

**DMA ADMINISTRATIVE LETTER NO. 07-04, MEDICAID QC PILOTS AND CARR**

**DATE: DECEMBER 5, 2003**

**SUBJECT: MEDICAID QC PILOTS AND CARR**

**DISTRIBUTION: COUNTY DIRECTORS OF SOCIAL SERVICES  
MEDICAID ELIGIBILITY STAFF**

**I. PURPOSE**

The Division of Medical Assistance's Quality Assurance Section has received verbal approval from the Centers for Medicare and Medicaid Services (CMS) to conduct another specialized Medicaid Quality Control (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. In addition to the primary advantage of being able to identify best practices and identify and correct problems in these higher dollar cases, the State is not at risk of fiscal sanctions if the payment error rate exceeds the 3% limit during the pilot. The State's official payment error rate is frozen at 0.6683, which was our payment error rate for the last sampling period prior to the first federally approved pilot.

The Quality Assurance Section has conducted Medicaid Eligibility Quality Control (MEQC) pilot projects in lieu of traditional Medicaid sampling since April 1995. Over the years the pilots have focused on a variety of cases from those recipients in long-term care, non-SSI MAABD, MAF and SAAD recipients in private living arrangements, MAABD and MAF recipients with deductibles, and those recipients receiving Personal Care Services.

During the October 2003 – September 2004 sampling period our pilot will consist of two parts. The first part will be our regular MEQC Pilot project that will be based on regular QC monthly sampling methodology of authorized recipients. This part of the pilot will take place during eight months of the total sampling period. The monthly samples will be created from a universe of non-SSI adult recipients that are authorized for Medicaid under the Community Alternatives Program (CAP) waivers for Disabled Adults, Persons with Mental Retardation/Developmental Disabilities and for Persons with AIDS. The MEQC review will evaluate the correctness of the county departments of social services Medicaid eligibility determinations.

The second part of the pilot project will be the Payment Error Reduction and Measurement (PERM) Pilot that will be pulled from the Year 3 PERM claims sample.

This portion of the pilot will take place during the remaining four months of the total sampling period as part of the CMS PERM Demonstration Project.

## **II. CAP PILOT - ACTIVE SAMPLE**

The sampling period for the CAP pilot will be during eight months of the October 2003 - September 2004 sampling period. The universe will be limited to non-SSI CAP recipients. The sampling selection process and the eligibility review process for this project will be as follows.

### **A. Sampling Process**

1. The sample universe will be created from authorized non-SSI Medicaid recipients, age 18 or older, with a CAP indicator code in EIS for the QC review month.
2. Each month forty (40) cases will be randomly selected from the statewide CAP universe.

### **B. Eligibility Review Process**

1. Each Quality Assurance Analyst (QCA) will be assigned four CAP cases monthly. They will conduct county dss visits to read the case records for the selected cases and conduct the property and tax searches at the county registrar of deeds office.
2. The QCA will also conduct home visits with the recipients and the responsible representative, if needed, to complete the eligibility portion of the review. The QCA will conduct an in-depth interview with the recipient and/or his personal representative regarding all factors of eligibility.
3. The eligibility review will primarily focus on CAP approval, resources, income, financial responsibility, transfers of assets, and budgeting.
4. The QCA will also visit the CAP lead agencies to obtain a copy of the current CAP State Plans of Care and other information and documentation regarding CAP approved services.

### **C. Eligibility Findings**

1. For QC statistical purposes not all errors will be reported (coded) as errors during the QC process. (During traditional sampling federal regulation required all reserve errors to be reported as errors and all liability errors in excess of \$5 for the certification period to be reported as errors.) CMS allows states more flexibility in the reporting of errors during a pilot since more error prone and high dollar cases are being reviewed. During the CAP pilot the

following errors will not be reported as errors during the review process for statistical purposes.

