

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**DETERMINING IF
CHILDREN CLASSIFIED AS
SCHIP MEDICAID
EXPANSION MEET
ELIGIBILITY CRITERIA**



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OBJECTIVE

To determine if children classified as Medicaid expansion meet State Medicaid-expansion eligibility criteria.

BACKGROUND

The Balanced Budget Act of 1997, Public Law 105-33, established the State Children's Health Insurance Program (SCHIP) under Title XXI of the Social Security Act (the Act). Under the Act, States can design a separate SCHIP, expand their existing Medicaid program, or do both. Benefits offered to children eligible under Medicaid-expansion criteria must be the same as those offered to children eligible under traditional Medicaid. Typically, States classify children determined eligible under Medicaid-expansion criteria as Medicaid expansion within their electronic data systems to distinguish them from traditional Medicaid and help ensure that these States seek the appropriate Federal match rate. To encourage States to expand child health insurance eligibility, the Federal match rate for States' SCHIP expenditures, including Medicaid expansion, is greater than the rate for traditional Medicaid.

For a simple random sample of 357 cases from 29 of the 30 States that expanded their Medicaid program as of January 1, 2003, we reviewed case-file documentation according to each State's Medicaid-expansion criteria to determine if the children met the Medicaid-expansion eligibility criteria.

FINDINGS

Approximately 7 percent of sampled children did not meet States' eligibility criteria.

Of the 357 sampled children classified as Medicaid expansion, 24 did not meet the States' Medicaid-expansion eligibility criteria. For 21 sampled children, their families' countable income was too low for Medicaid expansion, suggesting that States may be improperly receiving the enhanced Federal match rate. For three sampled children, their families' countable incomes exceeded eligibility requirements for the States in which they resided. These children were not eligible for Medicaid (traditional or expansion); therefore, no Federal reimbursement should have been claimed for them. Those States that were able to identify the causes of the errors attributed them to caseworker mistakes and automated eligibility system failures. Given

the nature of a simple random sample, some States with Medicaid-expansion programs had few or no cases selected. It is possible that these States have vulnerabilities similar to those identified in the States with more cases selected.

For 10 percent of sampled children, States could not support their Medicaid-expansion eligibility determinations.

States could not locate the case files to provide documentation to support eligibility determinations for 6 of the 357 sampled children. For 30 children in our sample, eligibility determinations could not be supported because case files lacked documentation of a timely redetermination, as required.

Case files for 24 percent of sampled children contained income calculations that exhibited vulnerabilities.

Documentation from 34 case files indicated that caseworkers varied from State guidelines in their use of multiplication methods, income disregards, and rounding. For 36 case files, the caseworkers' calculations were not documented, and we could not determine why our countable incomes, which were based on calculations that followed State guidelines, differed from those of the caseworkers. Thirteen case files indicated that caseworkers did not include all documented income or did not use the most recent or representative income available in their calculations. Finally, we could not duplicate the caseworkers' calculations in three case files, even though those calculations were documented. Although the vulnerabilities identified did not result in incorrect eligibility determinations for these 86 children, such vulnerabilities could potentially lead to errors in future determinations.

A few States had difficulty identifying their Medicaid-expansion populations, raising concerns about whether States claim the appropriate Federal match rate for some children.

State officials from Michigan responded to our request for their Medicaid-expansion population by stating that they were unable to provide the information because unique identifiers were not assigned to children eligible under Medicaid-expansion criteria in their State. Additionally, South Carolina's Medicaid-expansion population included children the State correctly determined eligible for traditional Medicaid, but were classified as Medicaid expansion. The inability of Michigan and South Carolina to accurately identify children eligible under Medicaid-expansion criteria could result in these States inappropriately

seeking the enhanced Federal match rate. Due to various reasons, Oklahoma, Maryland, and Ohio included in their Medicaid-expansion populations children who were accurately classified as traditional Medicaid.

RECOMMENDATIONS

States may improperly receive the enhanced Federal match rate when children whose family income is below the Medicaid-expansion eligibility criteria are classified as Medicaid expansion. States may improperly receive Federal reimbursement when children whose family income is above Medicaid-expansion eligibility criteria are classified as Medicaid expansion. Additionally, some States' inability to locate cases, the lack of evidence of required redeterminations, and vulnerabilities created by caseworkers' inconsistent application of State guidelines could lead to additional errors and cause concern. The inability of States to accurately identify their Medicaid-expansion populations could result in States improperly seeking an enhanced Federal match rate.

We recommend that the Centers for Medicare & Medicaid Services:

- Work with States to improve caseworker performance in making eligibility determinations, thereby preventing errors due to caseworker mistakes. A possible method to pursue this goal is encouraging States to review and take appropriate action relating to their initial and ongoing caseworker training programs and their quality control practices.
- Work with States to ensure that automated eligibility systems accurately classify children determined eligible under Medicaid-expansion criteria. A possible method to pursue this goal is providing technical assistance and guidance to States in developing and implementing their automated eligibility systems.
- Ensure that State Medicaid programs conduct redeterminations of Medicaid-expansion eligibility, as required.
- Remind States of the requirement to properly maintain case-file documentation.
- Ensure that all States can accurately identify children determined eligible based on Medicaid-expansion criteria.

AGENCY COMMENTS

In its comments to the report, CMS noted that screen and enroll requirements do not apply to Medicaid and SCHIP Medicaid-expansion programs. CMS stated the real issue is whether States are claiming the correct Federal financial participation rate.

However, CMS concurred with our recommendations and provided steps it has taken or is taking in response to those recommendations. CMS notes that it is committed to continuous improvement of its technical assistance and program integrity efforts. Some of its actions are intended to address all of OIG's concerns, while other actions address specific findings and recommendations. CMS will use the monthly Associate Regional Administrators conference call, the Eligibility Technical Advisory Group conference call, National Eligibility Conference, and the 2005 annual meeting of the American Public Human Services Association-Information System Management to bring attention to the issues addressed in this report.

CMS also described efforts it has taken to work with two States (Michigan and South Carolina) that had trouble identifying their Medicaid-expansion populations in response to an OIG data request.

OFFICE OF INSPECTOR GENERAL RESPONSE

According to screen and enroll requirements for separate SCHIP, before enrolling a child in separate SCHIP, the State must first determine if that child is eligible for Medicaid. Only after determining that a child is not eligible for Medicaid will a State determine if the child is eligible for separate SCHIP. OIG agrees that screen and enroll requirements do not apply to Medicaid-expansion eligibility determinations. However, it is still important to ensure that Medicaid-expansion eligibility determinations are made accurately, and that children determined eligible are classified correctly. If a child is classified as Medicaid expansion, it is reasonable to assume that the State could claim the enhanced match for that child. Approximately 7 percent of sampled children did not meet eligibility criteria, meaning that States may have claimed an improper Federal match for these children. However, the issue of whether States actually sought and/or received the enhanced reimbursement rate for those children classified as Medicaid-expansion was outside the scope of this study.

E X E C U T I V E S U M M A R Y

CMS also commented that an OIG study with state sample sizes that would allow state-specific error rates would be helpful in their efforts to more accurately identify the causes of errors in specific States. OIG will take this request under advisement as a course for future work that could be pursued.

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OBJECTIVE

To determine if children classified as Medicaid expansion meet State Medicaid-expansion eligibility criteria.

