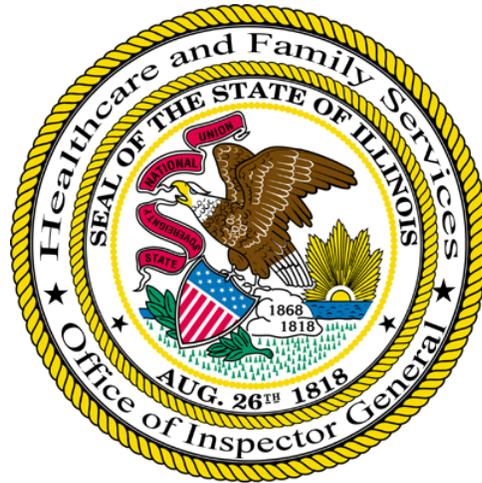


Office of Inspector General

**Bureau of Medicaid
Integrity**

**FFY09 MEQC Pilot Project
Passive Redeterminations**

OIG11-0020



September 2010

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EXECUTIVE SUMMARY

The Illinois Department of Healthcare and Family Services, Office of Inspector General (OIG) conducted reviews of passive redeterminations to ensure the correctness of eligibility determinations for children enrolled in Family Health Plans (FHP). The reviews were conducted as a pilot project to satisfy the federally mandated Medicaid Eligibility Quality Control (MEQC) requirement for the Federal Fiscal Year (FFY) 2009. The FFY 2009 began October 1, 2008 and ended September 30, 2009.

The passive redetermination process was implemented by the State in February 2006 and was designed to simplify the redetermination process for children enrolled in FHPs.

The OIG conducted the reviews using the standard MEQC procedures and according to the State's policy for conducting redeterminations.

The OIG randomly selected 1349 active cases for the twelve month review period of October 2008 through September 2009. A total of 1089 cases, representing \$198,969 claims paid, were reviewed and 260 cases were dropped. The cases were dropped due to the client not being cooperative or responsive or as a result of not being able to locate the client.

Of the 1089 cases reviewed, 374 (34%) contained eligibility errors.¹ Of the 374 cases with eligibility errors, 343 had payment errors totaling \$30,996 of the total paid claims (\$198,969), resulting in a 16% payment error rate.

The majority of errors (82%) were discovered in the program area of income, primarily wages and salaries. The program area of basic requirements made up 17% of the errors, mostly due to residency not being met and the living arrangement/household composition.

Additional results revealed; 11% of the income errors were identified on the Priority Action List (PAL), 12% of the wages and salary errors did not have a SSN for the financially responsible relative, 46% did not have a SSN for a second parent in the home and 73% had income of greater than zero coded on the system which excluded the case from appearing on the PAL.

This review indicates that the State cannot rely upon the client to report information that affects eligibility as the majority of the errors (93%) were attributed to the client.

The OIG recommends the passive redetermination process be discontinued. To further reduce errors, we recommend requiring the collection of social security numbers (SSNs) and assigning Recipient Identification Numbers (RINs) for financially responsible relatives, modifications to the Priority Action List (PAL) to identify unreported and/or discrepant income and conducting additional training for caseworkers administering Family Healthy Plans.

¹ The OIG analyzed each Medicaid eligibility error and determined that 86% of the 374 Medicaid eligibility error cases would have been eligible for the State Children's Health Insurance Program (SCHIP) under Title XXI funding which includes co-pays and premiums.

OVERVIEW

BACKGROUND

The passive redetermination process was implemented by the State in February 2006 and was designed to simplify the redetermination process for children enrolled in Family Health Plans (FHP). Included within FHPs are three types of cases: Family Assist (equivalent to the Temporary Assistance for Needy Families payment level or 26 to 28% of the federal poverty level depending upon county residence), All Kids Assist (less than or equal to 133% of the federal poverty level) and Moms and Babies (up to 200% of the federal poverty level).

