

# 2019 Recipient Eligibility Determinations Audit

S.L. 2017-57, Section 11H.22. (c)

As Amended By

S.L. 2018-5 Section 11H.5(c)



Report to the

Joint Legislative Oversight Committee on Medicaid  
NC Health Choice  
Fiscal Research Division  
State Auditor

By

North Carolina Department of Health and Human Services

September 23, 2020

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## I. Introduction

Session Law 2017-57, Section 11H.22 (c), as amended by S.L. 2018-5, Section 11H.5(c) (see **Appendix A**), requires the North Carolina Department of Health and Human Services to annually audit all county departments of social services for compliance with the accuracy standards adopted under G.S. 108A-70.47 for Medicaid eligibility determinations made within a 12-month period. Specifically, DHHS was directed to annually report the following:

- 1) The annual statewide percentage of county departments of social services that met the accuracy standards adopted under G.S. 108A-70.47 in the prior fiscal year.
- 2) The annual statewide percentage of county departments of social services that met the quality assurance standards adopted under G.S. 108A-70.48 in the prior fiscal year.
- 3) The annual audit result for each standard adopted under G.S. 108A-70.47 for each county of department services.
- 4) The number of years in the preceding five-year period that each county department of social services failed to meet the standards in G.S. 108A-70.47 or G.S. 108A-70.48.
- 5) A description of all corrective action activities conducted by the Department and county departments of social services in accordance with G.S. 108A-70.49.
- 6) For every county in which the performance metrics for processing Medicaid applications in an accurate manner do not show significant improvement compared to the previous fiscal year, a description of how the Department plans to assist county departments of social services in accuracy and quality assurance standards for Medicaid applications.

The Department consulted with the North Carolina Office of the State Auditor to develop a fair and equitable Medicaid eligibility sample size and agreed upon an acceptable error rate by adopting the Center for Medicare and Medicaid (CMS) eligibility error rate of 3.2%. The error rate threshold is applied as follows:

- An error rate of 3.2% threshold per fiscal year for each county for accuracy errors that cause Medicaid applicants to be approved for Medicaid benefits when the applicants are truly ineligible.
- An error rate of 3.2% threshold per fiscal year for each county for accuracy errors that cause Medicaid applicants to be denied Medicaid benefits when the applicants are truly eligible.
- An initial error rate threshold of 10% per fiscal year for each county for internal control errors made during the eligibility determination process that did not impact the outcome of the eligibility determination decision. A review of the actual initial error rates will be evaluated in the risk assessment process to determine if an adjustment to this threshold is needed to achieve the 3.2% error rate goals that impact eligibility.

Additionally, due to the effort required to conduct an effective review, the 100 counties are being audited over a three-year cycle.

## II. Methodology

The audit plan was developed and executed by the NC Medicaid Office of Compliance & Program Integrity County Quality Assurance team (“OCPI QA”). The OCPI QA staff have significant experience in eligibility determinations in the county setting and as compliance analysts with the State, including conducting eligibility reviews for the CMS Medicaid Eligibility Quality Control audits.

