



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General
Offices of Audit Services

FEB 07 2008

Region VII
601 East 12th Street
Room 284A
Kansas City, Missouri 64106

Report Number: A-07-07-04079

Marcia Nielsen, Ph.D., MPH
Executive Director
Kansas Health Policy Authority
Suite 900-N, Landon State Office Building
900 SW Jackson Street
Topeka, Kansas 66612

Dear Dr. Nielsen:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled "Medicaid Payments for Services Provided to Beneficiaries With Concurrent Eligibility in Kansas and Missouri for July 1, 2005, Through June 30, 2006." We will forward a copy of this report to the HHS action official noted on the following page for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. We request that you respond to this official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

Pursuant to the principles of the Freedom of Information Act, 5 U.S.C. § 552, as amended by Public Law 104-231, OIG reports generally are made available to the public to the extent the information is not subject to exemptions in the Act (45 CFR part 5). Accordingly, within 10 business days after the final report is issued, it will be posted on the Internet at <http://oig.hhs.gov>.

If you have any questions or comments about this report, please do not hesitate to call me at (816) 426-3591, or contact James Korn, Audit Manager, at (303) 844-7153 or through e-mail at James.Korn@oig.hhs.gov. Please refer to report number A-07-07-04079 in all correspondence.

Sincerely,

A handwritten signature in black ink, appearing to read "Patrick J. Cogley".

Patrick J. Cogley
Regional Inspector General
for Audit Services

Enclosure

Direct Reply to HHS Action Official:

Ms. Jackie Garner
Consortium Administrator
Consortium for Medicaid and Children's Health Operations
Centers for Medicare & Medicaid Services
233 North Michigan Avenue, Suite 600
Chicago, Illinois 60601

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**MEDICAID PAYMENTS FOR SERVICES
PROVIDED TO BENEFICIARIES WITH
CONCURRENT ELIGIBILITY IN
KANSAS AND MISSOURI FOR
JULY 1, 2005, THROUGH
JUNE 30, 2006**

KANSAS HEALTH POLICY AUTHORITY



Daniel R. Levinson
Inspector General

February 2008
A-07-07-04079

Office of Inspector General

<http://oig.hhs.gov>

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Pursuant to the principles of the Freedom of Information Act, 5 U.S.C. § 552, as amended by Public Law 104-231, Office of Inspector General reports generally are made available to the public to the extent the information is not subject to exemptions in the Act (45 CFR part 5).

OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

EXECUTIVE SUMMARY

BACKGROUND

Pursuant to Title XIX of the Social Security Act, the Medicaid program provides medical assistance to low-income individuals and individuals with disabilities. The Federal and State Governments jointly fund and administer the Medicaid program. At the Federal level, the Centers for Medicare & Medicaid Services (CMS) administers the program. Each State administers its Medicaid program in accordance with a CMS-approved State plan. Although the State has considerable flexibility in designing and operating its Medicaid program, it must comply with applicable Federal requirements. The Kansas Health Policy Authority (State agency) manages the Kansas Medicaid program.

Medicaid eligibility in each State is based on residency. If a resident of one State subsequently establishes residency in another State, the beneficiary's Medicaid eligibility in the previous State should end. The State Medicaid agencies must redetermine the eligibility of Medicaid beneficiaries, with respect to circumstances that may change, at least every 12 months. The State Medicaid agencies must have procedures designed to ensure that beneficiaries make timely and accurate reports of any change in circumstances that may affect their eligibility. The State Medicaid agencies must promptly redetermine eligibility when they receive information about changes in a beneficiary's circumstances that may affect eligibility.

For the audit period of July 1, 2005, through June 30, 2006, the State agency paid approximately \$1.3 million on behalf of beneficiaries who were Medicaid-eligible and receiving Medicaid benefits in Kansas and Missouri.

OBJECTIVE

The objective of our review was to determine whether the State agency made payments on behalf of beneficiaries who should not have been Medicaid-eligible due to their eligibility in Missouri.

