

STATE OF NORTH CAROLINA

OFFICE OF THE STATE AUDITOR

BETH A. WOOD, CPA



NORTH CAROLINA MEDICAID PROGRAM RECIPIENT ELIGIBILITY DETERMINATION

DEPARTMENT OF HEALTH AND HUMAN SERVICES
COUNTY DEPARTMENTS OF SOCIAL SERVICES

PERFORMANCE AUDIT
JANUARY 2017



NC  **OSA**
The Taxpayers' Watchdog

EXECUTIVE SUMMARY

PURPOSE

As directed by Senate Bill 14, Session Law 2015-7, this audit examined whether county departments of social services accurately and timely determined Medicaid eligibility for Medicaid applications, Medicaid re-enrollments,¹ and presumptive Medicaid applications.

QUALIFIERS

County departments of social services do not make presumptive Medicaid eligibility determinations, so auditors did not test presumptive Medicaid applications. Health care providers such as hospitals or health clinics determined presumptive Medicaid eligibility.

As directed by the legislation, auditors selected a sample of counties to test Medicaid applications and re-enrollments. Each county processes Medicaid applications differently (staffing levels, organizational placement, work flow), so the audit tests could not be projected to the entire population of applications and re-certifications from all 100 counties or across a grouping of the 10 sample counties. Any test results apply individually to the applications and re-certifications from each of the 10 sample counties. Readers should not draw conclusions about eligibility determination accuracy and timeliness for the other 90 counties.

BACKGROUND

Medicaid is a health insurance program for low-income people and families who cannot afford health care costs. Medicaid serves low-income parents, children, seniors, and people with disabilities.

The federal government and North Carolina's Department of Health and Human Services (Department) enter into an approved State Medicaid Plan that outlines the funding and provision of services for Medicaid. As of June 30, 2016, North Carolina's Medicaid program served approximately 1.9 million children and adults.

North Carolina operates in a dual-eligibility determination environment in which the **Department** delegated to **county departments of social services** the responsibility for receiving Medicaid applications and determining the eligibility of each applicant. Once an applicant is deemed eligible through the Department's NC FAST computer system, payments for medical services are processed through the Department's NC Tracks benefits payment system.

¹ Legislation specifies that "re-enrollments" should be tested as part of the audit. When an applicant is approved for Medicaid benefits, those benefits typically last one year. After that one-year certification period ends, the county departments of social services must determine whether the recipient is still eligible for Medicaid benefits. The county reviews all information available and contacts the recipient as part of this re-enrollment process. Counties refer to this process as "re-certification;" therefore, this report uses "re-certification" in lieu of "re-enrollment."

KEY FINDINGS

- For **new applications** tested, the 10 sample counties showed **accuracy**² error rates ranging from 1.2% (Wilkes County) to 18.8% (Guilford County)
- For **new applications** tested, the 10 sample counties showed **timeliness** error rates ranging from 0.8% (Wilkes County) to 26.0% (Wake County)
- For **re-certifications** tested, the 10 sample counties showed **accuracy**³ error rates ranging from 1.2% (Wilkes County) to 23.2% (Mecklenburg County)
- For **re-certifications** tested, the 10 sample counties showed **timeliness** error rates ranging from 0.0% (Wilkes County) to 12.4% (Guilford County)
- Most of the 10 sample county departments of social services did not consistently provide adequate oversight or controls for the eligibility determination of new applications and re-certifications
- The Department of Health and Human Services did not provide adequate oversight or controls for the eligibility determination of new applications and re-certifications

KEY RECOMMENDATIONS

- **County** departments of social services should implement improved quality assurance review processes
- **County** departments of social services should establish formal training programs for new caseworkers
- The **Department** should provide more in-depth training for caseworkers regarding the NC FAST eligibility determination system and monitor whether counties' caseworkers complete the training
- The **Department** should acknowledge and accept its ultimate responsibility for the administration of the Medicaid program, including the eligibility determination process
- The **Department** should provide written guidance to the county departments of social services that establishes optimal staffing levels, expanded staff training, minimum pay and qualifications for caseworkers, and operational procedures for the accurate and timely determination of Medicaid eligibility
- **County** departments of social services should ensure adequate staffing levels to determine eligibility timely including using temporary staffing or shifting responsibilities for other workers during periods of increased workloads

² The accuracy errors are defined as any determination that caused an ineligible recipient to be approved for Medicaid benefits or denied benefits to an applicant who should be eligible for benefits.

³ Ibid.

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AUDITOR'S TRANSMITTAL

The Honorable Roy Cooper, Governor
Members of the North Carolina General Assembly

Ladies and Gentlemen:

We are pleased to submit this performance audit report titled *North Carolina Medicaid Program, Recipient Eligibility Determination*. In compliance with Senate Bill 14, Session Law 2015-7, the objectives of this audit were to determine whether county departments of social services accurately and timely determined Medicaid eligibility for Medicaid applications, Medicaid re-enrollments, and presumptive Medicaid applications.

Secretary Brajer and the 10 respective county directors of social services reviewed a draft copy of this report. Their written comments are included starting on page 25.

This audit was conducted in accordance with North Carolina General Statute § 147-64.7.

We appreciate the cooperation received from management and the employees of the Department of Health and Human Services and the county departments of social services during this audit.

Respectfully submitted,

A handwritten signature in cursive script that reads 'Beth A. Wood'.

Beth A. Wood, CPA
State Auditor

cc: Dempsey Benton, Interim Secretary, Department of Health and Human Services
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Article 5A, Chapter 147 of the North Carolina General Statutes, gives the Auditor broad powers to examine all books, records, files, papers, documents, and financial affairs of every state agency and any organization that receives public funding. The Auditor also has the power to summon people to produce records and to answer questions under oath.



BACKGROUND

Medicaid Program

Medicaid is a health insurance program for low-income people and families who cannot afford health care costs. Medicaid serves low-income parents, children, seniors, and people with disabilities.⁴

Medicaid may help pay for certain medical expenses including doctor bills, hospital bills, prescriptions, vision care, dental care, Medicare premiums, nursing home care, personal care services, medical equipment, in-home care, and mental health services.

The federal government and North Carolina's Department of Health and Human Services (Department) entered into an approved State Medicaid Plan that outlines the funding and provision of services for Medicaid. As of June 30, 2016, North Carolina's Medicaid program served approximately 1.9 million children and adults.

North Carolina's Medicaid program is state-administered with the Department delegating the eligibility determination function to the counties. Therefore, the State maintains responsibilities for oversight of the program, processing of Medicaid applications (through the NC FAST⁵ computer system), and benefits payments (through the NC Tracks computer system).

North Carolina Department of Health and Human Services

The Department's mission is to improve the health, safety, and well-being of all North Carolina citizens. The Department provides specific services to special populations including people who are deaf, blind, developmentally disabled, mentally ill, or economically disadvantaged.⁶

The Department is divided into 30 divisions and offices that fall under four broad service areas: health, human services, administrative, and support functions. The Department also oversees developmental centers, neuro-medical treatment centers, psychiatric hospitals, alcohol and drug abuse treatment centers, and two residential programs for children.

Division of Medical Assistance (Division)

According to the Division's website, the Division's mission is "to use the resources and partnerships of Medicaid to improve health care for all North Carolinians." The Division manages the Medicaid and Health Choice programs.

The Division provides training and support to the county departments of social services through the Operational Support Team. In addition, the Division periodically reviews Medicaid eligibility determinations through a quality control unit within its Program Integrity section.

⁴ <http://www2.ncdhhs.gov/dma/medicaid/>

⁵ North Carolina Families Accessing Services through Technology (NCFAST) was developed to integrate services at the local level and to improve eligibility determination and benefits provided for multiple public assistance programs including Medicaid, Food and Nutrition Services, Work First, and Child Care.

⁶ <http://www.ncdhhs.gov/aboutdhhs/index.htm>

County Departments of Social Services

While North Carolina's Medicaid program is overseen by the State, North Carolina General Statute § 108A-25(b) establishes that the program "shall be administered by the county departments of social services under rules adopted by the Department of Health and Human Services." Accordingly, the 100 county departments of social services determine financial eligibility for recipients covered by North Carolina's Medicaid program.

Each county determines its staffing levels to operate the Medicaid program eligibility determination. In addition, each county pays the salaries and benefits of the staff performing the eligibility determination function and sets the salaries for those employees.

Counties seek reimbursement from the federal government for allowable Medicaid expenditures related to eligibility determination (not payment of medical services) through DHHS. The Federal Financial Participation (FFP) rate for county reimbursement of allowable Medicaid expenditures was 75/25. For all allowable expenditures, the county was reimbursed 75% of expended funds.

North Carolina operates in a dual-eligibility determination environment in accordance with North Carolina General Statutes, in which the Department delegated to county departments of social services the responsibility for actually receiving Medicaid applications and determining eligibility of each applicant. Once an applicant is deemed eligible through NC FAST, payments for medical services are processed through the Department's NC Tracks benefits payment system.

Senate Bill 14, Session Law 2015-7

The General Assembly mandated that the State Auditor "conduct a performance audit of county departments of social services' administration of the North Carolina Medicaid program. This audit shall examine the county departments of social services' accuracy in determining eligibility for Medicaid and their compliance with the requirements of the Centers for Medicare and Medicaid Services and State law."

The legislation required that the State Auditor select "a representative sample of counties, including both urban and rural counties" and audit a "statistically significant number of cases...in each county in the sample." Specifically, the law mandated the State Auditor examine the accuracy and timeliness of Medicaid application eligibility determinations, Medicaid re-enrollment determinations, and presumptive Medicaid application determinations.

After discussions with members of the General Assembly in March 2016, the State Auditor did not test presumptive Medicaid⁷ applications because county departments of social services do not make those eligibility determinations. Health care providers such as hospitals or health clinics determine presumptive Medicaid eligibility.

⁷ Presumptive Medicaid provides immediate access to health services by giving temporary health coverage through Medicaid because the applicant is presumed to be eligible. In North Carolina, presumptive Medicaid coverage is primarily provided for pregnant women.



OBJECTIVES, SCOPE, AND METHODOLOGY

The objectives of this audit were to determine whether county departments of social services accurately and timely determined Medicaid eligibility for Medicaid applications and Medicaid re-enrollments.⁸ The audit did not test presumptive Medicaid applications because county departments of social services did not make those eligibility determinations. Instead, health care providers such as hospitals or health clinics determined presumptive Medicaid eligibility.

The audit scope included an analysis of Medicaid applications and re-certifications submitted between July 1, 2015, and June 30, 2016.

To accomplish the audit objectives, auditors interviewed personnel at the Department of Health and Human Services as well as county departments of social services throughout the State, observed operations at the 10 sample county departments of social services, reviewed policies, analyzed accounting records, and examined documentation supporting transactions, as considered necessary for the circumstances.

Auditors used a statistical sampling approach as explained below. Auditors selected 10 counties for testing with a mixture of three large, urban counties (Guilford, Mecklenburg, and Wake), a mid-sized, suburban county (Rowan), and six small, rural counties (Jones, Madison, Rutherford, Vance, Washington, and Wilkes). In each of the 10 sample counties, auditors selected a random sample of 250 applications and 250 re-certifications for testing. The sample selection variables included a confidence level of 90%, estimated error rate of 5%, and precision level of 3%.

The Office of the State Auditor contracted with subject matter experts who had extensive knowledge of North Carolina's Medicaid program and policies as well as the NC FAST eligibility determination computer system. The experts performed initial testing of applications and re-certifications. OSA auditors reviewed those test results and provided the errors to the 10 sample counties. The counties had multiple opportunities to challenge and/or provide additional documentation to refute the errors. The errors presented in this report represent the errors identified by the contractor and agreed to by the counties.

Because each county processes Medicaid applications differently (staffing levels, organizational placement, work flow), the audit tests could not be projected across the entire population of applications and re-certifications from all 100 counties or across a grouping of the 10 sample counties. Test results apply only to the applications and re-certifications from each of the 10 sample counties individually. Auditors did not draw conclusions about the other 90 counties based on the results in the 10 sample counties. We projected audit test results across the population of Medicaid applications and re-certifications for each of the 10 counties individually in our sample. (See Appendices A through J)

Because of the test nature and other inherent limitations of an audit, together with limitations of any system of internal and management controls, this audit would not necessarily disclose all performance weaknesses or lack of compliance.

⁸ Legislation specifies that "re-enrollments" should be tested as part of the audit. When an applicant is approved for Medicaid benefits, those benefits typically last one year. After that one-year certification period ends, the county departments of social services must determine whether the recipient is still eligible for Medicaid benefits. The county reviews all information available and contacts the recipient as part of this re-enrollment process. Counties refer to this process as "re-certification;" therefore, this report uses "re-certification" in lieu of "re-enrollment."

As a basis for evaluating internal control, auditors applied the internal control guidance contained in professional auditing standards. As discussed in the standards, internal control consists of five inter-related components: (1) control environment, (2) risk assessment, (3) control activities, (4) information and communication, and (5) monitoring.

Management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that relevant objectives are achieved. Errors or fraud may nevertheless occur and not be detected because of the inherent limitations of internal control. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or that compliance with policies and procedures may deteriorate. This audit does not provide a basis for rendering an opinion on internal control, and, consequently, no such opinion has been issued.

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



FINDINGS, RECOMMENDATIONS, AND RESPONSES

1. NEW APPLICATION ELIGIBILITY DETERMINATIONS

The county departments of social services exhibited varying accuracy and timeliness error rates for new applications. As shown in Table 1, audit tests found that the 10 sample counties determined eligibility inaccurately⁹ ranging from 1.2% (Wilkes County)¹⁰ to 18.8% (Guilford County) of the cases tested. These accuracy errors include both approved applications for ineligible recipients and denials of applicants who should be eligible for benefits. In addition, the timeliness¹¹ error rate ranged from 0.8% (Wilkes County) to 26.0% (Wake County). For detailed results by county, see Appendices A through J.

Wilkes County had the lowest accuracy and timeliness error rates due to using a robust quality assurance/review process by designated supervisors. Rutherford County, which also had low accuracy and timeliness error rates, had experienced staff with little turnover.

Table 1							
Accuracy and Timeliness of New Applications Tested							
County Type	County	Items Tested	Accuracy Errors *	% Accuracy Errors	Items Tested	Timeliness Errors @	% Timeliness Errors
Urban	Guilford	250	47	18.8%	250	30	12.0%
	Mecklenburg	250	22	8.8%	250	28	11.2%
	Wake	250	14	5.6%	250	65	26.0%
Suburban	Rowan	250	14	5.6%	250	20	8.0%
Rural	Jones	250	40	16.0%	250	62	24.8%
	Madison	250	16	6.4%	250	38	15.2%
	Rutherford	250	12	4.8%	250	17	6.8%
	Vance	250	35	14.0%	250	60	24.0%
	Washington	250	20	8.0%	250	57	22.8%
	Wilkes	250	3	1.2%	250	2	0.8%
* = Errors include both eligible people denied Medicaid and denied people eligible for Medicaid.							
@ = County department of social services did not make eligibility determination within the required 45 days from application date or 90 days for disability cases.							
Note: See Appendices A through J for projection of potential number of applicants affected due to incorrect approvals or denials in each sample county.							