The passive redetermination process consists of a redetermination form that is sent to families. If there are no changes affecting the children's Medicaid eligibility, the family does not have to return the redetermination form to the State. The redetermination is automatically completed and eligibility is updated for another year using the information previously coded on the system. The adults within the case receiving medical benefits are required to return the redetermination form if they wish to continue receiving medical benefits. If the form is returned, an active redetermination is completed. If the form is not returned, the adults are deleted from the case and eligibility for the children continues.

REVIEW METHODOLOGY

Using the department's data warehouse, the OIG randomly selected cases from a universe of 14,393 passive redeterminations. The universe included two types of passive redetermination cases; those with adults and children (universe of 4,210) and those with children only (universe of 10,183). Each month, cases were selected and assigned to OIG quality control reviewers (QCRs).

QCRs completed an active redetermination for each of the passive redeterminations in the sample. The reviewer determined if Medicaid eligibility had been properly authorized according to the State's policy for completing non-passive (active) redeterminations.

Information available within the case record was used to determine eligibility and, if necessary, verifications were obtained from other collateral sources or from the client.

All findings were submitted to the DHS local administrating offices with individual case corrective action requested when appropriate. After the eligibility reviews were completed, a case error rate was calculated. For each of the cases completed, a review of paid claims was conducted on each case. Claims for dates of service within the eligibility period (sample month) were collected for the sample month and four subsequent months. After all paid claims were collected, a payment error rate was calculated.

CLASSIFYING ERRORS

For the MEQC process, errors can occur in three program areas: Basic Program Requirements, Income and Other State-Related Criteria. Within each program area, errors are further defined by elements of error as listed below:

- Basic Program Requirements – age, relationship, citizenship, residency, living arrangement and household composition, social security number and other categorical relatedness
- Income – wages and salaries, self employment, earned income credit, other earned income, social security benefits, veterans benefit, unemployment compensation, worker’s compensation, other government benefits, contributions/Income-In-kind, public aid or general assistance and other
- Other State Medicaid Criteria – proper person in budget, arithmetic computations, beneficiary liability determinations and other state Medicaid criteria

Additional information collected for this review was: cases (those under review and any companion case²) listed on the Priority Action List (PAL)³ and the presence of social security numbers (SSNs) for cases with financially responsible representative payees (RPYs). Errors can occur in either strata; the children only or adults and children and in one of three case types (Family Assist, All Kids Assist, Moms and Babies or a combination).

The purpose of this review was to determine what effect the passive redetermination process has on the eligibility of those individuals receiving Medicaid (Title XIX funded).

Once the federal reporting requirement for MEQC was met, the OIG expanded their review and analyzed each case ineligible for Medicaid due to income to determine their eligibility for the State Children’s Health Insurance Program (SCHIP) for Share and Premium Levels 1-8 (Title XXI funded).

REVIEW RESULTS

Of the 1349 passive redeterminations assigned, 1089 cases were completed and 260 cases were dropped due to the non-cooperation, inability to locate or no response from the client.

Of the 1089 cases reviewed, 374 (34%) contained Medicaid eligibility errors. Of the 374 cases with eligibility errors, 343 had payment errors totaling \$30,996 of the total paid claims for cases reviewed (\$198,969), resulting in a 16% payment error rate.

The majority of errors (82% of the case errors and 92% of the payment errors) were attributed to the program area of Income, mostly Earned Income that was not reported or was reported incorrectly or

² A companion case listed on the PAL should be cross referenced with any other case receiving assistance. Policy requires changes to be made to both cases.

³ The Priority Action List (PAL) is a report provided monthly to Family Community Resource Center. It identifies cases which have an error, have a high probability of error, or are due for a redetermination (REDE) Family Community Resource Center managers determine the priority order for reviewing the cases that appear on the PAL.

incompletely by the client. The basic requirement of Residency and Other State Medicaid Criteria attributed to the remaining 18% of the case errors and 8% of the payment errors. (See appendix listing the program area, error elements, the number of cases associated with each error element and the amount of error dollars.)

The majority of the verifications (70%) and discoveries (81%) were made from employers and clients, whereas the remainder was discovered from case records and/or government/public records.

Neither the type of case within the FHP or the strata (children only or adults and children) made a difference in the errors cited.