SUMMARY OF FINDINGS

For the period of July 1, 2005, through June 30, 2006, we estimate that the State agency paid \$113,887 (\$68,970 Federal share) on behalf of beneficiaries who should not have been eligible due to their Medicaid eligibility in Missouri. From a statistical random sample of 100 beneficiary-months, totaling \$390,358 in Medicaid services, the State agency made payments for 15 beneficiary-months totaling \$13,106 for services provided to beneficiaries who should not have been eligible to receive Medicaid benefits in Kansas. The remaining 85 payments were for services to beneficiaries who were eligible to receive the benefit. We attribute the Medicaid payments made on behalf of beneficiaries who were not eligible in Kansas to the insufficient sharing of eligibility data between the State agency and Missouri's Medicaid agency.

RECOMMENDATIONS

We recommend that the State agency work with the Missouri Medicaid agency to share available Medicaid eligibility information for use in:

- determining accurate beneficiary eligibility status and
- reducing the amount of payments, estimated to be \$113,887 (\$68,970 Federal share), made on behalf of beneficiaries residing in Missouri.

STATE AGENCY'S COMMENTS

In written comments on our draft report, the State agency concurred with our recommendations.

In additional comments, the State agency stated that it believes that beneficiaries' failure to report changes in residence also contributed to incorrect payments. The State agency also stated that "[a]dditional detail regarding the scope and sampling methodology would be helpful" and that we did not provide a summary of findings on specific cases with our draft audit report.

The State agency's comments are included in their entirety as Appendix B.

OFFICE OF INSPECTOR GENERAL'S RESPONSE

After reviewing the State agency's comments, we continue to support our findings and recommendations.

With respect to the State agency's comment on the responsibility of beneficiaries to report changes in residence, Federal regulations at 42 CFR § 435.916 require States to have procedures designed to ensure that beneficiaries make timely and accurate reports of any change in circumstances that may affect their eligibility. Therefore, we regard the State agency as ultimately responsible to ensure that beneficiaries are Medicaid-eligible in Kansas.

In addition, with respect to the State agency's request for additional detail concerning the scope and sampling methodology, we included an explanation and discussion of the sampling methodology in the appendix to the draft report.

Finally, we provided State agency officials with details on the 15 specific cases in error, both during our fieldwork and after we issued the draft report.

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INTRODUCTION

BACKGROUND

Pursuant to Title XIX of the Social Security Act, the Medicaid program provides medical assistance to low-income individuals and individuals with disabilities. The Federal and State Governments jointly fund and administer the Medicaid program. At the Federal level, the Centers for Medicare & Medicaid Services (CMS) administers the program. Each State administers its Medicaid program in accordance with a CMS-approved State plan. Although the State has considerable flexibility in designing and operating its Medicaid program, it must comply with applicable Federal requirements. The Kansas Health Policy Authority (State agency) manages the Kansas Medicaid program.

Medicaid eligibility in each State is based on residency. If a resident of one State subsequently establishes residency in another State, the beneficiary's Medicaid eligibility in the previous State should end. The State Medicaid agencies must redetermine the eligibility of Medicaid beneficiaries, with respect to circumstances that may change, at least every 12 months. The State Medicaid agencies must have procedures designed to ensure that beneficiaries make timely and accurate reports of any change in circumstances that may affect their eligibility. The State Medicaid agencies must promptly redetermine eligibility when they receive information about changes in a beneficiary's circumstances that may affect eligibility.

OBJECTIVE, SCOPE AND METHODOLOGY

Objective

The objective of our review was to determine whether the State agency made payments on behalf of beneficiaries who should not have been Medicaid-eligible due to their eligibility in Missouri.¹

Scope

For the audit period of July 1, 2005, through June 30, 2006, we identified 869 beneficiary-months² with payments totaling approximately \$1.3 million made, by the State agency, on behalf of beneficiaries who were Medicaid-eligible and receiving Medicaid benefits in Kansas and Missouri. From this universe, we selected a statistical random sample of 100 beneficiary-months with payments totaling \$390,358.