BACKGROUND

The Balanced Budget Act of 1997 (BBA), Public Law 105-33, established the State Children’s Health Insurance Program (SCHIP) under Title XXI of the Social Security Act (the Act). Congress appropriated nearly \$40 billion over 10 years to help States expand health insurance to children whose families earn too much to qualify for Medicaid, yet not enough to afford private health insurance. The SCHIP is designed to help reduce the number of uninsured low-income children by providing them with health care coverage. To cover uninsured children under Title XXI, States can design a separate SCHIP, expand their existing Medicaid program, or do both. Section 4911 of the BBA amended the Medicaid statute to create a new optional eligibility category to cover targeted low-income children for those States desiring to expand their Medicaid coverage.¹

Medicaid, which was established in 1965 by Title XIX of the Act, is the largest program providing health care services to America’s poorest people. Within broad national guidelines set by the Federal Government, the Act enables States to furnish medical assistance to those who meet eligibility requirements. Each State administers its own Medicaid program, sets its own eligibility standards, determines the type, amount, duration and scope of services, and sets payment rates.

By law, Title XXI Medicaid expansion (hereinafter referred to as Medicaid expansion) is subject to all the requirements of Title XIX Medicaid (hereinafter referred to as traditional Medicaid), but raises the income-eligibility thresholds to include more children. Medicaid expansion is administered and operated within a State’s traditional Medicaid program and must comply with traditional Medicaid requirements for comparability and statewideness. The benefits are the same regardless of the eligibility criteria (Medicaid expansion or

¹ Optional targeted low-income children are defined in section 2110 of the BBA. The eligibility category for these children is established by 42 U.S.C. § 1396a(a)(10)(A)(ii)(XIV).

traditional Medicaid) under which the child enters the program. For the purpose of this report, we described children as being eligible for Medicaid expansion to clarify for the reader that the children are enrolled in Medicaid based on the expanded criteria.

This inspection addresses the 30 States that expanded their traditional Medicaid program as of January 1, 2003. Thirteen of these States only expanded their traditional Medicaid program, and 17 States expanded their traditional Medicaid program and also administered a separate SCHIP.

Enhanced Federal Match Rates and Congressional Interest

To encourage States to expand child health insurance eligibility, the Federal match rate for States' Medicaid-expansion expenditures is greater than the match rate for traditional Medicaid.² The average match rate for Medicaid expansion is 72 percent, while the average rate for traditional Medicaid is 60 percent.³ This could create a financial incentive for States to determine children eligible under the Medicaid-expansion criteria.

The Medicare, Medicaid, and SCHIP Balanced Budget Refinement Act of 1999 mandates that the Office of Inspector General (OIG) sample States administering separate SCHIPs every 3 years to determine the number of SCHIP enrollees, if any, who are eligible for Medicaid. In February 2001, OIG released the first mandated report on separate SCHIPs entitled "Ensuring Medicaid-eligibles are not Enrolled in SCHIP," OEI-05-00-00241. We identified only 9 enrollment errors in a sample of 500 children. In 2004, we completed a second study of separate SCHIPs ("Determining if Children Enrolled in Separate SCHIPs were Eligible for Medicaid," OEI-07-03-00220). Again, we found few errors, only 5 in a sample of 386.

After completion of the 2001 study, our discussions with Congress indicated an interest in collecting similar information for States that expanded their traditional Medicaid programs. Therefore, we conducted this study, in addition to the mandated study addressing separate SCHIPs.

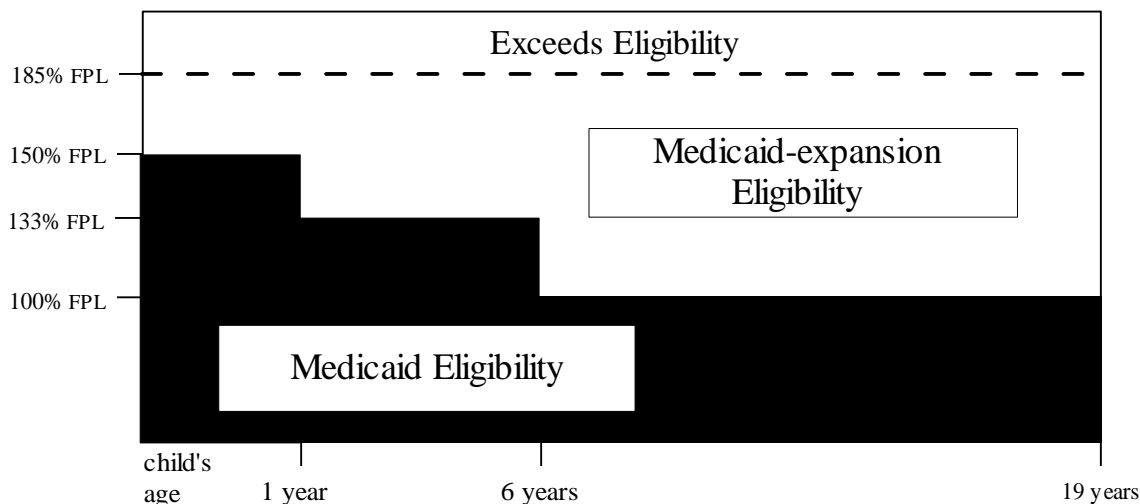
² 42 CFR § 433.11(a)(1).

³ Federal Register, December 3, 2003. Retrieved August 16, 2005, from <http://www.aspe.hhs.gov/health/fmap05.htm>.

Determining Children’s Eligibility for Medicaid Expansion

States’ Medicaid-expansion criteria are broadly based on factors such as household composition,⁴ the family’s countable income, and the child’s age.⁵ The lower income limit for Medicaid expansion, as a percentage of the Federal Poverty Level (FPL),⁶ is essentially the upper income limit for traditional Medicaid. Medicaid expansion also has an upper income limit, as a percentage of the FPL, which a family’s income cannot exceed.⁷ The upper and lower income limits for Medicaid expansion vary by State. See Figure 1 for an example of one State’s income eligibility guidelines.

Figure 1: Example of State Eligibility Guidelines



To determine a family’s countable income, States first determine the family’s gross income. Each State establishes its own procedure for calculating gross income. States generally take either an actual or averaged weekly gross income amount and multiply by 4 or 4.3, or an actual or averaged bi-weekly amount and multiply by 2 or 2.15 to calculate gross monthly income. Then, the appropriate income

⁴ Within parameters set by the Aid to Families with Dependent Children and Medicaid law and regulations, each State sets its own rules for deciding which members of the household to include in determining a child’s eligibility.

⁵ 42 CFR § 435.522.

⁶ The FPL is a set of income guidelines used for determining whether a person or family is financially eligible for assistance or services under a particular Federal program. The FPL is published yearly in the Federal Register.

⁷ BBA § 2110(b)(4).

disregards are subtracted from the family's gross income to arrive at the family's countable income. At the time of our review, most States permitted monthly income disregards of \$90 for each working parent, \$50 for child support payments received, and a deduction of \$175 to \$200 for childcare expenses.

The family's countable income and the household composition are then used to determine what percentage of the FPL the family's countable income represents. If the family's countable income falls within the Medicaid-expansion eligibility range that the State established for the child's age group, the child is determined to be income-eligible for Medicaid expansion.