Program Area Error Cases

Of the 374 cases with Medicaid eligibility errors, 64 (17.11%) contained errors in the program area of Basic Program Requirements, 307 (82.09%) contained errors in the program area of Income and 3 (0.08%) had errors in Other State Medicaid Criteria.

Basic Program Requirements errors made up 5.88% of the 1089 cases reviewed and 1.11% of the total paid claims. The 64 cases represented \$2893. The Basic Program Requirement errors consisted of the following case types: 53.13% were Family Assist, 45.31% were All Kids Assist and the remaining 1.56% was a Moms and Babies case. Of the 64 error cases, 47 (73%) were in the children only strata and 17 (27%) were in the adult/children strata.

The reasons for these errors were: 57.81% for residency not met, 10.94% for an ineligible person included in the household, 7.81% for no dependent child in the home, 6.25% for an eligible person not included in the household and the remaining 17.19% for various other reasons.

Of these cases, 34.38% of the Basic Program Requirement errors were discovered through client interviews, 23.44% from the case records, 18.75% from government agencies or public records, 10.94% from employers, 1.56% from landlords and 10.94% from various other entities. The errors discovered were verified through the following sources: 31.25% through client interviews, 29.69% from government agencies or public records, 15.63% from employers, 14.07% from the case record, 1.56% from the landlord and the remaining 7.81% from various other sources. The client was responsible for 85.94% of the basic program requirement errors and the agency 14.06%.

Of the cases with Basic Program Requirement errors, six had companion cases. Of these companion cases, two were listed on the PAL; one with a criteria code and one indicating a redetermination due.

Income errors made up 28.19% of the cases reviewed and 14.26% of the total paid claims. The 307 cases represented \$28,376. The Income errors consisted of the following case types: 64.50% were All Kids Assist, 30.29% Family Assist, 2.93% a combination and the remaining 2.28% was Moms and Babies cases. Of the 307 error cases, 166 (54%) were in the child only strata and 141 (46%) were in the adult/children strata.

The reasons for these errors were: 97.72% for the client failing to report income (includes increases, changes in employment status and a change in the amount of income received) and the remaining 2.28% for the agency not budgeting and/or calculating the income correctly.

Of these cases, 63.52% of the income was discovered from employers, 15.31% through client interviews, and 11.08% from the case records, 7.82% from government agencies or public records, 0.65% from financial institutions and 1.63% from various other entities. The errors discovered were verified from the following: 82.41% from employers, 7.17% from government agencies or public records, 6.51% through client interviews, 2.28% from the case record and 1.63% from other sources. The client was responsible for 95.77% of the Income errors and the agency 4.23%.

Of the cases with Income errors, 21 had companion cases. Of these, 11 were listed on the PAL; three with a criteria code (error or high probability of error) and eight as having a redetermination due.

Within the 307 Income errors, 152 (49.51%) cases were one parent households. Of these one parent households, 36 (24%) did not have the social security number of the representative payee (RPY). One hundred and fifty-five cases had a second parent in the home of which 131 (84.52%) did not have a social security number for that parent. Twenty-four (7.82%) of the 307 Income errors had criteria codes identified on the PAL that indicated earnings or new employment.

Other State Medicaid Criteria errors made up 0.28% of the cases reviewed and 0.21% of the total claims paid. The three cases represented \$410. The three Other State Criteria errors were All Kids Assist cases of which two (66.66%) were in the child only strata and one (33.34%) was in the adult/children strata.

The reasons for these errors were: 66.67% for an 18 year old included in the budget and 33.33% for other.

Of these cases, all of the discoveries were made from the case record and then verified from government agencies or public records (2 cases or 66.67%) or from the case record (1 case or 33.33%). The agency was responsible for 66.67% of the Other State Medicaid Criteria errors and the client 33.33%.

Of the three with Other State Medicaid Criteria errors, one had a companion case which was not on the PAL with criteria codes but was listed as having a redetermination due.

The areas of Basic Program Requirements, Income and Other State Medicaid Criteria are further defined by elements of error.

