligibility Period		Benefits
	Case Number	From	To	Paid
1.	MA-3	02/01/08	02/25/08	$119.12
2.	MA-7	10/01/07	12/31/07	258.99

Table 1 (continued)

	Case Number	Ineligibility Period		Benefits Paid
		From	To	
3.	MA-10	11/22/06	11/05/07	$1,020.09
4.	MA-14	11/01/07	12/02/07	171.77
5.	MA-15	10/01/06	01/10/07	373.50
6.	MA-16	12/20/06	10/24/07	14,248.07
7.	MA-19	02/01/08	04/30/08	1,490.60
8.	MA-22	07/27/07	09/11/07	402.31
9.	MA-24	08/16/07	05/28/08	769.33
10.	MA-25	04/01/07	02/18/08	330.80
11.	MA-31	01/24/07	06/02/08	2,621.88
12.	MA-35	07/01/07	01/01/08	1,134.21
13.	MA-40	03/27/07	10/29/07	5,302.13
14.	MA-44	05/22/07	06/13/08	4,838.73
15.	MA-52	12/08/06	06/13/08	10,984.44
16.	MA-59	11/01/07	11/14/07	104.55
17.	MA-67	09/01/06	11/28/06	256.80
		09/13/07	05/14/08	906.23
18.	MA-69	11/01/07	11/05/07	502.14
		04/01/07	04/18/07	110.79
19.	MA-74	09/01/06	06/13/08	3,537.56
20.	MA-75	10/18/07	04/28/08	1,385.12
21.	MA-80	09/01/06	10/09/07	2,199.33
22.	MA-90	10/01/07	10/11/07	174.44
23.	MA-94	09/01/06	06/13/08	10,268.28
24.	MA-95	05/01/07	06/11/08	6,371.91
25.	MA-96	10/01/07	10/04/07	87.22
26.	MA-103	09/27/06	07/24/08	2,463.22
27.	MA-105	09/01/06	10/07/07	4,226.75
28.	MA-108	10/01/06	12/12/06	14.04
		12/23/07	01/16/08	617.70
29.	MA-113	04/15/08	07/06/08	527.16
30.	MA-116	11/01/06	06/19/07	$3,671.35
31.	MA-126	04/18/07	12/02/07	680.97

Table 1 (continued)

	Case Number	Ineligibility Period		Benefits Paid
		From	To	
32.	MA-133	11/01/07	11/08/07	84.55
33.	MA-138	10/06/07	03/31/08	479.97
34.	MA-141	11/07/07	12/06/07	119.19
	Total			**$82,855.74**

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 alerts.

- 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 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 properly reconcile reported income with IEVS history at application and renewals.

- Improve monitoring to ensure that caseworkers perform annual renewals and semi-annual reviews in a timely manner.

We also recommend that DPW:

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

- Change its policy to require a review of all changes in income including income from ongoing employment when it becomes available.

Management Response

In a December 23, 2008 letter to this Department, the CAO management provided the following response:

> The Columbia County Assistance Office agrees with the recommendation that CAO Management improve monitoring to ensure that caseworkers correctly determine MA eligibility.
>
> Therefore the Columbia County Assistance Office has implemented the following corrective action:
>
> All Income Maintenance Staff received MA Training on July 24, 2008 and August 7, 2008 which addressed the issues in finding #1.
>
> Supervisors have been instructed to monitor workers reconciliation of IEVS on a weekly basis through case reviews.
>
> Workers have received refresher training related to eligibility requirements, data entry, verification of ID and citizenship and timeliness of annual renewals and semi-annual reviews. Supervisors will monitor work through case reviews.
>
> Manual alerts are set one month prior to turning 19, 21 and the expiration of EMC as the system alerts do not allow the necessary timing for advance notice.
>
> All deficiencies were reviewed through supervisory unit meetings and staff meetings.

Columbia County Assistance Office agrees with the recommendation that personnel need to be adequately trained to verify citizenship and identity during the application and renewal process.

Therefore the following actions have been taken:

1. To reinforce existing regulations, supervisors will review Medical Assistance eligibility requirements and the procedures related to verifying citizenship and identity of applicants/recipients as outlined in the Medical Assistance Handbook (MAH) chapters 320 (identity), 322 (Citizenship/Alien), 376 (Renewal), and 378 (Verification) with all Income Maintenance Caseworker (IMCW) staff in unit meetings.