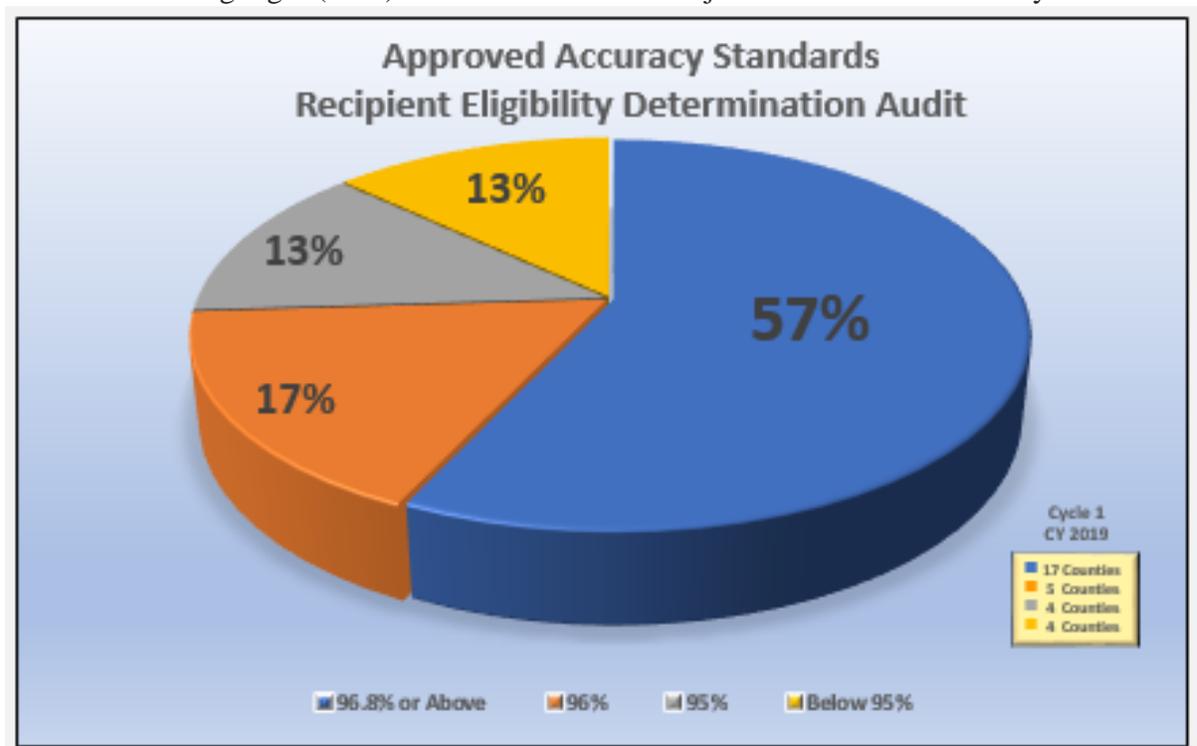
As previously noted, the 100 county DSS’ are being audited over a three-year cycle. Cycle 1, conducted during CY 2019 includes 30 counties; Cycles 2 and 3 include 35 counties each and will be conducted during CY 2020 and CY 2021, respectively. A sample size of 200 eligibility determinations made within a 12-month period will be audited for each county. The sample will include 100 initial Medicaid eligibility determination applications as well as 100 Medicaid reenrollment determinations. The audit procedures have been designed to determine the county DSS’s compliance with the following accuracy standards:

- Only eligible applicants are approved for Medicaid benefits 96.8% of the time.
- Eligible applicants are not denied/terminated 96.8% of the time.
- The eligibility determination process is free of technical errors that do not change the outcome of the eligibility determination 90% of the time.

