

Compliance Audit

of the

Commonwealth of Pennsylvania  
Department of Public Welfare  
Medicaid Eligibility

***Lehigh County Assistance Office***

Audit Period

January 1, 2005 to June 1, 2007





Compliance Audit

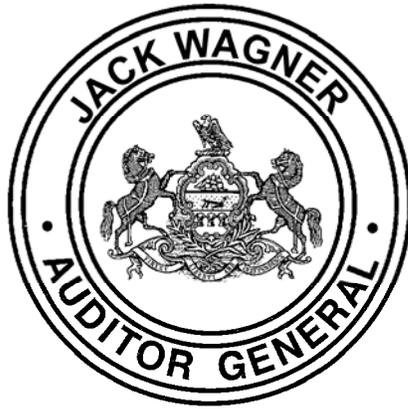
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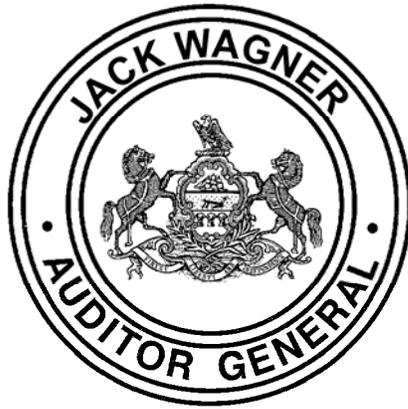
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## **Report of Independent Auditors on Compliance**

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

Dear Governor Rendell:

We have conducted a compliance audit of the Lehigh 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 June 1, 2007. The objectives of our audit were:

- 1) To determine whether the CAO made proper eligibility determinations for recipients of Medicaid based on Department of Public Welfare (DPW) policies and procedures, while evaluating the CAO's implementation of the Medicaid Eligibility Determination Automation (MEDA) system; and
- 2) To determine whether the CAO obtained and properly recorded all third-party liability in the Client Information System.

When recipients are not eligible for Medicaid, the cost to Pennsylvania taxpayers of the resulting improper payments could be significant. For individuals in a managed care organization (MCO), a set monthly capitation fee is paid to the MCO even if the recipient did not receive services during the period of ineligibility. For individuals not in a MCO, the amount of improper payments depends on the types of services, such as prescriptions, hospitalization, dental services, and other medical services received by individuals during periods of ineligibility. It should be noted that payments made on behalf of ineligible recipients cannot be recouped by the Commonwealth from the MCO or from individual providers.

A burden of improper Medicaid payments to taxpayers also occurs when CAOs do not obtain and record sources of existing Third Party Liability (TPL) insurance into the system. Medicaid

Report of Independent Auditors on Compliance (Continued)

law states that Medicaid funds should not be paid for services covered by TPL insurance - in other words, Medicaid funds should only be paid as a last resort when other sources are not available. When CAOs do not obtain and record sources of existing TPL insurance into the system, DPW's Medicaid payment system is unaware of the TPL insurance and pays for services or pays capitation fees that should not be paid with Medicaid funds.

Our audit resulted in the following findings.

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

Finding No. 3 - MEDA Inquiry Screen Information Does Not Match MEDA Action Screen Information

During the November 15, 2007 exit conference, we reviewed these findings and recommendations with the Lehigh CAO representatives. We have included the CAO and DPW comments, where applicable, in this report.

Sincerely,

JACK WAGNER  
Auditor General

May 1, 2008

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

**BACKGROUND INFORMATION**

## ***Background Information***

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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

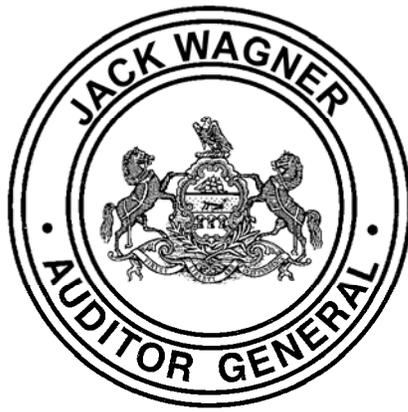
## ***Background Information***

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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  
Lehigh County Assistance Office**

**OBJECTIVES, SCOPE AND METHODOLOGY**

## ***Objectives, Scope And Methodology***

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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 17,144 cases related to the Lehigh CAO represented in the data file. Our audit period was January 1, 2005 to June 1, 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  
Lehigh County Assistance Office**

**FINDINGS AND RECOMMENDATIONS**

## ***Findings and Recommendations***

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Our audit testing included 148 out of 17,144 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 78 of the 148, or 53% 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 73 of these cases, recipients were not eligible for Medicaid benefits. In 72 of these 73 cases, benefits were paid for recipients while they were ineligible. As a result, improper payments of \$303,679 were issued to both managed care organizations and individual providers on behalf of recipients,<sup>1</sup> as shown in Table 1 beginning on page 11 of this report. Specifically, \$295,876 was issued to managed care organizations in the form of capitation payments and \$7,803 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 5 of the 78 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.

