

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**SEPARATE STATE CHILDREN'S  
HEALTH INSURANCE PROGRAM  
ENROLLEES' ELIGIBILITY FOR  
MEDICAID IN 2006**



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Inspector General

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## OBJECTIVE

To determine the extent to which children enrolled in separate State Children's Health Insurance Programs (SCHIP) were eligible for Medicaid in 2006.

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## BACKGROUND

The Balanced Budget Refinement Act of 1999 requires that, every 3 years, the Office of Inspector General (OIG) review a sample from States with separate SCHIPs to: (1) determine the number, if any, of SCHIP enrollees who are eligible for the Medicaid program; and (2) assess States' progress in reducing the number of uninsured low-income children. This study addresses the first mandate.

The Balanced Budget Act of 1997 created SCHIP to provide health insurance coverage to uninsured low-income children. The Federal match for SCHIP expenditures is greater than the Federal match for Medicaid expenditures. Federal regulations require States to screen SCHIP applicants for Medicaid eligibility, in part, to prevent States from inappropriately enrolling Medicaid-eligible children in SCHIP.

To determine the extent to which children enrolled in separate SCHIPs were eligible for Medicaid, we examined case records of a random sample of 400 children enrolled in separate SCHIPs on June 1, 2006, from 36 States with separate SCHIPs. We reviewed case records for each child based on the eligibility criteria and requirements for that State's Medicaid program.

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## FINDING

**An estimated 4 percent of children enrolled in separate SCHIPs were eligible for the Medicaid program in 2006.** We determined that 4 percent of children enrolled in separate SCHIPs (16 sample cases) were eligible for their States' Medicaid program. Eight of these cases involved miscalculations of income, and the remainder involved clerical mistakes and unclassified errors. Projected to the population of all children enrolled in separate SCHIPs in 2006, the 4-percent error rate corresponds to about 105,000 children nationally. An additional 4.5 percent (18 cases) lacked sufficient documentation for us to make a determination regarding Medicaid eligibility. This lack of documentation leaves open the possibility that the actual number of

children enrolled in separate SCHIPs who were eligible for the Medicaid program in 2006 could have been higher than our projection.

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## RECOMMENDATION

We found that an estimated 4 percent of children enrolled in separate SCHIPs were eligible for the Medicaid program in 2006 and an additional 4.5 percent of cases lacked sufficient documentation. Enrollment errors can result in the inappropriate use of Federal matching funds and limited SCHIP resources being expended on Medicaid-eligible children.

To address these deficiencies, we recommend that the Centers for Medicare & Medicaid Services (CMS):

### **Take further action to ensure the appropriate enrollment of Medicaid-eligible children.**

- To address miscalculations of incomes and clerical mistakes, CMS could emphasize to States the need for accuracy in enrollment casework and encourage States to perform quality checks to detect such errors.
- CMS could also use the eligibility measurement component of Payment Error Rate Measurement, which examines eligibility for both SCHIP and Medicaid enrollment, to identify problems that lead to enrollment errors and to assist States in implementing corrective actions.

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## AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In its written comments on the draft report, CMS stated that it “supports the spirit of the OIG recommendations” and “will continue to undertake a number of activities to prevent the types of errors identified” in the report. To help it enhance monitoring of States in this area, CMS requested additional information on some of the 16 cases identified as having enrollment errors. OIG will provide CMS with detailed information about each of the 16 cases with enrollment errors. To address CMS’s additional comments, we made revisions or added information in the appropriate sections of the report to clarify each topic or question.



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## OBJECTIVE

To determine the extent to which children enrolled in separate State Children’s Health Insurance Programs (SCHIP) were eligible for Medicaid in 2006.

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## BACKGROUND

Section 703 of the Medicare, Medicaid, and SCHIP Balanced Budget Refinement Act (BBRA) of 1999 requires that, every 3 years, the Office of Inspector General (OIG) review a sample from States with separate SCHIPs to: (1) determine the number, if any, of SCHIP enrollees who are eligible for the Medicaid program; and (2) assess States’ progress in reducing the number of uninsured low-income children.<sup>1</sup> This study addresses the first mandate. OIG addressed the second mandate in a separate study.<sup>2</sup>

### **State Children’s Health Insurance Program**

The Balanced Budget Act of 1997 created SCHIP to provide health insurance coverage to uninsured low-income children.<sup>3</sup> The program’s overall goal is to expand coverage to uninsured children in households with incomes greater than States’ Medicaid eligibility but below 200 percent of the Federal poverty level.<sup>4</sup> States have the option of (1) instituting a separate children’s health insurance program; (2) expanding Medicaid eligibility; or (3) instituting both a separate SCHIP and a Medicaid expansion, known as a combination program.<sup>5</sup>

As of January 1, 2006, 18 States administered only a separate SCHIP, and 21 States administered both a separate SCHIP and a Medicaid expansion SCHIP. Three of these thirty-nine separate SCHIPs cover only unborn children for health benefits coverage, including prenatal care and delivery.<sup>6</sup> Ten of the remaining eleven States and the District of Columbia had only Medicaid expansion programs, and one State did

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<sup>1</sup> P.L. No. 106-113; Social Security Act, § 2108(d)(1), 42 U.S.C. § 1397hh (d)(1).