We did not review the overall internal control structure of the State agency. We limited our internal control review to obtaining an understanding of the procedures used to identify Medicaid-eligible individuals who moved from Kansas and enrolled in the Missouri Medicaid program.

¹A separate report will be issued to the Missouri Department of Social Services to address payments made on behalf of beneficiaries who should not have been Medicaid-eligible in Missouri due to their eligibility in Kansas.

²A beneficiary-month included all payments for Medicaid services provided to one beneficiary during one month.

We conducted fieldwork at the State agency offices in Topeka, Kansas from January through June 2007.

Methodology

To accomplish our audit objective, we obtained eligibility data from the Kansas and Missouri Medicaid Management Information Systems (MMIS)³ for the period of July 1, 2005, through June 30, 2006. We matched Social Security numbers and dates of birth from Kansas's and Missouri's MMIS data to identify 8,011 beneficiaries who were concurrently Medicaid-eligible in the two States.

The State agency provided the MMIS payment data files for the beneficiaries with concurrent Medicaid eligibility and payments with dates of services that occurred during the 12-month period. For each beneficiary who was Medicaid-eligible and receiving Medicaid benefits in both Kansas and Missouri, we combined all dates of service for a single beneficiary-month and matched the payment data files, between States, by Social Security number, date of birth, and month of service.

We used the Office of Inspector General, Office of Audit Services's statistical sample software RATS-STATS's random number generator to select 100 random beneficiary-months with paid dates of services in both Kansas and Missouri. In Kansas, the statistical sample included payments totaling \$390,358. The selected beneficiary-months were for services provided on behalf of beneficiaries with Medicaid eligibility in both States during the same month. See Appendix A for more information regarding the sampling methodology.

We used the State agency's MMIS data to verify that the beneficiaries were enrolled in the Medicaid program and that payments were made to providers. In addition, for each of the 100 beneficiary-months, we reviewed the Medicaid application files and other supporting documentation in both States to determine which State agency had established the appropriate Medicaid eligibility based on permanent residency for the sampled month. Based on the sample results, we estimated the total amount of payments that the State agency paid on behalf of beneficiaries who should not have been Medicaid-eligible.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

FINDINGS AND RECOMMENDATIONS

For the period of July 1, 2005, through June 30, 2006, we estimate that the State agency paid \$113,887 (\$68,970 Federal share) on behalf of beneficiaries who should not have been eligible due to their Medicaid eligibility in Missouri. From a statistical random sample of 100

³MMIS is a mechanized claims processing and information retrieval system that States are required to use to record Title XIX program and administrative costs, report services to recipients, and report selected data to CMS.

beneficiary-months, totaling \$390,358 in Medicaid services, the State agency made payments for 15 beneficiary-months totaling \$13,106 for services provided to beneficiaries who should not have been eligible to receive Medicaid benefits in Kansas. The remaining 85 payments were for services to beneficiaries who were eligible to receive the benefit. We attribute the Medicaid payments made on behalf of beneficiaries who were not eligible in Kansas to the insufficient sharing of eligibility data between the State agency and Missouri's Medicaid agency.

PAYMENTS ON BEHALF OF CONCURRENTLY ELIGIBLE BENEFICIARIES

We estimate that the State agency paid approximately \$113,887 (\$68,970 Federal share) for services on behalf of beneficiaries who should not have been eligible to receive Medicaid benefits due to their eligibility in Missouri.

Federal and State Requirements

Federal regulation 42 CFR § 435.403(j)(3) states, "The agency may not deny or terminate a resident's Medicaid eligibility because of that person's temporary absence from the State if the person intends to return when the purpose of the absence has been accomplished, unless another State has determined that the person is a resident there for purposes of Medicaid." (Emphasis added.)

