

DMA ADMINISTRATIVE LETTER NO: # 03-06 MEDICAID QC ERROR FINDINGS OCTOBER 2003 - SEPTEMBER 2004

DATE: MARCH 21, 2005

SUBJECT: Medicaid QC Error Findings
September 2003 – October 2004

DISTRIBUTION: County Directors of Social Services
Medicaid Eligibility Staff

(Note: This letter obsoletes DMA Administrative Letter 07-04.)

The Division of Medical Assistance's Quality Assurance Section received approval from the Centers for Medicare and Medicaid Services (CMS) to conduct a specialized Medicaid QC Pilot project for the active and negative samples during the October 2003 through September 2004 sampling period. Although the QC process is still federally mandated, CMS has strongly encouraged states to conduct targeted reviews that focus on more error prone and/or high dollar cases instead of traditional sampling of the overall Medicaid universe.

During eight months of the October 2003 – September 2004 sampling period, the pilot permitted us to limit the regular QC monthly sampling methodology to non-SSI adult recipients age 19 or older, who were authorized for Medicaid under the Community Alternatives Program (CAP) waivers for Disabled Adults, Persons with Mental Retardation/Developmental Disabilities and for Persons with AIDS.

I. SUMMARY OF ERROR FINDINGS FOR THE SPECIAL CAP PILOT PROJECT

A. Case Error Rate

1. A total of 320 cases (40 cases per month for 8 months) were reviewed. Of these, 2 cases were dropped and 318 cases were completed.
2. MQC identified 27 case errors for a case error rate of 8.49%.
3. Of the 27 case errors, 81% were agency responsible errors (22 errors) and 19% were client responsible errors (5 errors).

B. Payment Error Rate

1. A total of \$870,244 in claims was paid for the sample cases during the period 10/03 – 9/04. That translates to an average of \$2,736.62 in paid claims per recipient for the QC review month and an average annual expenditure of \$32,839 per CAP recipient.
2. The actual dollar amount of errors was \$36,051 for a payment error rate of 4.14% (for claims).

II. HIGHLIGHTS FOR SUPERVISORS AND TRAINERS

A. Reducing Errors

MQC found that 81% of the case errors (22 of 27 errors) were agency responsible. See IV. below for a detailed description of the errors. In the majority of these cases, MQC found verification or documentation in the case record. In two cases, the information was available on the Financial Resources Report (FRR), and in one case information regarding non-homesite real property was available in the Food Stamps record. This means there are actions the agency can take to prevent the majority of errors.

The agency can reduce errors by reverifying all factors of eligibility at each redetermination and by closely evaluating all reported information based on policy. Ensuring that information is shared between programs and that the FRR report is reviewed timely will avoid Medicaid errors.

Because many of the case errors are the result of excess reserve, agencies are strongly encouraged to use the Reserve History Sheet. Reserve is subject to changes, and carefully reviewing, updating and documenting the information on the Reserve History Sheet at every redetermination and change in resources will avoid incorrect determination of countable resources.

B. Types of Errors

1. MQC found that 55 % of the agency responsible case errors (12 out of 22) were due to excess reserve:
 - a. Failure to count non-homesite property - 4.
 - b. Failure to count bank accounts - 3.
 - c. Failure to count the cash value of life insurance - 3.
 - d. Incorrect application of the burial exclusion (excluded revocable burial contract) - 1.
 - e. Failure to verify that resources protected for the community spouse had been removed from the client's name at the end of the protection period - 1.

2. Of the remaining agency responsible errors, 7 out of 22 or 32% were due an understated liability and 3 out of 22 were due to categorical eligibility requirements:

- a. Incorrect application of expenses to a deductible - 3.
- b. Failure to count income available to the client - 2.
- c. Failure to authorize on the date the deductible was met - 1.
- d. Failure to react to a change in living arrangement to LTC - 1.
- e. Failure to establish disability when SSI terminated for a non-disability reason - 2.
- f. Failure to react to the client moving into a state mental institution - 1.

3. Of the client responsible errors, 4 out of 5 or 75% were due to unreported reserve. MQC identified client responsible errors for failure to report: an annuity, an increase in the value of a bank account, an increase in the value of stock, and ownership of non-homesite property in another county. The remaining client error was based on the client's failure to correctly report incurred medical expenses to meet a deductible.

III. COMPARISON OF CAP REVIEW TO LTC AND PCS QC REVIEWS

The Division conducted special pilot projects to review long term care cases (LTC) and adult Medicaid cases in which the recipient received Personal Care Services (PCS). Like CAP, these are cases that are considered to have high expenditures and to more error prone.