<sup>2</sup> OIG, “Assessing States’ Progress in Meeting State Children’s Health Insurance Program Goals” (OEI-05-07-00330), September 2007.

<sup>3</sup> P.L. No 105-33; Social Security Act §§ 2101–2110, 42 U.S.C. §§ 1397aa–jj.

<sup>4</sup> 42 U.S.C. §§ 1397aa and 1397jj(b).

<sup>5</sup> 42 U.S.C. § 1397aa(a), 42 CFR § 457.70(a).

<sup>6</sup> 42 CFR § 457.10.

not have any SCHIP. At the end of fiscal year (FY) 2006, separate SCHIPs had almost 3 million enrollees.<sup>7</sup>

The Federal match for SCHIP expenditures is greater than the Federal match for Medicaid expenditures.<sup>8</sup> For FY 2006, the average Federal match for Medicaid was 60 percent, and the average for SCHIP was 72 percent.<sup>9</sup>

### **Screening Applicants for Medicaid Eligibility**

Federal regulations require States to screen SCHIP applicants for Medicaid eligibility to prevent States from enrolling Medicaid-eligible children in SCHIP.<sup>10</sup> Appropriate enrollment of Medicaid-eligible children is important to ensure that limited SCHIP enrollment slots are not taken by children who should be enrolled in Medicaid and that the enhanced Federal matching funds are used as intended.

Based on a variety of factors, such as family income and the child's age, a child may be eligible for Medicaid or SCHIP, but never both. States must screen each SCHIP applicant's income to identify whether the applicant is potentially eligible for the State's Medicaid program.<sup>11</sup> If a child is found to be potentially eligible, a full Medicaid eligibility determination must ensue. Within limits set by Federal law, Medicaid eligibility criteria vary somewhat among States.<sup>12</sup>

Federal regulations permit States' discretion to allow families to self-declare eligibility factors, such as income, in lieu of providing documentation, so long as the State implements controls and procedures "to ensure the integrity of the eligibility determination process."<sup>13</sup>

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<sup>7</sup> Centers for Medicare & Medicaid Services (CMS), "2006 Fourth Quarter – Program Enrollment Last Day of Quarter by State." Available online at <http://www.cms.hhs.gov/NationalSCHIPPolicy/SCHIPER>. Accessed on October 5, 2007.

<sup>8</sup> Social Security Act § 2105(a) 42 U.S.C. § 1397ee(a).

<sup>9</sup> OIG calculation based on information provided in 69 Fed. Reg. 68380 (Nov. 24, 2004).

<sup>10</sup> 42 CFR § 457.350.

<sup>11</sup> States that have resource (asset) tests must also screen for a family's resources. 42 CFR § 457.350(d).

<sup>12</sup> 42 U.S.C. §§ 1396a(l)(2)(b) and (c). Federal Medicaid funds will match State funds for children under the age of 6 whose family income is under 133 percent of the Federal poverty level and for children ages 6 through 18 at 100 percent of the Federal poverty level.

<sup>13</sup> 42 CFR §§ 457.380(a) and (b).

In 2006, 9 of the 39 States with separate SCHIPs allowed some form of self-declaration of income.<sup>14</sup>

SCHIP agencies must facilitate timely enrollment into the Medicaid program of those children found eligible for Medicaid.<sup>15</sup> To accomplish timely enrollment, section 2102(c)(2) of the Social Security Act requires coordination between the State Medicaid and separate SCHIP agencies. Further, Federal regulations require Medicaid agencies to determine eligibility within 45 days for most applicants, barring extenuating circumstances.<sup>16</sup> Finally, SCHIP agencies must monitor their screening and enrollment processes to ensure that children are enrolled in the right program.<sup>17</sup>

#### **Payment Error Rate Measurement**

CMS has recently implemented the Payment Error Rate Measurement (PERM) program, which is designed, in part, to detect any inappropriate enrollment in State Medicaid programs and SCHIPs.<sup>18</sup> Specifically, starting in FY 2006 for Medicaid and FY 2007 for SCHIP, the eligibility measurement component of PERM determines whether randomly selected beneficiaries enrolled in Medicaid and SCHIP were eligible for the program in which they are enrolled. The PERM is administered annually in 17 States, such that error rates are measured in each State every 3 years. States selected for review are required to provide CMS with, among other things, a corrective action report for purposes of reducing any payment error rates measured by the eligibility component of the program.

#### **Prior State Children's Health Insurance Program Enrollment Reviews**

OIG has issued two previous reports based on the reviews mandated under the BBRA regarding SCHIP enrollees who are eligible for

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<sup>14</sup> Kaiser Commission on Medicaid and the Uninsured, "Resuming the Path to Health Coverage for Children and Parents: A 50-State Update on Eligibility Rules, Enrollment and Renewal Procedures, and Cost-Sharing Practices in Medicaid and SCHIP in 2006," Table 6, January 2007. Data based on a national survey conducted by the Center on Budget and Policy Priorities for January 2007. Available online at <http://www.kff.org/medicaid/upload/7608.pdf>. Accessed on October 5, 2007.