Redeterminations

Federal regulations require that States redetermine an enrolled child's eligibility at least every 12 months.⁸ In general, to redetermine a child's eligibility, the State collects information on the family's income, the child's age, the household composition, and any other factors that affect a child's eligibility for Medicaid expansion. The State considers all this information to determine whether or not a child continues to meet the eligibility requirements for Medicaid expansion. Based on the results of the redetermination, the child (1) continues to be eligible under Medicaid-expansion criteria; (2) is determined to be eligible under traditional Medicaid criteria; (3) is moved to the separate SCHIP; or (4) is disenrolled.

Documentation Requirements

Federal regulations require States to include facts to support the eligibility determination in each applicant's record.⁹ States determine the documentation that they require from families who apply and the processes they use to verify information. (See Appendix A for a listing of the States' verification and quality assurance practices.) Some of the documentation commonly found in case files includes the following:

- application for medical assistance;
- copies of pay stubs or tax forms;
- proof of other income, such as Social Security or unemployment benefits;

⁸ 42 CFR § 435.916(a).

⁹ 42 CFR § 435.913(a).

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- dependent care expenses;
- caseworker notes;
- calculation sheets which detail how gross and countable income were calculated by the State; and
- the family's countable income used, and the corresponding FPL percentage.

SCOPE

This study covers those States that expanded their Medicaid program as of January 1, 2003. For a simple random sample of children classified as Medicaid-expansion as of June 1, 2003, we evaluated whether each child met the criteria for Medicaid expansion based on age, family countable income, and household composition. This study focused on children determined eligible for Medicaid expansion; therefore, we excluded eligible adults and unborn children from our review.

Although States are allowed to claim the higher Federal match for children found eligible under Medicaid-expansion criteria, we did not evaluate the rate at which States actually sought and/or received reimbursement for those children.

METHODOLOGY

Sample Selection

From each of the 30 States that expanded their Medicaid program, we requested the population of children classified as Medicaid expansion as of June 1, 2003. We received information from 29 States¹⁰ and aggregated the State populations into a single universe of approximately 928,000. (See Appendix B.) From this universe, we selected a simple random sample of 400 cases for review. Due to their relatively small Medicaid-expansion populations, Minnesota, New Hampshire, New Jersey, and North Dakota did not have any cases selected as part of our sample.

¹⁰ Michigan SCHIP officials reported that they were unable to provide the information requested because unique identifiers were not assigned to children eligible for Medicaid expansion in their State. Michigan was, therefore, dropped from the universe. Michigan will be discussed in greater detail later in the report.

Sample Adjustments

A total of 43 children were dropped from our sample because they did not fit our criteria. One of these children was ineligible for traditional Medicaid because of his immigration status, and therefore was enrolled in Medicaid expansion through a State-subsidized eligibility category for which the State did not receive Federal funding. A second child was dropped from the sample because his mother had applied for benefits for him before his birth, and we excluded unborn children from our Medicaid-expansion universe. A third child was found ineligible for Medicaid expansion by the State immediately prior to our review period, but had not yet been removed from the Medicaid-expansion rolls on the date that the State produced their population data. Ten children were dropped because they were enrolled in a State's separate SCHIP and not in Medicaid expansion. The remaining 30 children were mistakenly included in the Medicaid-expansion population data, and these cases will be discussed later in the report. These adjustments reduced the total number of cases we reviewed to 357. The findings in this report are based on the sample of 357 children.

Data Collection

For each sampled child, we requested documentation consisting of the medical assistance application or the most recent redetermination information, supporting income documentation (if required), calculation sheets States used to calculate income, and any notes indicating family circumstances or explaining how eligibility was determined.

From each State, we collected information on the State's eligibility criteria for Medicaid-expansion, which included, but was not limited to, requirements for proof of income, age requirements, and FPL limits.

We analyzed the following elements of each case in accordance with each State's eligibility criteria for Medicaid-expansion:

- date of application or redetermination;
- age of the child at the time of the eligibility determination;
- household composition (or number of people in the family);
- documentation used to support family income, which could include pay stubs, tax forms, or income information from State databases;
- family's gross income prior to any income disregards;

- family's countable income after any income disregards (calculated by OIG based on the case-file documentation, as well as the caseworker's calculation, when this figure was available); and
- the FPL percentage represented by the family's countable income (calculated by OIG based on case-file documentation, as well as the caseworker's calculation, when this figure was available).¹¹

When the household composition, age, countable family income, and FPL were within State Medicaid-expansion criteria, we determined children to be income-eligible for Medicaid expansion. When it appeared that these factors were not within State Medicaid-expansion criteria, we contacted the State to provide them an opportunity to support the eligibility determination. The States in turn either: (1) provided additional information that we accepted as support for Medicaid-expansion eligibility; (2) confirmed that an error had been made; (3) provided information that still did not support their determination; or (4) were unable to provide documentation to support the eligibility determination. An example of the worksheets we created and used in reviewing each case is found in Appendix C.

Medicaid-Expansion Officials

We gathered background information, such as how each program is administered, who determines eligibility, how States ensure correct eligibility determinations, and unique programmatic features within each State, from Medicaid-expansion directors and administrators for the 30 States with Medicaid-expansion programs. We also obtained each State's eligibility criteria and a description of its eligibility determination process.

Onsite Visits

We conducted onsite visits with eligibility staff in California, Louisiana, New York, and Ohio. While onsite, we had caseworkers demonstrate the process of making an eligibility determination, reviewed both paper processes and automated eligibility systems, and observed what procedures were in place to ensure correct eligibility determinations.

¹¹ OIG FPL percentage calculations were based on the date of application. The FPL guidelines for 2003 were effective on February 7, 2003. Therefore, in reviewing applications dated prior to March 1, 2003, we used 2002 FPL guidelines. For applications dated on or after March 1, 2003, we used 2003 FPL guidelines.

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Limitations

Although we drew a simple random sample, we did not project our findings in this report to the entire Medicaid-expansion population, because of problems identified with the population data. Specifically, Maryland, Ohio, Oklahoma, and South Carolina provided us Medicaid-expansion populations that we later discovered included children who were actually enrolled in traditional Medicaid. Also, the Medicaid-expansion populations provided by Kentucky and New Jersey were revised based on information that was received after the sample was selected.

Standards

This inspection was conducted in accordance with the *Quality Standards for Inspections* issued by the President's Council on Integrity and Efficiency.

► FINDINGS

Approximately 7 percent of sampled children did not meet States' eligibility criteria

Out of 357 randomly sampled children, 24 children (7 percent) did not meet the eligibility criteria for

Medicaid expansion in their States. For 21 of these children, their families' countable income was too low for Medicaid expansion. States indicated that errors for eight children were caused by caseworkers making incorrect calculations or data entry errors, or failing to collect updated income information. For three children, States reported that the children had been determined eligible under their Medicaid-expansion criteria, but they were not able to provide documentation to support those determinations in response to our request for clarification. Errors for two children resulted when the automated eligibility system a State used applied incorrect codes to the cases. For the final eight children, States did not provide any explanation of how the errors occurred.

The following three examples illustrate some of the types of errors we identified. Appendix D provides a summary of all 21 errors.

- The caseworker incorrectly included a stepfather and his income in the eligibility determination. According to State program guidelines, the stepfather should not have been included in the family for the purpose of determining the child's eligibility.
- The caseworker used an incorrect income input screen when entering this child's case into the State's automated eligibility system, resulting in the child being assigned a code that indicated eligibility based on Medicaid-expansion criteria.
- The caseworker did not record the family's income correctly in the State's automated eligibility system, resulting in the system assigning a code to the child indicating eligibility based on Medicaid-expansion criteria.