## III. Cycle 1 Accuracy and Quality Assurance Results

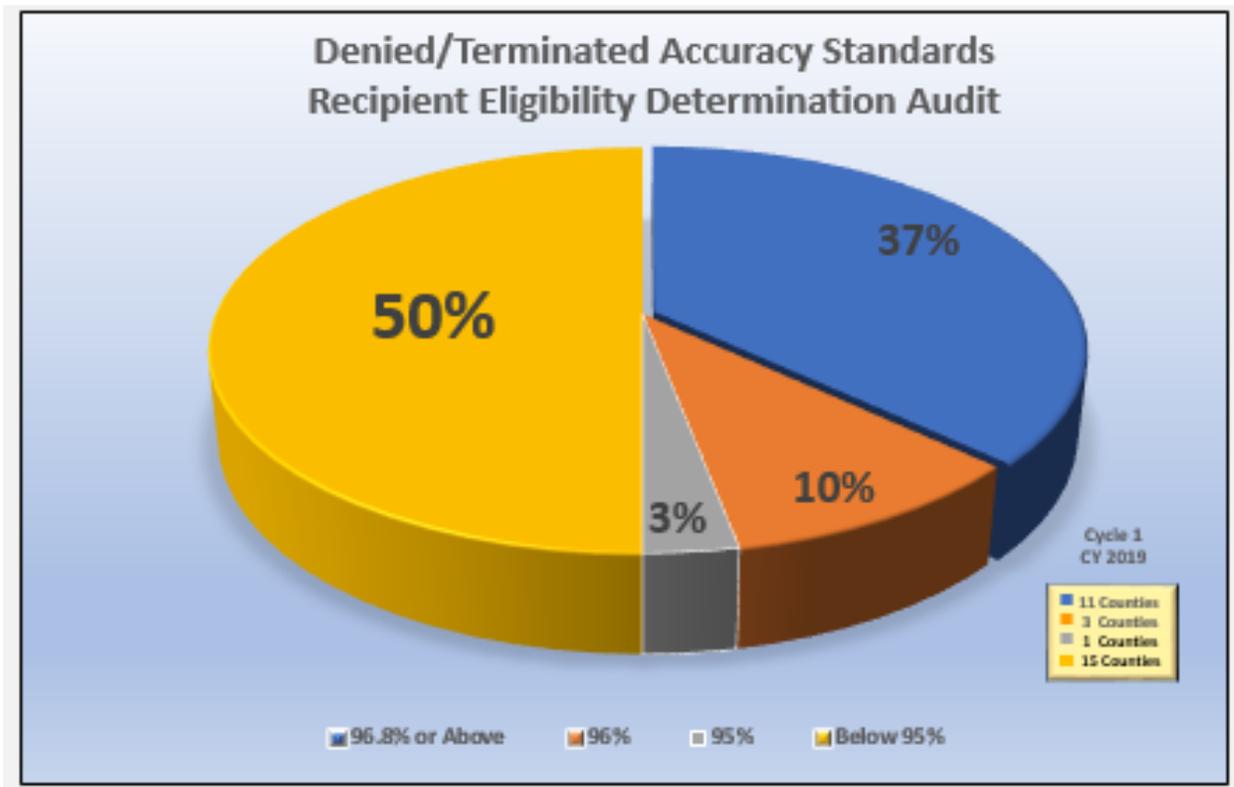
### 1. Percentage of audited county department of social services that met the accuracy standards adopted under G.S. 108A-70.47 in the prior fiscal year

A. Approved - The overall accuracy rate for Cycle 1 was 96.5%. The Department reviewed 30 counties in Cycle 1 for Medicaid eligibility determination accuracy. The 96.8% accuracy rate of approved determinations was met by 17 (57%) counties. Another five (17%) counties fell just shy of the standard, achieving a 96.0% accuracy. The remaining eight (26%) counties achieved at or just below a 95% accuracy rate.



**Note:** In January 2017, the Office of State Auditor published a performance audit of the “NORTH CAROLINA MEDICAID PROGRAM RECIPIENT ELIGIBILITY DETERMINATION” in which 10 counties were reviewed for eligibility determination accuracy. In response to the audit, the State provided policy training and enhancements to the NCFAST eligibility system. Six of the 10 counties included in the OSA audit were among those selected and reviewed in this Cycle with noted improvement in their accuracy rates. The chart in Appendix C includes an asterisk by the six counties included in OSA’s performance audit results.

B. Denied/Terminated - The overall denied/terminated accuracy for Cycle 1 is 95%. The 96.8% accuracy rate of denied/terminated determinations was met by 11 (37%) counties. Another three (10%) counties fell just shy of the standard, achieving a 96.0% accuracy rate. The remaining 15 (50%) counties achieved an accuracy rate at or below 95%.



**Note:** The audit identified that federal timeliness guidelines were not consistently followed in accordance with Medicaid policy. North Carolina residents were not always afforded the allowable timeframes to provide verification to complete their Medicaid eligibility applications/redeterminations before denial/termination actions were taken. The error rate in this measure was much higher than expected.