Federal regulation 42 CFR § 435.916 provides that the State agencies must redetermine the eligibility of Medicaid beneficiaries, with respect to circumstances that may change, at least every 12 months. The State agencies must have procedures designed to ensure that beneficiaries make timely and accurate reports of any change in circumstances that may affect their eligibility. The State agencies must promptly redetermine eligibility when they receive information of changes in beneficiaries' circumstances that may affect their eligibility.

Each State agency has specific criteria defining eligibility and residency. The Kansas State plan states that Medicaid should be granted to eligible applicants who, among other requirements, are residents of Kansas.

The Medicaid application is a way to notify State agencies of changes in a beneficiary's residency status. For example, the Kansas assistance application informs beneficiaries of the responsibility to report to the agency any change in address and states that there are penalties for hiding information or giving false information.

Beneficiaries With Concurrent Eligibility

From a statistical random sample of 100 beneficiary-months, totaling \$390,358 in Medicaid services, the State agency made payments for 15 beneficiary-months totaling \$13,106 for services provided to beneficiaries who should not have been eligible to receive Medicaid benefits in Kansas.

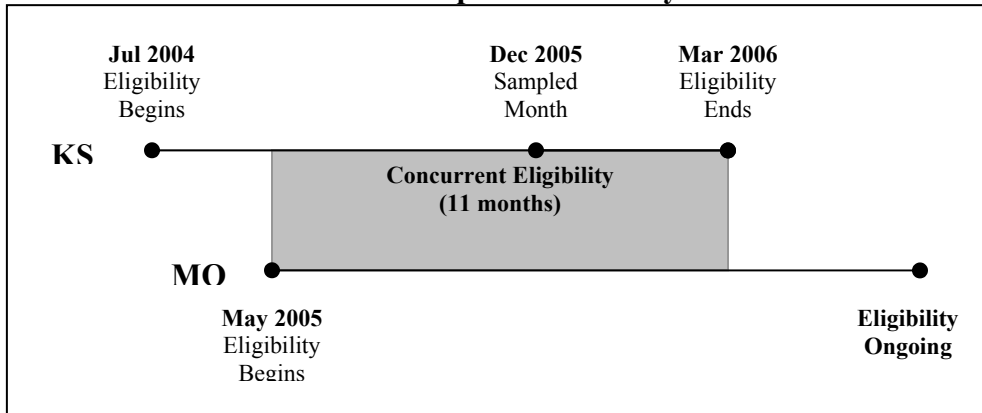
Summary of Sampled Beneficiary-Month Payments

Type of Payment	Beneficiary Months	Amount Paid
Allowable (Eligible Beneficiaries)	85	\$377,252
Unallowable (Beneficiaries Who Should Not Have Been Eligible)	15	13,106
Totals	100	\$390,358

Medicaid application files and other supporting documentation indicated that the State agency made payments for services on behalf of beneficiaries who were no longer Kansas residents during the 15 beneficiary-months.

In one example, a beneficiary, associated with a payment for one of the unallowable sampled beneficiary-months, moved from Kansas and established residency in Missouri. The Kansas beneficiary eligibility period was July 2004 through March 2006. The Missouri eligibility period started May 2005 and the beneficiary was still eligible for benefits at the end of our fieldwork. Exhibit 1 depicts the period of concurrent eligibility for this instance.