The 64 Basic Program Requirement errors were:

- 1 (0.09%) case for Citizenship,
- 37 (3.40%) cases for Residency,
- 19 (1.74%) cases for Living Arrangement and Household Composition and,
- 7 (0.64%) cases for Social Security Number.

The 307 Income errors included:

- 278 (25.53%) errors in Wages and Salaries,
- 5 (0.46%) cases for Self-Employment,
- 1 (0.09%) case for Earned Income Deductions/Disregards,
- 9 (0.83%) cases for Social Security Benefits,
- 7 (0.64%) cases for Unemployment Compensation Benefits and,
- 7 (0.64%) cases for Contributions/Income-in-Kind.

For the Other State Medicaid Criteria errors, there were:

- 2 (0.18%) error cases for Proper Person in the Budget and,
- 1 (0.09%) case for Beneficiary Liability Determination.

The elements of Wages and Salaries, Residency and Living Arrangement/Household Composition made up the largest percentages of the errors. The results of these elements are described below:

Wages and Salary Errors

Wages and Salary errors were discovered in 278 cases of the cases reviewed, representing 25.53% of the case errors and 12.71% (\$25,289) of the total claims paid in error. The reasons for these errors were: 99.28% for the client failing to report income (includes increases, changes in employment status and a change in the amount of income received) and the remaining 0.72% for the agency not budgeting and/or calculating the income correctly.

Of these cases, 69.42% of the Wages and Salaries were discovered from employers and 15.11 % were discovered through client interviews. The remaining 15.47% of the discoveries were made from the case record or governmental and/or public records. These errors were then verified from the following: 90.65% from the employer, 5.76% through client interviews and the remaining 3.60% from the case records and government/public records. The client was attributed 97.13% of all the wages and salaries errors and the agency was responsible for the remaining 2.88%.

Of the cases with Wages and Salary errors, 20 had companion cases. Of these companion cases, 11 were listed on the PAL; three with criteria codes and eight with redeterminations due.

Within the 278 Wages and Salaries errors, 12.23% of the cases did not have the social security number of the representative payee (RPY). Of these cases, 140 had a second parent in the home. Of the 140 cases, 121 or 86% did not have a social security number for that parent. Twenty-two (8%) of the 278 Wages and Salaries errors had criteria codes identified on the PAL that indicated earnings or new employment. In addition, 73% of the 278 wages and salary errors had income of greater than zero coded in the system which excluded the case from appearing on the PAL.

Residency Errors

Residency errors were discovered in 37 cases, representing 3.40% of the errors for the cases reviewed and 0.53% (\$1060) of the total paid claims. The reason for all 37 (100%) of these errors was that the residency requirement was not met.

Of these cases with Residency errors, 27.03% were discovered through client interviews, 27.03% from government agencies and/or public records, 18.92% were discovered through various entities, 16.21% were discovered from the case record and 2.70% were discovered from landlords. These errors were then verified from the following: 43.24% from government agencies and/or public records, 29.73% through client interviews, 8.11% from the case records, 2.70% from landlords and the remaining 10.81% were from various other entities. The client was responsible for 94.59% of the errors and the agency 5.40%.

Of the cases with Residency errors, only one companion case was identified. This case was not listed on the PAL with a criteria code nor listed for a redetermination.

Living Arrangement and Household Composition Errors

Living Arrangement and Household Composition errors were discovered in 19 cases. These errors made up 1.74% of the errors for the cases reviewed and 0.34% (\$334) of the total paid claims. The reasons for these errors were: 47.37% for a household member not reported, 26.32% for no dependent child in the home, 15.79% for an eligible person excluded, 5.26% for an ineligible person included and 5.26% for other.