Three sampled children were ineligible for Medicaid expansion because the families' incomes exceeded eligibility limits.

Medicaid-expansion eligibility has an upper income limit, expressed as a percentage of FPL, which a family's income cannot exceed. If a family's countable income is in excess of the maximum income limit for Medicaid expansion in their State, the child is ineligible for Medicaid expansion. We identified three children whose families' countable incomes exceeded the maximum income limits for their States. These children were not eligible for Medicaid (traditional or expansion); therefore, the States should not seek any Federal reimbursement for them.

One of these three errors was caused by the caseworker making an incorrect calculation. One error was the result of a problem in the State’s automated eligibility system, which caused an incorrect code to be assigned. And for one case, the State did not acknowledge the reason for the error, nor did it provide documentation to support the eligibility determination. Appendix E contains descriptions of these cases.

Two sampled children met the criteria for their States’ separate SCHIP programs.

We identified two children who were ineligible for Medicaid expansion, but did meet the criteria for their States’ Title XXI separate SCHIP programs. Therefore, the enhanced Federal match rate for these two children is appropriate, although they were enrolled in the incorrect programs.

For 10 percent of sampled children, States could not support their Medicaid-expansion eligibility determinations

Federal regulation 42 CFR § 435.913(a) requires States to include in each applicant’s case record facts to support the

determination of eligibility, and 42 CFR § 435.916(a) requires that States redetermine each enrolled child’s eligibility at least every 12 months. However, for 36 children in our sample, States either could not locate the case file to provide us documentation or case files lacked documentation of a timely redetermination.

States could not locate almost 2 percent of case files for sampled children.

Despite repeated requests for the information, States could not locate six of the case files for children in our sample. Due to the lack of case files or any other information to support eligibility, we were unable to make any determination regarding these children’s eligibility.

States could not provide evidence for approximately 8 percent of sampled children to establish whether required redeterminations had been performed timely.

For 30 children, States could not provide evidence that annual eligibility redeterminations had been performed timely. Although Federal Medicaid regulations require redeterminations every 12 months,¹² the last determinations for these cases occurred between 13 months and 58 months prior to our review in June 2003. Due to the lack of recent

¹² 42 CFR § 435.916(a).

determinations, we were unable to determine whether these children were eligible for Medicaid expansion.

Case files for 24 percent of sampled children contained income calculations that exhibited vulnerabilities

We identified income calculations for 86 children that exhibited vulnerabilities. The identified vulnerabilities did not result in the children being ineligible for Medicaid expansion, and therefore we agreed with

the States that these children should be classified as Medicaid expansion. However, if not addressed, these vulnerabilities suggest the potential that some children, especially those whose families' countable income is close to the upper or lower income limits, could be incorrectly determined eligible under Medicaid-expansion criteria.

For 34 children, the caseworkers did not follow State guidelines in applying multiplication methods, income disregards, rounding, and family income to income calculations. For example, the caseworker for one child multiplied the family's average weekly income by 2.16 rather than 4.333, as State guidelines required, resulting in an omission of \$569.74 in countable income. In another example, the caseworker allowed two earned income disregards of \$120 each, although the family should have only received one. This resulted in the family's countable income being \$120 less than it should have been. For 15 children, caseworkers rounded income amounts in ways inconsistent with State guidelines, resulting in the omission or inclusion of up to \$4 in countable income. Although this amount may not seem significant, in instances where family income is near the income limits for Medicaid expansion, even small errors can result in a child being incorrectly determined eligible under Medicaid-expansion criteria. Lastly, one caseworker calculated the family's countable income using net income figures, rather than gross income, resulting in the omission of \$59.79 in countable income.

For another 36 children, the caseworkers' calculations were not documented. Therefore, we could not determine why our calculations of countable income, which were based on State guidelines, differed from the caseworkers' calculations.

For 13 children, caseworkers did not include all documented income or did not use the most recent or representative income information available in their calculations. As a result, the countable incomes we calculated differed from the amounts the State reported.

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For the remaining three children, we could not duplicate the caseworkers' calculations, although those calculations were documented. For example, the caseworker's notes for one child indicated child support received over 2 months was averaged to arrive at \$651.47. However, when we made the income calculation, the average child support amounts received equaled \$936.57 a month, resulting in a difference of \$285.10.

Table 1 below summarizes the differences between caseworkers' calculations and our calculations, which are based on State guidelines and available documentation. The differences between the 2 countable incomes, as calculated by caseworkers and OIG for these 86 children, ranged from \$0.01 to \$989.00.

Table 1: Differences Between Income Calculated by State and Income Calculated by OIG	
No. of Cases	Amount of Difference
23	\$.01 - \$10.00
14	\$10.01 - \$50.00
11	\$50.01 - \$100.00
31	\$100.01 - \$500.00
7	\$500.01 - \$989.00

Source: 2004 OIG analysis of case-file information.

The potential for error resulting from identified vulnerabilities is greater for children whose families' incomes are near the income limits for Medicaid expansion.

Several of the errors we identified in this report were the result of caseworker mistakes, with incorrect countable income calculations leading to children being incorrectly determined eligible under Medicaid-expansion criteria rather than under traditional Medicaid criteria. For the 86 children discussed above, the caseworker mistakes were not of sufficient magnitude to make the eligibility determinations incorrect, although some could have been if the families' countable incomes had been closer to the income limit.

For 11 percent of the families of sampled children,¹³ countable income was within 5 percent of the lower income limit for Medicaid expansion (i.e., within 5 percent of the income limit for traditional Medicaid).

¹³ For this calculation, we excluded 30 case files that did not contain recent determinations and 6 missing case files, bringing the total denominator to 321.

Thus, relatively minor income calculation mistakes for families such as these could result in children being incorrectly determined eligible under Medicaid-expansion criteria.

A few States had difficulty identifying their Medicaid-expansion populations, raising concerns about whether States claim the appropriate Federal match rate for some children

State officials from Michigan responded to our request for their Medicaid-expansion population by stating that they were unable to provide the information because unique identifiers were not assigned

to children eligible for Medicaid expansion in their State. Michigan’s Medicaid expansion covers children ages 16 through 18 who have family income between 100 and 150 percent of the FPL. Michigan reported using a formula to estimate the number of children eligible under Medicaid-expansion criteria by identifying children between the ages of 16 and 18 whose families’ countable incomes fall between 100 and 150 percent of the FPL. Michigan officials explained that they assume there is an even distribution of children who meet these parameters and indicated that there was no way they would be able to extract this population for us.

South Carolina’s Medicaid-expansion population included children the State correctly determined eligible for traditional Medicaid but were classified as Medicaid expansion. South Carolina program officials reported that the mistake resulted from changes they had made in their automated eligibility system. These changes resulted in some children being recorded in their database incorrectly.¹⁴ The inability of Michigan and South Carolina to accurately distinguish children eligible for Medicaid expansion from other children could result in these States inappropriately seeking an enhanced Federal match rate.

Oklahoma, Maryland, and Ohio did not accurately provide their Medicaid-expansion populations to us, resulting in the selection of 30 children who were enrolled in traditional Medicaid in our sample. We discovered these children through our review process and excluded them from our sample. Unlike 21 of the errors identified in this study in which the children were classified as Medicaid expansion but met income-eligibility guidelines for traditional Medicaid, these 30 children were accurately enrolled in traditional Medicaid; however, the States

¹⁴ Sampled children from South Carolina whose eligibility was determined incorrectly by the State were included in the first finding of this report as errors.