⁹ Auditors considered accuracy errors as a determination that caused an ineligible recipient to be approved for Medicaid benefits or denied benefits to an applicant who should be eligible for benefits.

¹⁰ Because Wilkes County error rates were lower than all other counties, a second contract reviewer re-performed the test to ensure the accuracy of the original results. The second reviewer found that the initial testing was correct.

¹¹ Auditors considered timeliness errors as a county department of social services not making the eligibility determination within the required 45 days from the application date or 90 days from the application date for disability cases.

Accuracy of Approvals

For approved applications tested across the 10 sample counties, error rates ranged from 1.3% (Wilkes County) to 15.8% (Guilford County). As a result, the State likely paid for Medicaid benefits for which the recipient was not eligible.

Accuracy of Denials

For denied applications tested across the 10 sample counties, error rates ranged from 1.1% (Wilkes County) to 38.1% (Vance County). As a result, some residents were likely denied medical services for which they were eligible.

Accuracy Error Causes

Auditors discovered that two types of caseworker errors accounted for most errors. First, auditors found that caseworkers made mistakes in data input/keying errors such as typographical or mathematical errors or inaccurate recording of information. Next, auditors discovered cases in which the case file did not include all the necessary documentation upon which to make an eligibility determination, most often because the caseworker failed to verify income and/or assets.

These errors could be attributed to inadequate training on NC FAST by the Department of Health and Human Services (Department) as well as by the county departments of social services. Auditors discovered that the Department did not require county eligibility determination staff to complete NC FAST training and did not monitor whether counties completed the training. In addition, the training did not include instructions on completing job aids or interpreting Medicaid policy.

In addition, county departments of social services cited high turnover (especially as many caseworkers retired during the implementation of NC FAST) and a learning curve regarding the NC FAST system as potential error causes.

Further, many counties did not implement a sufficient, quality assurance process to detect errors. Only four of the 10 sample counties had a formalized quality assurance process that extended beyond supervisors reviewing a few items completed by each caseworker each month.

Accuracy Error Rate Goals

The Department did not establish an error rate limit to evaluate the individual county departments of social services. However, the Centers for Medicare and Medicaid Services (CMS) established a 3% statewide error rate threshold above which a state is potentially subject to penalties such as loss of a portion of the federal share of Medicaid payments.

Timeliness of Determination

Error rates for the 10 county departments of social services tested ranged from 0.8% (Wilkes County) to 26.0% (Wake County). Because the county departments of social services did not always comply with timeliness standards, applicants may not have had access to Medicaid benefits when needing medical services.

According to county departments of social services management, counties failed to meet federal and state timeliness standards for determining eligibility for new Medicaid applications due to:

- Caseload backlogs created by a rise in applications due to the implementation of the Affordable Care Act, especially with duplicate applications received through electronic means
- Increased workload attributable to learning the NC FAST system as well as system defects and changes during NC FAST implementation
- Additional workload required as caseworkers manually converted cases from the prior Eligibility Information System (EIS) to NC FAST
- Delays in resolving NC FAST Help Desk tickets
- Inadequate staffing (including vacancies and turnover) at the counties to handle these increased workloads
- Inconsistent and lack of in-depth training on NC FAST

Timeliness Standards

The Code of Federal Regulations¹² and North Carolina General Statutes¹³ established various Medicaid eligibility determination time requirements. According to federal regulations and state law, eligibility determinations on new Medicaid applications must be made within 45 days of the application date with the exception of applications for disability services which allow 90 days for eligibility determination.

RECOMMENDATIONS

- County departments of social services should implement improved quality assurance review processes
- County departments of social services should establish formal training programs for new caseworkers
- The Department should provide more in-depth training for caseworkers regarding the NC FAST eligibility determination system and monitor whether counties' caseworkers complete the training

2. RE-ENROLLMENT¹⁴ ELIGIBILITY DETERMINATIONS

The county departments of social services exhibited varying accuracy and timeliness error rates for re-certifications. As shown in Table 2, audit tests found that the 10 sample counties determined eligibility inaccurately ranging from 1.2% (Wilkes County) to 23.2%

¹² 42 CFR § 435.912

¹³ NCGS §108A-70.32

¹⁴ Legislation specifies that "re-enrollments" should be tested as part of the audit. When an applicant is approved for Medicaid benefits, those benefits typically last one year. After the one-year certification period ends, county departments of social services must determine whether the recipient is still eligible for Medicaid benefits. The county reviews all information available and contacts the recipient as part of this re-enrollment process. Counties refer to this process as "re-certification;" therefore, this report uses "re-certification" in lieu of "re-enrollment."

(Mecklenburg County) of the cases tested. These accuracy errors include both approved re-certifications for ineligible recipients and denials of re-certifications for those who should continue to be eligible for benefits. In addition, the timeliness error rate ranged from 0.0% (Wilkes County) to 12.4% (Guilford County). For detailed results by county, see Appendices A through J.

Wilkes County had the lowest accuracy and timeliness error rates due to using a robust quality assurance/review process by designated supervisors. Wake County, which also had low accuracy error rates, created a quality assurance team in August 2015.

Table 2							
Accuracy and Timeliness of Re-Certifications Tested							
County Type	County	Items Tested	Accuracy Errors *	% Accuracy Errors	Items Tested	Timeliness Errors @	% Timeliness Errors
Urban	Guilford	250	50	20.0%	250	31	12.4%
	Mecklenburg	250	58	23.2%	250	29	11.6%
	Wake	250	5	2.0%	250	6	2.4%
Suburban	Rowan	250	22	8.8%	250	21	8.4%
Rural	Jones	250	32	12.8%	250	18	7.2%
	Madison	250	30	12.0%	250	16	6.4%
	Rutherford	250	13	5.2%	250	8	3.2%
	Vance	250	9	3.6%	250	5	2.0%
	Washington	250	25	10.0%	250	19	7.6%
	Wilkes	250	3	1.2%	250	0	0.0%
* = Errors include both eligible people denied Medicaid and denied people eligible for Medicaid.							
@ = County department of social services did not make eligibility determination before the recipient's benefit period ended.							
Note: See Appendices A through J for projection of potential number of re-certifications affected due to incorrect approvals or denials in each sample county.							

Accuracy of Approvals

For approved re-certifications tested across the 10 sample counties, error rates ranged from 0.9% (Wake County) to 23.6% (Mecklenburg County). As a result, the State likely paid for Medicaid benefits for which the recipient was not eligible.

Accuracy of Denials

For denied re-certifications tested across the 10 sample counties, error rates ranged from 0.0% (Mecklenburg County, Rutherford County, Vance County, Washington County, and Wilkes County) to 50.0% (Guilford County). As a result, some residents were likely denied medical services for which they were eligible.

Accuracy Error Causes

Auditors discovered that two types of caseworker errors accounted for most errors. First, auditors found that caseworkers made mistakes in data input/keying errors such as

typographical or mathematical errors or inaccurate recording of information. Next, auditors discovered cases in which the case file did not include all the necessary documentation upon which to make an eligibility determination, most often because the caseworker failed to verify income and/or assets.

These errors could be attributed to inadequate training on NC FAST by the Department of Health and Human Services (Department) as well as by the county departments of social services. Auditors discovered that the Department did not require county eligibility determination staff to complete NC FAST training and did not monitor whether counties completed the training. In addition, the training did not include instructions on completing job aids or interpreting Medicaid policy.

In addition, county departments of social services cited high turnover (especially as many caseworkers retired during the implementation of NC FAST) and a learning curve regarding the NC FAST system as potential error causes.

Further, many counties did not implement a sufficient, quality assurance process to detect errors. Only four of the 10 sample counties had a formalized quality assurance process that extended beyond supervisors reviewing a few items completed by each caseworker each month.

Accuracy Error Rate Goals

The North Carolina Department of Health and Human Services (Department) did not establish an error rate limit to evaluate the individual county departments of social services. However, the Centers for Medicare and Medicaid Services (CMS) established a 3% statewide error rate threshold after which a state is potentially subject to penalties such as loss of a portion of the federal share of Medicaid payments.

Timeliness of Determination

Error rates for the 10 county departments of social services tested ranged from 0.0% (Wilkes County) to 12.8% (Guilford County). Because the county departments of social services did not always comply with timeliness standards, applicants may not have had access to Medicaid benefits when needing medical services.

According to county departments of social services management, counties failed to meet federal and state timeliness standards for determining eligibility for re-certifications due to:

- Extra workload required by Affordable Care Act when conducting annual reviews of eligibility as caseworkers must review documentation on every recipient rather than simply contacting the recipient for updated information
- Increased workload attributable to learning the NC FAST system as well as defects and system changes during NC FAST implementation
- Additional workload required as caseworkers manually converted cases from the prior Eligibility Information System (EIS) to NC FAST
- Inadequate staffing (including vacancies and turnover) at the counties to handle the increased workloads
- Inconsistent and lack of in-depth training on NC FAST

Timeliness Standards

According to federal regulations and state regulations, the county departments of social services must re-certify each eligible recipient prior to the end of their previously approved benefit period.

RECOMMENDATIONS

- County departments of social services should implement improved quality assurance review processes
- County departments of social services should establish formal training programs for new caseworkers
- The Department should provide more in-depth training for caseworkers regarding the NC FAST eligibility determination system and monitor whether counties' caseworkers complete the training

3. CONTROLS AND OVERSIGHT BY COUNTY DEPARTMENTS OF SOCIAL SERVICES

Generally, the 10 sample county departments of social services designed and placed into operation internal controls necessary to provide reasonable assurance for accurate and timely Medicaid eligibility determination. However, auditors identified that these controls worked insufficiently and that some internal controls deficiencies existed in some counties. As a result, auditors discovered higher than expected error rates in accuracy and timeliness in several sample counties.

Controls to Ensure Accurate Eligibility Determinations

Some county departments of social services did not design and place into operation the internal controls necessary to provide reasonable assurance for the accuracy of Medicaid eligibility determination. Audit tests of 250 new applications in each of the 10 sample counties revealed accuracy error rates exceeding 10% in three counties. Audit tests of 250 re-certifications in each of the 10 sample counties yielded accuracy error rates exceeding 10% in four counties and above 20% in one of those four counties.

Because the county departments of social services did not always have adequate internal controls in place, Medicaid applicants likely received benefits for which they were not eligible. Conversely, other Medicaid applicants were likely denied benefits for which they were eligible.

The identified high error rates resulted from county departments of social services not having adequate controls in place to prevent and detect errors. For example, six of the 10 counties in our sample did not establish formalized training programs for new caseworkers to ensure their understanding of NC FAST and Medicaid policy which may prevent caseworker errors when performing the eligibility determination function. In addition, six of the 10 sample counties did not have an adequate quality assurance process in place to detect errors prior to a Medicaid applicant being approved for or denied benefits.

Controls to Ensure Timely Eligibility Determinations

Some county departments of social services did not design and place into operation the internal controls necessary to provide reasonable assurance for timely Medicaid eligibility determination. Audit tests of 250 new applications in each of the 10 sample counties revealed timeliness error rates exceeding 10% in seven counties with four of those seven county error rates exceeding 20%. Audit tests of 250 re-certifications in each of the 10 sample counties yielded timeliness error rates exceeding 10% in two counties.

Because the county departments of social services did not always have adequate internal controls in place, Medicaid applicants may have had their benefits delayed unnecessarily.

The identified high error rates resulted from county departments of social services not having adequate controls in place to prevent and detect errors. Counties did not have adequate staffing to handle the increased workloads from manual conversion of cases from Eligibility Information System (EIS) to NC FAST. In addition, staffing issues resulted from the increased number of applications arising from the implementation of the Affordable Care Act as applicants often filed multiple applications for Medicaid during the annual open enrollment period.

RECOMMENDATIONS

- County departments of social services should establish formal training programs for new caseworkers
- County departments of social services should implement improved quality assurance review processes
- County departments of social services should ensure adequate staffing levels to determine eligibility timely including using temporary staffing or shifting responsibilities for other workers during periods of increased workloads

4. CONTROLS AND OVERSIGHT BY THE DEPARTMENT OF HEALTH AND HUMAN SERVICES

The Department of Health and Human Services (Department) did not establish effective internal controls or provide proper oversight over the Medicaid eligibility determination process. The Department has not accepted full responsibility for administration of the program. During early phases of this audit, the Department questioned its responsibility for program administration by repeatedly stressing that counties determine Medicaid eligibility, not the State, despite the State's responsibility as specified in federal regulations and the State Medicaid Plan.

County departments of social services believed that the Department has not provided enough formal training and follow-up support for NC FAST. The Department has not developed minimum standards for staffing levels, training requirements, minimum experience required, or pay rates for the people who perform the eligibility determination function at the county level.

As a result of the lack of effective guidance from the Department, inconsistencies exist among all 100 counties as to how each county determines Medicaid eligibility and audit tests revealed error rates higher than federal and state targets.

Responsibility for Program Administration

The Code of Federal Regulations¹⁵ states that the “State agency is responsible for determining eligibility for all individuals applying for or receiving benefits” even if the approved state plan delegates “authority to determine eligibility for all or a defined subset of individuals.” The *Compliance Supplement to Office of Management and Budget Circular A-133* indicates that “the State is fully responsible for Federal compliance for the eligibility determination, as the benefits are paid by the State.” In addition, the North Carolina General Statutes¹⁶ direct the Department to “adopt rules” that provide guidance to county departments of social services for administering the Medicaid program.

RECOMMENDATIONS

- The Department should acknowledge and accept its ultimate responsibility for the administration of the Medicaid program including the eligibility determination process
- The Department should provide written guidance to the county departments of social services that establishes optimal staffing levels, expanded staff training, minimum pay and qualifications for caseworkers, and operational procedures for the accurate and timely determination of Medicaid eligibility

¹⁵ 42 CFR § 431.10(b)(3)

¹⁶ NCGS § 108A-54



MATTER FOR FURTHER CONSIDERATION

The General Assembly should clarify the Department of Health and Human Services' (Department) role as the established authority to oversee and administer North Carolina's Medicaid program. North Carolina General Statute § 108A-25(b) establishes that the Medicaid program "shall be **administered** [emphasis added] by the county departments of social services under rules adopted by the Department of Health and Human Services."

However, federal law defines the Medicaid program as a "State" administered program, meaning that the ultimate responsibility for all aspects of the administration of the program rests with the agency designated in the state plan to administer or supervise the administration of the state plan. The Department is the responsible agency in North Carolina's State Medicaid Plan.

As stated in the audit report, the Department has stated on numerous occasions that the responsibility for the determination of eligibility rests with the county and it has no responsibility or authority for this aspect of the program other than giving out guidance.

It is possible that this misunderstanding exists because of current verbiage in state statute that designates the eligibility determination aspect of the Medicaid program to the county departments of social services. Current verbiage uses the term "administered" versus "delegation."