2. The Columbia County Assistance Office will continue to complete case reviews (CSR/TSR) which include supervisory and management review for correct actions on citizenship and identity actions at application and renewal.

The Columbia County Assistance Office agrees with the recommendation that personnel need to be adequately trained to understand the eligibility requirements pertaining to age, disability and family relationship criteria for Medicaid categories.

Therefore the Columbia County Assistance Office has implemented the following corrective action:

1. All reported deficiencies were reviewed in supervisory and unit meetings.

2. To reinforce existing regulations, supervisors reviewed Medical Assistance eligibility requirements as outlined in the MAH Chapters 304 (Application), 310 (Applicant/Recipient Groups), 321 (Age), 368 (Determining Eligibility for NMP) and 369 (Determining Eligibility for MNO) with affected IMCWs.

The Columbia County Assistance Office agrees with the recommendation that CAO management improve monitoring to ensure that caseworkers properly reconcile reported income with IEVS History at application and renewal.

Therefore the following actions have been taken:

1. IMCWs have been reminded of the importance of properly reconciling income with IEVS history at application and renewal.

2. The Columbia County Assistance Office uses CSR and TSR processes to ensure improved monitoring for proper reconciliation of reported income with IEVS history at application and renewals.

The Columbia County Assistance Office agrees with the recommendation that CAO management improve monitoring to ensure that caseworkers properly reconcile reported income with IEVS alerts.

Therefore the following actions have been taken:

1. The Columbia County Assistance Office will utilize CSR and TSR processes to review case information to ensure that IMCWs properly reconcile reported income with IEVS alerts.

2. Columbia County Assistance Office management will use results of the case record review findings to identify areas that require correction and/or additional training.

3. Columbia County Assistance Office Management and supervisors will review all available system generated and internal reports for compliance with IEVS procedures related to income reporting. CIS data entry and IEVS alert maintenance.

The DPW has reviewed the recommendation by the Auditor General that it change its policy to require a review of all changes in income, including from ongoing employment when it becomes available and believes the existing policies and procedures in place which provide guidelines and instruction to CAO personnel are adequate as written.

The Columbia County Assistance Office agrees with the recommendation that DPW should follow up with the Office of the Inspector General (OIG) to see if overpayments made on behalf of recipients can be recouped.

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 OIG for possible recoupment.

Auditors Conclusion

We acknowledge Columbia CAO'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. We also acknowledge that, according to CAO management, DPW's policy regarding a review of income, including income from ongoing employment is adequate as written. The response also states that DPW is updating IEVS internal system logic which will require that changes in income must be reviewed and cleared by caseworkers for clients that remain at the same employer.

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 eliminate the improper payments of benefits.

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 57 of the cases we tested, or 40% of our sample, the CAO failed to obtain and/or properly record all third party liability into the Client Information System. Specifically, in 9 of these cases, the recipient's case record included documentation of auto insurance which was not recorded in the Client Information System. In 44 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 4 of these cases, the recipient's case record included documentation of both 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 processes.

- 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 a December 23, 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 obtain third party liability information related to auto insurance during the application and renewal processes and enter this information into our CIS.
>
> Please note that effective May 24, 2007, the Department issued a policy clarification requiring that auto insurance information be collected by the Division of TPL in trauma cases only. By targeting trauma cases as opposed to collecting information for all auto accidents, the Department is better able to identify cases where TPL information is applicable and is less reliant on information provided by the client that often proved to be inaccurate or incomplete. The result of this approach has been a more timely and accurate process that has increased our ability to recover funds in these types of cases.
>
> All deficiencies related to TPL information being obtained and entered in CIS was addressed in unit meetings and staff training sessions.

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.

Audit Report Distribution List

This report was originally distributed to the following:

Commonwealth of Pennsylvania

The Honorable Edward G. Rendell
Governor

Harriet Dichter
Acting Secretary
Department of Public Welfare

The Honorable Mary A. Soderberg
Secretary
Office of the Budget

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

The Honorable Patricia Vance
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 Robert McCord
State Treasurer

The Honorable Matthew Baker
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

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

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

John Kaschak, Director
Bureau of Audits
Office of the Budget

County Assistance Office

Diane Belusko, Executive Director
Columbia County Assistance Office

Chairperson
Columbia 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.