The following chart provides a comparison of the results of the special pilots completed for Personal Care Services in 02/01-06/01 and 07/01-09/01, Long Term Care in 10/01-09/02 and 10/02-09/03, and CAP in 10/03-09/04. The results reflect the percentage of overall case errors that were agency responsible, as well as the primary policy areas in which the errors occurred.

Sample	Eligibility Error Rate	Payment Error Rate	Agency Error	Client Error	Source: Reserve	Source: Income	Source: Disability
PCS 02/01-06/01	9.83%	8.14%	79.31%	20.69%	20.7%	37.9%	37.9%
PCS 07/01-09/01	1.68%	8.27%	0%	100%	100%	0%	0%
LTC 10/01-09/02	15.05%	4.61%	71.74%	28.26%	37%	23.9%	0%
LTC 10/02-09/03	12.08%	4.56%	69.44%	30.56%	52.8%	13.9%	2.8%
CAP 10/03-09/04	8.49%	4.14%	81.48%	18.52%	59.3%	7.4%	1.1%

Findings to Note:

- CAP case error rate is similar to PCS, and both CAP and PCS are lower than the LTC case error rate.
- Payment error rate for CAP is similar to LTC; PCS payment error rate is higher than either CAP or LTC.
- Majority of all errors are agency responsible errors.
- Reserve remains the most common policy area for errors, primarily with real property, life insurance and annuities, and bank accounts.
- Reserve errors were higher in the LTC and CAP samples, whereas income errors were higher in the PCS sample.
- Reserve errors appear to be increasing in terms of percentage of overall errors.

IV. DESCRIPTION OF CASE ERRORS

A. Reserve Errors That Create Ineligibility (12 agency and 4 client)

REAL PROPERTY

1. MAA-Q Region I Real Property Client \$2,111

INELIGIBLE

ERROR CAUSE: The client failed to report ownership of non-homesite, non-income producing real property in another county. MQC detected the error from interviewing the client and from contact with the Wilkes County Tax Office.

LEAD: Interview with client and questions about property in another county. (Redetermination)

2. MAA-Q Region III Real Property Agency \$1,800

INELIGIBLE

ERROR CAUSE: The agency failed to include the value of non-homesite, non-income producing real property. The property was transferred to the client from the client's mother. Even though the client had not registered the deed, the transfer was valid and client was the owner of the property. MQC detected the error from documentation in the Food Stamp record and contact with the Attorney General's office to verify the validity of the transfer. The client remained eligible for MQB-Q, which means the Medicare Part B premium was an eligible claim.

LEAD: Documentation in the Food Stamp case record. (Redetermination)

3. MAA-Q Region III Real Property Agency \$2,899

INELIGIBLE

ERROR CAUSE: The agency failed to include the value of real property that was no longer used as the homesite and was not income producing. Although the agency correctly excluded the property as the homesite at application, the record subsequently indicated the property was in foreclosure without verification from the mortgage company or client. MQC detected the error from documentation in the case record and contact with the mortgage holder who verified that a settlement had been reached and the property was available to the client.

LEAD: Documentation in case record. (Redetermination)

4. MAA-Q Region IV Real Property Agency \$1,966

INELIGIBLE

ERROR CAUSE: The agency failed to include the value of non-homesite, non-income producing real property, a lot that was not contiguous to the excluded homesite property. MQC detected the error from interviewing the client's representative and from contact with the county tax office. The client remained eligible for MQB-Q, which means the Medicare Part B premium was an eligible claim.

LEAD: Interview with client's representative and documentation in the case record. (Redetermination)

BANK ACCOUNTS

5. MAA-Q Region I Savings Account Agency \$346

INELIGIBLE

ERROR CAUSE: The agency failed to include as a countable resource the client's savings account. MQC detected the error from the documentation in the case record and by contact with the bank. The client remained eligible for MQB-Q, which means the Medicare Part B premium was an eligible claim.

LEAD: Documentation in case record. (Redetermination)

6. MAA-Q Region I Stocks Client \$2,310
Checking Account Agency

INELIGIBLE

PRIMARY ERROR CAUSE: The client failed to report that the value of her stock had increased and exceeded the \$2,000 limit. MQC detected the error from contact with the investment company.

LEAD: Case record documentation. (Redetermination)

CHECKING ACCOUNT ERROR: The agency failed to investigate a lead to a checking account in the record. MQC detected the account from the case record and contact with the bank. The error contributed to the total reserve error.