According to federal regulations, some non-federal entities pay the federal benefits to the eligible participants but arrange with another entity to perform part or all of the eligibility determination. For example, a state arranges with local government social services agencies to perform the "intake function" (e.g., the meeting with the social services client to determine income and categorical eligibility) while the state maintains the computer systems supporting the eligibility determination process and actually pays the benefits to the participants. In such cases, the state is fully responsible for federal compliance for the eligibility determination, as the benefits are paid by the state.

The General Assembly may want to consider changing the state statute and to reinforce that the Department has the ultimate responsibility for the accurate and timely determination of eligibility for participants in the Medicaid program.



APPENDICES

GUILFORD COUNTY DEPARTMENT OF SOCIAL SERVICES

Located in the central/Piedmont part of the State with Greensboro as its county seat, Guilford County is an urban county selected as one of the 10 sample counties for Medicaid testing in this audit. Table 3 shows general demographic information for Guilford County.

Guilford County employed 117 staff to process the 87,433 Medicaid applications and re-certifications during the fiscal year ended June 30, 2016. Before the implementation of NCFAS, Guilford County employed 88 staff to process Medicaid applications and re-certifications (as of June 30, 2013).

Guilford County Demographics	
Population (2015)	517,600
% of Residents Living in Poverty (2014)	17.3%
Number of Residents enrolled in Medicaid (2015)	111,129
% of Residents Enrolled in Medicaid (2015)	21.5%
Median Household Income (2014)	\$45,050
Medicaid Benefit Payments for State Fiscal Year 2015	\$519,998,078

As shown in Table 4 below, audit test results revealed Guilford County inaccurately determined eligibility on 18.8% of Medicaid applications and 20.0% of Medicaid re-certifications during state fiscal year 2016. Additionally, Guilford County did not determine eligibility on 12.0% of Medicaid applications within federal and state timeliness guidelines and 12.4% of Medicaid re-certifications within those same timeliness guidelines.

Based on the number of applications processed in Guilford County during the fiscal year ended June 30, 2016, statistical projections indicate that between 4,999 and 7,855 applications may have been inappropriately approved or denied.¹⁷ Based on the number of re-certifications processed in Guilford County during the same period, statistical projections indicate that between 8,562 and 13,227 re-certifications may have been inappropriately approved or denied.¹⁸

Guilford County							
Accuracy and Timeliness of New Applications and Re-Certifications Tested							
Type of Item Tested	Population Items	Items Tested	Accuracy Errors	% Accuracy Errors	Items Tested	Timeliness Errors	% Timeliness Errors
New Applications							
Approved	24,554	177	28	15.8%	177	16	9.0%
Denied	9,131	73	19	26.0%	73	14	19.2%
Total	33,685	250	47	18.8%	250	30	12.0%
Re-Certifications							
Approved	49,984	244	47	19.3%	244	28	11.5%
Denied	3,764	6	3	50.0%	6	3	50.0%
Total	53,748	250	50	20.0%	250	31	12.4%

¹⁷ For an observed 47 errors in a sample of 250 items, one can be 90% confident the population error rate falls between 14.8% and 23.3%

¹⁸ For an observed 50 errors in a sample of 250 items, one can be 90% confident error rate falls between 15.9% and 24.6%.

MECKLENBURG COUNTY DEPARTMENT OF SOCIAL SERVICES

Located in the southwestern/Piedmont part of the State with Charlotte as its county seat, Mecklenburg County is an urban county selected as one of the 10 sample counties for Medicaid testing in this audit. Table 5 shows general demographic information for Mecklenburg County.

Table 5	
Mecklenburg County Demographics	
Population (2015)	1,034,070
% of Residents Living in Poverty (2014)	15.2%
Number of Residents Enrolled in Medicaid (2015)	217,878
% of Residents Enrolled in Medicaid (2015)	21.1%
Median Household Income (2014)	\$56,472
Medicaid Benefit Payments for State Fiscal Year 2015	\$924,297,863

Mecklenburg County employed 347 staff to process the 125,084 Medicaid applications and re-certifications during the fiscal year ended June 30, 2016. Before the implementation of NCFAST, Mecklenburg County employed 259 staff to process Medicaid applications and re-certifications (as of June 30, 2013).

As shown in Table 6 below, audit test results revealed Mecklenburg County inaccurately determined eligibility on 8.8% of Medicaid applications and 23.2% of Medicaid re-certifications during state fiscal year 2016. Additionally, Mecklenburg County did not determine eligibility on 11.2% of Medicaid applications within federal and state timeliness guidelines and 11.6% of Medicaid re-certifications within those same timeliness guidelines.

Based on the number of applications processed in Mecklenburg County during the fiscal year ended June 30, 2016, statistical projections indicate that between 4,886 and 9,967 applications may have been inappropriately approved or denied.¹⁹ Based on the number of re-certifications processed in Mecklenburg County during the same period, statistical projections indicate that between 8,342 and 12,371 re-certifications may have been inappropriately approved or denied.²⁰

Table 6							
Mecklenburg County							
Accuracy and Timeliness of New Applications and Re-Certifications Tested							
Type of Item Tested	Population Items	Items Tested	Accuracy Errors	% Accuracy Errors	Items Tested	Timeliness Errors	% Timeliness Errors
New Applications							
Approved	64,277	200	17	8.5%	200	17	8.5%
Denied	16,624	50	5	10.0%	50	11	22.0%
Total	80,901	250	22	8.8%	250	28	11.2%
Re-Certifications							
Approved	42,726	246	58	23.6%	246	29	11.8%
Denied	1,457	4	0	0.0%	4	0	0.0%
Total	44,183	250	58	23.2%	250	29	11.6%

¹⁹ For an observed 22 errors in a sample of 250 items, one can be 90% confident the population error rate falls between 6.0% and 12.3%.

²⁰ For an observed 58 errors in a sample of 250 items, one can be 90% confident the population error rate falls between 18.9% and 28.0%.

WAKE COUNTY DEPARTMENT OF SOCIAL SERVICES

Located in the central part of the State with Raleigh as its county seat, Wake County is an urban county selected as one of the 10 sample counties for Medicaid testing in this audit. Table 7 shows general demographic information for Wake County.

Wake County employed 207 staff to process the 112,448 Medicaid applications and re-certifications during the fiscal year ended June 30, 2016. Before the implementation of NCFAS, Wake County employed 155 staff to process Medicaid applications and re-certifications.

Wake County Demographics	
Population (2015)	1,024,198
% of Residents Living in Poverty (2014)	11.5%
Number of Residents Enrolled in Medicaid (2015)	135,468
% of Residents Enrolled in Medicaid (2015)	13.2%
Median Household Income (2014)	\$66,579
Medicaid Benefit Payments for State Fiscal Year 2015	\$580,574,272

As shown in Table 8 below, audit test results revealed Wake County inaccurately determined eligibility on 5.6% of Medicaid applications and 2.0% of Medicaid re-certifications during state fiscal year 2016. Additionally, Wake County did not determine eligibility on 26.0% of Medicaid applications within federal and state timeliness guidelines and 2.4% of Medicaid re-certifications within those same timeliness guidelines.

Based on the number of applications processed in Wake County during the fiscal year ended June 30, 2016, statistical projections indicate that between 1,743 and 4,389 applications may have been inappropriately approved or denied.²¹ Based on the number of re-certifications processed in Wake County during the same period, statistical projections indicate that between 486 and 2,551 re-certifications may have been inappropriately approved or denied.²²

Wake County							
Accuracy and Timeliness of New Applications and Re-Certifications Tested							
Type of Item Tested	Population Items	Items Tested	Accuracy Errors	% Accuracy Errors	Items Tested	Timeliness Errors	% Timeliness Errors
New Applications							
Approved	31,993	154	2	1.3%	154	13	8.4%
Denied	18,981	96	12	12.5%	96	52	54.2%
Total	50,974	250	14	5.6%	250	65	26.0%
Re-Certifications							
Approved	56,486	231	2	0.9%	231	2	0.9%
Denied	4,988	19	3	15.8%	19	4	21.1%
Total	61,474	250	5	2.0%	250	6	2.4%

²¹ For an observed 14 errors in a sample of 250 items, one can be 90% confident the population error rate falls between 3.4% and 8.6%.

²² For an observed five errors in a sample of 250 items, one can be 90% confident the population error rate falls between 0.8% and 4.2%.

ROWAN COUNTY DEPARTMENT OF SOCIAL SERVICES

Located in the southwestern part of the State with Salisbury as its county seat, Rowan County is a suburban county selected as one of the 10 sample counties for Medicaid testing in this audit. Table 9 shows general demographic information for Rowan County.

Rowan County employed 75 staff²³ to process the 36,170 Medicaid applications and re-certifications during the fiscal year ended June 30, 2016. Before the implementation of NCFAST, Rowan County employed 49 staff to process Medicaid applications and re-certifications.

Table 9	
Rowan County Demographics	
Population (2015)	139,142
% of Residents Living in Poverty (2014)	18%
Number of Residents Enrolled in Medicaid (2015)	34,653
% of Residents Enrolled in Medicaid (2015)	24.9%
Median Household Income (2014)	\$41,925
Medicaid Benefit Payments for State Fiscal Year 2015	\$170,086,117

As shown in Table 10 below, audit test results revealed Rowan County inaccurately determined eligibility on 5.6% of Medicaid applications and 8.8% of Medicaid re-certifications during state fiscal year 2016. Additionally, Rowan County did not determine eligibility on 8.0% of Medicaid applications within federal and state timeliness guidelines and 8.4% of Medicaid re-certifications within those same timeliness guidelines.

Based on the number of applications processed in Rowan County during the fiscal year ended June 30, 2016, statistical projections indicate that between 431 and 1,076 applications may have been inappropriately approved or denied.²⁴ Based on the number of re-certifications processed in Rowan County during the same period, statistical projections indicate that between 1,430 and 2,907 re-certifications may have been inappropriately approved or denied.²⁵

Table 10							
Rowan County							
Accuracy and Timeliness of New Applications and Re-Certifications Tested							
Type of Item Tested	Population Items	Items Tested	Accuracy Errors	% Accuracy Errors	Items Tested	Timeliness Errors	% Timeliness Errors
New Applications							
Approved	8,938	176	11	6.3%	176	17	9.7%
Denied	3,599	74	3	4.1%	74	3	4.1%
Total	12,537	250	14	5.6%	250	20	8.0%
Re-Certifications							
Approved	22,188	241	20	8.3%	241	20	8.3%
Denied	1,445	9	2	22.2%	9	1	11.1%
Total	23,633	250	22	8.8%	250	21	8.4%

²³ Rowan uses the “universal worker model” by which caseworkers process applications for multiple social services programs such as Medicaid, Food and Nutrition Services, and Temporary Assistance for Needy Families

²⁴ For an observed 14 errors in a sample of 250 items, one can be 90% confident the population error rate falls between 3.4% and 8.6%.

²⁵ For an observed 22 errors in a sample of 250 items, one can be 90% confident the population error rate falls between 6.1% and 12.3%.

JONES COUNTY DEPARTMENT OF SOCIAL SERVICES

Located in the southeastern/coastal part of the State with Trenton as its county seat, Jones County is a rural county selected as one of the 10 sample counties for Medicaid testing in this audit. Table 11 shows general demographic information for Jones County.

Jones County employed five staff to process the 1,544 Medicaid applications and re-certifications during the fiscal year ended June 30, 2016. Before the implementation of NCFAS, Jones County employed eight staff to process Medicaid applications and re-certifications.

Jones County Demographics	
Population (2015)	10,013
% of Residents Living in Poverty (2014)	22.2%
Number of Residents Enrolled in Medicaid (2015)	2,514
% of Residents Enrolled in Medicaid (2015)	25.1%
Median Household Income (2014)	\$37,288
Medicaid Benefit Payments for State Fiscal Year 2015	\$13,315,180

As shown in Table 12 below, audit test results revealed Jones County inaccurately determined eligibility on 16.0% of Medicaid applications and 12.8% of Medicaid re-certifications during state fiscal year 2016. Additionally, Jones County did not determine eligibility on 24.8% of Medicaid applications within federal and state timeliness guidelines and 7.2% of Medicaid re-certifications within those same timeliness guidelines.

Based on the number of applications processed in Jones County during the fiscal year ended June 30, 2016, statistical projections indicate that between 125 and 193 applications may have been inappropriately approved or denied.²⁶ Based on the number of re-certifications processed in Jones County during the same period, statistical projections indicate that between 58 and 89 re-certifications may have been inappropriately approved or denied.²⁷

Jones County							
Accuracy and Timeliness of New Applications and Re-Certifications Tested							
Type of Item Tested	Population Items	Items Tested	Accuracy Errors	% Accuracy Errors	Items Tested	Timeliness Errors	% Timeliness Errors
New Applications							
Approved	712	186	22	11.8%	186	47	25.3%
Denied	266	64	18	28.1%	64	15	23.4%
Total	978	250	40	16.0%	250	62	24.8%
Re-Certifications							
Approved	480	232	25	10.8%	232	12	5.2%
Denied	86	18	7	38.9%	18	6	33.3%
Total	566	250	32	12.8%	250	18	7.2%

²⁶ For an observed 40 errors in a sample of 250 items, one can be 90% confident the population error rate falls between 12.8% and 19.7%.

²⁷ For an observed 32 errors in a sample of 250 items, one can be 90% confident the population error rate falls between 10.3% and 15.7%.

MADISON COUNTY DEPARTMENT OF SOCIAL SERVICES

Located in the northwestern/mountain part of the State with Marshall as its county seat, Madison County is a rural county selected as one of the 10 sample counties for Medicaid testing in this audit. Table 13 shows general demographic information for Madison County.

Madison County employed 12.5 staff to process the 4,460 Medicaid applications and re-certifications during the fiscal year ended June 30, 2016. Before the implementation of NCFAS, Madison County employed 12 staff to process Medicaid applications and re-certifications.

Table 13	
Madison County Demographics	
Population (2015)	21,139
% of Residents Living in Poverty (2014)	19.9%
Number of Residents Enrolled in Medicaid (2015)	5,309
% of Residents Enrolled in Medicaid (2015)	25.1%
Median Household Income (2014)	\$38,251
Medicaid Benefit Payments for State Fiscal Year 2015	\$30,213,645

As shown in Table 14 below, audit test results revealed Madison County inaccurately determined eligibility on 6.4% of Medicaid applications and 12.0% of Medicaid re-certifications during state fiscal year 2016. Additionally, Madison County did not determine eligibility on 15.2% of Medicaid applications within federal and state timeliness guidelines and 6.4% of Medicaid re-certifications within those same timeliness guidelines.

