

# A Performance Audit of Utah Department of Workforce Services Medicaid and CHIP Collection Process



Report number 2015-05

August 22, 2016



## Utah Office of Inspector General

STATE OF UTAH

August 22, 2016

To: Utah Department of Health  
Utah Department of Workforce Services

Please see the attached report, A Performance Audit of Utah Department of Workforce Services Medicaid and CHIP Collection Process, (Report 2015-05). An Executive Summary is included at the inception of this report. The objectives and scope of the audit are explained on page 2 of this report.

Sincerely,

Gene Cottrell  
Inspector General  
Utah Office of Inspector General

cc: Joseph Miner, Nathan Checketts, Shari Watkins, Emma Chacon, Janica Gines, Tonya Hales, Jeff Nelson, Nathan Harrison, Kevin Burt, Darin Dennis, and Aaron Eliason

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## EXECUTIVE SUMMARY

The Utah Department of Workforce Services (DWS) provides Utah Medicaid client eligibility determination as well as collections of Medicaid spenddown/premiums for the Medicaid and CHIP programs, by an agreement between Utah Department of Health (DOH) and DWS. DWS uploads nightly Medicaid client eligibility to the Medicaid MMIS system, for programs where claims are processed and paid on behalf of the eligible Medicaid client.

### **Audit Objectives:**

- Evaluate the receipt and application of funds collected by DWS from Medicaid Clients for accuracy and timeliness.
- Evaluate the effectiveness and compliance of collection policy and procedures.

### **Audit Scope:**

The scope of the audit covered collections made by DWS for Utah Medicaid and CHIP programs during the calendar year 2014.

### **Audit Findings:**

#### **Finding 1: Memorandum of Agreement (MOA) between DWS and DOH expired February 28, 2013.**

The MOA between the DWS and DOH, authorizing Medicaid and CHIP eligibility determination, expired on February 28, 2013 without a clause for continued operation.

#### **Finding 2: DWS grants coverage to spenddown/CHIP clients before funds are collected.**

DWS authorized Medicaid services before “collected” funds received from the client, evidenced by uncollected returned items referred to Office of Recovery Services (ORS).

#### **Finding 3: Data systems used by DWS produce reporting errors.**

DWS, eREP & GovPay systems have documentation, reporting and calculation issues.

#### **Finding 4: Memorandum of Agreement does not identify Medicaid/CHIP collections or reporting needed for collections management.**

Medicaid lacking in sufficient reporting of collections from DWS, hindering Medicaid/DOH's ability to manage the collection process assigned to DWS.

#### **Finding 5: DWS collected PCN premiums after the discontinuation date.**

Payments received through September 2014. Discontinuation date was December 31, 2013.

# INTRODUCTION

## BACKGROUND

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“The Department of Health (DOH) is designated as the Single State Agency for the State of Utah established under 42 USCA 139 and retains ultimate responsibility for the administration of the State Medicaid Program and the Children’s Health Insurance Program (CHIP)” (Page 1, Attachment A, first paragraph MOA, Department Log H111501)

The Department of Workforce Services (DWS) contracts with the DOH to determine the eligibility of enrollees for the Medicaid and CHIP programs.

Part of that service is the collection of spenddowns and premiums for the programs. Spenddowns are the excess of the recipient’s income paid toward Medical bills or paid to the state, to qualify the recipient for Medicaid benefits. Until the payment of the spenddown, the recipient will not receive Medicaid medical services. CHIP clients pay premiums toward the CHIP program like any type of health insurance on a quarterly or monthly basis. Once eligibility is determined, and payments received, DWS activates monthly/quarterly services for the enrollee. DWS uploads Medicaid enrollee’s eligibility information to the MMIS system nightly, which allows for claims processing and claims payment by Medicaid. Upon activation, Medicaid cannot cancel or shut down coverage for monthly medical services. The CHIP program does allow for denial of services with non-payment or returned payment.

DWS receives payments for Medicaid spenddown and CHIP by electronic payment, credit card, manual receipts of personal checks, money orders and cash. DWS records the payments received from the GovPay system into the eREP system. The GovPay system used by the State of Utah, receives payments for state programs. The eREP system tracks Medicaid recipient’s eligibility and payments for DWS. DWS records client eligibility in the eREP system prior to any collection of payments.

DWS deposits Medicaid and CHIP funds into a bank account controlled by the State of Utah. The bank issues statements and DWS reconciles the statements monthly. The DWS business office receives returned items for recording and later collection by the overpayment desk. Return items are any financial instrument presented to a financial institution and returned uncollected. DWS does not attempt to collect items below a defined threshold or limit of \$300. The Office of Recovery services (ORS) receives items deemed uncollectable by DWS. ORS does not have access to DWS’s eREP system and does not record their collections efforts in the eREP system.