<sup>15</sup> 42 CFR §§ 457.350(c), (d), and (f)(4).

<sup>16</sup> 42 CFR § 435.911(a)(2).

<sup>17</sup> 42 CFR § 457.353.

<sup>18</sup> 71 Fed. Reg. 50489 (Aug. 31, 2007).



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Medicaid.<sup>19</sup> For 2000, OIG found that 1.8 percent of SCHIP enrollees were eligible for Medicaid from a sample of 500 children from five selected States with separate SCHIPs. For 2003, OIG found that 1 percent of SCHIP enrollees were eligible for Medicaid from a sample of 400 children from 36 States with separate SCHIPs.

The BBRA also requires the Government Accountability Office (GAO) to monitor OIG reviews of SCHIP.<sup>20</sup> Regarding OIG's review of 2000 SCHIP enrollment, GAO recommended that OIG (1) expand the scope of reviews to include all States with separate SCHIPs, including those with combination programs; and (2) consider exploring issues of appropriate SCHIP enrollment among States that have opted for Medicaid expansions under SCHIP.<sup>21</sup> OIG agreed with the recommendations and expanded its 2003 review and the current review to include all States that administer separate SCHIP programs, including those with combination programs. The 2003 OIG review also examined the eligibility of children enrolled in Medicaid expansion SCHIPs.<sup>22</sup> GAO made no recommendations regarding OIG's 2003 review.<sup>23</sup>

Beyond the mandated national studies, OIG also conducted State-specific reviews of SCHIP eligibility in California, Florida, and New York using payment and enrollment data from 2005.<sup>24</sup> Among the three States, error rates, i.e., cases in which SCHIP enrollees were eligible for the State's Medicaid program, ranged from a low of 0 percent (no errors) to a high of 5.5 percent. The percentage of cases that lacked sufficient case file documentation to support the State's eligibility determination ranged from a low of 6.3 percent to a high of 11 percent. OIG made recommendations for improvement to each State. These

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<sup>19</sup> OIG, "State Children's Health Insurance Program: Ensuring Medicaid Eligibles Are Not Enrolled in SCHIP" (OEI-05-00-00241), February 2001; and "Determining if Children Enrolled in Separate SCHIPs Were Eligible for Medicaid" (OEI-07-03-00220), June 2005.

<sup>20</sup> 42 U.S.C. § 1397hh(d)(3).

<sup>21</sup> GAO, "Children's Health Insurance: Inspector General Reviews Should Be Expanded To Further Inform the Congress" (GAO-02-512), March 29, 2002.

<sup>22</sup> OIG, "Determining if Children Classified as Medicaid SCHIP Expansion Meet Eligibility Criteria" (OEI-07-03-00221), October 2005.

<sup>23</sup> GAO, "Children's Health Insurance: Recent HHS-OIG Reviews Inform the Congress on Improper Enrollment and Reductions in Low-Income, Uninsured Children" (GAO-06-457R), March 9, 2006.

<sup>24</sup> OIG, "Review of State Children's Health Insurance Program Eligibility in California" (A-09-06-00022), July 2007; "Review of State Children's Health Insurance Program Eligibility in Florida" (A-04-06-00021), July 2007; and "Review of State Children's Health Insurance Program Eligibility in New York State" (A-02-06-01003), July 2007.

studies provide examples of State-specific enrollment error rates identified in recent years.

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## METHODOLOGY

### Scope

To determine the extent to which children enrolled in separate SCHIPs were eligible for Medicaid, we included in our sample 36 of the 39 States with a separate SCHIP program as of January 1, 2006. We did not include the three States in which the separate SCHIP program covers only unborn children.<sup>25</sup> We examined the SCHIP case file documents of 400 randomly selected children, 18 years of age or younger, who were enrolled in separate SCHIPs on June 1, 2006. Using each State's Medicaid eligibility criteria, we determined whether the selected child was eligible for the State's Medicaid program.<sup>26</sup> We did not assess whether the enrollees met their States' SCHIP eligibility criteria.

### Sample Selection

From each of the 36 States, we obtained a list of all children enrolled in their separate SCHIPs on June 1, 2006. Selecting a single date within the year helped avoid complications regarding children who might have moved between the SCHIP and Medicaid programs during the year. We chose June 1 to be consistent with the methodology of the 2003 review.

We combined the State lists into a single universe of approximately 2.6 million children. From this universe, we selected a simple random sample of 400 cases for review—the same sample size as OIG's 2003 review. The sample included at least one case from each of 31 States with separate SCHIPs and, because of random selection, did not include cases from 5 States with separate SCHIPs: Idaho, Maine, North Dakota, South Dakota, and Vermont. See Appendix A for a list of each State's separate SCHIP enrollment and the number of cases selected for review.

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<sup>25</sup> Arkansas, Minnesota, and Rhode Island reported that their separate SCHIPs cover only unborn children.

<sup>26</sup> Not included in this study are children enrolled in SCHIP Medicaid Expansion programs.