C. Technical errors - The Department established an initial technical error rate threshold of 10% per fiscal year for each county. Technical error findings were a combination of the following issues:

- mistakes in data input/keying errors such as typographical or mathematical errors
- inadequate notification to applicants/beneficiaries

- various misapplied policies/procedures

During the September 2019 Social Services Institute Workshop, the State conducted training on monitoring internal control procedures and processes to clarify expectations and improve the accuracy in determinations. This guidance was well received, and counties continue to use this information to train new and existing staff, strengthening internal control processes.

**2. Percentage of audited of county departments of social services that met the quality assurance standards adopted under G.S. 108A-70.48 in the prior fiscal year**

The quality assurance standards issued by the Department direct the county to conduct second party quality assurance reviews on a quarterly basis and submit review details to the State. The requirements for compliance include documenting the review on the State issued template, utilizing a minimum sample size as designated by the State and taking corrective action based on an analysis of the review results.

The State is pleased to note that 100% of the 30 Cycle 1 counties successfully completed and met the Medicaid quality assurance minimum standards for calendar year 2019. Minimum sample sizes are based on county population (**see Appendix B**). OCPI QA reviewed the county-submitted reviews and noted four main training issues identified by the counties:

- earned income is not consistently calculated/budgeted or verified correctly
- electronic sources not checked for third party verification
- timeliness (late recerts & applications beyond required timeframe)
- lack of required notifications to applicant/beneficiary

Counties followed up by utilizing the review findings to conduct in-house Medicaid policy training and participated in Operational Support Team (OST) cluster meetings on policy clarifications. The Department is undertaking policy revisions in the Medicaid manuals to ensure relative policies can be successfully implemented.

**3. The audit results for each standard (eligible or ineligible) for each county of department of social services are as follows:**

The review of Medicaid eligibility determinations actions conducted by the county department of social services were completed by February 2020. Cycle 1 tested 6,000 individuals to verify Medicaid eligibility determinations were performed accurately and timely. See **Appendix C** - Annual Recipient Eligibility Determination Audit (REDA) results by county.

**4. The number of years in the preceding ten-year period that each county department of social services failed to meet the standards in G.S. 108A-70.47 or G.S. 108A-70.48.**

As this is the initial year of the accuracy determination audit, no prior year(s) activity exists. This group will be reviewed under G.S. 108A-70.47 again in 2022 or 2023.

Additionally, none of the counties in Cycle 1 failed to successfully complete the quality assurance reviews implemented for calendar years 2017 and 2018.

**5. Corrective action activities conducted by the Department and county departments of social services.**

Throughout the audit on a monthly basis, OCPI QA provided counties their error findings, root causes and best practice suggestions to improve the counties' internal controls over the eligibility determination process. Counties meeting the accuracy standards also shared their internal control practices for the benefit of the other counties.

The Department has initiated a partnership of State Medicaid staff and county leadership to work with those counties not currently meeting the accuracy requirements. The county leadership includes Department of Social Services Director, County Manager, Chair of County Commissioners (or designee), Social Services Board Chair or other Board Member and other attendees requested by the county.

The counties will provide a draft Accuracy Improvement Plan (AIP) for State DHB to review. The State will approve the AIP in accordance with the requirements of GS 108A-70.49. (See Appendix D)

The Department's Operational Support Team will conduct monitoring of the AIP through weekly calls and monthly onsite visits to discuss any gaps/improvements and recommendations to meet the accuracy quality rate. OCPI QA will select a sample to test eligibility determinations after three months of plan implementation and share the findings with the County. If the county meets the goal for both active and/or negative accuracy standards (based on which accuracy standards county identified as underperforming) for at least three consecutive months AND adequate controls are in place to ensure sustainability, the county will be released from the State's corrective action plan.

The Department provided Medicaid and NC Health Choice formal policy training through the NC FAST Learning Gateway portal.

To further ensure that Medicaid and NC Health Choice policies are understood and adhered to at the county level, the Department requires county staff to attend regularly scheduled OST cluster meetings on Medicaid and NC Health Choice. The training includes processes and procedures to be successful in monitoring accurate eligibility determination, Medicaid policy training, and addressing root causes and error trends to reduce and eliminate Medicaid errors during the Medicaid eligibility determination process.