## **OBJECTIVES AND SCOPE**

### **Audit Objectives:**

- Evaluate the receipt and application of funds collected by DWS from Medicaid clients for accuracy and timeliness.
- Evaluate the effectiveness and compliance of collection policy and procedures.

### **Audit Scope:**

The scope of the audit covered collections made by DWS for Utah Medicaid and CHIP programs during the calendar year 2014.

The Utah OIG initiated this audit on 12/05/2014 and completed fieldwork on 02/17/2016.

## **METHODOLOGY**

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To evaluate the receipt and application of funds collected by DWS from Medicaid clients for accuracy and timeliness, The Utah Office of Inspector General (Utah OIG):

- Issued a data request for all Medicaid and CHIP collections data from DWS.
- Received from DWS a list of 17,004 cases with 66,350 transactions
- Determined that the audit would use a sample from the data.
- Selected a stratified random sample of 59 cases with 318 transactions from the data.
- From the reviewing process, under “comments” references referred to nursing homes. Utah OIG determined to have a focus group of the audit that included all cases that had such references of nursing homes.
- Selected 11 additional cases with 56 transactions for the focus group.
- Reviewed a total of 70 cases with 374 transactions for the audit.
- Used the client notification letter issued by the eREP system of DWS as the document for verification and comparison to the amounts in the data pull as well as verification to bank statements.
- Retrieved all available notification letters from the DWS eREP system for the sampling request.
- Received “read only” access to the DWS Business Office Portal (BOP).
- Received “read only” access to the GovPay system.
- Made comparisons from the BOP and GovPay systems to information from the data pull sampling and the notification letters for the sampling.
- Compared data from the BOP to bank reconciliations issued by DWS. All procedures verified accuracy or lack of accuracy and timeliness or lack of timeliness in the data flow. Verification followed the receipt of funds, to application of funds, then to the presentation in the Medicaid client statement.

To evaluate the effectiveness and compliance of collections policy and procedures the Utah OIG:

- Reviewed bank reconciliations issued by DWS and traced the data to the Transmittal of Collection.
- Verified policy existence and the procedures established to enforce the policy accomplishment of goals throughout the audit.
- Presented information anomalies from the examinations involving the BOP and eREP system to DWS for review throughout the audit process.

## **CONCLUSIONS**

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Receipts collected by DWS were not all collected in an accurate manner. Receipts collected by DWS generally are timely.

Collections based on policy did not always achieve complete recovery. DWS does follow its collection procedures.

**FINDING 1****Memorandum of Agreement between DWS and  
DOH expired February 28, 2013**

The Utah Department of Health (DOH) is designated as the single state agency for the state of Utah for responsibility of the administration of the State Medicaid program and the CHIP program.

Utah Code § 26-18-3 (5) states, "The department may, in its discretion, contract with the Department of Human Services or other qualified agencies for services in connection with the administration of the Medicaid program including: (a) the determination of eligibility of individuals for the program."

DOH at its discretion contracts with DWS to provide Medicaid client eligibility, Medicaid spenddown collection and CHIP premium collection. The contract is in the form of an MOA agreed upon and signed by both DOH and DWS.

The MOA between DWS and DOH authorizing Medicaid and CHIP eligibility determination expired on February 28, 2013. The agreement with an original effective date of February 1, 2010 does not contain a clause for continued operation upon expiration.

Any assignment of duties to another agency should have some form of signed agreement to give proper instructions and understanding of what is required of the agency. An agreement between the departments sets standards and requirements expected from the agencies involved as stated in the expired MOA.

Because of retirements of DOH personnel that originally wrote the MOA and because of prior agreements the MOA expired and was not renewed in a timely manner.

DWS is operating and providing services legislated to DOH/Medicaid without an active agreement of operations resulting in a lack of needed management reporting and updating of written specifications for the provision of Medicaid Services provided to Medicaid clients. .

**Recommendations**

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1.1 Medicaid should promptly complete and sign a new MOA with DWS.

1.2 Medicaid should develop a method to ensure that they do not operate under expired agreements and to safeguard contract functions, such as having a continuation clause written into the MOA.



**FINDING 2****DWS grants coverage to spenddown/CHIP clients before funds are collected**

The Medicaid program is a payer of last resort with stipulations on qualifications. If the eligible Medicaid recipient does not meet the qualifications, DWS does not grant coverage to the eligible Medicaid recipient for services. One of the qualifying factors is the payment of the Medicaid spenddown. If the eligible Medicaid recipient does not pay the Medicaid spenddown, no activation of Medicaid services takes place.