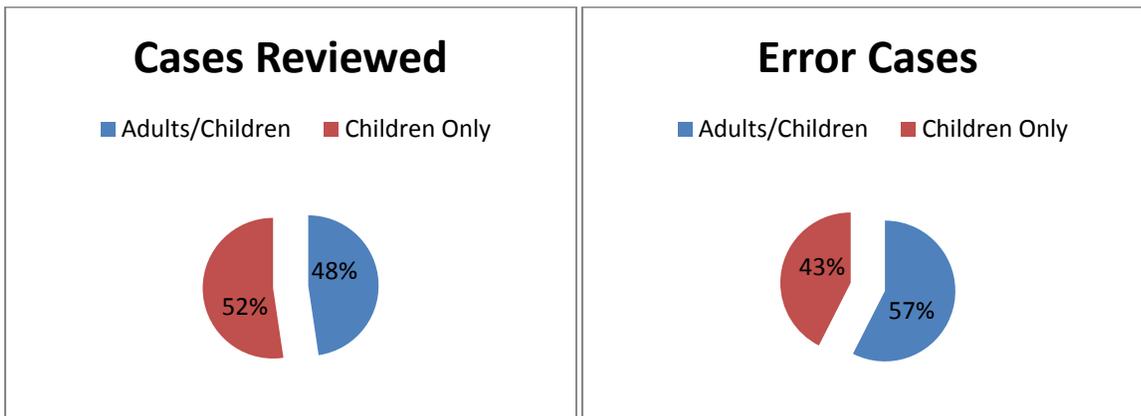
Of these error cases, 57.89% were discovered through client interviews, 21.05% from employers, 10.53% from the case record and 10.53% from government agencies or public records. These errors were then verified as follows: 42.11% from employers, 36.84% through client interviews, 15.79% from government agencies or public records, and 5.26% from an “other” source. The client was responsible for 89.47% of the errors and the agency 10.53%.

Of the cases with Living Arrangement and Household Composition errors, three had companion cases that were neither listed on the PAL with criteria codes nor listed as having a redetermination due.

Strata - Children Only vs. Adult/Children cases

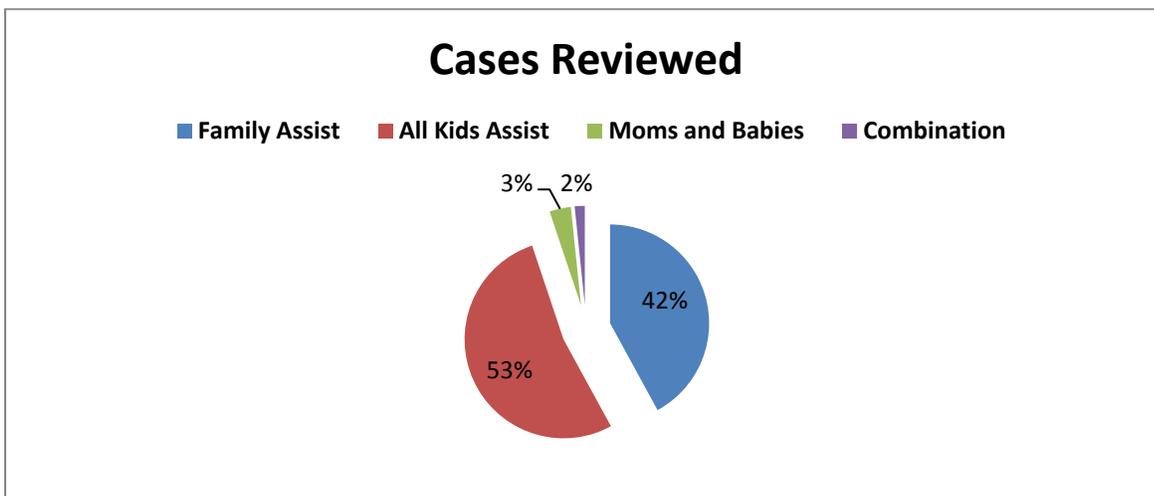
The review consisted of two strata; cases with children only and cases that included both adults and children.

Of the 1089 cases reviewed, 52.34% were child only cases and 47.66% were adults and children cases. For the 374 cases identified as errors, 57% were in the child only strata and the remaining 43% were in the adult/child strata.