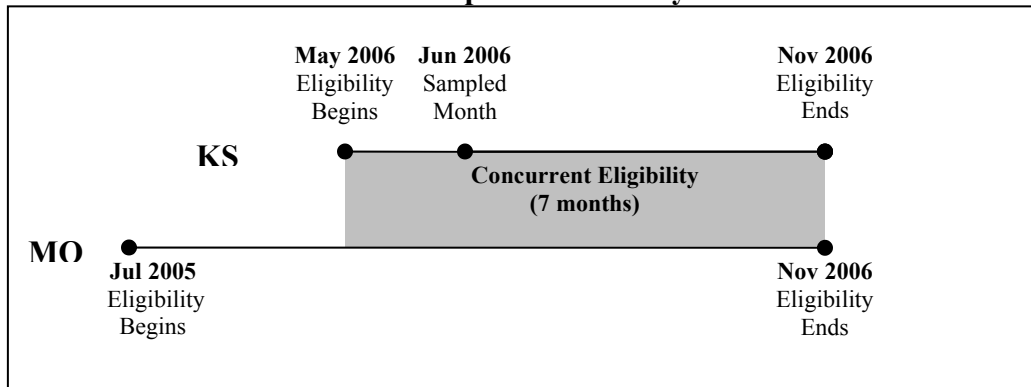
Exhibit 1. Period of Concurrent Eligibility for an Unallowable Sampled Beneficiary-Month



Missouri Medicaid records document that the beneficiary moved from Kansas and established residency in Missouri prior to the sampled beneficiary-month (December 2005). As a result, the Medicaid payments made by the State agency on behalf of the beneficiary for the sampled beneficiary-month (December 2005) were unallowable.

In contrast, a different beneficiary, associated with a payment for an allowable sampled beneficiary-month, moved from Missouri and established residency in Kansas. The Kansas eligibility period was May 2006 through November 2006. The Missouri eligibility period was July 2005 through November 2006. Exhibit 2 depicts the period of concurrent eligibility for this instance.

Exhibit 2. Period of Concurrent Eligibility for an Allowable Sampled Beneficiary-Month



Kansas Medicaid records indicated that the beneficiary moved from Missouri and established residency in Kansas in May 2006. The State agency provided the beneficiary’s application for medical assistance as documentation of residency. Because the beneficiary was a Kansas resident, the State agency appropriately made the Medicaid payments on behalf of the beneficiary for the sampled beneficiary-month (June 2006).

INSUFFICIENT SHARING OF ELIGIBILITY DATA

We attribute the payments for services provided to beneficiaries who should not have been Medicaid-eligible to insufficient sharing of eligibility data between Kansas and Missouri. Although Kansas sometimes coordinated beneficiary eligibility with Missouri, the State agency did not promptly and systemically identify all changes in beneficiary eligibility and residency.

RECOMMENDATIONS

We recommend that the State agency work with the Missouri Medicaid agency to share available Medicaid eligibility information for use in:

- determining accurate beneficiary eligibility status and
- reducing the amount of payments, estimated to be \$113,887 (\$68,970 Federal share), made on behalf of beneficiaries residing in Missouri.

STATE AGENCY’S COMMENTS

In written comments on our draft report, the State agency concurred that establishing a data sharing process with the State of Missouri could prove helpful in reducing the total amount of incorrect payments.

In additional comments, the State agency stated that it believes that beneficiaries' failure to report changes in residence also contributed to incorrect payments. The State agency also stated that "[a]dditional detail regarding the scope and sampling methodology would be helpful" and that we did not provide a summary of findings on specific cases with our draft audit report.

The State agency's comments are included in their entirety as Appendix B.

OFFICE OF INSPECTOR GENERAL'S RESPONSE

After reviewing the State agency's comments, we continue to support our findings and recommendations.

With respect to the State agency's comment on the responsibility of beneficiaries to report changes in residence, Federal regulations at 42 CFR § 435.916 require States to have procedures designed to ensure that beneficiaries make timely and accurate reports of any change in circumstances that may affect their eligibility. Therefore, we regard the State agency as ultimately responsible to ensure that beneficiaries are Medicaid-eligible in Kansas.

In addition, with respect to the State agency's request for additional detail concerning the scope and sampling methodology, we included an explanation and discussion of the sampling methodology in the appendix to the draft report.

Finally, we provided State agency officials with details on the 15 specific cases in error, both during our fieldwork and after we issued the draft report. If additional documentation is needed to formulate a corrective action plan, we would provide it upon request.