Based on the number of applications processed in Madison County during the fiscal year ended June 30, 2016, statistical projections indicate that between 69 and 150 applications may have been inappropriately approved or denied.²⁸ Based on the number of re-certifications processed in Madison County during the same period, statistical projections indicate that between 253 and 447 re-certifications may have been inappropriately approved or denied.²⁹

Table 14							
Madison County							
Accuracy and Timeliness of New Applications and Re-Certifications Tested							
Type of Item Tested	Population Items	Items Tested	Accuracy Errors	% Accuracy Errors	Items Tested	Timeliness Errors	% Timeliness Errors
New Applications							
Approved	1,162	181	8	4.4%	181	10	5.5%
Denied	457	69	8	11.6%	69	28	40.6%
Total	1,619	250	16	6.4%	250	38	15.2%
Re-Certifications							
Approved	2,571	227	29	12.8%	227	12	5.3%
Denied	270	23	1	4.3%	23	4	17.4%
Total	2,841	250	30	12.0%	250	16	6.4%

²⁸ For an observed 16 errors in a sample of 250 items, one can be 90% confident the population error rate falls between 4.3% and 9.3%.

²⁹ For an observed 30 errors in a sample of 250 items, one can be 90% confident the population error rate falls between 8.9% and 15.7%.

RUTHERFORD COUNTY DEPARTMENT OF SOCIAL SERVICES

Located in the southwestern part of the State with Rutherfordton as its county seat, Rutherford County is a rural county selected as one of the 10 sample counties for Medicaid testing in this audit. Table 15 shows general demographic information for Rutherford County.

Rutherford County employed 21 staff to process the 16,166 Medicaid applications and re-certifications during the fiscal year ended June 30, 2016. Before the implementation of NCFAS, Rutherford County employed 11 staff to process Medicaid applications and re-certifications.

Rutherford County Demographics	
Population (2015)	66,390
% of Residents Living in Poverty (2014)	21.5%
Number of Residents Enrolled in Medicaid (2015)	18,680
% of Residents Enrolled in Medicaid (2015)	28.1%
Median Household Income	\$36,863
Medicaid Benefit Payments for State Fiscal Year 2015	\$95,665,908

As shown in Table 16 below, audit test results revealed Rutherford County inaccurately determined eligibility on 4.8% of Medicaid applications and 5.2% of Medicaid re-certifications during state fiscal year 2016. Additionally, Rutherford County did not determine eligibility on 6.8% of Medicaid applications within federal and state timeliness guidelines and 3.2% of Medicaid re-certifications within those same timeliness guidelines.

Based on the number of applications processed in Rutherford County during the fiscal year ended June 30, 2016, statistical projections indicate that between 142 and 379 applications may have been inappropriately approved or denied.³⁰ Based on the number of re-certifications processed in Rutherford County during the same period, statistical projections indicate that between 350 and 905 re-certifications may have been inappropriately approved or denied.³¹

Rutherford County							
Accuracy and Timeliness of New Applications and Re-Certifications Tested							
Type of Item Tested	Population Items	Items Tested	Accuracy Errors	% Accuracy Errors	Items Tested	Timeliness Errors	% Timeliness Errors
New Applications							
Approved	3,694	175	3	1.7%	175	12	6.9%
Denied	1,304	75	9	12.0%	75	5	6.7%
Total	4,998	250	12	4.8%	250	17	6.8%
Re-Certifications							
Approved	10,927	248	13	5.2%	248	8	3.2%
Denied	241	2	0	0.0%	2	0	0.0%
Total	11,168	250	13	5.2%	250	8	3.2%

³⁰ For an observed 12 errors in a sample of 250 items, one can be 90% confident the population error rate falls between 2.8% and 7.6%.

³¹ For an observed 13 errors in a sample of 250 items, one can be 90% confident the population error rate falls between 3.1% and 8.1%.

VANCE COUNTY DEPARTMENT OF SOCIAL SERVICES

Located in the north central part of the State with Henderson as its county seat, Vance County is a rural county selected as one of the 10 sample counties for Medicaid testing in this audit. Table 17 shows general demographic information for Vance County.

Table 17	
Vance County Demographics	
Population (2015)	44,568
% of Residents Living in Poverty (2014)	27%
Number of Residents Enrolled in Medicaid (2015)	17,326
% of Residents Enrolled in Medicaid (2015)	38.8%
Median Household Income	\$34,075
Medicaid Benefit Payments for State Fiscal Year 2015	\$86,863,583

Vance County employed 15 staff to process the 14,684 Medicaid applications and re-certifications during the fiscal year ended June 30, 2016. Before the implementation of NCFASST, Vance County employed 15 staff to process Medicaid applications and re-certifications.

As shown in Table 18 below, audit test results revealed Vance County inaccurately determined eligibility on 14.0% of Medicaid applications and 3.6% of Medicaid re-certifications during state fiscal year 2016. Additionally, Vance County did not determine eligibility on 24.0% of Medicaid applications within federal and state timeliness guidelines and 2.0% of Medicaid re-certifications within those same timeliness guidelines.

Based on the number of applications processed in Vance County during the fiscal year ended June 30, 2016, statistical projections indicate that between 571 and 970 applications may have been inappropriately approved or denied.³² Based on the number of re-certifications processed in Vance County during the same period, statistical projections indicate that between 178 and 573 re-certifications may have been inappropriately approved or denied.³³

Table 18							
Vance County							
Accuracy and Timeliness of New Applications and Re-Certifications Tested							
Type of Item Tested	Population Items	Items Tested	Accuracy Errors	% Accuracy Errors	Items Tested	Timeliness Errors	% Timeliness Errors
New Applications							
Approved	4,165	187	11	5.9%	187	41	21.9%
Denied	1,218	63	24	38.1%	63	19	30.2%
Total	5,383	250	35	14.0%	250	60	24.0%
Re-Certifications							
Approved	9,123	247	9	3.6%	247	4	1.6%
Denied	178	3	0	0.0%	3	1	33.3%
Total	9,301	250	9	3.6%	250	5	2.0%

³² For an observed 35 errors in a sample of 250 items, one can be 90% confident the population error rate falls between 10.6% and 18.0%.

³³ For an observed nine errors in a sample of 250 items, one can be 90% confident the population error rate falls between 1.9% and 6.2%.

WASHINGTON COUNTY DEPARTMENT OF SOCIAL SERVICES

Located in the northeastern part of the State with Plymouth as its county seat, Washington County is a rural county selected as one of the 10 sample counties for Medicaid testing in this audit. Table 19 shows general demographic information for Washington County.

Washington County employed 10 staff to process the 3,797 Medicaid applications and re-certifications during the fiscal year ended June 30, 2016. Before the implementation of NCFAS, Washington County employed 10 staff to process Medicaid applications and re-certifications.

Table 19	
Washington County Demographics	
Population (2015)	12,385
% of Residents Living in Poverty (2014)	26.8%
Number of Residents Enrolled in Medicaid (2015)	4,101
% of Residents Enrolled in Medicaid (2015)	33.1%
Median Household Income (2015)	\$33,115
Medicaid Benefit Payments for State Fiscal Year 2015	\$22,073,534

As shown in Table 20 below, audit test results revealed Washington County inaccurately determined eligibility on 8.0% of Medicaid applications and 10.0% of Medicaid re-certifications during state fiscal year 2016. Additionally, Washington County did not determine eligibility on 22.8% of Medicaid applications within federal and state timeliness guidelines and 7.6% of Medicaid re-certifications within those same timeliness guidelines.

Based on the number of applications processed in Washington County during the fiscal year ended June 30, 2016, statistical projections indicate that between 60 and 115 applications may have been inappropriately approved or denied.³⁴ Based on the number of re-certifications processed in Washington County during the same period, statistical projections indicate that between 197 and 370 re-certifications may have been inappropriately approved or denied.³⁵

Table 20							
Washington County							
Accuracy and Timeliness of New Applications and Re-Certifications Tested							
Type of Item Tested	Population Items	Items Tested	Accuracy Errors	% Accuracy Errors	Items Tested	Timeliness Errors	% Timeliness Errors
New Applications							
Approved	882	201	12	6.0%	201	30	14.9%
Denied	172	49	8	16.3%	49	27	55.1%
Total	1,054	250	20	8.0%	250	57	22.8%
Re-Certifications							
Approved	2,636	245	25	10.2%	245	16	6.5%
Denied	107	5	0	0.0%	5	3	60.0%
Total	2,743	250	25	10.2%	250	19	7.6%

³⁴ For an observed 20 errors in a sample of 250 items, one can be 90% confident the population error rate falls between 5.7% and 10.9%.

³⁵ For an observed 25 errors in a sample of 250 items, one can be 90% confident the population error rate falls between 7.2% and 13.5%.

WILKES COUNTY DEPARTMENT OF SOCIAL SERVICES

Located in the northwestern part of the State with Wilkesboro as its county seat, Wilkes County is a rural county selected as one of the 10 sample counties for Medicaid testing in this audit. Table 21 shows general demographic information for Wilkes County.

Wilkes County employed 24 staff to process the 12,081 Medicaid applications and re-certifications during the fiscal year ended June 30, 2016. Before the implementation of NCFAST, Wilkes County employed 17 staff to process Medicaid applications and re-certifications.

Table 21	
Wilkes County Demographics	
Population (2015)	68,502
% of Residents Living in Poverty (2014)	23.4%
Number of Residents Enrolled in Medicaid (2015)	16,745
% of Residents Enrolled in Medicaid (2015)	24.4%
Median Household Income (2014)	\$32,157
Medicaid Benefit Payments for State Fiscal Year 2015	\$100,125,638

As shown in Table 22 below, audit test results revealed Wilkes County inaccurately determined eligibility on 1.2% of Medicaid applications and 1.2% of Medicaid re-certifications during state fiscal year 2016. Additionally, Wilkes County did not determine eligibility on 0.8% of Medicaid applications within federal and state timeliness guidelines and 0.0% of Medicaid re-certifications within those same timeliness guidelines.

Based on the number of applications processed in Wilkes County during the fiscal year ended June 30, 2016, statistical projections indicate that between 18 and 154 applications may have been inappropriately approved or denied.³⁶ Based on the number of re-certifications processed in Wilkes County during the same period, statistical projections indicate that between 24 and 212 re-certifications may have been inappropriately approved or denied.³⁷

Table 22							
Wilkes County							
Accuracy and Timeliness of New Applications and Re-Certifications Tested							
Type of Item Tested	Population Items	Items Tested	Accuracy Errors	% Accuracy Errors	Items Tested	Timeliness Errors	% Timeliness Errors
New Applications							
Approved	3,453	160	2	1.3%	160	0	0.0%
Denied	1,643	90	1	1.1%	90	2	2.2%
Total	5,096	250	3	1.2%	250	2	0.8%
Re-Certifications							
Approved	6,444	237	3	1.3%	237	0	0.0%
Denied	541	13	0	0.0%	13	0	0.0%
Total	6,985	250	3	1.2%	250	0	0.0%

³⁶ For an observed three errors in a sample of 250 items, one can be 90% confident the population error rate falls between 0.4% and 3.0%.

³⁷ For an observed three errors in a sample of 250 items, one can be 90% confident the population error rate falls between 0.3% and 3.0%.

SAMPLE COUNTY COMPARISON TABLE

County	Employees Processing Applications & Re-certifications	Applications & Re-certifications Processed by Employees	Applications & Re-certifications Processed/ Employee	Application Accuracy Error Rate	Application Timeliness Error Rate	Re-certification Accuracy Error Rate	Re-certification Timeliness Error Rate
Guilford	117	87,433	747	18.8%	12.0%	20.0%	12.4%
Mecklenburg	347	125,084	360	8.8%	11.2%	23.2%	11.6%
Wake	207	112,448	543	5.6%	26.0%	2.0%	2.4%
Rowan	75	36,170	482	5.6%	8.0%	8.8%	8.4%
Jones	5	1,544	309	16.0%	24.8%	12.8%	7.2%
Madison	12.5	4,460	357	6.4%	15.2%	12.0%	6.4%
Rutherford	21	16,166	770	4.8%	6.8%	5.2%	3.2%
Vance	15	14,684	979	14.0%	24.0%	3.6%	2.0%
Washington	10	3,797	380	8.0%	22.8%	10.0%	7.6%
Wilkes	24	12,081	503	1.2%	0.8%	1.2%	0.0%



RESPONSE FROM DEPARTMENT OF HEALTH AND HUMAN SERVICES



North Carolina Department of Health and Human Services

Pat McCrory
Governor

Richard O. Brajer
Secretary

December 19, 2016

Honorable Beth A. Wood, State Auditor
Office of the State Auditor
2S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0600

Re: North Carolina Medicaid Program Recipient Eligibility Determination

Dear Auditor Wood:

We have reviewed your draft report entitled “*North Carolina Medicaid Program Recipient Eligibility Determination*”. The Department of Health and Human Services (Department) appreciates the efforts undertaken to produce this report and the insight it provides. The Department fully acknowledges its responsibility for Medicaid eligibility determination and readily agrees that the error rates noted exceed our own personal expectations. While the Department believes that we have provided clear guidance and direction to county departments of social service, it is clear that these efforts have not resulted in the desired outcomes. We are committed, with the highest sense of urgency, to work with all of our partners to immediately begin efforts to improve the State’s overall performance of Medicaid eligibility determination.

The following represents our response and corrective action plan to the Audit Findings and Recommendations.

AUDIT FINDINGS, RECOMMENDATIONS, AND RESPONSES

1. New Application Eligibility Determinations

Recommendation(s):

- A. County departments of social services should implement improved quality assurance review processes
- B. County departments of social services should establish formalized training programs for new caseworkers

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Auditor Wood
December 19, 2016
Page 2 of 7

- C. The Department should provide more in-depth training for caseworkers regarding the NC FAST eligibility determination system and monitor whether counties' caseworkers complete the training

Agency Response:

The Department agrees with the findings and recommendations. Utilizing the authority granted to the Department by Senate bill 841 in GA Session 2015 "Medicaid Eligibility Timeliness/Funds", the Department will engage Association of County Commissioners, Association of Directors of Social services, NC FAST, Division of Social Services and Division of Medical Assistance leadership to develop a plan which will ensure that the State's Medicaid Eligibility goals are met. The Department will convene discussions so that a plan forward is identified with implementation beginning in February 2017.

Effective June 1, 2016, the Department required each county DSS office to establish an approved quality assurance plan. Second party reviews were conducted monthly by supervisors and/or lead workers and results for the first quarter of State Fiscal Year 2017 were provided to the Department to identify deficiencies. The Department consolidated those findings and provided instructions through a dear county director letter for counties to implement additional training in the deficient areas noted.