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<sup>1</sup> 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***

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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 annual renewals and/or semi-annual reviews were performed on the date they should have been done.
- The CAO management did not monitor to ensure that income from IEVS alerts was timely and/or properly reconciled with reported income.
- The CAO management did not monitor to ensure that income 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 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-1	04/04/06	06/11/06	\$ 502.83
		08/10/06	09/11/06	234.84
2.	MA-3	02/01/06	09/30/06	7,472.00
3.	MA-4	07/01/05	09/30/05	429.46
4.	MA-5	01/01/05	05/08/06	8,243.66

## *Findings and Recommendations*

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**Table 1**

	Case Number	Ineligibility Period		Benefits Paid
		From	To	
5.	MA-7	11/01/06	04/30/07	\$ 1,494.18
6.	MA-8	12/07/06	04/30/07	3,349.92
7.	MA-11	07/07/06	04/13/07	1,922.78
8.	MA-12	07/03/06	04/27/07	2,165.73
9.	MA-15	12/01/06	03/29/07	628.82
10.	MA-17	01/12/05	07/10/05	1,322.45
		01/12/06	07/12/06	1,415.97
11.	MA-25	11/01/06	07/08/07	5,711.85
12.	MA-26	11/07/06	04/29/07	2,100.84
13.	MA-27	08/01/06	10/31/06	1,332.58
14.	MA-30	01/01/05	06/30/05	2,790.67
		01/01/05	04/10/07	7,947.72
		01/01/05	11/08/06	5,198.74
15.	MA-31	01/14/05	06/19/06	15,300.98
16.	MA-35	12/20/06	04/30/07	2,605.07
17.	MA-38	10/01/05	05/17/06	2,362.96
18.	MA-42	08/22/05	05/13/07	9,943.32
19.	MA-44	03/21/07	05/23/07	494.71
20.	MA-46	02/21/06	05/20/07	8,451.79
21.	MA-47	01/03/05	01/03/07	5,395.91
22.	MA-48	01/01/07	05/14/07	554.62
23.	MA-51	01/04/05	02/20/06	3,574.66
24.	MA-56	01/22/06	05/17/07	4,652.04
25.	MA-59	05/18/06	05/20/07	4,918.05
26.	MA-60	01/01/05	02/13/07	8,556.44
27.	MA-61	04/12/05	05/15/07	21,431.58
28.	MA-65	08/25/06	05/20/07	3,841.56
29.	MA-67	10/22/05	04/29/07	16,644.42
30.	MA-68	08/15/06	05/13/07	987.49
		05/10/06	07/25/06	467.24
31.	MA-69	01/01/05	05/22/05	2,199.52
32.	MA-71	05/19/06	06/04/06	126.76
33.	MA-73	09/01/05	08/31/06	9,713.77

## *Findings and Recommendations*

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	Case Number	Ineligibility Period		Benefits Paid
		From	To	
34.	MA-74	01/01/05	05/31/06	\$ 4,488.74
		10/01/06	12/31/06	1,371.11
35.	MA-79	10/01/05	05/04/07	4,473.57
36.	MA-83	02/01/07	02/19/07	227.08
37.	MA-85	10/13/06	04/17/07	1,443.69
38.	MA-87	10/29/06	05/22/07	2,243.40
39.	MA-88	09/26/05	05/21/07	4,409.14
40.	MA-89	04/30/07	05/13/07	432.70
41.	MA-90	07/15/06	09/14/06	1,896.64
		02/01/07	05/29/07	837.48
42.	MA-91	01/01/05	01/13/06	8,554.63
43.	MA-93	01/01/05	05/16/07	6,459.17
44.	MA-94	11/09/06	05/29/07	1,122.61
45.	MA-96	01/20/07	05/21/07	3,291.83
46.	MA-97	07/01/05	11/27/06	3,880.32
47.	MA-98	09/01/06	01/02/07	1,071.26
48.	MA-100	01/10/07	05/27/07	837.48
		04/11/06	09/24/06	1,165.34
49.	MA-101	10/30/06	06/17/07	1,682.21
50.	MA-103	09/01/06	06/13/07	2,131.62
51.	MA-105	06/29/06	04/23/07	3,248.34
52.	MA-107	02/07/06	06/14/07	3,558.08
53.	MA-108	02/08/06	06/18/07	11,337.48
54.	MA-111	04/06/06	05/06/07	2,851.12
55.	MA-112	06/01/06	06/06/07	4,704.02
56.	MA-114	08/30/05	04/11/06	1,954.34
		07/12/06	10/11/06	896.68
57.	MA-116	01/31/06	06/13/07	4,076.41
58.	MA-117	07/08/05	06/13/07	5,120.48
59.	MA-118	11/03/05	07/13/06	1,645.92
60.	MA-119	04/01/07	06/24/07	759.96
61.	MA-120	07/13/06	06/19/07	5,008.97
62.	MA-122	04/27/07	06/19/07	1,940.72
63.	MA-123	05/07/06	06/13/07	2,831.64
64.	MA-124	10/30/06	05/15/07	1,472.84
65.	MA-128	01/09/06	05/27/07	9,136.77