APPENDIXES

SAMPLING METHODOLOGY

POPULATION

The population included beneficiary-months for services provided on behalf of Medicaid beneficiaries with concurrent eligibility in Kansas and Missouri during the audit period of July 1, 2005, through June 30, 2006. The universe consisted of 869 beneficiary-months totaling \$1,318,098 in Medicaid payments for services provided to beneficiaries in Kansas.

SAMPLE DESIGN

We used a statistical random sample for this review. We used the Office of Inspector General, Office of Audit Services' statistical sampling software RATS-STATS to select the random sample.

RESULTS OF SAMPLE

The results of our review are as follows:

Number of Beneficiary-Months	Sample Size	Value of Sample	Number of Errors	Value of Errors
869	100	\$390,358	15	\$13,106

Based on the errors found in the sample data, the point estimate is \$113,887 with a lower limit at the 90% confidence level of -\$8,349. The precision of the 90% confidence interval is plus or minus \$122,236 or 107.33%.



MARCIA J. NIELSEN, PhD, MPH
Executive Director

ANDREW ALLISON, PhD
Deputy Director

SCOTT BRUNNER
Chief Financial Officer

BARBARA LANGNER, PhD
Policy Director

January 14, 2008

Patrick J. Cogley
Regional Inspector General for Audit Services
Department of Health Human Services
Region VII
601 East 12th Street
Room 284A
Kansas City, MO 64106

RE: Report Number A-07-07-04079

Dear Mr. Cogley,

Please accept this letter as our response to the report entitled "Medicaid payments for services provided to beneficiaries with concurrent eligibility in Kansas and Missouri for July 1, 2005 through June 30, 2006" produced by the U.S. Department of Health and Human Services, Office of Inspector General.

We have reviewed the draft report and, at your request, are including specific responses to each recommendation as well as general comments regarding the report and the findings. Our comments:

1. The Findings and Recommendations section of the report concludes with the following statement: "We attribute the Medicaid payments made on behalf of beneficiaries who were not eligible in Kansas to the insufficient sharing of eligibility data between the State agency and Missouri's Medicaid agency." Although we agree that implementing such a procedure could result in reduced errors, we believe other actions, such as the beneficiary's failure to report the change in residence, also attributed to any incorrect payments. The report does not explore the potential impact of other factors in the resulting conclusion
2. Additional detail regarding the scope and sampling methodology would be helpful. For example, the report only addresses beneficiary months and doesn't address the total number of actual beneficiaries involved in the sample or the total number contributing to the total amount of incorrect payments. Although this factor may not be valid statistically, it is crucial to the state when building possible solutions to the findings.

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Benefits and Plan Purchasing:
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State Self Insurance Fund:
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Patrick J. Cogley
Regional Inspector General for Audit Services
Department of Health Human Services

P. 2 of 2

January 14, 2008

3. A formal response summarizing findings on specific cases was not provided to the state with the draft report. Providing this information allows the state to analyze category of eligibility, geographic location and other information which may be relevant when building a corrective action plan.
4. Regarding the specific recommendations, the state concurs that establishing a data sharing process with the State of Missouri could prove helpful in reducing the total amount of incorrect payments. KHPA is currently planning and requesting state and federal approval for a new automated eligibility and benefits administration system. Obtaining the new system is a critical step in our ability to successfully implement and manage a data match with Missouri, or any other state. Once implemented, Kansas intends to fully explore the recommendation to implement a data match with Missouri. In the interim, we will work with staff in the Missouri Department of Social Services to determine what immediate steps may be taken to avoid future errors.

Please accept this letter as our official response to the draft report. We appreciate the opportunity to comment prior to the release of the report. If you have any questions or comments about this response, please feel free to contact me directly or contact Jeanine Schieferecke at (785) 296-8866, or through email at Jeanine.Schieferecke@khpa.ks.gov.

Sincerely,



Andrew Allison, PhD
Deputy Director
Kansas Health Policy Authority