- The following actions have been or will be taken to improve the quality assurance review process.
- County staff will attend Operational Support Team cluster meetings that will focus on identified areas and provide question and answer refresher training.
- The Department will require all new and existing county DSS staff to use the available standardized (state approved) Medicaid/NCHC policy training on the NCFast Gateway. The Learning Gateway syllabus identifies each policy area for standard formalized training for new and existing caseworkers. Each policy area provides a question and answer section, which will measure the workers' ability to implement Medicaid policy accurately, completely, and timely. A tracking method for policy testing will be utilized for these measures.
- Revisions to the learning gateway Medicaid/NCHC training material will be made as needed by Department staff to ensure the material is current at all times. The county staff will be advised of all revisions when Medicaid/NCHC policy changes are required.
- The Department will work with NCFast to provide more in-depth system training which will be a requirement for new caseworkers regarding the eligibility determination system. NCFast will reemploy the testing function used to determine caseworker ability to navigate through the system. Test results will be provided to the Department quarterly for new staff. County staff will be required to pass the NCFast system function.
- NCFast will continue to communicate changes to all affected personnel immediately to ensure county staff are aware of any new releases or other system notification needed.

Owner: DMA, Medicaid Eligibility Services Section

Date of implementation/completion: March 2017

Auditor Wood
 December 19, 2016
 Page 3 of 7

2. RE-ENROLLMENT ELIGIBILITY DETERMINATIONS:

RECOMMENDATIONS:

- A. County departments of social services should implement improved quality assurance review processes.
- B. County departments of social services should establish formalized training programs for new caseworkers
- C. The Department should provide more in-depth training for caseworkers regarding the NC FAST eligibility determination system and monitor whether counties' caseworkers complete the training

AGENCY RESPONSE:

The Department agrees with the findings and recommendations. Utilizing the authority granted to the Department by Senate bill 841 in GA Session 2015 "Medicaid Eligibility Timeliness/Funds", the Department will engage Association of County Commissioners, Association of Directors of Social services, NC FAST, Division of Social Services and Division of Medical Assistance leadership to develop a plan which will ensure that the State's Medicaid Eligibility goals are met. The Department will convene discussions so that a plan forward is identified with implementation beginning in February 2017.

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- Revisions to the learning gateway Medicaid/NCHC training material will be made as needed by Department staff to ensure the material is current at all times. The county staff will be advised of all revisions when Medicaid/NCHC policy changes are required.
- The Department will work with NCFast to provide more in-depth system training which will be a requirement for new caseworkers regarding the eligibility determination system. NCFast will

Auditor Wood
December 19, 2016
Page 4 of 7

reemploy the testing function used to determine caseworker ability to navigate through the system. Test results will be provided to the Department quarterly for new staff. County staff will be required to pass the NCFAST system function.

NCFAST will continue to communicate changes to all affected personnel immediately to ensure county staff are aware of any new releases or other system notifications needed.

Owner: DMA, Medicaid Eligibility Services Section

Date of implementation/completion: March 2017

3. CONTROLS AND OVERSIGHT BY COUNTY DEPARTMENTS OF SOCIAL SERVICES

RECOMMENDATIONS:

- A. County departments of social services should establish formalized training programs for new caseworkers
- B. County departments of social services should implement improved quality assurance review processes
- C. County departments of social services should ensure adequate staffing levels to determine eligibility timely including using temporary staffing or shifting responsibilities for other workers during periods of increased workloads

AGENCY RESPONSE:

The Department agrees with the findings and recommendations. Utilizing the authority granted to the Department by Senate bill 841 in GA Session 2015 "Medicaid Eligibility Timeliness/Funds", the Department will engage Association of County Commissioners, Association of Directors of Social services, NC FAST, Division of Social Services and Division of Medical Assistance leadership to develop a plan which will ensure that the State's Medicaid Eligibility goals are met. The Department will convene discussions so that a plan forward is identified with implementation beginning in February 2017.

Owner: DMA, Medicaid Eligibility Services Section

Auditor Wood
 December 19, 2016
 Page 5 of 7

Date of implementation/completion: March 2017

4. CONTROLS AND OVERSIGHT BY THE DEPARTMENT OF HEALTH AND HUMAN SERVICES

RECOMMENDATIONS:

- A. The Department should acknowledge and accept its ultimate responsibility for the administration of the Medicaid program including the eligibility determination process
- B. The Department should provide written guidance to the county departments of social services that establishes optimal staffing levels, expanded staff training, minimum pay and qualifications for caseworkers, and operational procedures for the accurate and timely determination of Medicaid eligibility

AGENCY RESPONSE:

The Department agrees with the findings and recommendations. Utilizing the authority granted to the Department by Senate bill 841 in GA Session 2015 “Medicaid Eligibility Timeliness/Funds”, the Department will engage Association of County Commissioners, Association of Directors of Social services, NC FAST, Division of Social Services and Division of Medical Assistance leadership to develop a plan which will ensure that the State’s Medicaid Eligibility goals are met. The Department will convene discussions so that a plan forward is identified with implementation beginning in February 2017. The plan forward will include guidelines for staffing levels, standards for staff training and education and performance standards designed to attain the CMS error rate of 3% or better.

The Department acknowledges and accepts its ultimate responsibility for the administration of the Medicaid program, including the eligibility determination process. The Department has provided various communications and tools to county DSS agencies in the following areas:

- The Department made the opportunity available to county Departments of Social Services for 75% Federal Financial Participation (FFP) for eligibility activities for all Medicaid programs that are performed in NC FAST. This opportunity provided significant funding for county Departments of Social Services to better serve our public assistance recipients in North Carolina. Counties have been strongly encouraged to reinvest county savings that will accrue from the retroactive and ongoing 75% Medicaid administrative reimbursement to achieve needed staffing.
- The Department requested that County Directors of Social Services work with their governing boards and county leadership to ensure that funding resources to achieve all public assistance program processing requirements are included in the County Budget for SFY 2015-16, and each year going forward. The Department provided instructions to County Directors, County Managers and governing bodies regarding all factors to consider in planning and budgeting for needed staff and other resources.
- The Department provided management assistance and training to county DSS caseworker staff

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December 19, 2016
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- through the Operational Support Team (OST).
- Standard Work Document for determining additional risk utilizing current data by the OST to determine if more frequent consultation is needed based on current data from daily, weekly, monthly reports. This tool will be used to identify performance issues in the short term that may need to be addressed.
 - The Operational Support Team representatives will be assigned to specific counties for the purpose of monitoring their performance through data analytics and determining what additional technical assistance is needed.
 - Per General Assembly Session 2015 – “Medicaid Eligibility Timeliness/Funds”, the Department will hire 7 DSS staff members to support better utilization of NC FAST data for performance measurement and evaluation of Medicaid eligibility determinations performed by county DSS offices. The Department reached out to other states utilizing the county-administration model (i.e. , NY, Ohio, Iowa) for possible innovative ideas and/or incentives employed to reduce errors. Some of the ideas shared by the states included:
 - Flexibility for applicants to apply in any county and have their application processed,
 - Case bank vs caseloads – no county office has a caseload; all cases are located in the centralized center for pull down to process.
 - Create change centers for reportable changes in circumstances,
 - Require consistency in workflow issued by state agency
 - Create an adequately staffed, state level training unit to ensure consistent eligibility policy training across the state.

The Department continues to meet with our County DSS partners to share our mission, values and goals to ensure that local processes provide reasonable assurance that relevant objectives are achieved. The following preventive and detective internal controls will be implemented:

- Medicaid policy will be updated into the new Integrated Medicaid Manual quarterly effective January 2017. This quarterly release will provide consistency to allow counties to train on new policy quarterly.
- The Operational Support Team will host cluster meeting workshops quarterly to provide customized training on policy updates. The Learning gateway will house policy and training information for new and existing staff to access and utilize. The next series of 10 cluster meetings is scheduled for the second week of December.
- The Operational Support Team staff have been certified in the LEAN Government process through NC State University and have already begun LEAN events in 15 or more County DSS agencies to identify ways to improve outcomes. These will be expanded to other counties.
- The Department will partner with county DSS management to proactively address high-risk areas, develop initiatives for organizational- wide improvements, and identify emerging issues.
- The Department will implement operational improvements by building effective, value-added recommendations to ensure weaknesses identified during reviews are addressed and changes in resource utilization, processes, and workflows are reported to management. The Operational Support

Auditor Wood
December 19, 2016
Page 7 of 7

Team will follow-up and report activities to the State. The Department will require closer collaboration between county directors and OST.

- The Department will perform varied reviews (site reviews, data analytics, special projects) that evaluate compliance with applicable guidance, policies, and procedures and identified potential deficiencies.

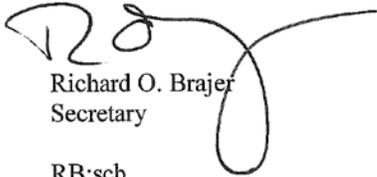
OWNER: Medicaid Eligibility Service Section & Operational Support Team

Date of implementation/completion: March 2017

Thank you allowing us the opportunity to provide you with responses to the audit and a corrective action plan for your consideration in the resolution of the cited findings.

If you need any additional information, please contact Susan Bryan at (919)814-0154.

Sincerely,



Richard O. Brajer
Secretary

RB:scb

cc: John E. Thompson, Director of Compliance and Program Integrity
Sandy Terrell, Director of Clinical Policy
Trey Suttan, Director of Finance, Division of Medical Assistance
Rod Davis, Chief Financial Officer
Laketha M. Miller, Controller
Lisa Corbett, Acting General Counsel
Chet Spruill, Director, Office of Internal Audit



RESPONSES FROM COUNTY DEPARTMENTS OF SOCIAL SERVICES

Heather Skeens, Director, Social Services



Merle Green, Director, Public Health

December 19, 2016

Guilford County management has reviewed the December 2016 Performance Audit Report from The State of North Carolina, Office of the State Auditor. Our review has determined the following in regards to Medicaid Accuracy and Timeliness for New Applications and Recertifications:

1. New Application Eligibility Determinations

Accuracy Errors

Findings – 47 accuracy errors were noted during the audit that included failing to complete On-line verifications (OVS and AVS), verify resources, verify income, verify SSN and citizenship.

Timeliness of Determination

Finding – 30 timeliness errors were noted during the audit for failing to meet the 45/90-day processing requirement.

Recommendations –

- County departments of social services should implement improved quality assurance review processes
- County departments of social services should establish formalized training programs for new caseworkers
- The Department should provide more in-depth training for caseworkers regarding the NCFAST eligibility determination system and monitor whether county caseworkers complete the training

Agency Response – Guilford County agrees with the findings and recommendations.

2. Re-Enrollment Eligibility Determinations

Accuracy Errors

Findings – 50 accuracy errors were noted during the audit that included failing to complete On-line verifications (OVS and AVS), verify resources, and verify income.

Timeliness of Determination

Finding – 31 timeliness errors were noted during the audit for failing to complete a recertification prior to the end of the eligibility certification period.

Heather Skeens, Director, Social Services



Merle Green, Director, Public Health

Recommendations –

- County departments of social services should implement improved quality assurance review processes
- County departments of social services should establish formalized training programs for new caseworkers
- The Department should provide more in-depth training for caseworkers regarding the NCFAST eligibility determination system and monitor whether county caseworkers complete the training

Agency Response – Guilford County agrees with the findings and recommendations.

Guilford County has implemented a formalized training program for new and current caseworkers. The county has created a Training/Quality Assurance Unit to complete formalized Medicaid training for new staff and also complete refresher trainings for current staff or when a change in policy occurs. This unit also completes quality assurance reviews of applications and recertifications monthly, these results are shared with the division director, program managers, supervisors and staff.

Guilford County believes that some of the timeliness issues were caused by several factors, the implementation of NCFAST, complexity of NCFAST, minimal training prior to transitioning to NCFAST, lack of reports to track and monitor applications and recertifications due, required cleanup and collapsing of families back into one case from conversion into NCFAST, and caseworkers learning curve in the new system. All of which caused a backlog of Medicaid cases needing to be reviewed. Staff have now been in NCFAST for 2 years and are more comfortable using the system, multiple reports have been created and are available to assist in tracking applications and recertifications, and several system updates have been completed alleviating the need for staff to have to complete "work arounds".

Guilford County created the Training/Quality Assurance Team in July 2015. Formalized trainings from this team started in July 2015 and quality assurance reviews began in September 2015. Guilford County has continued to assess the new process and make adjustments as needed. We have just reached the one-year mark and are completing a program evaluation to determine what has been successful and where we need to make adjustments for the upcoming year. Guilford County has completed workflow assessments and made changes to caseworker responsibilities and workflows to be in line with NCFAST functionality over the 2015-2016 fiscal year.

As an agency, Guilford County has evaluated and changed workflow, processes, and caseworker responsibility to work with the requirements of the NCFAST system and we feel that the timeliness of applications and recertifications has improved and will continue to improve. We are

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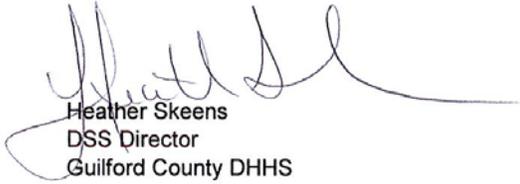
 1203 Maple Street, Greensboro, NC 27405

Heather Skeens, Director, Social Services



Merle Green, Director, Public Health

now focusing on the accuracy of applications and recertifications by completing quality assurance reviews by the Training/QA team, we are implementing a "Top 5" errors by program list that unit supervisors will be completing monthly random reviews for each caseworker to bring attention to these and reduce or alleviate the findings. The Training/QA team will be completing refresher trainings quarterly for those "Top 5" accuracy errors by program.



Heather Skeens
DSS Director
Guilford County DHHS



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MECKLENBURG COUNTY

Department of Social Services

The Wallace H. Kuralt Centre

Peggy Eagan, ACSW
Director

December 12, 2016

Mecklenburg County Response to Findings from the North Carolina Medicaid Program Recipient Eligibility Determination Audit

Mecklenburg County was honored to have participated in this audit conducted by the North Carolina Office of State Auditor, and will use the findings to improve processes to increase the level of service to our customers. Ensuring customers receive the appropriate level of benefits, in a timely manner, continues to be a primary accountability of the Department. Mecklenburg County concurs with the findings from this review, and the following actions will be, or have been, taken to address the findings identified by the audit:

1. County departments of social services should implement quality assurance review processes

Mecklenburg County DSS agrees with the findings and has strengthened its quality assurance process effective July 2016. In July, the department's Quality & Training team increased the number of public assistance cases that are quality sampled from 2,872 annually to 5,136 cases per year. Specifically, the number of Medicaid cases quality sampled increased from 60 total monthly to at least 300 per quarter with specific amounts per worker per year checked and the workers being held accountable for their results. Increasing the number of cases sampled each month and sampling all workers consistently will help to identify error trends, and enable the Q&T team to craft strategies to eliminate errors in a timely manner. Each quarter, the Q&T staff conduct a root cause analysis of the error trends and make recommendations for eliminating such errors.

This enhanced process was implemented in July 2016, and is managed by Cathy Beil, Quality and Training Manager.