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erred in including them in the Medicaid-expansion populations they provided.

When we questioned the States regarding how the children enrolled in traditional Medicaid were included in the Medicaid-expansion populations, State program officials provided various explanations. Oklahoma indicated that, although they understood the request for the population, they made a mistake in preparing the data that resulted in children enrolled in traditional Medicaid being included. Maryland misinterpreted our request for the population, and thus included children from all of their medical assistance programs. Ohio did not respond to our repeated requests for an explanation of how this occurred.

► R E C O M M E N D A T I O N S

States may improperly receive the enhanced Federal match rate when children whose family income is below the Medicaid-expansion eligibility criteria are classified as Medicaid expansion. States may improperly receive Federal reimbursement when children whose family income is above Medicaid-expansion eligibility criteria are classified as Medicaid expansion. Additionally, some States' inability to locate cases, the lack of evidence of required redeterminations, and vulnerabilities created by caseworkers' inconsistent application of State guidelines could lead to additional errors and cause concern. The inability of States to accurately identify their Medicaid-expansion populations could result in States improperly seeking an enhanced Federal match rate.

We recommend that the Centers for Medicare & Medicaid Services:

- Work with States to improve caseworker performance in making eligibility determinations, thereby preventing errors due to caseworker mistakes. A possible method to pursue this goal is encouraging States to review and take appropriate action relating to their initial and ongoing caseworker training programs and their quality control practices.
- Work with States to ensure that automated eligibility systems accurately classify children determined eligible under Medicaid-expansion criteria. A possible method to pursue this goal is providing technical assistance and guidance to States in developing and implementing their automated eligibility systems.
- Ensure that State Medicaid programs conduct redeterminations of Medicaid-expansion eligibility, as required.
- Remind States of the requirement to properly maintain case-file documentation.
- Ensure that all States can accurately identify children determined eligible based on Medicaid-expansion criteria.

AGENCY COMMENTS

In its comments to the report, CMS noted that screen and enroll requirements do not apply to Medicaid and SCHIP Medicaid-expansion programs. CMS stated the real issue is whether States are claiming the correct Federal financial participation rate.

However, CMS concurred with our recommendations and provided steps it has taken or is taking in response to those recommendations. CMS notes that it is committed to continuous improvement of its technical assistance and program integrity efforts. Some of its actions are intended to address all of OIG's concerns, while other actions address specific findings and recommendations. CMS will use the monthly Associate Regional Administrators conference call, the Eligibility Technical Advisory Group conference call, National Eligibility Conference, and the 2005 annual meeting of the American Public Human Services Association-Information System Management to bring attention to the issues addressed in this report.

CMS also described efforts it has taken to work with two States (Michigan and South Carolina) that had trouble identifying their Medicaid-expansion populations in response to an OIG data request.

OFFICE OF INSPECTOR GENERAL RESPONSE

According to screen and enroll requirements for separate SCHIP, before enrolling a child in separate SCHIP, the State must first determine if that child is eligible for Medicaid. Only after determining that a child is not eligible for Medicaid will a State determine if the child is eligible for separate SCHIP. OIG agrees that screen and enroll requirements do not apply to Medicaid-expansion eligibility determinations. However, it is still important to ensure that Medicaid-expansion eligibility determinations are made accurately, and that children determined eligible are classified correctly. If a child is classified as Medicaid expansion, it is reasonable to assume that the State could claim the enhanced match for that child. Approximately 7 percent of sampled children did not meet eligibility criteria, meaning that States may have claimed an improper Federal match for these children. However, the issue of whether States actually sought and/or received the enhanced reimbursement rate for those children classified as Medicaid-expansion was outside the scope of this study.

CMS also commented that an OIG study with State sample sizes that would allow State-specific error rates would be helpful in their efforts to more accurately identify the causes of errors in specific States. OIG will take this request under advisement as a course for future work that could be pursued.



A P P E N D I X ~ A

States' Verification and Quality Assurance Practices

The following chart illustrates the self-reported information obtained from structured interviews with States when asked about their verification and quality assurance practices prior to our case-file review. We did not identify any relationship between the verification and quality assurance practices shown in the table and incorrect eligibility determinations.

State ID	AK	CA	DC	FL	HI	IA	ID	IL	IN	KY	LA	MA	MD	ME	MI
Proof of Income Required	+	+	+	-	-	+	-	+	+	+	-	+	-	+	-
Self-Declaration Allowed	-	+	-	+	+	-	+	-	+	-	-	+	+	-	+
Proof of Other Eligibility Criteria Required	-	+	+	-	-	+	+	-	-	-	+	+	-	-	+
Routine Verification of Information Provided by Applicants	+	+	+	-	+	+	+	+	+	+	+	+	+	+	-
Written Policies for Verification of Enrollment	+	+	+	NR	+	+	+	+	-	+	+	+	+	+	-
Redetermination Information Verified Same as at Enrollment	+	NR	+	NR	+	+	+	+	NR	+	+	+	+	+	-
Eligibility Determinations Reviewed for Accuracy	+	+	+	+	+	+	+	+	-	+	+	+	+	+	+
Children Identified Through State Reviews as Incorrectly Enrolled	-	-	NR	-	-	NR	+	-	NR	+	+	-	-	+	-

Key

- +** Indicates State's response was Yes
- Indicates State's response was No
- NR** Indicates State did not respond

A P P E N D I X ~ A

State ID	MN	MO	ND	NE	NH	NJ	NM	NY	OH	OK	RI	SC	SD	VA	WI
Proof of Income Required	+	+	+	+	+	+	+	+	+	-	+	+	+	+	-
Self-Declaration Allowed	-	-	-	-	-	-	+	-	+	+	-	-	-	-	+
Proof of Other Eligibility Criteria Required	+	+	+	-	+	+	+	+	+	-	+	-	-	-	+
Routine Verification of Information Provided by Applicants	+	+	-	+	+	+	+	+	+	-	+	+	+	-	+
Written Policies for Verification of Enrollment	+	+	+	-	+	+	+	+	+	NR	+	+	+	NR	+
Redetermination Information Verified Same as at Enrollment	NR	NR	NR	NR	NR	+	+	+	+	+	+	+	NR	+	+
Eligibility Determinations Reviewed for Accuracy	+	+	+	+	+	+	+	+	+	+	+	+	+	+	+
Children Identified Through State Reviews as Incorrectly Enrolled	-	-	-	+	-	+	-	NR	-	-	+	-	+	-	-

Key

+

Indicates State's response was Yes

-

Indicates State's response was No

NR

Indicates State did not respond

► **A P P E N D I X ~ B**

Medicaid-Expansion Universe and Sample

We requested States to provide us information on all children eligible under Medicaid-expansion criteria as of June 1, 2003. The following table shows the number of children provided by each State and the number of children selected in our sample. It is important to note that the data published here reflect the Medicaid-expansion populations as the States provided them. At least four States (Maryland, Ohio, Oklahoma, and South Carolina) had difficulty identifying their Medicaid-expansion populations. Also, there were children selected in the sample from three additional States (California, New York, and Nebraska) who were later determined to not fit our criteria.