- a. Errors that result in a reserve error of \$100 or less for the QC review month will not be coded in error for reporting purposes.
  - b. In addition, errors that result in a liability error of \$50 or less for the QC review month will not be coded in error for reporting purposes.
2. All eligibility errors found during the eligibility determination that are in excess of the amounts stated above will be coded as errors. MQC is no longer taking steps as we have done in years past to avoid coding cases in error, such as getting rebuttal statements or statements of incompetence. Experience has shown that this process frequently prevented the agency from correcting the cases. Here are several examples of the types of errors that will be coded during this project.
- a. If MQC finds excess resources, the analyst will not explore the incompetency policy, look for legally binding agreements or attempt to rebut the value of motor vehicles or real property if the agency had not taken these actions to reduce reserve prior to the QC review month.
  - b. If MQC finds additional income that results in an increased deductible, the analyst will not search for additional medical expenses to reduce the liability error.
  - c. If disability and/or a diary re-exam date have not been properly established as required by policy, MQC will not hold the case awaiting a disability decision by DDS.
3. When MQC finds an error, the MQC supervisor will verbally notify the county Medicaid supervisor of the error and review the error findings with the agency. The agency will have an opportunity to review the case and provide rebuttal evidence regarding the error findings before the error is finalized. The MQC supervisor will inform the agency of their responsibility to apply the correct policy to the case.
4. Once the error is finalized, the agency will receive written notification of the error findings on the DMA-7045, Medicaid Quality Control Report of Error Finding.
5. As part of the agency's corrective action, the county will have an opportunity to submit evidence of corrective action that is taken to correct the error for current or ongoing eligibility to Debbie Chamblee in the Quality Assurance Section.

- a. The agency's corrective action will not change the MQC error findings.
  - b. However, the corrective action will be coded and reported separately by MQC as corrective action taken by the agency.
6. To help assure corrective action is taken to correct the unreported errors identified during the QC review process as specified in 1. a. and b., above, MQC will send the agency and the MPR a Medicaid QC Information Memo regarding the uncoded error. The agency will be responsible for taking corrective action to correct the problem.

### **III. PERM PILOT – ACTIVE SAMPLE**

#### **A. Sampling Process**

1. The MEQC sample of the PERM project is a small part of a larger CMS demonstration project that is currently being tested by North Carolina and a few other states. The MEQC universes for the PERM samples will be selected from actual medical claims or premiums that are paid by DMA during a specific time period rather than from recipients that are authorized during a specific QC review month.
2. The PERM pilot will consist of 100 Medicaid non-SSI recipients and 100 NC Health Choice recipients. The universe for the Medicaid PERM sample will be created from all Medicaid claims that are paid between October 1, 2003 and December 31, 2003. The universe for the NC Health Choice sample will be created from the file of all NC Health Choice monthly premiums that are paid to BCBS for NC Health Choice recipients during the same time period.

#### **B. Eligibility Review Process**

1. The QC review month for the Medicaid PERM sample will be based on the date of service for the selected paid claim. (For example, the date of the doctor visit.) The QC review month for the NC Health Choice recipients will be the month for which the monthly premium covered.
2. Out of the 200 Medicaid and NC Health Choice recipients, each Quality Assurance Analyst (QCA) will be assigned twenty (20) PERM reviews. They will conduct county dss visits to read the case records for the selected cases and, when appropriate, conduct the property and tax searches at the county registrar of deeds office.
3. The QCA will also conduct home visits with the recipients and/or the responsible representatives to complete the eligibility portion of the review. The QCA will conduct an in-depth interview with the recipient and/or his personal representative regarding all factors of eligibility.

4. The eligibility review will follow federal MEQC regulations and will focus on all factors of eligibility.

### **C. Eligibility Findings**

1. Errors will be coded for the PERM sample based on federal regulations that require all reserve errors to be reported as errors and all liability errors in excess of \$5 for the certification period to be reported as errors.
2. When MQC finds an error, the MQC supervisor will verbally notify the county Medicaid supervisor of the error and review the error findings with the agency. The agency will have an opportunity to review the case and provide rebuttal evidence regarding the error findings before the case is finalized. The MQC supervisor will inform the agency of their responsibility to apply the correct policy to the case.
4. Once the error is finalized the agency will receive written notification of the error findings on the DMA-7045, Medicaid Quality Control Report of Error Finding.