2. County departments of social services should establish formalized training programs for new caseworkers.

Mecklenburg County DSS agrees that a robust training curriculum is essential to preparing staff for a case management workload as well as retaining staff in such positions. Training has been identified as a key factor in attracting and retaining qualified staff in case management positions. All program trainees are required to complete a 6-12-week classroom training program that includes policy, systems, and practical (hands-on) training. They must also attain a passing grade of at least 85% on all tests

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Page 2

administered during the training. Following the classroom training, the employees enter an 8-week mentoring period where they receive support and guidance from a mentor and their supervisor. Their work is checked for accuracy and they are held accountable to increasing productivity and quality standards throughout. If at any point they fail an exam or fail to reach a productivity or quality standard, they are subject to the County's progressive disciplinary protocols.

This plan of action is ongoing, and is currently managed by Cathy Beil, Quality & Training Manager.

3. County departments of social services should ensure adequate staffing levels to determine eligibility timely, including using temporary staffing or shifting responsibilities for other workers during periods of increased workloads.

Mecklenburg County DSS agrees with this finding, and the department has taken steps in FY17 to better position itself to respond to periods of increased workloads in the Medicaid program, including:

- Starting in FY16, the department's Economic Services Division began training its Human Services Specialists II (HSS II) staff in two programs, typically Medicaid and Food & Nutrition Services. This strategy allows more staff to manage the Medicaid caseload. By the end of FY16, all HSS II positions were trained in a second program. All new HSS II positions are also trained in two programs. This process is managed by Cathy Beil, the Quality and Training Manager.
- In late FY16, ESD created a Critical Response Team, with staff experienced in Family and Children's Medicaid and Food and Nutrition Services, who can be allocated as necessary to manage immediate workload concerns that arise when special projects or reports need to be completed. Additionally, the Quality and Training staff serve the same function for Adult Medicaid and Work First. Both of these critical response areas are managed by Cathy Beil, the Quality and Training and Critical Response Manager.
- ESD received a recommended course of action from State DHHS and implemented Medicaid Processing Labs during the 2nd quarter of FY17. A dedicated group of staff convene in designated rooms to do nothing but process overdue Medicaid reviews. The labs provide an environment free of interruptions, and include operational support from the State, to process past-due and current Medicaid reviews. At its initiation on September 12th, there was a total of 58,893 past-due and current reviews that were due to be processed by December 31st. As of December 12th, that number had decreased to 14,260, with the anticipated date for the caseloads to be current by January 31st, 2017. Yulonda Griffin, ESD Manager, is currently managing this process.
- In FY16, ESD also implemented the Medicaid Queue Team process to manage the assignment, screening, and processing of Medicaid applications submitted through mail-in, fax, ePASS and FFM online application portals. By utilizing HSS I's in this role, applications are evaluated earlier in the application process to identify those that are ready for processing and/or require pending for additional information. As a result, staff are able to complete their applications in a timelier manner. Yulonda Griffin, ESD Manager is currently managing this process.

In addition to the overall findings addressed above, Mecklenburg County evaluated all of the accuracy errors cited throughout the audit. Individual errors were corrected and the staff and supervisors were provided with individual feedback. The entire audit was then analyzed and error trends were identified. Mecklenburg County will develop and implement classroom/workshop training for all Medicaid staff. The training will be completed for Adult Medicaid by January 31st, 2017, and for Family and Children's

Page 3

Medicaid by March 31st, 2017. The training will be mandatory for all applications and case management Medicaid staff and they will be held accountable for demonstrating understanding of the material presented via post-training testing, and in their subsequent quality sampling results. This process will be managed by Cathy Beil, the Quality and Training Manager.

The Department would also like to make note of some additional concerns that may impact the accuracy and timeliness rates identified in the report:

- Timeliness rates were impacted by the implementation of NCF (NCF). Prior to NCF implementation, Mecklenburg County was able to maintain their intake and case management timeliness expectations. Please see below for Medicaid processing rates prior from FY08-13, prior to NCF implementation.

Intake Timeliness

Fiscal Year	MAF	MIC	MPW	MAD	MAA	MQB	MAB
2008	90.50%	93.17%	93.75%	97.83%	98.00%	98.25%	100.00%
2009	93.50%	95.08%	95.92%	96.92%	95.75%	95.42%	100.00%
2010	93.61%	95.15%	95.81%	97.47%	94.30%	95.98%	100.00%
2011	93.16%	95.29%	96.03%	97.81%	97.22%	95.54%	85.25%
2012	95.30%	96.27%	97.32%	97.39%	96.53%	96.33%	97.67%
2013	95.66%	95.62%	96.98%	94.39%	90.50%	88.18%	84.47%

Case Management Timeliness

Fiscal Year	MAF	MIC	MPW	MAD	MAA	MQB	MAB
2008	98.76%	99.98%	97.72%	99.61%	99.80%	99.73%	99.48%
2009	99.29%	99.99%	98.67%	99.67%	99.79%	99.86%	99.05%
2010	98.10%	99.99%	97.46%	99.65%	99.78%	99.85%	100.00%
2011	97.52%	99.86%	96.14%	99.58%	99.77%	99.79%	98.58%
2012	98.57%	99.06%	97.56%	99.68%	99.82%	99.82%	100.00%
2013	98.62%	99.68%	98.05%	99.77%	99.88%	99.92%	100.00%

- The errors found in the Adult Medicaid programs may imply lower than actual accuracy rates as the Adult Medicaid caseload is a small percentage of the overall Medicaid caseload. Adult Medicaid cases with an error represent 71% of the total cases with errors. At the end of FY16, Adult Medicaid cases represented 19% of Medicaid enrollees. Based on this data, the projection for the number of cases that may have been inappropriately processed may be negatively skewed based on the fact that a high percentage of Adult Medicaid cases had errors.
- The implementation of NCF, as well as the policy and process changes required by the Affordable Care Act (ACA), and the Federal Marketplace (FFM) all at the same time created backlogs from which the county is still trying to recover. NCF implementation for Medicaid required manual conversions and the keying of detailed information that was extremely time consuming. Additionally, the ACA added the requirement for ex parte reviews that significantly increased the volume of work for the agency. This new requirement, added to the volume of applications received through the FFM, and the pressures to ensure that benefits were not interrupted for customers, often led to staff taking “short cuts” in case processing that were outside of policy and/or system data requirements. Some of these short cuts were evidenced in the absence of required system verifications, evidence entries in NCF, and budgets. All of these trends have been and will continue to be addressed, but it should be noted that a root cause of the negative trends is the backlogs created

Page 4

by the convergence of the aforementioned changes. Currently, Mecklenburg County is processing cases according to policy.

- The table showing the number of applications and recertifications processed annually per employee may be misleading for Mecklenburg County. The numbers of staff provided to the auditors included staff that were recently trained in a second program, and included the total number of staff working in Medicaid. Depending on the program (Adult Medicaid or Family & Children's Medicaid) and responsibility (processing applications or recertifications), workloads may vary, as well as many staff who recently graduated from two-program training gradually increasing their Medicaid workload. Thus, the calculations in the table may not be representative of the actual workloads of the various Medicaid staff.

The Department acknowledges and accepts the findings of the audit, and believes the corrective actions steps noted above will lead to improvements in the accuracy and timeliness of processing Medicaid applications and recertifications. The cases reviewed were processed during FY16, and the department has already taken action in FY17 to improve service delivery, and will continue to strive to provide services in an accurate and timely manner.

Regards,



Peggy Eagan, ACSW
 Director, Mecklenburg County DSS



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December 12, 2016

Office of the State Auditor
2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699

Dear Office of the State Auditor,

Wake County was selected as one of the 10 sample counties for the Medicaid Eligibility Audit. Initial case findings were shared with the county and we were able to rebut the findings and present additional information. Contract agency staff spent time in the county reviewing case files and we provided assistance with identifying documents in our document management system. We assigned staff to review the initial findings as well as gathered and provided training and personnel information that was requested. This represented a commitment of at least 150 hours of staff time. Although the process was time consuming, Wake County does agree with the findings and recommendations contained in your report.

This is Wake County's response in your requested format.

1. New Application Eligibility Determinations

RECOMMENDATIONS

- County departments of social services should implement improved quality assurance review processes
- County departments of social services should establish formalized training programs for new caseworkers
- The Department should provide more in-depth training for caseworkers regarding the NC FAST eligibility determination system and monitor whether counties' caseworkers complete the training

Agency Response:

Wake County is in agreement with the findings and recommendations.

Wake County added a dedicated team of Quality Assurance specialists in August 2015. Since that time the focus of the team has been a targeted approach to review cases for the most commonly cited errors in each program area. For FY 17 case

management staff has an expectation of improving their quality score by 50%. Quality Assurance is a joint expectation of the dedicated team as well as all supervisors in the Medicaid program.

Though Wake County has had a formalized training program for many years the implementation of NCFAST made it clear that a new approach to training would be needed. The training program has been revised and now includes both classroom training and hands on training directly with a mentor in the program area. The OSS (Over the Shoulder Support) team is also involved in working with trainers and new staff in labs focused on actual processing of cases and troubleshooting of NCFAST issues. The internal training department tracks training completed by all staff.

Wake County has had difficulty with meeting timeliness for Medicaid applications for the past few years with the implementation of NC FAST and the increase in applications associated with the Affordable Care Act open enrollment. More than 120 new positions were added during the period 2014 – 2015 to address understaffing. During this period there was also a significant turnover of staff. There has been an effort to reduce overdue applications and as of November 30, 2016, the number of overdue applications has been reduced by 70% since March 31, 2016.

**2. Re-Enrollment Eligibility Determinations
RECOMMENDATIONS**

- County departments of social services should implement improved quality assurance review processes
- County departments of social services should establish formalized training programs for new caseworkers
- The Department should provide more in-depth training for caseworkers regarding the NC FAST eligibility determination system and monitor whether counties' caseworkers complete the training

Agency Response:

Wake County is in agreement with the findings and recommendations.

Wake County's error rate for re-enrollments in this audit was 2%, which indicates a high level of accuracy by staff. Please see the agency response in #1 for information about Quality Assurance practices and formalized training.

Wake County partnered with DHHS during July and August on a project to get all MAGI recertifications up to date. This project was successful and we are now current in our Medicaid reviews.

3. Controls and Oversight by County Departments of Social Services

RECOMMENDATIONS

- County departments of social services should establish formalized training programs for new caseworkers
- County departments of social services should implement improved quality assurance review processes
- County departments of social services should ensure adequate staffing levels to determine eligibility timely including using temporary staffing or shifting responsibilities for other workers during periods of increased workloads

Agency Response:

Wake County is in agreement with the findings and recommendations.

The recommendations regarding training and quality assurance are addressed in the first section. Wake County has added a significant number of new staff since the implementation of NCFAST and has utilized up to 50 temporary staff as needed throughout the phases of implementation. Funding for a temporary staffing pool has been added to the budget to address spikes in workload, additional NCFAST implementations, etc. The addition of new staff has resulted in reducing the workload to a more manageable level.

Supervisors regularly assess the current workload and shift work and reassign cases as needed to ensure that we are able to maintain timely processing.

In conclusion, we are pleased with the high accuracy rate in the cases reviewed. We are still working to improve our timeliness rate for Medicaid applications and expect to continue to improve in this area.

Sincerely,



Regina Y. Petteway, MSPH
Director, Wake County Human Services



DeeDee Wright
DSS Board Chair

Donna F. Fayko
Director

Rowan County Department of Social Services
1813 East Innes Street
Salisbury, NC 28146
December 12, 2016

Office of the State Auditor
State of North Carolina

In response to the results of the NC Medicaid Program Recipient Eligibility Determination Performance Audit conducted by the Office of the State Auditor, Rowan County Department of Social Services (RCDSS) submits the following information on our organizational structure and workflow. RCDSS via its Economic Services Division processes Medicaid applications and re-certifications for the citizens of Rowan. The Income Maintenance Caseworker (IMC) role in Rowan County is based on the "Universal" caseworker model, meaning the caseworker determines eligibility for the Medicaid programs, Food & Nutrition Services program and Work First/Employment Services (TANF) programs. The universal model was first recommended by the State upon implementation of NC FAST and Rowan has incorporated this recommendation into our business process. The IM caseworkers in Rowan are assigned separate functions (intake for new applicants or case maintenance for changes and re-certifications on active cases) for the various programs. The Family & Children's Medicaid program cases, along with the FNS cases for these beneficiaries are assigned to 19 caseworkers for new applicants on a rotating basis and 30 caseworkers for re-certifications of existing cases based on an alpha load breakdown. The caseworkers for F&C/FNS cases are classified as IMC II staff. The Adult Medicaid program cases, along with any Special Assistance, F&C Medicaid and FNS cases for these beneficiaries are assigned to 6 caseworkers for new applicants on a rotating basis and 6 caseworkers for re-certifications of existing cases based on an alpha load breakdown. The caseworkers for ADMA/FCMA/SA/FNS are classified as IMC III staff. There are two IMC II positions who handle the Work First/MA/FNS program with one as intake and the other as case maintenance. Rowan County also has five additional staff members classified as IMC I positions that function as a change center, managing various case changes reported by the beneficiary to the agency on a daily basis. Rowan County has two designated IMC III staff members who perform the training for all staff and four additional IMC III lead workers who provide assistance to all caseworkers. There are six IM Supervisor II, one Social Services Program Manager and one IM Program Administrator II managing the Economic Services Division.

It is the policy of Department of Health and Human Services to provide services, care, benefits, and assistance to all qualified persons without regard to race, color, national origin, sex, religion, age, disability, or political beliefs

Phone: 704.216.8330

Fax: 704.638.3041

Children's Services 704.216.8440

NORTH CAROLINA MEDICAID PROGRAM
RECIPIENT ELIGIBILITY DETERMINATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES
COUNTY DEPARTMENTS OF SOCIAL SERVICES
PERFORMANCE AUDIT
DECEMBER 2016

KEY RECOMMENDATIONS FROM OSA

1. **County** departments of social services should implement improved quality assurance review processes
2. **County** departments of social services should establish formalized training programs for new caseworkers
3. **County** departments of social services should ensure adequate staffing levels to determine eligibility timely including using temporary staffing or shifting responsibilities for other workers during periods of increased workloads

ROWAN COUNTY RESPONSE

1. **Rowan County DSS agrees with the finding and recommendations.**

RCDSS does not have a standalone QI team. Conversion to NCFAS, learning a new system, higher staff turnover and increased workload has negatively impacted the ability to sustain a quality QI process. Currently, the six IMC III lead workers and six IM supervisors perform second party reviews on Medicaid and FNS cases. All new staff members are assigned to the training team upon hire. Rowan County DSS Economic Services Division has mandated that all new hires in training for a new program are to be under full second party review of all assigned cases. Our QI process entails either a one-on-one coaching session or a paper review of a completed case with written feedback provided. Once released from full second party, the caseworker's performance is monitored via random second party reviews and monthly conferences with their individual supervisors. Minimum standards of two reviews per month have been set for each supervisor to monitor their experienced staff members. These minimum standards were implemented in September, 2016 with oversight by the Economic Services Division Program Administrator. There would be great benefit to all counties to have positions funded to focus solely on quality improvement.