DWS receives payments from Medicaid and CHIP eligible recipients for monthly spenddown/premium amounts by personal check, electronic payment, credit card and cash.

Medicaid activates services upon receipt of the payment item.

DWS receives unpaid/uncollected returned items back from the depository institution. For the CHIP program, DWS turns off services. When returned items are received back from the depository institution as unpaid for the Medicaid spenddown, no “switching off services” occurs.

The DWS caseworker sends notice of the unpaid item to the client then turns collection over to the DWS Overpayment Desk. The Overpayment desk attempts collection of items over the threshold of \$300.00. ORS attempts collection after DWS efforts. ORS collection notes do not appear in the eREP system.

Activation of services before the payment instrument is collected results in loss for the Utah Medicaid program. If receipt of funds for the Medicaid spenddown or CHIP premiums are returned and not collected the collection process is not closed.

- Total number of returned items in 2014 was 167 for a total amount of \$38,792.
- DWS did not collect 40 returned items for a total of \$7,977 in 2014. Medicaid also paid \$28,095 in total fee-for-service benefits and \$26,739 in capitated payments for recipients who had the returned items in the month the item was returned.
- Total amount of Medicaid & CHIP payments received by DWS was \$9,216,248.
- Total number of Medicaid & CHIP transactions processed by DWS was 64,163.

Medicaid expends funds on claims for the month in which the recipient did not qualify. DWS Overpayment desk workers are using time attempting to collect funds, adding to the caseload of the Overpayment desk.

**Recommendation**

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2.1 DWS should evaluate the collection process including the threshold amount.

**FINDING 3****Data systems used by DWS produce reporting errors**

The computer and reporting systems used by DWS need to provide accurate documentation and reporting of collection information. Incorrect information can result in a delay of prompt delivery of Medicaid services caused by administrative procedures relying on inaccurate information. Medicaid must provide services in an efficient and accurate manner to decrease the probability of delay to Medicaid recipients. To accomplish this task, data systems and information from those systems needs to be reliable and accurate.

The computer and reporting systems used by DWS lack accurate documentation and reporting of collection information. Incorrect information can result in a delay of prompt delivery of Medicaid services. Evaluation of records generated by the GovPay and eREP systems resulted in the discovery of errors that potentially affect the outcome of processes. DWS staff have developed workarounds to accommodate some of the problems. The workarounds have the potential to slow the delivery of prompt Medicaid services.

The GovPay reporting developed for DWS will duplicate (double) amounts on reports in the detail mode. DWS has developed workarounds by using the Summary mode reports from GovPay.

The eREP system contained the following errors:

- a) The system will reassess the payment receipt date and not assess late fees allowing for mailing time. The caseworker will not make a manual late fee assessment if the eREP system does not do it.
- b) The CHIP client does not receive notification when the processing of a CHIP premium proration is required. If the CHIP account has been closed for 3 months, past due premiums are not waived. The premiums stay on until manually removed.
- c) The CHIP recipient does not receive notification when the account has a credit balance. The recipient must request a refund, but if the recipient does not receive a statement, they will not know of the overpayment.

Unreliable data information can cause incorrect recipient letters issued, incorrect spenddown amounts to be paid and incorrect Medicaid services provided to ineligible recipients.

Unreliable spenddown information can delay the issuing of eligible Medicaid services to recipients. Inaccurate spenddown information can cause losses to the Medicaid program by issuing eligible status to a non-qualified recipient.

## **Recommendations**

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- 3.1 DWS should determine need for the detail report and evaluate its use.
- 3.2 DWS should correct late fee determination based on the notification due date stated on the CHIP premium notice.
- 3.3 DWS should issue notices of any change in the premium amount due to CHIP clients.
- 3.4 DWS should issue statements with credit balances to CHIP clients and determine the frequency of the statements. They may discontinue the notices when appropriate.

**FINDING 4****Memorandum of Agreement does not identify Medicaid/CHIP collections or reporting needed for collections management**

In order to properly manage the Medicaid program and evaluate effectiveness of DWS collections the Medicaid agency needs documentation of DWS collections.

The expired MOA has no reference to Medicaid collections and limited reference for reporting. The reports stated in the agreement are Medicaid Overpayment Summary, Collection Detail Report and DOH Monitor report. The DOH Monitor report was never developed. All of the stated reports are concerned with overpayment and refund issues. No stated reports deal with Medicaid/CHIP payment management.

Lack of adequate information in the MOA hinders accountability of DWS to Medicaid for the management of Spenddown receipts and CHIP premiums received by DWS.