**Case File Documentation**

We requested case file documentation from SCHIP agencies for the 400 sample cases. For each case, we requested copies of case file documents that the State used for its most recent SCHIP eligibility determination decision prior to June 1, 2006. Typical case file documentation included applications for enrollment or reenrollment in SCHIP, worksheets used by caseworkers to determine eligibility, printouts from automated eligibility systems, and copies of paychecks or tax returns to support the family's income information. We received initial responses from SCHIP agencies for each of the 400 cases but, as discussed below, additional documentation was needed for some cases.

**State Medicaid Eligibility Criteria**

From each State with sample cases, we obtained information about the State's eligibility criteria and requirements applicable at the time of the child's last SCHIP determination prior to June 1, 2006.<sup>27</sup> These criteria and requirements included, but were not limited to, age limitations, income limits based on Federal poverty limits, rules regarding what income should be counted, income disregards or deductions, asset or resource limits, definitions of family size, and any automatic qualifiers. We also downloaded information from State Medicaid and SCHIP Web sites and consulted with SCHIP officials and other State personnel (hereinafter referred to as State officials) for clarification as needed.

**Case Reviews and Analysis**

We reviewed case file documentation for each child based on eligibility criteria for the State's Medicaid program. We analyzed the following elements of each case in accordance with each State's criteria for Medicaid eligibility:

- date of application or redetermination;
- age of the child at the time of the SCHIP eligibility determination;
- household or family composition;

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<sup>27</sup> Any questions regarding the timing of applicable criteria affecting specific cases were discussed with States in follow-up contacts.

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- percentage of Federal poverty limit allowed by the State according to the age of the child;<sup>28</sup>
- family income;
- family resources and asset limits (if applicable);
- presence of automatic qualifiers (as applicable by State, including Supplemental Security Income, children in foster care, adoption, and participation in the Temporary Assistance for Needy Families program); and
- documentation used to support family income, such as pay stubs and income tax returns.

More specifically, to determine whether a child's family income qualified the child for his or her State's Medicaid program, we:

- calculated the family's gross monthly income (earned and unearned) using supplied income documentation;
- subtracted any applicable income disregards or deductions allowed by the State's Medicaid criteria, e.g., child care expenses; and
- compared the calculated net income to the State's Medicaid income limit applicable for the age of the child and size of the family.

For cases lacking any documentation listed above, we recontacted State officials to obtain the missing documentation. For those States that allow SCHIP applicants to self-declare income, we calculated net income using the amount self-reported on the application. If the self-reported income differed from the income used in the State's calculations, we contacted the State for further clarification. We also discussed with State officials any apparently conflicting information found in the provided documents (e.g., inconsistent income amounts or family size) to

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<sup>28</sup> 70 Fed. Reg. 8373–8375 (Feb. 18, 2005) for 2005; 71 Fed. Reg. 3848–3849 (Jan. 24, 2006) for 2006. OIG used the Federal poverty limit guidelines in effect for the State-reported date of determination. Annual poverty-level guidelines for 2006 were effective on January 24, 2006. Therefore, in reviewing case files with determinations dated prior to January 24, 2006, we used 2005 Federal poverty limit guidelines. For applications dated on or after January 24, 2006, we used 2006 Federal poverty limit guidelines. Any questions regarding the applicable Federal poverty level for specific cases were discussed with States; however, this issue did not affect any of the eligibility errors identified in this report.

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ensure that we were using the most appropriate information for our determinations.

*Enrollment errors.* When our case reviews determined that an enrollee did not qualify for his or her State’s Medicaid program, no further review was conducted for that case. For any child whom we identified as potentially eligible for the Medicaid program, we contacted State officials to determine whether they agreed. If State officials did not dispute our preliminary results, we determined that the child was eligible for Medicaid. (Hereinafter, we refer to these situations as “enrollment errors.”)

If State officials disputed our preliminary results, we asked them to provide additional information or documentation to demonstrate that the child was not eligible for Medicaid. We rereviewed these cases using the additional information and documentation and, as necessary, followed up with State officials until we could make a final determination regarding whether the case represented an enrollment error. For cases that had been referred by the SCHIP agency to the Medicaid agency for a full Medicaid eligibility determination, we examined the elapsed time after the date of the referral. We considered children in these cases to be potentially eligible for Medicaid if the SCHIP agency had referred the case to the State Medicaid agency at least 45 days prior to June 1, 2006.

*Unable to determine.* We refer to cases as “Unable to determine” if the State did not, after multiple requests, provide sufficient documentation for us to determine whether a child was Medicaid eligible.

*Error rates and projections.* We calculated the percentage of SCHIP enrollees who were eligible for the Medicaid program in 2006 and the percentage of cases for which we were unable to determine Medicaid eligibility. We projected the results to the universe of about 2.6 million children enrolled in separate SCHIPs in 36 States in 2006. Confidence intervals for estimates and projections contained in this report are listed in Appendix B.

### **Standards**

This study was conducted in accordance with the “Quality Standards for Inspections” issued by the President’s Council on Integrity and Efficiency and the Executive Council on Integrity and Efficiency.

## ► FINDING

### **An estimated 4 percent of children enrolled in separate SCHIPs were eligible for the Medicaid program in 2006**

We determined that 4 percent of children enrolled in separate SCHIPs (16 sample cases) were eligible for their States' Medicaid program (see Table 1).