2. **Rowan County DSS agrees with the finding and recommendations.**

RCDSS has had dedicated trainers in the agency prior to the implementation of NC FAST. Additional trainings provided by the State have been incorporated into the RCDSS training plan. During FY'16, the Rowan County training process has included the use of the NC Gateway for policy training provided by OST and NC FAST procedures training; job aides provided in NC FAST Help; kinesthetic training for keying evidence based on policy requirements; manual calculation of budgets based on policy to ensure correct outcomes; transfer of learning with one-on-one observation by the trainer to process actual cases and second party review until competency is reached in the program. In most situations, the Medicaid program is trained for the initial three months, followed by the FNS program training to provide foundational skills for the universal caseworker. Ongoing training for all

caseworkers is provided at monthly division meetings. Normally, these refresher training topics address errors found by local and state quality control reviews from the preceding month. RCDSS uses Moodle, a blackboard type learning environment, to guide caseworkers in their policy knowledge development and navigational skills. A computer lab serves as the training environment for staff. Pre and post tests are used to assess individual learning by staff. Training modules are available to staff for individual refresher and reference as needed. As NCFAST evolves, the functionality improves. Further, counties would benefit from having an integrated manual that streamlines all programs and policies, as promised in the Work Support Strategies movement. Currently, staff must access training information in a piece meal fashion to learn their jobs.

3. Rowan County DSS agrees with the finding and recommendations.

With a sample size of 500 cases, the timeliness errors for Rowan County were 8% for new applications and 8.4% for re-certifications. The State expectations for timeliness are 90% based on county size. Prior to NC FAST, Rowan County was consistently above the state expected percentage. It is acknowledged that timeliness, since NC FAST implementation, has not met the State expectations. Improvement is steadily being made in this area with the goal of Rowan exceeding State standards in the future.

During FY'16, Rowan County was significantly impacted by staff turnover with a total of 24 new hires in positions that determine eligibility. The reassignment of cases from a vacant caseload is equally distributed to the current caseworkers. This redistribution increases the workload of the current staff, which does occasionally result in untimely processing. Training for new caseworkers for the Medicaid program lasts for three months, including the second party review process to determine the competency level for the new employee. Staff turnover has a detrimental effect on timeliness and accuracy.

Further, changes in business processes impact timeliness. Medicaid policy allows for 45 days for processing new applications, in which two requests for needed information is required 12 days apart in order to correctly deny an application. This totals 26 days of the 45 day process, and any information not requested originally requires a third and possibly fourth notice. At times, the notices may be caseworker error, but on other occasions, information on the application may not reveal leads to follow until a response from the applicant is received. The process for the MAGI re-certifications has increased the response time to 30 days for the tax-filing information status of beneficiaries on the case due to ACA guidelines. According to policy, all first requests for information must give the beneficiary 30 days to respond. If a case is not started in the tenth month of the certification period, the re-certification can potentially be untimely.

Rowan incorporated close monitoring of applications and re-certifications from data supplied by the O&M reports from NC FAST beginning in May, 2015 which aided in the successful completion of the backlog by July, 2015. Since December 2015, daily responses to the management team have been required on all applications that are due for each day. Building consistent awareness for all staff of what is due has enhanced teamwork within the division for providing coverage if a caseworker is unavailable. Daily tracking of applications and reviews is a priority of the management team. While

timeliness percentages fluctuate daily, overall monthly percentage improvement has been shown with implementation of this monitoring.

Further, cases which are placed "on hold" by the NCFAST system show up only in individual worker queues. Supervisors are not notified of these cases and no reports are available to alert management. Thus, the first indication of such delays may be a call from a disgruntled customer. Having this information available on the supervisor dashboard would greatly assist with managing these potential overdue cases.

Lastly, RCDSS uses a formulary to determine number of staff needed to adequately address caseload size. However, adequate funding is not always available. Counties do an excellent job of managing available resources. This year, counties were apprised that temporary staff could not be utilized in determining eligibility for Medicaid. Thus, additional resources outside of FTEs were no longer available to assist with decreasing workload.

Rowan County Department of Social Services is committed to protecting, providing and serving our customers with excellence. We will continually strive to improve our timeliness and accuracy with the resources and tools available. We appreciate the time and attention provided to our county and our business processes by the Office of the State Auditor.

Respectfully submitted,



Donna F. Fayko, M.Ed.
DSS Director



Social Services Board

Phoebe Emory - Chairperson
 Zack Koonce
 Lynn Driver
 Ramona Gonzalez
 Russell Roberts

Jones County
Department of Social Services
 Post Office Box 250 Trenton, North Carolina 28585
 Phone: 252-448-2581 Fax: 252-448-5651

Interim Director

Jack B. Jones

December 14, 2016

Jones County

Senate Bill 14, Session Law 2015-7

Corrective Action Plan

Responsible Individual: Amanda Howard

Recommendations	County Action
Implement improved quality assurance review processes.	<p>Jones County will begin (1/17) a new quality assurance process. We will go from a 3% QC of cases to 10%. This will allow us to monitor more cases, and gauge the workers understanding of policy and procedures.</p> <p>I have reached out to Wilkes County to provide guidance on their "robust" quality assurance process.</p>
Establish formalized training programs for new caseworkers.	<p>Jones County has begun to utilize the Income Maintenance Training that is offered at Lenoir Community College. Two of our employees began this class on 11/29/16. We will use this as a training tool for ALL new staff that will work in the NCFast system.</p> <p>Jones County will also begin a more detailed training program with greater oversight for all new employees. We will still utilize the training's in NC Fast Gateway and our local agency trainings will build on those trainings.</p> <p>Jones County will require that all new staff complete any and all trainings that are provided by the State's Operational Support team that pertains to their program.</p>

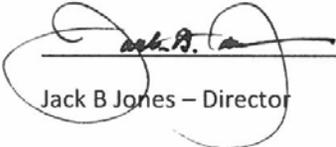
Ensure Adequate Staffing Levels to determine eligibility timely	Jones County is staffed adequately for the programs we provide. We currently have approximately 2514 MA cases with 4 IMC II workers and 2x IMC III – Specialized workers. This puts my MA workers with a caseload of approximately 419. No corrective action needed in our county at this time.

Comments:

Jones County MA workers need continued Quality Assurance oversight by Supervision, we will begin a more thorough detailed process beginning January 1, 2017.

Jones County has had minimal turnover however, prior management did not lay down a solid foundation when NCFAST was implemented. No trainings were made mandatory as the state had requested. Being a small county we face many barriers in employing specialized individuals to assist in training and quality assurance due to budgetary restraints. As a small county we are required to wear “multiple hats” so state requirements can be met. I know this is a county issue however with more support from the state level this may be more manageable.

More state involvement by providing monthly onsite support, onsite trainings, or possibly a detailed state training syllabus would be beneficial especially in smaller counties such as Jones.



Jack B Jones – Director



Madison County Department of Social Services

Connie M. Harris, MPA
Director

Telephone: 828-649-2711
Fax: 828-649-3687

5707 U.S. Hwy 25/70, Suite 1
Marshall, NC 28753

December 15, 2016

The Honorable Beth Wood, State Auditor
North Carolina Office of the State Auditor
20601 Mail Service Center
Raleigh, NC 27699-0600

Dear Auditor Wood:

Thank you for the opportunity to review the Office of the State Auditor's (OSA) draft Performance Audit Report of the North Carolina Medicaid Program, Recipient Eligibility Determination. Per your request, please find the response that the Madison County Department of Social Services has prepared for incorporation into the final report issued by OSA.

Finding 1: New Application Eligibility Determinations: For new applications tested, the 10 sample counties showed accuracy error rates ranging from 1.2% to 18.8% and timeliness error rates ranging from 0.8% to 26%.

Recommendation: County departments of social services should implement improved quality assurance review processes.

Madison County Department of Social Services Response: Madison County DSS agrees with this finding and recommendation.

At the writing of this response, the accuracy error rate for Madison County DSS is 6.4% and timeliness error rate is 15.2%. Madison County DSS has implemented a more stringent quality assurance review process which includes increased sampling of each employee's cases with a greater sampling of newer employees' cases and employees whom have been identified as having problems with case accuracy and timeliness.

Madison County DSS has implemented this corrective action. The Economic Services Supervisors are responsible for quality review of employee cases and this will be monitored by the Director.

Recommendation: County departments of social services should establish formalized training programs for new caseworkers.

Madison County Department of Social Services Response: Madison County DSS agrees with this finding and recommendation.

A committee consisting of the Director, Economic Services Supervisors and representative caseworkers has been formed to address and plan for a formalized new caseworker training program which will be written and implemented.

Madison County DSS has begun implementation of this corrective action. Committee participants have been identified and will meet prior to January 31, 2017 to begin work on the formalized training program for new caseworkers.

Finding 2: For re-certifications tested, the 10 sample counties showed accuracy error rates ranging from 1.2% to 23.2% and timeliness error rates ranging from 0% to 12.8%.

Recommendation: County departments of social services should implement improved quality assurance review processes.

Madison County Department of Social Services Response: Madison County DSS agrees with this finding and recommendation.

At the writing of this response, the accuracy error rate for Madison County DSS is 12.0% and timeliness error rate is 6.4%. Madison County DSS has implemented a more stringent quality assurance review process which includes increased sampling of each employee's cases with a greater sampling of newer employees' cases and employees whom have been identified as having problems with case accuracy and timeliness.

Madison County DSS has implemented this corrective action. The Economic Services Supervisors are responsible for quality review of employee cases and this will be monitored by the Director.

Recommendation: County departments of social services should establish formalized training programs for new caseworkers.

Madison County Department of Social Services Response: Madison County DSS agrees with this finding and recommendation.

A committee consisting of the Director, Economic Services Supervisors and representative caseworkers has been formed to address and plan for a formalized new caseworker training program which will be written and implemented.

Madison County DSS has begun implementation of this corrective action. Committee participants have been identified and will meet prior to January 31, 2017 to begin work on the formalized training program for new caseworkers.

Finding 3: Most of the 10 sample county departments of social services did not consistently provide adequate oversight or controls for the eligibility determination of new applications and re-certification.

Recommendation: County departments of social services should establish formalized training programs for new caseworkers.

Madison County Department of Social Services Response: Madison County DSS agrees with this finding and recommendation.

A committee consisting of the Director, Economic Services Supervisors and representative caseworkers has been formed to address and plan for a formalized new caseworker training program which will be written and implemented.

Madison County DSS has begun implementation of this corrective action. Committee participants have been identified and will meet prior to January 31, 2017 to begin work on the formalized training program for new caseworkers.

Recommendation: County departments of social services should implement improved quality assurance review processes.

Madison County Department of Social Services Response: Madison County DSS agrees with this finding and recommendation.

Madison County DSS has implemented a more stringent quality assurance review process which includes increased sampling of each employee's cases with a greater sampling of newer employees' cases and employees whom have been identified as having problems with case accuracy and timeliness.

Madison County DSS has implemented this corrective action. The Economic Services Supervisors are responsible for quality review of employee cases and this will be monitored by the Director.

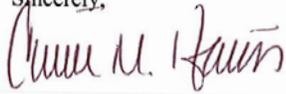
Recommendation: County departments of social services should ensure adequate staffing levels to determine eligibility timely including using temporary staff or shifting responsibilities for other workers during periods of increased workloads.

Madison County Department of Social Services Response: Madison County DSS agrees with this finding and recommendation.

Madison County DSS has contracted with temporary staff in the past with limited success to address workloads and has shifted responsibilities to other workers during periods of increased workloads, when possible. We have also allowed employees to work overtime when necessary to address workload responsibilities.

Currently, the Madison County Department of Social Services has a sufficient number of caseworkers to determine eligibility in a timely manner. The Director will monitor this on an ongoing basis to assure compliance.

Sincerely,

A handwritten signature in cursive script, appearing to read "Connie M. Harris".

Connie M. Harris, MPA
Director



RUTHERFORD COUNTY
DEPARTMENT OF SOCIAL SERVICES

John K. Carroll, MHDL
Director

389 Fairground Road • P.O. Box 242 • Spindale, NC 28160

(828) 287-6165 or (828) 287-6199 • FAX (828) 288-4029

December 15, 2016

The Honorable Beth A Wood, State Auditor
Office of the State Auditor
2 South Salisbury Street
20601 Mail Service Center
Raleigh, North Carolina 27699-0601

Dear Auditor Wood:

Rutherford County was one of the ten counties selected to be part of the North Carolina Medicaid Program and Recipient Eligibility Determination audit. We have reviewed your report of the findings and recommendations as outlined in Senate Bill 14, Session Law 2015-17. The following represents our responses to the Report Findings and Recommendations.

1. New Application Eligibility Determinations

Rutherford County concurs with the findings of exhibiting varying accuracy and timeliness error rates for new applications. Some errors were due to entering information incorrectly into NC Fast and other errors were due to applying policy incorrectly.

RECOMMENDATIONS

- County Departments of Social Services should implement improved quality assurance review processes
- County Departments of Social Services should establish formalized training programs for new caseworkers
- The Department should provide more in-depth training for caseworkers regarding the NC FAST eligibility determination system and monitor whether counties' caseworkers complete the training

Agency Response

Rutherford County agrees with the finding and recommendations.

Medicaid supervisors will be required to review more applications on all workers, including seasoned workers. Supervisors will be required to keep an individualized report card for each worker and meet with them quarterly to review their accuracy rate. Rutherford County will continue with their current training program for new workers and also establish more

Rutherford County DSS does not discriminate on the basis of race, color, national origin, sex, religion, age, or disability in employment or provision of services.

formalized training programs for all staff. Trainings will be established based on the pattern of results and findings of case record reviews.

The above corrective actions will be implemented effective January 2017. The Director and the Income Maintenance Administrator will be responsible for this implementation.

2. Re-Enrollment Eligibility Determinations

Rutherford County concurs with the findings of exhibiting varying accuracy and timeliness error rates for re-certifications. County agrees that some errors were due to entering information incorrectly into NC Fast and other errors were due to applying policy incorrectly or failure to verify necessary information. County also agrees that our high turnover rate, learning a new system, as well as, a new Medicaid program, contributed to these errors.

RECOMMENDATIONS

- County Departments of Social Services should implement improved quality assurance review processes
- County Departments of Social Services should establish formalized training programs for new caseworkers
- The Department should provide more in-depth training for caseworkers regarding the NC FAST eligibility determination system and monitor whether counties' caseworkers complete the training

Agency Response

Rutherford County agrees with the finding and recommendations.

Supervisors will be required to review more re-enrollments on all caseworkers, including seasoned workers. Supervisors will be required to keep an individualized report card for each worker and meet with them quarterly to review their accuracy rate. Rutherford County will continue with their current training program for new workers and also establish more formalized training programs for all staff. Trainings will be established based on the pattern of results and findings of case record reviews.

The above corrective action will be implemented effective January 2017. The Director and the Income Maintenance Administrator will be responsible for this implementation.

3. Controls and Oversight by County Department of Social Services

Rutherford County agrees with the finding of the failure to establish sufficient internal controls necessary to prevent overdue Medicaid applications and reviews. We agree that the turnover rate, lack of adequate reports, and inexperienced staff contributed to the inability to establish adequate internal controls.