Medicaid is cannot determine the exact amount of collected spenddown payments and CHIP premium payments without adequate reporting. Medicaid cannot determine if spenddown receipts are increasing or decreasing or if correct spenddown amounts are properly calculated and if DWS is properly performing its agreed collection functions without adequate reporting.

**Recommendations**

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- 4.1 Medicaid should determine what reporting needs it has from DWS and list a report title and description of the information contained in the report as part of the new MOA.
- 4.2 Medicaid should state in the new MOA specific Medicaid collection functions expected from DWS.

**FINDING 5****DWS collected PCN premiums after the discontinuation date**

The Primary Care Network (PCN) program is a health plan offered by Utah Medicaid. According to the PCN manual, the PCN was implemented under a waiver of federal Medicaid requirements that allows the State to use Medicaid funding to cover a population in addition to Traditional and Non-Traditional members. The scope of service is limited to basic medical services to provide preventive and palliative care in an outpatient, office setting. Previously, Medicaid required that recipients paid \$15, \$25, or \$50 premiums to receive benefits.

Because of changes mandated in the Affordable Care Act (ACA), premium collection for the PCN program discontinued as of December 31, 2013. Collection of PCN premiums were no longer required for the program.

DWS continued to collect PCN premiums through the month of September 2014, even though the program changed at the first of the year 2014, removing the requirement for premium payments.

The Office of Fiscal Operations (OFO) of the Department of Health receives reporting of bulk PCN collections through the Payment Portal Transmittal (PPT). PCN clients may not have received refunds because of non-reporting of detailed collections to Medicaid by DWS.

**Recommendation**

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5.1 DWS should submit information to Medicaid for PCN client refunds.

## GLOSSARY OF TERMS

The first use of each term is described in the report. The glossary is included to help ensure easier reading.

<u>Term</u>	<u>Description</u>
ACA	Affordable Care Act
BOP	Department of Workforce Services, Business office Portal, System used by the DWS business office.
CHIP	Children's Health Insurance Program
DOH	Utah Department of Health
DWS	Department of Workforce Services.
eREP	DWS system used to track client eligibility and collections.
GovPay	Payment receipt system used by the State of Utah
GTR	Generate Transaction Report
MMIS	Medicaid Management Information System
MOA	Memorandum of Agreement
OFO	Office of Fiscal Operations
OIG	Utah Office of Inspector General
ORS	Utah Office of Recovery Services
PCN	Primary Care Network
PPT	Payment Portal Transmittal

## MANAGEMENT RESPONSE



State of Utah

GARY R. HERBERT  
Governor

SPENCER J. COX  
Lieutenant Governor

### Utah Department of Health

JOSEPH K. MINER, MD, MSPH, FACPM  
Executive Director

#### Division of Medicaid and Health Financing

NATE CHECKETTS  
Deputy Director, Utah Department of Health  
Director, Division of Medicaid and Health Financing

August 10, 2016

Gene Cottrell  
Inspector General  
Office of the Inspector General of Medicaid Services  
P.O. Box 14103  
Salt Lake City, Utah 84114

Dear Mr. Cottrell:

Thank you for the opportunity to respond to the audit entitled *A Performance Audit of Utah Department of Workforce Services Medicaid and CHIP Collection Process* (Report 2015-05). We appreciate the effort and professionalism of you and your staff in this review. Likewise, our staff have spent time collecting information for your review, answering questions, and planning changes to improve the program. We believe that the results of our combined efforts will make a better, more efficient program.

We concur with the recommendations directed to Medicaid in this report. Our response describes the actions the Department has taken and plans to take to implement the recommendations. The Department of Health is committed to the efficient and effective use of taxpayer funds and values the insight this report provides on areas that need to be improved.

DWS has provided responses to their recommendations in a separate document.

Sincerely,

Nate Checketts  
Deputy Director, Department of Health  
Division Director, Medicaid and Health Financing



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## *Response to Recommendations*

### Recommendation 1.1

*Medicaid should promptly complete and sign a new MOA with DWS.*

#### Medicaid response:

Medicaid concurs with this recommendation. Medicaid has been working diligently with DWS to update the language of the expired operating agreement, to add performance metrics, and to better define deliverables between the agencies.

*Contact: Jeff Nelson, Director, DMHF Bureau of Eligibility Policy, Department of Health, 801-538-6471*

*Anticipated Implementation Date: September 30, 2016*

### Recommendation 1.2

*Medicaid should develop a method to ensure that they do not operate under expired agreements and to safeguard contract functions, such as having a continuation clause written into the MOA.*

#### Medicaid response:

Medicaid concurs with this recommendation. A new clause will be included in the operating agreement which will allow it to continue in force until it is amended or both parties agree to terminate.