A 4-percent error rate equates to an estimated 105,178 children enrolled in separate SCHIPs nationwide in 2006 being eligible for the Medicaid program. An additional 4.5 percent (18 sample cases) lacked sufficient documentation for us to determine whether the children were Medicaid eligible.

**Table 1: Medicaid-Eligible Children Enrolled in Separate SCHIPs in 2006**

<b>Determination Status</b>	<b>Sample Cases (n=400)</b>	<b>Percentage</b>	<b>Estimated Number of Children Nationally</b>
Enrollment Errors	16	4.0%	105,178
Unable To Determine	18	4.5%	118,559

Source: OIG review of case file documents for 400 children randomly selected from the universe of 2,629,462 children enrolled in separate SCHIPs on June 1, 2006, in 36 States.

#### **Enrollment errors**

Eight of the sixteen cases with enrollment errors had miscalculations of net income. In three of the eight miscalculation cases, caseworkers failed to apply all applicable income disregards to the family's self-employment income. Among the other five cases, we found few similarities or patterns that caused the miscalculations.

Clerical mistakes caused enrollment errors in 3 of the 16 cases. For example, in one of these cases, the caseworker correctly determined that the child should be enrolled in the Medicaid program but improperly entered into the automated system a code to indicate eligibility for the separate SCHIP.

The causes for the remaining five cases with enrollment errors were either unknown or not specified by the State. For example, in one case, the State Medicaid agency informed the SCHIP agency that a child who was identified as potentially Medicaid eligible had not cooperated with the Medicaid agency and was, therefore, no longer eligible for either program. State officials acknowledged that the SCHIP agency did not immediately end the child's enrollment in the separate SCHIP as required, but did not indicate why the agency failed to take the required

action.<sup>29</sup> In another of these cases, the State official simply stated “we concur” that the child should have been enrolled in the Medicaid program but did not identify what mistake caused the enrollment error.

#### **Unable to determine**

For the 18 sample cases that lacked sufficient documentation, we found a variety of circumstances that prevented us from determining Medicaid eligibility. In nine cases, some documentation was provided but particular documents or specific information was not provided. In another six cases, no documents were provided, and State officials reported that the case files could not be located for various reasons. In three of these cases, which were from one State, the children had been referred from the Medicaid agency to the separate SCHIP, and information needed for our review was apparently not forwarded from the Medicaid agency. The files in the remaining three cases had been lost, destroyed by a flood, or not forwarded from a previous contractor.

Finally, in each of the remaining three cases, the child had been identified by the SCHIP agency as potentially Medicaid eligible, and the case was referred to the Medicaid agency for a full Medicaid eligibility determination. In the meantime, the child remained enrolled in the separate SCHIP, as allowed under the SCHIP State plan for each case. At the time of the review, the elapsed time since the referral ranged from 4 to 8 months among the three cases, each beyond the 45-day timeframe allowed by Federal regulations for making a Medicaid eligibility determination. However, documentation was not sufficient for us to determine in each case whether a Medicaid eligibility determination had been made by the date of our review or to rule out the possibility of extenuating circumstances that would have allowed an exception to the 45-day timeframe.

For all 18 cases that lacked sufficient documentation, we could not determine whether the children were eligible for Medicaid and represented additional enrollment errors. These “unable to determine” cases leave open the possibility that the actual number of children enrolled in separate SCHIPs who were eligible for the Medicaid program in 2006 could have been higher than our projection. Hence, taking into account cases that lacked documentation, we project an

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<sup>29</sup> 42 CFR § 457.350(g)(2). The SCHIP eligibility rules prohibit children who have been designated as potentially eligible for Medicaid from being enrolled in separate SCHIPs (other than provisional temporary enrollment while a final determination is being made, which no longer applied in this case).

## F I N D I N G

estimated enrollment error rate that could range from a low of 4 percent, if no additional cases involved errors, to a high of 8.5 percent, if all cases lacking documentation involved enrollment errors.



## ► R E C O M M E N D A T I O N

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We found that an estimated 4 percent of children enrolled in separate SCHIPs were eligible for the Medicaid program in 2006. Additionally, another 4.5 percent of cases lacked sufficient documentation for us to determine whether the children involved were eligible for Medicaid. This lack of documentation leaves open the possibility that the actual number of children enrolled in separate SCHIPs who were eligible for the Medicaid program in 2006 could have been higher than our projection. Enrollment errors can result in the inappropriate use of Federal matching funds and in limited SCHIP resources being expended on Medicaid-eligible children.

To address these deficiencies, we recommend that CMS:

### **Take Further Action To Ensure the Appropriate Enrollment of Medicaid-Eligible Children**

To address miscalculations of incomes and clerical mistakes, CMS could emphasize to States the need for accuracy in enrollment casework and encourage States to perform quality checks to detect such errors. CMS could also use the eligibility measurement component of the PERM, which examines eligibility for both SCHIP and Medicaid enrollment, to identify problems that lead to enrollment errors and assist States in implementing corrective actions. The newly implemented PERM includes an eligibility review for a random sample of beneficiaries in both the SCHIP and Medicaid programs for each State every 3 years. Further, because the PERM requires States to develop and implement corrective actions for errors detected, CMS could utilize the PERM to address enrollment errors, such as those identified by this review.