LEAD: Case record documentation. (Redetermination)

7. MAA-Q Region II Savings Account Agency \$588

INELIGIBLE

ERROR CAUSE: The agency failed to investigate a lead to an unreported bank account that was reported on the Financial Resources Report. The client held the account jointly with her daughter and all funds were accessible to her. Counting the value of the account resulted in excess resources. MQC detected the error from the FRR and by contact with the bank. The client remained eligible for MQB-Q, which means the Medicare Part B premium was an eligible claim.

LEAD: FRR report in the county. (Redetermination)

8. MAA-Q Region II Savings Account Agency \$603

INELIGIBLE

ERROR CAUSE: The agency failed to include as a countable resource the client's savings account. MQC detected the error from the documentation in the case record and by contact with the bank. The client remained eligible for MQB-Q, which means the Medicare Part B premium was an eligible claim.

LEAD: Documentation in case record. (Redetermination)

9. MAA-Q Region II Bank Account Client \$1,145

INELIGIBLE

ERROR CAUSE: The client failed to report that her checking account balance had increased and exceeded the \$2,000 limit. MQC detected the error from contact with the bank. The client remained eligible for MQB-Q, which means the Medicare Part B premium was an eligible claim.

LEAD: Case record documentation of bank account. (Redetermination)

10. MAA-N Region III Checking Account Agency \$2,621

INELIGIBLE

ERROR CAUSE: The agency failed to determine if the checking account that was included in the resource assessment at the time of application remained in the client's name at the end of the resource protection period. MQC detected the error from the documentation in the case record and contact with the bank.

LEAD: Documentation in case record. (Redetermination)

11. MAA-Q Region III Real Property Agency \$2,118

INELIGIBLE

ERROR CAUSE: The agency failed to include in resources the value of non-homesite, non-income producing real property owned in another state. The record documented the property owned by the client's spouse in Texas and the spouse's death, but the agency failed to determine if the property passed to the client. MQC detected the error from documentation in the case record and contact with the county tax office in Texas.

LEAD: Documentation in case record. (Redetermination)

INSURANCE, ANNUITIES AND BURIAL CONTRACTS

12. MAA-Q Region I Life Insurance Agency \$600

INELIGIBLE

ERROR CAUSE: The agency excluded the cash value of life insurance policies that had not been irrevocably assigned to the funeral home. MQC detected the error from a contact with the funeral home. The client remained eligible for MAB-Q, which means the Medicare Part B premium was an eligible claim.

LEAD: Case record documentation. (Redetermination)

13. MAA-Q Region I Life Insurance Agency \$2,487

INELIGIBLE

ERROR CAUSE: The agency failed to investigate the lead to an unreported life insurance policy reported on the Financial Resources Report. Counting the value of the policy resulted in excess resources. MQC detected the error from the FRR and by contact with the insurance company.

LEAD: FRR Report in the county. (Redetermination)

14. MAA-Q Region I Revocable Burial Agency \$821
Contract

INELIGIBLE

ERROR CAUSE: The agency failed to include the value of the burial contract that had not been irrevocably assigned to the funeral home. MQC detected the error from reviewing a copy of the contract in the record. The client remained eligible for MQB-Q, which means the Medicare Part B premium was an eligible claim.

LEAD: Documentation in the case record. (Redetermination)

15. MAD-Q Region I Life Insurance Agency \$2,129
Revocable Burial Contract
Passalong

INELIGIBLE AND LIABILITY TOO LOW

PRIMARY ERROR CAUSE: The agency failed to investigate leads to life insurance policies. The total face value exceeded \$10,000 and the cash value was a countable resource which put the client over the resource limit. MQC detected the error by contact with the insurance company.

LEAD: Case record documentation. (Redetermination)

REVOCABLE BURIAL CONTRACT ERROR: The agency failed to verify terms of a burial contract even though the client reported the pre-need contract. The pre-need contract was revocable and the money remained available to the client. MQC detected the error by contact with the funeral home.

LEAD: Case record documentation. (Redetermination)

PASSALONG ERROR: The agency authorized the case as passalong and excluded all RSDI income received by the client as a disabled adult child. The client did not meet passalong requirements and therefore the RSDI benefits are countable. The income results in an understated liability. MQC detected the error from a contact with the Social Security Administration.

LEAD: Case record documentation. (Redetermination)

16. MAA-Q Region I Annuity Client \$2,284

INELIGIBLE

ERROR CAUSE: The client failed to report that an annuity had been established for her by her former employer. The principal was available to her and results in excess resources above the \$2,000 limit for MAABD and the \$3,000 limit for MQB.