State	Reported Expansion Population	Expansion Sample	Percent of Sample
AK	12,217	5	1.40
CA	50,965	21	5.88
DC	3,265	4	1.12
FL	1,422	2	0.56
HI	9,447	1	0.28
IA	9,345	4	1.12
ID	10,656	6	1.68
IL	48,528	21	5.88
IN	46,103	25	7.00
KY*	30,010	2	0.56
LA	86,593	34	9.52
MA	40,229	18	5.04
MD	103,095	26	7.28
ME	7,818	7	1.96
MN	15	0	0.00
MO	82,841	36	10.08
ND	1,121	0	0.00
NE	22,101	13	3.64
NH	162	0	0.00
NJ*	4,738	0	0.00
NM	10,377	6	1.68
NY	66,882	29	8.12
OH	113,824	32	8.96
OK	49,415	22	6.16
RI	8,864	7	1.96
SC	45,008	16	4.48
SD	7,359	2	0.56
VA	20,758	8	2.24
WI	35,427	10	2.80
Total	928,585	357	100.00*

*Actual percentage total is 99.96 due to rounding. Based on information received after the sample was selected, the population for Kentucky was revised to 30,872 and the population for New Jersey was revised to 33,336.

▶ A P P E N D I X ~ C

Worksheets Used in Case Review

The following pages show examples of the case review and calculation sheets we used in reviewing the sampled cases. The example is not meant to represent any specific State or case, but rather to illustrate the process used in assessing proper eligibility determinations.

SCHIP CASE FILE REVIEW

State: XX Case File ID #: XXXXXX

Type of Program Administered: Separate Expansion Combination

State's Age Requirements and FPL to be SCHIP Eligible: ages 1-5, 133-200% FPL;
ages 6-18, 100-200% FPL

State's Income Disregards: \$90 earned income; \$50 child support received;
\$200 child care for a child under 2 or \$175 for a child over 2

Does State Require Proof of Income? yes / no Does State Allow Self-Declaration? yes / no

Date of Application or Redetermination: 4/15/03
 Between 6/1/02 and 6/1/03? yes / no

Age of Child at Determination or as of June 1, 2003 (whichever is earlier): 10

Number of Individuals in Household: 4

Household Income Before Disregards: 2218.85

Countable Household Income After Disregards: 1988.85

Caseworker's Countable Income After Disregards: 1988.85

Difference Between Countable Income Amounts: —

FPL Tables Used: 2002 / 2003 (use 2003 on/after March 1, 2003, unless otherwise specified by State)

FPL Percentage: 130%

SCHIP Eligible: Expansion Eligible Stand Alone Eligible
 Not Eligible Inconclusive

Comments or Missing Documentation: _____

Follow-up: _____

Reviewed by: XX

WRITE OUT ALL CALCULATIONS ON PAGE 2

A P P E N D I X - C

Parent 1	Parent 2	Children's Income
Earned Income	Earned Income	Child 1
Paystub 1: 275	Paystub 1: 200	Amount 1:
Paystub 2: 300	Paystub 2: 150	Amount 2:
Paystub 3: 310	Paystub 3: 175	Amount 3:
Paystub 4: 290	Paystub 4: 165	Amount 4:
Paystub 5:	Paystub 5:	
Paystub 6:	Paystub 6:	Sub-total
		Average
Sub-total 1175	Sub-total 690	Multiply By
Average 293.75	Average 172.50	Child's Monthly Income:
Multiply By 4.33	Multiply By 4.33	
Monthly Earned Income: 1271.93	Monthly Earned Income: 746.92	
Unearned Income	Unearned Income	Child 2
Amount 1:	Amount 1:	Amount 1:
Amount 2:	Amount 2:	Amount 2:
Amount 3:	Amount 3:	Amount 3:
Amount 4:	Amount 4:	Amount 4:
Amount 5:	Amount 5:	
		Sub-total
Subtotal	Subtotal	Average:
Average	Average	Multiply By:
Multiply By	Multiply By	Child's Monthly Income:
Monthly Unearned Income: 200 (child supt)	Monthly Unearned Income:	
Total Monthly Income: 1471.93	Total Monthly Income: 746.92	Total Children's Monthly Income:
Total Household Income 2218.85		
Applicable Deductions		
earned income (x 2) \$ 180		
child support received \$ 50		
child care expense (under age 2) \$ _____		
child care expense (over age 2) \$ _____		
Health insurance premium - \$ _____		
Adult Dependent Care - \$ _____		
Other deduction - \$ _____		
Other deduction - \$ _____		
Net Household Income (minus deductions): 1988.85		

Source: OIG worksheet used in case review.

▶ A P P E N D I X ~ D

Children With Family Income Below States' Eligibility Guidelines for Medicaid Expansion

	<i>State Guidelines</i>	Age Range	Federal Poverty Level Range*	Income Range
Case 1	<i>State Guidelines</i>	6 - 19	100% - 133%	\$2,021.67 - \$2,688.82
	Family (6 members total)	Child is 9 years old	69%	\$1,393.46

The caseworker multiplied one parent's daily wage by 5 days to calculate weekly wages, but the parent only worked 2 days per week.

	<i>State Guidelines</i>	<i>0 - 5</i>	<i>133% - 200%</i>	<i>\$1,664.72 - \$2,503.33</i>
Case 2	Family (3 members total)	Child is 5 years old	16%	\$209.00

The caseworker incorrectly included a stepfather and his income in the eligibility determination. According to State program guidelines, the stepfather should not have been included in the family for the purpose of determining the child's eligibility.

	<i>State Guidelines</i>	<i>1 - 5</i>	<i>133% - 185%</i>	<i>\$1,664.72 - \$2,315.58</i>
Case 3	Family (3 members total)	Child is 2 years old	72%	\$906.00

When the caseworker input one parent's income in the State eligibility system, the caseworker incorrectly specified that it was paid weekly instead of bi-weekly. Therefore, the system calculated the family's monthly income at twice the rate it should have been, making the child appear to be eligible under Medicaid-expansion criteria.

	<i>State Guidelines</i>	<i>0 - 18</i>	<i>100% - 200%</i>	<i>\$2,899.16 - \$5,798.33</i>
Case 4	Family (7 members total)	Child is 15 years old	88%	\$2,574.28

The caseworker used an incorrect income input screen when entering this case into the State's eligibility system, resulting in the child being assigned an eligibility code that indicated eligibility under Medicaid-expansion criteria.

Case 5	<i>State Guidelines</i>	6 - 18	100% - 133%	\$1,533.33 - \$2,039.33
	Family (4 members total)	Child is 15 years old	0%	\$0
Case 6	<i>State Guidelines</i>	6 - 19	100% - 185%	\$1,765.00 - \$3,265.25
	Family (5 members total)	Child is 9 years old	53%	\$950.00

In cases 5 and 6, the caseworkers redetermined the children's eligibility without considering the changes in the families' incomes that had occurred. When the changes in income were brought to the State's attention, the children were discovered to be eligible for traditional Medicaid.

A P P E N D I X - D

Case 7	<i>State Guidelines</i>	6 - 19	100% - 185%	\$1,271.67 - \$2,352.58
	Family (3 members total)	Child is 15 years old	81%	\$1,034

The caseworker recorded \$1,000 in earned income for one parent who had no income, and incorrectly recorded the other parent's income as being from self-employment. The caseworker also incorrectly deducted two \$120 earned income disregards. (State program guidelines state that the \$120 disregard is not deducted from self-employment income.)