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## **AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE**

In its written comments on the report, CMS stated that it “supports the spirit of the OIG recommendations” and “will continue to undertake a number of activities to prevent the types of errors identified” in the report. CMS indicated that it will continue to work with States to improve caseworker performance in making eligibility determinations and to ensure Medicaid “screen and enroll” accuracy through automatic eligibility systems.

Specifically, CMS indicated that it will include the findings of the report on a monthly call with Associate Regional Administrators and regional

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offices and ask these entities to reiterate to States the requirement to include the facts essential to the determination of eligibility in the case file documentation. Further, CMS indicated that it will conduct onsite reviews and monitoring of SCHIPs “screen and enroll” processes and identify States that may need a focused review on this topic. Finally, CMS indicated that it will review initial PERM results regarding eligibility determinations and target appropriate States for technical assistance.

CMS noted that OIG’s 2003 and 2006 reviews used different methods. For the 2003 review, OIG first determined whether a separate SCHIP enrollee’s family income fell within the separate SCHIP guidelines and, if so, did not attempt to determine whether the child was eligible for the Medicaid program. For this 2006 review, we directly determined whether separate SCHIP enrollees were eligible for the Medicaid program. CMS pointed out that the difference in study design affects any comparisons between the findings of the two studies. OIG agreed and revised the report to avoid comparisons between the studies’ findings.

CMS requested additional information on some of the 16 cases identified as having enrollment errors. To facilitate CMS’s monitoring and followup with States, OIG will provide CMS with detailed information about each of the 16 cases with enrollment errors. In response to CMS’s other comments, we added information in the appropriate sections of the report to clarify each topic or question.

The full text of CMS’s comments is provided in Appendix C.

▶ A P P E N D I X ~ A

**Number of Children Enrolled in Separate State Children's Health Insurance Programs on June 1, 2006, and Number Reviewed by Office of Inspector General**

<b>State</b>	<b>Number of Children Enrolled</b>	<b>Children Selected for Review</b>
Alabama	66,295	7
Arizona	58,639	5
California	764,269	122
Colorado	44,922	8
Connecticut	14,215	2
Delaware	5,516	2
Florida	220,243	31
Georgia	65,413	9
Idaho	2,429	0
Illinois	45,018	12
Indiana	17,586	2
Iowa	20,659	2
Kansas	37,672	7
Kentucky	15,204	3
Maine	4,416	0
Maryland	11,546	3
Massachusetts	21,266	1
Michigan	34,190	7
Mississippi	60,298	11
Montana	13,153	3
Nevada	27,931	4
New Hampshire	7,222	2
New Jersey	79,470	12
New York	283,803	52
North Carolina	115,207	15
North Dakota	5,339	0
Oregon	29,384	6
Pennsylvania	137,090	18
South Dakota	2,410	0
Texas	292,636	42
Utah	35,646	1
Virginia	46,112	5
Washington	10,862	3
West Virginia	25,032	2
Wyoming	5,262	1
Vermont	3,107	0
<b>Total</b>	<b>2,629,462</b>	<b>400</b>

Source: Data collected by Office of Inspector General in April 2007 from 36 States with separate State Children's Health Insurance Programs.

## Estimates, Projections, and Confidence Intervals for Medicaid-Eligible Children Enrolled in Separate State Children’s Health Insurance Programs In 2006

<b>Estimated Percentage of Medicaid-Eligible Children Enrolled in Separate SCHIPs</b>			
<b>Case File Review Findings</b>	<b>Estimate</b>	<b>95-Percent Confidence Interval*</b>	
		<b>Lower Limit</b>	<b>Upper Limit</b>
Enrollment Errors	4.0%	2.3%	6.4%
Unable To Determine	4.5%	2.7%	7.0%
Cases With Enrollments Errors and Unable To Determine	8.5%	6.0%	11.7%

Source: Office of Inspector General review of case file documents for 400 children randomly selected from the universe of 2,629,462 children enrolled in separate State Children’s Health Insurance Programs on June 1, 2006, in 36 States.



\*Confidence intervals calculated with an exact method based on the binomial distribution.

<b>Projected Number of Medicaid-Eligible Children Enrolled in Separate SCHIPs</b>			
<b>Case File Review Findings</b>	<b>Estimate</b>	<b>95-Percent Confidence Interval*</b>	
		<b>Lower Limit</b>	<b>Upper Limit</b>
Enrollment Errors	105,178	60,564	168,672
Unable To Determine	118,326	70,690	184,559
Cases With Enrollments Errors and Unable To Determine	223,504	156,669	306,990

Source: Office of Inspector General review of case file documents for 400 children randomly selected from the universe of 2,629,462 children enrolled in separate State Children’s Health Insurance Programs on June 1, 2006, in 36 States.

\*Confidence intervals calculated with an exact method based on the binomial distribution.