RECOMMENDATIONS

- County Departments of Social Services should establish formalized training programs for new caseworkers
- County Departments of Social Services should implement improved quality assurance review processes
- County Departments of Social Services should ensure adequate staffing levels to determine eligibility timely including using temporary staffing or shifting responsibilities for other workers during periods of increased workload.

Agency Response

Rutherford County agrees with the finding and recommendations.

Rutherford County will continue with their current training program for new workers and also establish more formalized training programs for all staff. Trainings will be established based on the pattern of results and findings of case record reviews. Medicaid supervisors will be required to review more applications on all workers, including seasoned workers. Supervisors will be required to keep an individualized report card for each worker and meet with them quarterly to review their accuracy rate. Rutherford County will maintain adequate staffing levels in order to meet all deadlines and will shift responsibilities of other workers during increased workloads and vacancies.

The above corrective action will be implemented effective January 2017. The Director and the Income Maintenance Administrator will be responsible for this implementation.

We appreciate the collaboration between our department and your auditors and feel we have gained knowledge from this experience that will enhance our administration and accuracy of the Medicaid program and allow us to better serve the citizens of Rutherford County.

Sincerely,



John Carroll, MHDL
Director



Vance County Department of Social Services

Krystal Harris, Director ♦ 350 Ruin Creek Road ♦ Henderson, NC 27536 ♦ Phone: (252) 492-5001 ♦ Fax: (252) 438-5997

December 7, 2016

Office of the State Auditor
20601 Mail Service Center
Raleigh, NC 27699-0601

RE: Agency Audit Finding Response

The Vance County Department of Social Services has received and reviewed the final audit findings from the OSA audit. Below you will find our response to the key findings as well as the recommendations provided by the Office of the State Auditor.

Audit Finding - New Applications – Accuracy and Timeliness

Recommendations

- County departments of social services should implement improved quality assurance review and processes
- County departments of social services should establish formalized training programs for new caseworkers
- County departments of social services should ensure adequate staffing levels to determine eligibility timely including using temporary staffing or shifting responsibilities for other workers during periods of increased workloads

Agency Response

Audit test results revealed that Vance County inaccurately determined eligibility on 14% of Medicaid applications and did not determine eligibility on 24% of Medicaid applications within federal and state timeliness guidelines. Vance County agrees with the findings and the recommendations from the OSA Audit.

Since the audit findings, Vance County has begun to take corrective actions to address the audit recommendations. Vance County implemented a quality review process in September 2016 which includes Medicaid Supervisors reviewing five records per caseworker per month. Error cases will be corrected as they are identified. The Medicaid Supervisors and Agency Trainer will provide refresher training for current staff as needed. As a result of the errors found in Q1, Q2, Q3, and Q4 in the Family & Children's Medicaid portion of the audit, the Medicaid Supervisors completed training on the following Medicaid policy areas in unit meetings: MA-3215, MA-3230, and MA-3255. The Program Administrator and the Medicaid Supervisors have been meeting weekly since September 2016 to monitor the Operations and Maintenance (O&M) Reports on pending applications to ensure cases are processed timely.

MISSION STATEMENT

VANCE COUNTY DEPARTMENT OF SOCIAL SERVICES IS COMMITTED TO HELPING PEOPLE SHAPE STRONG FUTURES BY PROMOTING SELF-SUFFICIENCY, SAFETY AND PERMANENCE THROUGH FAMILY CENTERED SERVICES.

♦ **Children's Services** ♦

305 Young Street, Suite B; Henderson, NC 27536
Phone: (252) 436-0407 / Fax: (252) 436-0412

♦ **Child Support** ♦

Phone: (252) 431-1200

♦ **Senior Center** ♦

126 S. Garnett Street; Henderson, NC 27536
Phone: (252) 430-0257 / Fax: (252) 433-9694

The Agency Trainer and the Medicaid Supervisor will conduct Medicaid training on January 26, 2017 for the Medicaid Intake Team regarding application processing requirements and will include the reception staff to ensure all staff is familiar with the following policy areas: MA-2303, MA-2304, MA-3200, MA-3205, and MA-3215.

Audit Finding – Re-certifications – Accuracy and Timeliness

Recommendations

- County departments of social services should implement improved quality assurance review and processes
- County departments of social services should establish formalized training programs for new caseworkers
- County departments of social services should ensure adequate staffing levels to determine eligibility timely including using temporary staffing or shifting responsibilities for other workers during periods of increased workloads

Agency Response

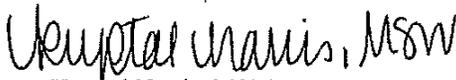
Audit test results revealed that Vance County inaccurately determined eligibility on 3.6% of Medicaid re-certifications and did not determine eligibility on 2% of Medicaid re-certifications within federal and state timeliness guidelines. Vance County agrees with the findings and the recommendations from the OSA Audit.

Vance County implemented program specific training for all new caseworkers in July 2016. The training was conducted by the Agency Trainer and topics included policy training, NCFAST training, and current training from the DHHS Operational Support Team (OST). The Agency Trainer monitors the caseworkers' completion of courses and webinars in the Learning Management System, as well as requiring the caseworkers to complete example cases utilizing the sandbox in NCFAST. The Medicaid Supervisors monitor 100% of cases completed by new caseworkers for the first two months employment or more if needed. The Agency Trainer provides continuing education to all caseworkers utilizing the Learning Management System and OST courses as they become available.

The Agency Trainer and the Medicaid Supervisors will conduct a Medicaid Training on February 2, 2017 which will cover re-enrollment, certification and authorization, and policy sections MA-3420 and MA-3425.

The Vance County Department of Social Services is dedicated to working diligently to address the audit findings identified during this audit. The agency has implemented several corrective action items since the audit began and will continue to take the recommendations of the Office of the State Auditor into consideration to improve our accuracy and timeliness.

Sincerely,



Krystal Harris, MSW
Director – Vance County Department of Social Services



WASHINGTON COUNTY
DEPARTMENT OF SOCIAL SERVICES

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Plymouth, NC 27962
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Fax (252) 793-3195

December 16, 2016

Washington County DSS Medicaid Audit Response

The Washington County Department of Social Services administers the Medicaid program with a staff of nine Income Maintenance Caseworkers and one Supervisor. This staff serves approximately 4,280 county residents. This agency has cooperated with the State Auditor's Office for the duration of one year, dedicating staff and resources to assist. The Agency's response is for this agency only, not the North Carolina Department of Health and Human Services.

In general, we would agree with the audit and findings for this agency. We would also agree with the recommendations if this agency was working in an environment that such recommendations were readily obtainable.

During the audit period of July 1, 2015 through June 30, 2016 the agency had a 55% staff turnover in the Medicaid Unit. Two workers accepted higher paying jobs within the agency, one worker retired, and two workers resigned.

The supervisor is responsible for training staff. The supervisor utilizes training and resources offered by the state. The supervisor trains one on one and incorporates other experienced staff to assist. The supervisor conducts the quality review function. This is a process that works well with an experienced staff, for a county of this size.

Organizational Development is a continuing process. This process is affected by many variables, to include staffing, training, retention, funding, leadership, morale, etc. Some of these variables are outside the control of this agency.

With regards to a corrective action plan, our current operational plan will continue. There is no additional staff available to reassign. If additional staff is requested, that is a request to the local funding authority during the budget process. Current management and staff will strengthen per the agency's efforts to continually develop, thus producing a positive outcome.

This agency appreciates the opportunity to have participated in this audit. Like any audit or monitoring, it allows management to identify areas of concern. This agency will continue to serve the citizens of Washington County to its full ability.

Sincerely,

Clifton Hardison, Director
Washington County DSS

COUNTY OF WILKES

DIRECTOR
John L. Blevins, MPA

DEPARTMENT OF SOCIAL SERVICES

PROGRAM ADMINISTRATOR

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WILKESBORO, NORTH CAROLINA 28697-2854
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ADMINISTRATIVE FAX (336) 903-7613
CHILD SUPPORT FAX (336) 990-0409
ELIGIBILITY FAX (336) 651-7568
SOC. WK. SERVICES FAX (336) 651-7559

Kevin L. Brown

We are pleased with our results from the performance audit conducted by the Office of the State Auditor. Our agency has a group of highly dedicated Income Maintenance Workers led by two experienced supervisors and supported by a knowledgeable Program Administrator. They work as a team with a strong desire to provide quality services to the citizens of Wilkes County. Below are listed the audit findings for all ten counties along with recommendations of the auditors and our responses.

1. NEW APPLICATION ELIGIBILITY DETERMINATIONS

Recommendations

- County departments of social services should implement improved quality assurance review processes
- County departments of social services should establish formalized training programs for new caseworkers
- The Department should provide more in-depth training for caseworkers regarding the NC FAST eligibility determination system and monitor whether counties' caseworkers complete the training

Agency Response

Wilkes County Department of Social Services agrees with the findings and recommendations under New Application Eligibility Determinations. In our county we have two committed and experienced Income Maintenance Supervisors who provide a thorough quality assurance review process that we feel is working well for our agency. We plan to have a more formal plan for training our new workers that involves written work plans and designated trainers who have expertise in the needed areas. The supervisors will provide more oversight and assistance for new workers to properly learn the NC Fast system and design spreadsheets to track workers progress in completing the training. We plan to implement these new changes in January 2017, with both Income Maintenance Supervisors in charge of the plan.

2. RE-ENROLLMENT ELIGIBILITY DETERMINATIONS

Recommendations

- County departments of social services should implement improved quality assurance review processes
- County departments of social services should establish formalized training programs for new caseworkers
- The Department should provide more in-depth training for caseworkers regarding the NC FAST eligibility determination system and monitor whether counties' caseworkers complete the training

Agency Response

Wilkes County Department of Social Services agrees with the findings and recommendations under Re-Enrollment Eligibility Determinations. In our county we have two committed and experienced Income Maintenance Supervisors who provide a thorough quality assurance review process that we feel is working well for our agency. We plan to have a more formal plan for training our new workers that involves written work plans and designated trainers who have expertise in the needed areas. The supervisors will provide more oversight and assistance for new workers to properly learn the NC Fast system and design spreadsheets to track workers progress in completing the training. We plan to implement these new changes in January 2017, with both Income Maintenance Supervisors in charge of the plan.

3. CONTROLS AND OVERSIGHT BY COUNTY DEPARTMENTS OF SOCIAL SERVICES

Department of Social Services

Recommendations

- County departments of social services should establish formalized training programs for new caseworkers
- County departments of social services should implement improved quality assurance review processes
- County departments of social services should ensure adequate staffing levels to determine eligibility timely including using temporary staffing or shifting responsibilities for other workers during periods of increased workloads

Agency Response

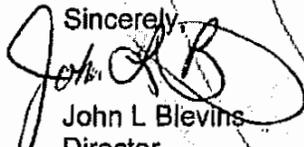
Wilkes County Department of Social Services agrees with the findings and recommendations under Controls and Oversight by County Departments of Social Services.

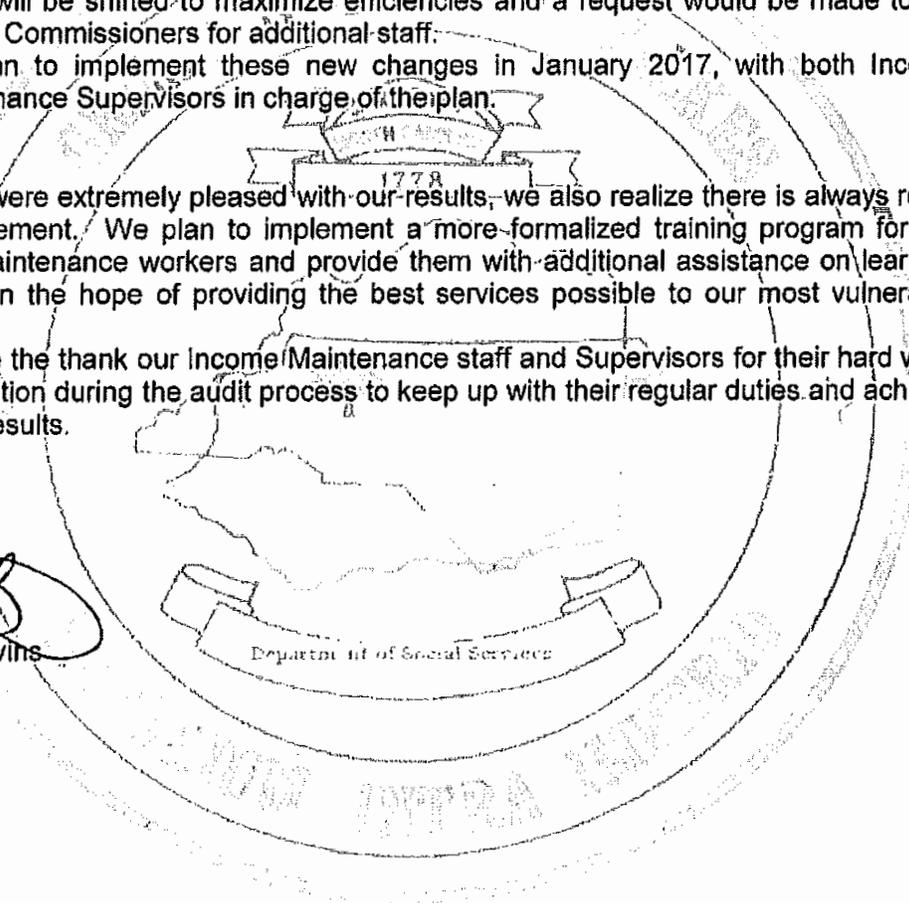
We plan to have a more formal plan for training our new workers that involves written work plans and designated trainers who have expertise in the needed areas. In our county we have two committed and experienced Income Maintenance Supervisors who provide a thorough quality assurance review process that we feel is working well for our agency. The administration continually monitors caseloads of the Income Maintenance workers and periodically checks with surrounding counties on caseload size for comparison purposes. If it is felt the workload is too great duties will be shifted to maximize efficiencies and a request would be made to the County Commissioners for additional staff.

We plan to implement these new changes in January 2017, with both Income Maintenance Supervisors in charge of the plan.

While we were extremely pleased with our results, we also realize there is always room for improvement. We plan to implement a more formalized training program for our Income Maintenance workers and provide them with additional assistance on learning NC Fast. In the hope of providing the best services possible to our most vulnerable citizens.

I would like to thank our Income Maintenance staff and Supervisors for their hard work and dedication during the audit process to keep up with their regular duties and achieve excellent results.

Sincerely,

John L. Blevins
Director



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For additional information contact:
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919-807-7513



This audit required 9,039 hours of auditor effort at an approximate cost of \$912,459. The cost of the specialist's effort was \$472,342. As a result, the total cost of this audit was \$1,384,801 which represents 0.01% of the 13.3 billion in annual Medicaid expenditures.