Case 8	<i>State Guidelines</i>	1 - 6	133% - 185%	\$1,323.35 - \$1,840.75
	Family (2 members total)	Child is 3 years old	123%	\$1,222.00

The caseworker did not record the family's income correctly in the State's eligibility system, resulting in the system assigning a code to the child indicating eligibility under Medicaid-expansion criteria.

Case 9	<i>State Guidelines</i>	6 - 19	100% - 150%	\$1,533.33 - \$2,300.00
	Family (3 members total)	Child is 7 years old	21%	\$270.00
Case 10	<i>State Guidelines</i>	6 - 19	100% - 150%	\$1,010.00 - \$1,515.00
	Family (2 members total)	Child is 10 years old	97%	\$980.00

In cases 9 and 10, the State explained that a problem occurred when they attempted to implement a new eligibility system. Some of the codes indicating eligibility for different programs were transferred incorrectly from the old system to the new one, resulting in children being classified incorrectly.

Case 11	<i>State Guidelines</i>	6 - 19	100% - 150%	\$1,533.33 - \$2,300.00
	Family (4 members total)	Child is 13 years old	89%	\$1,368.20
Case 12	<i>State Guidelines</i>	6 - 19	100% - 150%	\$1,533.33 - \$2,300.00
	Family (4 members total)	Child is 18 years old	0%	\$0
Case 13	<i>State Guidelines</i>	6 - 19	100% - 150%	\$1,533.33 - \$2,300.00
	Family (1 member total)	Child is 17 years old	7%	\$53.75
Case 14	<i>State Guidelines</i>	1 - 5	0% - 133%†	\$0 - \$1,691.32
	Family (3 members total)	Child is 1 year old	45%	\$572.00
Case 15	<i>State Guidelines</i>	6 - 18	0% - 100%†	\$0 - \$748.33
	Family (1 member total)	Child is 11 years old	56%	\$422.00

A P P E N D I X - D

Case 16	<i>State Guidelines</i>	6 - 18	100% - 200%	\$1,508.00 - \$3,016.67
	Family (4 members total)	Child is 13 years old	93%	\$1,426.00
Case 17	<i>State Guidelines</i>	6 - 18	100% - 200%	\$1,795.00 - \$3,590.00
	Family (5 members total)	Child is 16 years old	86%	\$1,520.00
Case 18	<i>State Guidelines</i>	6 - 18	100% - 133%	\$1,533.33 - \$2,039.33
	Family (4 members total)	Child is 7 years old	72%	\$1,098.94

For cases 11 through 18, although the States confirmed that the children were eligible for traditional Medicaid, they did not provide explanations of how the errors occurred.

Case 19	<i>State Guidelines</i>	1 - 5	133% - 150%	\$2,347.45 - \$2,647.50
	Family (5 members total)	Child is 5 years old	107%	\$1,887.00
Case 20	<i>State Guidelines</i>	6 - 18	100% - 150%	\$1,271.67 - \$1,907.50
	Family (3 members total)	Child is 7 years old	59%	\$761.40
Case 21	<i>State Guidelines</i>	6 - 17	114% - 150%	\$1,719.12 - \$2,262.50
	Family (4 members total)	Child is 8 years old	0%	\$0.00

Despite our requests for clarification on cases 19 through 21, the States were unable to provide proof of income. According to OIG analysis of documented information in these cases, the children were not eligible under Medicaid-expansion criteria.

Source: OIG analysis of case-file documentation for sampled SCHIP cases.

*The FPL changes each fiscal year and is adjusted for family size. Thus, 100% FPL in 2002 is different from 100% FPL in 2003, and 100% FPL for a family of three is different from 100% FPL for a family of four.

†The income range for both Medicaid and Medicaid expansion in this State are the same for each age group; children are identified as Medicaid expansion if they do not meet asset requirements for Medicaid. These two children were classified as Medicaid expansion erroneously, because they did meet Medicaid asset requirements.

► A P P E N D I X ~ E

Children With Family Income Above States' Eligibility Guidelines for Medicaid Expansion

	<i>State Criteria</i>	Age Range	Federal Poverty Level Range*	Income Range
Case 1	<i>State Criteria</i>	6 - 18	100% - 200%	\$1,251.67 - \$2,503.33
	Family (3 members total)	Child is 6 years old	345%	\$4,325.00

The caseworker mistakenly counted the family's income for one month over a two month period, making it appear that the family's income was half of what it actually was.

	<i>State Criteria</i>	<i>0 - 5</i>	<i>133% - 200%</i>	<i>\$1,664.72 - \$2,503.33</i>
Case 2	<i>State Criteria</i>	0 - 5	133% - 200%	\$1,664.72 - \$2,503.33
	Family (3 members total)	Child is 1 year old	222%	\$2,784.00

The county Medicaid office responsible for this case explained that its eligibility system malfunctioned, assigning a code to this case that indicated eligibility under Medicaid-expansion criteria incorrectly. The malfunction was not discovered until the fall of 2003.

	<i>State Criteria</i>	<i>6 - 18</i>	<i>100% - 200%</i>	<i>\$995.00 - \$1,990.00</i>
Case 3	<i>State Criteria</i>	6 - 18	100% - 200%	\$995.00 - \$1,990.00
	Family (2 members total)	Child is 15 years old	255%	\$2,545.00

The documentation the State provided showed that the family had too much income to qualify for Medicaid expansion. No further information was received for this case from the State.

Source: OIG analysis of case-file documentation for sampled Medicaid-expansion cases.

*The FPL changes each fiscal year and is adjusted for family size. Thus, 100% FPL in 2002 is different from 100% FPL in 2003, and 100% FPL for a family of three is different from 100% FPL for a family of four.

▶ A P P E N D I X ~ F




DEPARTMENT OF HEALTH & HUMAN SERVICES

Centers for Medicare & Medicaid Services

AUG - 4 2005

Administrator
Washington, DC 20201

TO: Daniel R. Levinson
Inspector General
Office of Inspector General

FROM: Mark B. McClellan, M.D., Ph.D. 
Administrator
Centers for Medicare & Medicaid Services

SUBJECT: Office of Inspector General (OIG) Draft Report: "Determining if Children Classified as SCHIP Medicaid Expansion Meet Eligibility Criteria" (OEI-07-03-00221)

Thank you for the opportunity to review and comment on this draft report. The OIG conducted this report in response to Congressional interest in State Children's Health Insurance (SCHIP) Medicaid expansion programs and how children are enrolled in these programs. This interest stemmed from the OIG's Congressional mandate to determine every three years the number, if any, of SCHIP enrollees who are eligible for Medicaid and who therefore should have been enrolled in Medicaid rather than a separate child health program. However, please note that while this study stemmed from the SCHIP screen and enroll studies, the Medicaid expansion versus Medicaid claiming issue is not related to screen and enroll since the SCHIP screen and enroll requirements do not apply to Medicaid and SCHIP Medicaid expansion programs.

This issue is really one of whether the state is claiming Federal financial participation at the correct rate and not an eligibility issue, since these children have been correctly determined as eligible for Medicaid. We appreciate the OIG's examination of this issue and we agree that more work needs to be done to ensure that children in Medicaid and SCHIP Medicaid expansion programs are claimed at the correct matching rate. While we recognize that the sample size is not statistically valid on a state-by-state basis, we are pleased that it does not appear that states are intentionally mischaracterizing eligibility to take advantage of the enhanced Federal funding. Also, it will be important to specific states to help us identify any problems in state eligibility determination systems.