**Agency Comments**

	<p>DEPARTMENT OF HEALTH &amp; HUMAN SERVICES</p> <hr/> <p><b>DATE:</b> MAY 21 2008</p> <p><b>TO:</b> Daniel R. Levinson Inspector General</p> <p><b>FROM:</b> Kerry Weems  Acting Administrator</p> <p><b>SUBJECT:</b> Office of Inspector General (OIG) Draft Report: "Separate State Children's Health Insurance Program Enrollees' Eligibility for Medicaid in 2006" (OEI-06-07-00310)</p>	<p>Centers for Medicare &amp; Medicaid Services</p> <p><b>Administrator</b> Washington, DC 20201</p> <p style="writing-mode: vertical-rl; transform: rotate(180deg);"> <b>RECEIVED</b>                  2008 MAY 22 PM 1:46                  OFFICE OF INSPECTOR GENERAL             </p>
<p>The Centers for Medicare &amp; Medicaid Services (CMS) appreciates the opportunity to comment on the OIG draft report entitled "Separate State Children's Health Insurance Program Enrollees' Eligibility for Medicaid in 2006" (OEI-06-07-00310). The objective of the report was to determine the extent to which children enrolled in separate State Children's Health Insurance Programs (SCHIPs) were eligible for Medicaid in 2006. The OIG conducted this report in response to the Balanced Budget Refinement Act of 1999 mandate that OIG sample States every 3 years to determine the number, if any, of SCHIP enrollees who are eligible for the Medicaid program. This report is a successor to the first mandated report issued in February 2001 entitled, "Ensuring Medicaid Eligibles are not Enrolled in SCHIP," and the April 2005 report entitled, "Determining if Children Enrolled in Separate SCHIPs Were Eligible for Medicaid."</p> <p>The CMS supports the spirit of the OIG recommendations, but requests additional information on some areas of the report. We will continue to undertake a number of activities to prevent the types of errors identified in the OIG report as required under our current regulations. Federal regulations at 42 CFR 457.965 state that, "The State must include in each applicant's record facts to support the State's determination of the applicant's eligibility for SCHIP."</p> <p>The intent of SCHIP was to provide child health assistance to uninsured, low-income children. In fiscal year (FY) 2007, SCHIP afforded health coverage to 7.1 million children in the United States, an increase of 5.9 percent over FY 2006 enrollment.</p> <p>The CMS recognizes the importance of ensuring States screen SCHIP applicants for Medicaid eligibility to prevent States from enrolling Medicaid-eligible children in SCHIP, that appropriate enrollment of Medicaid-eligible children ensures that limited SCHIP enrollment</p>		

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slots are not taken by children who should be enrolled in Medicaid, and that enhanced Federal matching funds are used as intended.

The OIG found that “an estimated 4 percent of children enrolled in separate SCHIPs were eligible for the Medicaid program in 2006.” The OIG also notes that the 4 percent enrollment rate found by this review is somewhat higher than error rates found in previous OIG reviews, specifically, a 1.8 percent error rate in 2000 and a 1 percent error rate in 2003.

The CMS requests additional information on some of the 16 cases reported to have enrollment errors in the study. Please describe the specific errors related to miscalculations of net income. The OIG provides the details of three of the eight cases in this category, but is vague in terms of identifying the errors in the other five cases. The OIG says that “among the other five cases, we found few similarities or patterns that caused the miscalculations.” In addition, the OIG reports that there were five cases in which the “enrollment errors were either unknown or not specified by the State.” It is difficult for CMS to fully understand the OIG’s rationale for determining these enrollment errors in the absence of more detailed information. In the 2005 review methodology, the children were first determined income eligible for SCHIP and therefore, OIG did not attempt to determine if those children were also eligible for Medicaid. In the current report, the OIG first reviewed the household’s eligibility for Medicaid. Therefore, the higher incidence of error could be related to the change in the study design. CMS points out that the difference in study design affects any comparison of this report’s findings with the 2005 report’s findings.

The Department is as proud of the success of our “screen and enrollment” efforts as we are of our success at enrolling children in SCHIP. Enrollment has grown from almost 1 million in FY 1998 to over 7 million in FY 2007. At the same time, we agree with the OIG that we must ensure that the millions of children gaining coverage in SCHIP are indeed eligible for SCHIP, and not Medicaid.

#### **OIG Recommendation**

##### **Take further action to ensure the appropriate enrollment of Medicaid-eligible children.**

- To address miscalculations of incomes and clerical mistakes, CMS could emphasize to States the need for accuracy in enrollment casework and encourage States to perform quality checks to detect such errors.
- CMS could also use the eligibility measurement component of Payment Error Rate Measurement (PERM), which examines eligibility for both SCHIP and Medicaid enrollment, to identify problems that lead to enrollment errors and assist States in implementing corrective actions.

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**CMS Response**

As stated above, CMS supports the spirit of the OIG recommendations and will continue to undertake a number of activities to prevent the types of errors identified in the OIG report. To help us enhance our monitoring of States in this area, we seek additional information on some of the 16 cases identified as having enrollment errors.