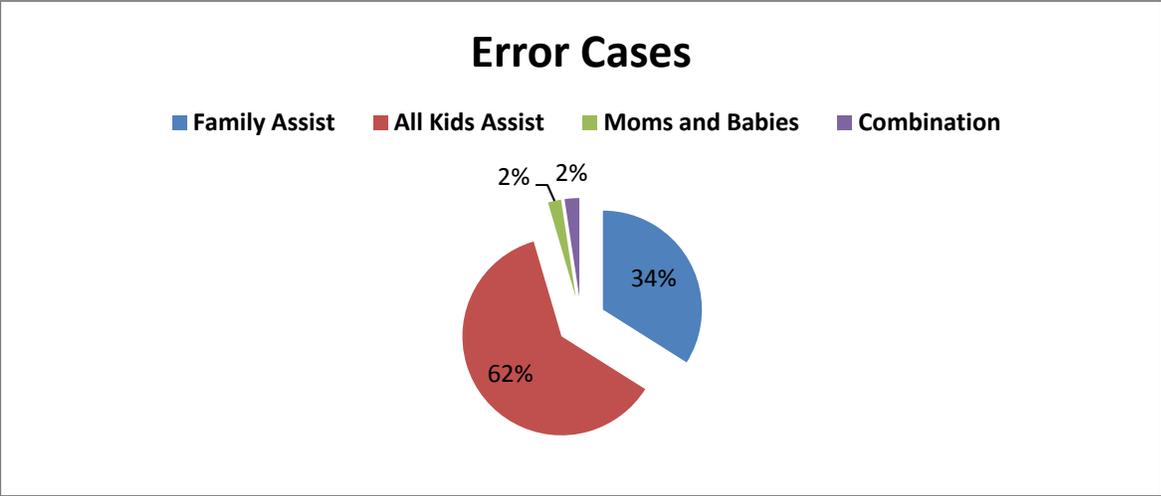


Types of Cases

Of the 1089 FHP cases reviewed, 52.8 % were All Kids Assist, 42.06% were Family Assist, 3.49% Moms and Babies and 1.65% was cases with any combination of the three.

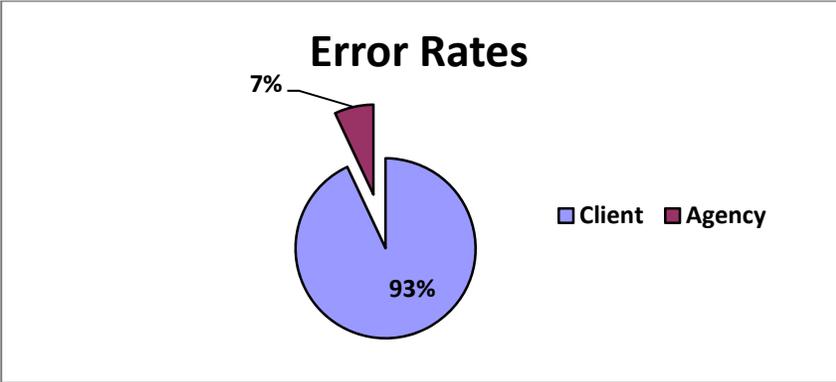


For the 374 cases identified as errors, 61.5% were All Kids Assist cases, 33.96% were Family Assist, 2.41% a combination and 2.14% were Moms and Babies.



Client vs. Agency Errors

Of the 374 error cases, 349 (93.31%) were attributable to the client and the remaining 25 (6.69%) were agency errors. Errors are attributed to the client when information was not reported or was incorrect or incomplete and to the agency in instances where policy or procedures were not applied correctly.



Expanded Review – Determining Eligibility for SCHIP

Of the 374 cases in error, 52 (14%) were totally ineligible for all Medicaid and SCHIP programs (Title XIX and Title XXI funding). The remaining 322 (86%) cases had understated liability errors with countable income above the Medicaid federal poverty level of 133%. These cases were ineligible for Medicaid but eligible for various levels of the expanded SCHIP programs with 54 eligible for Share and 267 for Premium Levels 1-5. The 267 Premium cases would have brought a revenue of \$12,675 to the State if collected.

