

Compliance Audit

of the

Commonwealth of Pennsylvania
Department of Public Welfare
Medicaid Eligibility

*Philadelphia County Assistance Office
West District*

Audit Period

January 1, 2005 to December 15, 2006



Compliance Audit

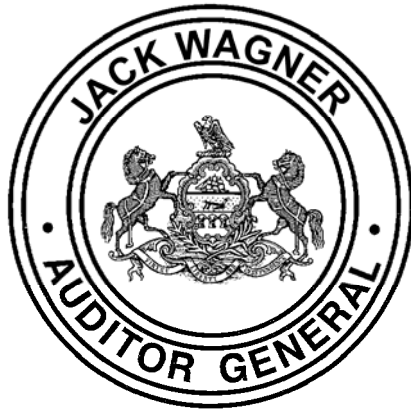
of the

Commonwealth of Pennsylvania
Department of Public Welfare
Medicaid Eligibility

*Philadelphia County Assistance Office
West District*

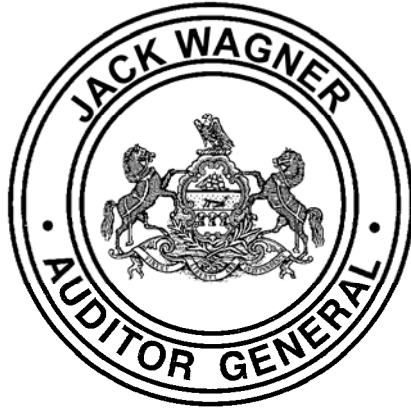
Audit Period

January 1, 2005 to December 15, 2006



CONTENTS

	Page
REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE	1
BACKGROUND INFORMATION	4
OBJECTIVES, SCOPE AND METHODOLOGY	8
OBSERVATION	
Observation - MEDA Inquiry Screen Information Does Not Match MEDA Action Screen Information	10
AUDIT REPORT DISTRIBUTION LIST	11



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 Philadelphia County Assistance Office (CAO), West District, pursuant to the authority of Title 55, Chapter 109 of the Pennsylvania Code. The audit period was January 1, 2005 through December 15, 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 observation.

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

During the June 13, 2007 exit conference, we reviewed this observation and recommendations with the Philadelphia CAO, West District, representatives. We have included the CAO and DPW comments, where applicable, in this report.

Sincerely,

JACK WAGNER
Auditor General

December 17, 2007

**Commonwealth of Pennsylvania
Department of Public Welfare
Philadelphia County Assistance Office
West 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.

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
Philadelphia County Assistance Office
West 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 June 30, 2006. We selected a random sample of 153 cases from the 7,329 cases related to the Philadelphia CAO, West District, represented in the data file. Our audit period was January 1, 2005 to December 15, 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
Philadelphia County Assistance Office
West District**

OBSERVATION

Observation

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

We noted that in 13 of the 153 cases we tested, or 8% of our sample, that 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.

Audit Report Distribution List

This report was originally distributed to the following:

Commonwealth of Pennsylvania

The Honorable Edward G. Rendell Governor	The Honorable Frank Oliver Chair Health and Human Services Committee Pennsylvania House of Representatives
The Honorable Estelle B. Richman Secretary Department of Public Welfare	The Honorable George Kenney Republican Chair Health and Human Services Committee Pennsylvania House of Representatives
The Honorable Michael J. Masch Secretary Office of the Budget	Tina Long, Director Division of Financial Policy & Operations Bureau of Financial Operations Office of Administration Department of Public Welfare
The Honorable Robin L. Wiessmann State Treasurer	Joyce Haskins, Acting Comptroller Public Health and Human Services Department of Public Welfare
The Honorable Donald L. Patterson Inspector General Office of Inspector General	Joanne Glover, Director Bureau of Operations Office of Income Maintenance Department of Public Welfare
The Honorable Edwin B. Erickson Chair Public Health and Welfare Committee Senate of Pennsylvania	Kathy Jellison, President PA Social Services Union Local 668 S.E.I.U. AFL-CIO
The Honorable Vincent Hughes Democratic Chair Public Health and Welfare Committee Senate of Pennsylvania	

County Assistance Office

Denise Chambers, Executive Director Philadelphia County Assistance Office	Thelma Scott-Brunson, District Administrator Philadelphia County Assistance Office West District
Chairperson Philadelphia 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.