The CMS is committed to continuous improvement of its technical assistance and program integrity activities. CMS will continue to work with States through a variety of approaches to ensure that effective Medicaid screening occurs through improved performance of both staff and systems. We will work with States to improve caseworker performance in making eligibility determinations, thereby preventing errors due to caseworker miscalculations of incomes and clerical mistakes. CMS will also work with States to ensure Medicaid “screen and enroll” accuracy through automatic eligibility systems to the extent we find that these systems are at risk of contributing to the deficiencies cited in the OIG report. The types of activities related to addressing this issue are highlighted below:

**Calls with CMS Associate Regional Administrators (ARAs) and Regional Offices (ROs)**

The CMS holds monthly calls with the ARAs in each CMS RO, which has 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 work with States on this issue. CMS will also remind ARAs to reiterate to States the requirement to include the facts essential to the determination of eligibility in the case file documentation. The CMS office Division of State Children’s Health Insurance also holds monthly calls with the ROs and will provide an update on issues highlighted in this report with RO staff.

**On-Site Reviews and Monitoring Activities**

To ensure that States are operating their programs according to the requirements of titles XIX and XXI, CMS has the authority to review the operation of an approved State plan through on-site reviews and on-going monitoring activities. Section 2106(d)(1) of the Social Security Act (the Act) sets forth the authority for monitoring SCHIP. Through monitoring, CMS: (1) identifies the need for corrective action, enforcement, and improvement within State title XXI programs; (2) recognizes and shares useful practices among States that may lead to increased program effectiveness; (3) identifies States’ needs for technical assistance; and (4) ensures program integrity and accountability.

A key component of the on-site review includes questions about how States monitor and evaluate the “screen and enroll” process described in 42 CFR 457.530 *General Cost-sharing Protection for Lower Income Children*. Based on findings from PERM, we will also identify States that may need a focused review on this topic. CMS also provides

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one-on-one technical assistance on systems and eligibility determinations on an on-going basis.

### **PERM**

In 2006, CMS began reviewing States in the PERM program that will calculate a State-specific and national error rate for Medicaid. SCHIP was added in 2007. It will be important to specify State errors to help us identify any problems in State eligibility determination systems. The implementation of PERM will improve eligibility determinations in all States since it calculates an eligibility specific error rate. We will review initial PERM results and target appropriate States for technical assistance in the future.

### **Additional Comments**

The CMS also provides the following specific questions and comments:

**Page 4--** Please clarify the relevance of the last paragraph on page 4 that discusses the State-specific reviews of SCHIP eligibility in California, Florida, and New York using payment data and enrollment data from 2005. CMS did not review these reports and/or provide comments. Please clarify why CMS did not have the opportunity to provide comments on these reports.

**Page 5--** The OIG "obtained information about the State's eligibility criteria and requirements for its Medicaid program."

- For each case reviewed, did OIG verify that the eligibility criteria and requirements used for review were those that were in effect as of the date of the "most recent SCHIP eligibility determination decision prior to June 1, 2006" (see page 6)?

**Page 6--** The OIG examined "worksheets used by caseworkers to determine eligibility." Many States use automated eligibility systems to determine eligibility. Did OIG also review printouts of systems-generated eligibility determinations?

- Footnote #27 says that OIG used the 2006 Federal poverty level (FPL) guidelines to determine potential Medicaid eligibility for applications dated on or after the January 24, 2006, effective date of the guidelines for 2006. However, States do not typically implement new FPL guidelines on the effective date because they need time to change their automated eligibility systems. It is more likely that States would implement effective dates for FPL changes on March 1, 2006, or on April 1, 2006. By using January 24, 2006, as the effective date, OIG may have used a higher FPL for its Medicaid eligibility test than was in place in the State at the time of application. The difference in implementation dates could erroneously make some SCHIP-eligible children appear to be Medicaid-eligible.



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**Page 7--** The OIG used self-declared income to calculate net income for applications in States that allow self-declaration.

- Many States that allow self-declaration also review other data bases, such as the State wage file, Income and Eligibility Verification System, and their own eligibility system history, to substantiate the self-declared amount. It is very likely that a State could find income information that differed from the self-declared income (higher amount, additional sources not listed on the application) to a degree that would make a referral for Medicaid eligibility screening unnecessary. Did OIG determine if the States reviewed other data sources to confirm self-declared income? If so, did OIG also review those data sources and determine income based on the information derived from the other data sources?

**Page 9--** The report cites an example of a case that had an enrollment error that was either unknown or not specified by the State. The example indicates the SCHIP agency did not “immediately end a child’s enrollment in the separate SCHIP” because the State Medicaid agency informed the SCHIP agency that a child identified as potentially eligible for Medicaid had not cooperated with the Medicaid agency and was therefore, no longer eligible for either program. Can OIG please explain the circumstances of the case, such as how long the child remained in SCHIP?

In closing, CMS again appreciates the opportunity to review and comment on this draft report.



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

This report was prepared under the direction of Kevin K. Golladay, Regional Inspector General for Evaluation and Inspections, and A. Blaine Collins, Deputy Regional Inspector General for Evaluation and Inspections, in the Dallas regional office.

Leah Bostick served as the team leader for this study, and Deborah McGurk served as the project leader. Other principal Office of Evaluation and Inspections staff from the Dallas regional office who contributed to this report include Dana McClellan and Margaret McKnight; central office staff who contributed to this report include Alan Levine and Barbara Tedesco.