RECOMMENDATIONS FOR REDUCING ERRORS

- The OIG recommends the passive redetermination process be discontinued due to the results below:
 - 93.31% of the errors were attributed to the client – the State cannot rely upon the client to report accurate information.
 - 57.89% of the Living Arrangements/Household Composition errors were discovered through client interviews. The passive redetermination process eliminates all contact with the client. Active redeterminations consist of client contact which could result in the discovery of who to include in the household.
 - 27.03% of the Residency errors were discovered through client interviews. Active redeterminations require the client to complete and submit a redetermination form to the State regardless of any changes in circumstances that may affect eligibility. If that form is not received (perhaps because the client has left the State), the case is subject to cancellation.
- The OIG recommends requiring SSNs for financially responsible relatives. Requiring SSNs for these individuals would allow for the utilization of data matching sources for the purposes of identifying unreported and/or discrepant income. In addition, having the SSNs of those individuals financially responsible for the client would assist with the State's program integrity measures. (For the cases with Wages and Salary errors, 12.23% of the cases did not have a SSN for the RPY and 45.53% did not have a SSN for a second parent in the case.)
- The OIG recommends reinstating a previous requirement that persons with income coded as a 538 have a Recipient Identification Number (RIN). The 538 code designates gross income of a person included in the MANG standard but not in the case (financially responsible relative). The RIN allows for the utilization of data matching sources (PAL) for the purposes of identifying unreported and/or discrepant income. (57% of the errors were in the child only strata)
- The OIG recommends modifying the selection criteria for income codes on the PAL - select cases that have at least a \$300 difference between what is budgeted and what is earned. Currently budgeted income of \$1 eliminates a case from being placed on the PAL. (73% of the 278 Wages and Salary errors had income of greater than zero coded on the system which excluded the case from appearing on the PAL)
- The OIG recommends a renewed emphasis of the importance of the utilization of all data sources available to caseworkers such as the PAL (11.15% of the income errors were identified on the PAL as having error-prone criteria), companion cases and information in the case record along with required verifications (.07% of the error cases had companion cases with 0.01% listed on the PAL and 0.26% with redeterminations due), and budgeting and coding. (6.69% of the errors were attributed to the agency)

CONCLUSION

The OIG's goal is to improve program integrity and maintain our commitment to serving the residents of Illinois. Based upon the results of this study, it is the position of the OIG that the passive redetermination process has failed to provide Illinois with a reliable and accurate measure of redetermining the eligibility of individuals who are enrolled in the Medicaid program.

The passive redetermination process was designed to simplify the redetermination process for children enrolled in Family Health Plans meeting specific criteria. This process relies not only upon the accuracy of what the agency has on record but upon the client to report changes and/or discrepancies. If either element fails to be reliable then the natural consequence will be a redetermination process that will fail to survive scrutiny. In Illinois, the clients have failed to comply with providing complete and accurate information, as this analysis demonstrates.

Appendix

<i>ERROR CASES</i>					
<i>Program Area</i>	<i>Elements</i>	<i>Number of error cases</i>	<i>Percentage % of cases</i>	<i>Payment errors</i>	<i>Percentage of payments</i>
BASIC	Citizenship	1	0.09%	\$ 133	0.07%
	Residency	37	3.40%	\$ 1060	0.53%
	Living Arrangement/HH Composition	19	1.74%	\$ 334	0.17%
	Social Security Number	7	0.64%	\$ 683	0.34%
INCOME	Wages & Salaries	278	25.53%	\$25,289	12.71%
	Self-Employment	5	0.46%	\$ 1058	0.53%
	Earned Income Deductions/Disregards	1	0.09%	\$ 124	0.06%
	Social Security Benefits	9	0.83%	\$ 1179	0.59%
	Unemployment Compensation Benefits	7	0.64%	\$ 170	0.09%
	Contributions/Income-In-Kind	7	0.64%	\$ 556	0.28%
OTHER STATE MEDICAID CRITERIA	Proper Person in Budget	2	0.18%	\$ 324	0.16%
	Beneficiary Liability Determination	1	0.09%	\$ 86	0.04%
	Totals	374	34.34%	\$30,996	15.58%