We will be undertaking a number of activities to address this potential vulnerability in claiming. The Centers for Medicare & Medicaid Services (CMS) has recently hired 100 additional full-time employees (FTEs) for its financial review teams in the CMS regional offices. We anticipate that these additional FTEs will allow CMS to more vigorously examine claims in SCHIP Medicaid expansion states. Also, CMS has issued a Notice of Proposed Rule Making on improving Payment Error Rate Measurement that will calculate a national error rate of SCHIP and Medicaid.

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This regulation will improve payment accuracy in states with SCHIP Medicaid expansion programs. The following is a more detailed response to OIG’s specific recommendations.

OIG Recommendation

Work with states to improve caseworker performance in making eligibility determinations, thereby preventing errors due to caseworker mistakes.

CMS Response

Medicaid regulations require states to continuously monitor themselves for compliance with Federal law and regulations related to eligibility determinations. States must take action to correct any active or negative case action errors found in the sample cases and take administrative action to prevent or reduce the incidence of these errors. Also, state agencies must have methods to keep informed of the adherence of local agencies to the state plan provisions and the agency’s procedures for determining eligibility and take corrective action to ensure their adherence. CMS will undertake a number of activities to reiterate and reinforce these requirements.

The CMS holds monthly calls with the Associate Regional Administrators (ARAs) in each CMS Regional Office. Because the regions have the primary responsibility for monitoring states and program integrity, CMS will include the findings of this report on a call with the ARAs and ask that all ARAs focus on this issue. In addition to the ARA calls, we will discuss state responsibilities during an upcoming Eligibility Technical Advisory Group (ETAG) conference call. The ETAG includes ten state members and these state members are responsible for communicating the information from the conference calls to the rest of the states in their regions. We will also discuss this issue at the National Eligibility Conference in August in New York City.

OIG Recommendation

Work with states to ensure that automated eligibility systems accurately classify children determined eligible under Medicaid-expansion criteria.

CMS Response

We support this recommendation and will work with the states to ensure greater accuracy through the automated eligibility systems to the extent these systems are contributing to the deficiencies cited in the OIG report. CMS will also speak on this issue at the annual national meeting of the American Public Human Services Association- Information System Management which is being held this year in August.

OIG Recommendation

Ensure that state Medicaid programs conduct redeterminations of Medicaid-expansion eligibility, as required.

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CMS Response

States are required to redetermine Medicaid eligibility at least once every 12 months. Similar to our response to OIG’s first recommendation, CMS will include the findings of this report on a call with the ARAs and ask that all ARAs focus on this issue and reiterate these requirements to the states in their regions. In addition to the ARA calls, we will discuss state responsibilities related to redetermining eligibility during an upcoming ETAG conference call. We will also discuss this issue at the National Eligibility Conference in August in New York City.

OIG Recommendation

Remind states of the requirement to properly maintain case file documentation.

CMS Response

Medicaid agencies must maintain, or supervise the maintenance of, the records necessary for the proper and efficient operation of the plan. The records must include individual records on each applicant and recipient that contain information on: (i) date of application; (ii) date of and basis for disposition; (iii) facts essential to determination of initial and continuing eligibility; (iv) provision of medical assistance; (v) basis for discontinuing assistance; and (vi) the disposition of income and eligibility verification information received.

Similar to our response to OIG’s first recommendation, CMS will include the findings of this report on a call with the ARAs and ask that all ARAs focus on this issue and reiterate these requirements to the states in their regions. In addition to the ARA calls, we will discuss state responsibilities related to properly maintaining case documentation during an upcoming ETAG conference call. We will also discuss this issue at the National Eligibility Conference in August in New York City.

OIG Recommendation

Ensure that all states can accurately identify children determined eligible based on Medicaid-expansion criteria.

CMS Response

We will work with the states to validate the extent to which their systems are capable of making accurate eligibility determinations and identifying such children effectively. CMS information technology staff will work together with CMS eligibility determination staff to develop a more comprehensive understanding of the status of these systems and their capabilities. One suggestion that we have for the OIG to help us in our efforts to ensure that states correctly identify children as eligible for the enhanced Federal funding is that the OIG perform this study with state sample sizes that will allow state-specific error rates. With state-specific error rates we will be able to more accurately identify why there are errors in states. For example, do program characteristics such as Page 4 –

Page 4 – Daniel R. Levinson

presumptive eligibility and self-declaration of income lead to more errors? Also, with state-specific error rates we will be able to initiate disallowances and deferrals in states that are not correctly the Medicaid populations eligible for regular and enhanced Federal funding.

In addition to the recommendations made by OIG, there was one comment that did not include a recommendation, but that needs to be addressed. The OIG found that two states had trouble identifying their SCHIP Medicaid expansion populations, Michigan and South Carolina. In the case of Michigan, CMS informed Michigan that it was out of compliance and in response, Michigan has been working on developing a unique eligibility code to comply with the requirement that is scheduled to be completed and implemented in the Spring of 2005. The State will apply the code to all new and pending cases once the system is up and running. In addition, Michigan will work with eligibility staff to manually verify and complete a review of all existing cases prior to the implementation of the new code to produce eligibility reports by county zones to ensure that all children were accurately enrolled in the Medicaid expansion program.

In the case of South Carolina, the State has informed CMS that the problem was due to an error in the eligibility determination system but that the problem has been resolved. Both CMS and the State will continue to monitor this issue to ensure that there is no longer a problem.

The CMS is committed to continuous improvement of its technical assistance and program integrity activities. CMS is engaged in numerous activities, some will address all of OIG's concerns and others are specific to various findings and recommendations. The implementation of the Payment Error Rate Measurement project through the promulgation of final rules will improve eligibility determination in all states since it calculates an eligibility-specific error rate. Also, CMS's work with its partners on the ETAG and with its ARAs will also improve eligibility determination across all states. In addition to these broad activities, CMS will also continue to provide technical assistance on systems and eligibility determination both one-on-one with states and in venues such as the National Eligibility Conference. Finally, CMS information technology and eligibility specialists will work to review and improve automated state eligibility determination systems.

In conclusion, the Department is very proud of the success of both the Medicaid and SCHIP programs. Enrollment in both programs has grown tremendously since the inception of SCHIP. At the same time, we agree that we must ensure that the millions of children gaining coverage in Medicaid and SCHIP Medicaid expansion programs are appropriately claimed by states.

Attachment



A C K N O W L E D G M E N T S

This report was prepared under the direction of Brian T. Pattison, Regional Inspector General for Evaluation and Inspections in the Kansas City regional office, and Gina C. Maree, Assistant Regional Inspector General. Other principal Office of Evaluation and Inspections staff who contributed include:

Mike Craig, *Project Leader*

Dennis Tharp, *Program Analyst*

Elander Phillips, *Program Analyst*

Michala Walker, *Program Analyst*

Brian Whitley, *Program Analyst*

Linda Hall, *Program Specialist*

Elise Stein, *Director, Public Health and Human Services*

Barbara Tedesco, *Mathematical Statistician*

In Memoriam

Mike Craig (1973 – 2004) served as Project Leader for this inspection. His leadership provided encouragement and served as a source of direction for his team. His untimely death occurred just prior to the completion of this inspection.