## ***Findings and Recommendations***

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**Table 1 (continued)**

	Case Number	Ineligibility Period		Benefits Paid
		From	To	
66.	MA-129	01/31/06	06/14/07	\$ 3,284.09
67.	MA-130	04/28/07	06/12/07	654.59
68.	MA-131	08/27/06	06/14/07	3,215.79
69.	MA-132	03/10/06	03/17/07	2,640.16
70.	MA-133	11/30/06	05/27/07	2,595.49
71.	MA-134	04/01/07	05/27/07	2,128.60
72.	MA-147	05/20/07	06/12/07	108.39
	<b>Total</b>			<b>\$303,678.83</b>

### Recommendations

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

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

## ***Findings and Recommendations***

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We also recommend that DPW:

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

### **Management Response**

In a March 17, 2008 electronic memorandum to this Department, the CAO Management provided the following response:

Since August 2007, Lehigh CAO has increased supervisory monitoring of annual and/or semi-annual reviews, resulting in improved timeliness of completion.

In August 2007, Lehigh CAO formed an IEVS Unit, comprised of caseworkers who specialize in processing IEVS information. This has resulted in a dramatic improvement in the timely processing of IEVS detail and adjustment of IEVS information on the Client Information System (CIS.)

Since August 2007, Lehigh CAO has been conducting ongoing refresher training for caseworkers in: a) eligibility factors related to age, family relationship and disability; b) proper verification of citizenship and identity.

### **Auditors Conclusion**

We acknowledge Lehigh CAO management's efforts to increase monitoring and provide additional training to its staff to address the significant deficiencies addressed in the audit. Without the successful implementation of the efforts the CAO has described, payments will continue to be made on behalf of ineligible recipients.

## ***Findings and Recommendations***

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### **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 35 of the cases we tested, or 24% of our sample, the CAO failed to obtain and/or properly record all third party liability into the Client Information System. Specifically, in 15 of these cases, the recipient's case record included documentation of auto insurance and in 3 cases the recipient's case record included documentation of medical insurance, which was not recorded in the Client Information System. In 15 of these cases, an auto was listed as a resource; however documentation of auto insurance was neither contained in the case record, nor listed on the Client Information System. We also determined that in 2 of the cases, the CAO failed to obtain documentation of health insurance information from recipients who had health coverage under another plan.

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

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

These deficiencies occurred because:

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

## ***Findings and Recommendations***

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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 not only request all third party resources, including auto insurance, during the application and renewal processes but 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 March 17, 2008 electronic memorandum to this Department, the CAO Management provided the following response:

Since August 2007, Lehigh CAO supervisors have been completing random reviews of TPL information in Medical Assistance cases at application and renewal, to ensure that third party medical resources are being identified and entered into CIS.

As Chapter 338.2 of the Medicaid Eligibility Handbook specifically states that automobile insurance is not considered a third party liability resource, Lehigh CAO is not required to enter this information into CIS for Medical Assistance cases.

### 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.

## ***Findings and Recommendations***

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### **Finding No. 3 - MEDA Inquiry Screen Information Does Not Match MEDA Action Screen Information**

We noted that in 37 of the 148 cases we tested, or 25% 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.

The Medicaid Eligibility Handbook, Chapter 310, provides regulations for CAOs to determine family relationships in a household for the issuing of Medicaid benefits. Family relationship information is entered into the Client Information System through action screens, and can later be accessed through inquiry screens. Accurate relationship information is essential in determining Medicaid benefits.

According to the CAO, failure of the inquiry screen to indicate correct relationship information may have been caused by a system logic problem with the Client Information and MEDA systems.

If CAO personnel were to utilize the inquiry screen to gather family relationship information, improper eligibility determinations could result. Furthermore, if CAO personnel cannot rely on the inquiry screen information, they may need to refer to paper case records when household changes are reported.

### **Recommendations**

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

### **Management Response**

In a March 17, 2008 electronic memorandum to this Department, the CAO Management provided the following response:

Lehigh CAO management has specifically instructed all caseworkers and casework supervisors not to utilize family relationship information found

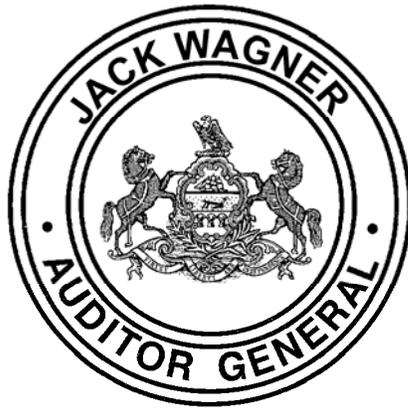
## ***Findings and Recommendations***

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on the CQRELN CIS inquiry screen, which may be inaccurate. Rather, they are to utilize information on the CARELN CIS *action* screen.

### Auditors Conclusion

We acknowledge the CAO Management's efforts to ensure that accurate relationship information is utilized. We maintain our position with this finding as presented and continue to recommend that DPW examine existing software for system logic problems.



## ***Audit Report Distribution List***

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This report was originally distributed to the following:

### Commonwealth of Pennsylvania

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The Honorable Mary A. Soderberg  
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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](http://www.auditorgen.state.pa.us).