LEAD: Contact with client's former employer to verify employment and retirement. (Redetermination)

B. Income Errors That Create Understated Liabilities (7 agency and 1 client)

1. MAA-M Region III Deductible Expenses Agency \$575

PATIENT LIABILITY TOO LOW

ERROR CAUSE: The agency used an expense to meet the deductible that was not a covered service and was not included in the CAP Plan of Care Cost Summary. MQC detected the error from documentation in the case record.

LEAD: Documentation in case record. (Redetermination)

2. MAA-M Region I Deductible Expenses Client \$75

PATIENT LIABILITY TOO LOW

ERROR CAUSE: The agency was provided incorrect information regarding in-home aide services which were used to meet the deductible. MQC detected the error from contact with the agency providing the in-home services.

LEAD: Contact with service provider. (Redetermination)

3. MAA-M Region I Deductible Expenses Agency \$431

PATIENT LIABILITY TOO LOW

ERROR CAUSE: The agency incorrectly applied a prorated amount for medical insurance premiums that is due quarterly, rather than on the date it is due as required by policy. MQC detected the error from contact with the insurance company.

LEAD: Documentation in case record. (Redetermination)

4. MAA-M Region III EIS Authorization Agency \$0

PATIENT LIABILITY TOO HIGH

ERROR CAUSE: The agency failed to authorize the client on the date the deductible was met, resulting in an overstated liability.

LEAD: Documentation in case record. (Redetermination)

5. MAA-Q Region IV Rental Income Agency \$575
from Tobacco Allotment

PATIENT LIABILITY TOO LOW

ERROR CAUSE: The agency failed to count the rental income from a tobacco allotment that was tied to land in which the client held a life estate interest. MQC detected the error from information in the case record and contact with the client's son, who is the remainder owner of the property. The client remained eligible for MQB-B, which means the Medicare Part B premium was an eligible claim.

LEAD: Documentation in case record. (Redetermination)

6. MAA-M Region I Deductible Expenses Agency \$508

PATIENT LIABILITY TOO LOW

ERROR CAUSE: The agency incorrectly authorized the case on the first day of the month by allowing prescription drug charges to meet the deductible when the charges had not yet been incurred.

LEAD: Documentation in case record. (Redetermination)

7. MAA-Q Region II Social Security Benefits Agency \$545

PATIENT LIABILITY TOO LOW

ERROR CAUSE: The agency incorrectly included as countable income the net Social Security amount rather than the entitlement amount as required by policy. MQC detected the error from Social Security verification in the case record. The client remained eligible for MQB-B, which means the Medicare Part B premium was an eligible claim.

LEAD: Documentation in case record. (Redetermination)

8. MAA-N Region III Patient Monthly Liability Agency \$30

PATIENT LIABILITY TOO LOW

ERROR CAUSE: The agency failed to react timely to a reported change in the client's living arrangement from private living to long term care. MQC detected the error from documentation in the case record and contact with the nursing facility.

LEAD: Documentation in case record. (Application)

C. Categorical Eligibility Errors That Create Ineligibility (3 agency)

1. MAD-N Region I Disability Agency \$2,879

DISABILITY

ERROR CAUSE: The agency failed to request a special review of disability by DDS at the next regular eligibility redetermination after SSI was terminated for a non-disability related reason. MQC detected the error from the Bendex showing disability onset as N/A and from the absence of documentation in the record regarding establishment of disability.

LEAD: Documentation in case record. (Review)

2. MAD-N Region III Resident of State Agency \$0
Mental Hospital

DISABILITY

ERROR CAUSE: The agency failed to verify the client's living arrangement at review when information on the SDX and the DSS-5007 indicated the client no longer lived in the home with his parents but was in an institution for mental disease. MQC detected the error from documentation in the case record and interviewing the client's father.

LEAD: Documentation in case record. (Review)

3. MAD-N Region III Disability Agency \$3,553

DISABILITY

ERROR CAUSE: The agency failed to request a special review of disability by DDS at the next regular eligibility redetermination after SSI was terminated for a non-disability related reason. MQC detected the error from the Bendex showing disability onset as N/A and from the absence of documentation in the record regarding establishment of disability.

LEAD: Documentation in case record. (Review)

We hope you will find this information helpful in your efforts to reduce Medicaid errors. If you have any questions, please contact the Quality Assurance Section or your Medicaid Program Representative.

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For Health Policy and Medical Assistance

(This material was researched and written by Jackie Franklin, Assistant Chief, Medicaid Quality Assurance Section.)