## **IV. NEGATIVE SAMPLE**

**A.** MQC will continue to conduct the federally mandated Negative Case Action Reviews (terminations and denials) for all non-SSI cases that received or applied for Medicaid or NC Health Choice. The sample will be randomly selected from a statewide universe of case terminations and application denials during the same eight months that the CAP reviews are conducted.

1. The negative case action universe will consist of all non-SSI Medicaid-only aid program categories (other than IV-E), AAF, SAA, SAD, and NC Health Choice (NCHC) cases.
2. The universe will consist of case terminations and application denials that were effective two months prior to the sample month. For example, cases selected in October will be terminations and denials that occurred during August.

**B.** Each month, thirty (30) cases will be randomly selected from a statewide universe of cases.

**C.** The focus of the negative case action reviews will continue to be:

1. The correctness of the decision to terminate or deny medical assistance;

2. The evaluation for coverage under all other medical assistance programs (including NC Health Choice) prior to termination or denial; and
3. The correctness of the timely notice requirements for terminated cases.

## **V. CARR PROJECT**

- A.** In addition to the CAP Pilot and the Negative Case Action Reviews, MQC will continue to conduct the Corrective Action Record Reviews (CARR) in ten (10) counties each month during ten (10) months of the October 2003 – September 2004 sampling period.
- B.** CARR will focus on the correctness of the evaluation and action taken by the counties for the MAABD medically needy recipients that were notified in writing on November 6, 2002 of the changes in policy regarding income-producing real and personal property.
- C.** MQC will use the NCXPTR report titled “DHREJ MN REV INC PROD PRPTY” to select the cases for review.
  1. If a county’s report has fifty (50) or more cases listed, 50 cases will be randomly selected for review.
  2. If there are less than 50 cases on a county’s report, all cases will be selected for review.
- D.** The QC analysts will conduct a case record review to determine whether the agency followed the requirements stated in policy regarding evaluation of the case for income-producing property.
- E.** The analysts will conduct an informal exit conference with the Medicaid supervisor(s) and any other staff the supervisor deems appropriate to include at the end of the review process. The analysts will provide the agency with copies of the CARR review sheets for the reviewed cases for corrective action purposes if problems are detected.
- F.** The Medicaid Program Representatives will follow up on corrective action with the county if the CARR process identifies potential problems in the areas being reviewed.

## **VI. QC ANALYSTS**

As a general rule the Medicaid QC analysts work in the counties surrounding their homes. However, case assignments will vary based on how the random statewide sample falls each month. Listed below are the ten QC analysts that may be visiting your county during the coming year as well as the field supervisors.

Frances Gallimore	Supervisor	Judy Worley	Supervisor
Rebecca Carroll	Cleveland	Oriel Homan	Carteret
Drucilla Connor	Davie	Lynn Lane	Halifax
Nina Greeson	Catawba	Linda Smith	Washington
Beth Justice	Haywood	Danny Squires	Wake
Sheryl Leatherberry	Guilford	Carol Waldrop	Moore

## **VII. GOALS**

As in years past, we look forward to working with you during the CAP and PERM Pilots as well as the Negative Reviews and the CARR project because we know that we have made a difference over the years when we all work together to identify and correct problems. The goal of the Quality Assurance Section continues to be to provide the counties and the Medicaid Eligibility Section a means of corrective action by identifying best practices as well as identify and pinpointing causes of the problems and providing feedback on ways to prevent these problems from recurring in the future.

This Administrative Letter obsoletes DMA Administrative Letter No. 11-02 regarding the Medicaid LTC and Negative Pilot Project.

If you have any questions concerning the CAP or PERM Pilot or Medicaid QC, please contact Debbie Chamblee, Chief of the Quality Assurance Section, at (919) 733-3590 or by e-mail at [Debbie.Chamblee@ncmail.net](mailto:Debbie.Chamblee@ncmail.net).

Gary Fuquay  
Acting Director