*Contact: Jeff Nelson, Director, DMHF Bureau of Eligibility Policy, Department of Health, 801-538-6471*

*Anticipated Implementation Date: September 30, 2016*

### Recommendation 4.1

*Medicaid should determine what reporting needs it has from DWS and list a report title and description of the information contained in the report as part of the new MOA.*

#### Medicaid response:

Medicaid concurs with this recommendation. The new operating agreement will clarify which reports are required as well as other deliverables due from DWS.

*Contact: Jeff Nelson, Director, DMHF Bureau of Eligibility Policy, Department of Health, 801-538-6471*

*Anticipated Implementation Date: September 30, 2016*



#### Recommendation 4.2

*Medicaid should state in the new MOA specific Medicaid collection functions expected from DWS.*

#### Medicaid response:

Medicaid concurs with this recommendation. Language will be added to the operating agreement outlining the collection duties DWS performs for and on behalf of Medicaid.

*Contact: Jeff Nelson, Director, DMHF Bureau of Eligibility Policy, Department of Health, 801-538-6471*

*Anticipated Implementation Date: September 30, 2016*



**State of Utah**

**GARY R. HERBERT**  
*Governor*

**SPENCER J. COX**  
*Lieutenant Governor*

**Department of  
Workforce Services**

**JON S. PIERPONT**  
*Executive Director*

**CASEY R. CAMERON**  
*Deputy Director*

**GREG PARAS**  
*Deputy Director*

August 12, 2016

To: Gene Cottrell

Please see the Department of Workforce Services attached responses to the Performance Audit of Utah Department of Workforce Services Medicaid and CHIP Collection Process conducted by the Utah Office of Inspector General.

Sincerely,

A handwritten signature in blue ink, appearing to read "Kevin Burt".

Kevin Burt  
Eligibility Services Division  
Department of Workforce Services

cc: Dale Ownby, Nathan Harrison, Debbie Empey

## Medicaid and CHIP Collection Process - Audit Responses

### Recommendations

2.1 DWS should evaluate the collection process including threshold amount

*DWS concurs with this recommendation. DWS has reports available to monitor the collection process and will use that to evaluate the process and the threshold amount as needed.*

*Expected Completion Date – October 1, 2016*

3.1 DWS should determine need for the detail report and evaluate its use

*DWS concurs with this recommendation. DWS will work with the Business Office to determine the need of the report and will make changes as determined appropriate.*

*Expected Completion Date – October 1, 2016*

3.2 DWS should correct late fee determination based on the notification due date stated on the CHIP premium notice

*DWS concurs with this recommendation. DWS will evaluate system or process solutions with DOH to apply late fees according to due dates.*

*Expected Completion Date – February 1, 2017*

3.3 DWS should issue notices of any change in the premium amount due to CHIP clients.

*DWS concurs with this recommendation and will work with DOH to strengthen the language of the approval notice, helping the customer to better understand changes to the premium amount based on late payment submission and notifying the customer upfront of any changes that can occur.*

*Expected Completion Date – February 1, 2017*

3.4 DWS should issue statements with credit balances to CHIP clients and determine the frequency of the statements. They may discontinue the notices when appropriate.

*DWS concurs with notifying the customer of credit balances and will look at enhancing the online payment system to notify the customer electronically by displaying any available credit balances. We will also work with DOH to determine when it is appropriate to remove this electronic display.*

*Expected Completion Date – April 1, 2017*

5.1 DWS should submit information to Medicaid for PCN client refunds

*DWS concurs with this recommendation and will send the information to Medicaid.*

*Expected Completion Date – October 1, 2016*

*Contact person: Kevin Burt, Eligibility Services Division, 801-526-9831*

*Department – Department of Workforce Services*

## EVALUATION OF MANAGEMENT RESPONSE

Medicaid and DWS management concur with the findings and recommendations of this report. The management of both organizations has designated a responsible person to implement changes within a reasonable deadline. Management's response is adequate.

## UTAH OIG CONTACTS AND STAFF ACKNOWLEDGEMENT

### UTAH OIG CONTACT



David Stoddard  
Lead Auditor

Dennis Hooper  
Auditor

Kevin Anderson  
Audit Manager

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### UTAH OIG MISSION STATEMENT

The Utah Office of Inspector General will enhance the integrity of the Utah State Medicaid program by preventing fraudulent, abusive, and wasteful practices within the Medicaid program and recovering improperly expended Medicaid funds while promoting a high quality of patient care.

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### ADDRESS

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### OTHER

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