The North Carolina Association of County Directors of Social Services (NCACDSS) conducts a Social Services Institute each year with attendance and participation from all 100 counties and the Department. As noted above, during the 2019 forum OCPI QA conducted a training workshop on "Compliance and How to Strengthen Internal Control Processes" which is posted on the [NCACDSS website](#) for future reference and training for those counties subject to an Accuracy Improvement Plan. DHB Eligibility Services also conducted workshops on Medicaid Accuracy, including specific identified issues as well as Timeliness.

**6. For every county in which the performance metrics for processing Medicaid applications in an accurate manner do not show significant improvement compared to the previous fiscal year, a description of how the Department plans to assist county departments of social services in accuracy and quality assurance standards for Medicaid applications.**

As this is the initial year for conducting the accuracy standards audit, no prior year results

exist for comparison.

#### IV. Conclusion

The overall accuracy rate for Cycle 1 is 96.5% for approvals and 95% for denials. Since the publication of the State Auditor's 2017 report on Medicaid eligibility determinations, the Department and local county departments of social services have invested much time and effort into strengthening the policies and procedures around Medicaid eligibility determinations, including continuing to share best practices from successful counties with the others. However, it is evident that more work and resources are needed to reach and maintain our accuracy standard goals. Challenges, such as high staff turnover in the county DSS and competing system change priorities at the Department, continue to require creative solutions from teams already stretched to capacity. The Department is committed to partnering with the local county DSS' to ensure Medicaid beneficiaries receive accurate and timely eligibility services.

Appendix A:  
Medicaid Eligibility Determinations Accuracy and Quality Assurance

**§ 108A-70.51. Reporting.**

Beginning with the calendar year 2020, no later than March 1 of each year, the Department shall submit a report to the Joint Legislative Committee on Medicaid and NC Health Choice, the Fiscal Research Division, and the State Auditor that contains the following information about the prior calendar year:

- (1) The percentage of audited county departments of social services that met the accuracy standards adopted under G.S. 108A-70.47 in the prior fiscal year.
- (2) The percentage of audited county departments of social services that met the quality assurance standards adopted under G.S. 108A-70.48 in the prior fiscal year.
- (3) The audit result for each standard adopted under G.S. 108A-70.47 for each county of department services in the prior fiscal year.
- (4) The number of years in the preceding 10-year period that any county department of social services failed to meet the standards in G.S. 108A-70.47 or G.S. 108A-70.48.
- (5) A description of all corrective action activities conducted by the Department and county departments of social services in accordance with G.S. 108A-70.49.
- (6) For every county in which the performance metrics for processing Medicaid applications in an accurate manner do not show significant improvement compared to the previous audit of that county, a description of how the Department plans to assist county departments of social services in accuracy and quality assurance standards for Medicaid applications. (2017-57, s. 11H.22(c); 2018-5, s. 11H.5(c).)

Appendix B:  
Quality Assurance Standard

2nd Party Medicaid Eligibility Corrective Action, CY 2019							
Number of Cases Reviewed by REDA Cycle 1 Counties							
County	Minimum Quarterly Sample Size	Quarter 1	Quarter 2	Quarter 3	Quarter 4	CY 2019 Cases Reviewed	Difference (+/-)
Alamance	166	177	192	204	228	801	137
Caldwell	102	109	102	104	102	417	9
Catawba	161	695	500	343	250	1788	1144
Chatham	97	100	99	99	98	396	8
Durham	268	271	270	271	271	1083	11
Edgecombe	97	126	612	497	418	1653	1265
Forsyth	382	554	415	783	488	2240	712
Franklin	136	165	160	147	144	616	72
Gaston	247	413	413	430	351	1607	619
Gates	30	90	90	90	90	360	240
Granville	100	140	175	137	141	593	193
Guilford	560	813	683	779	653	2928	688
Haywood	68	77	82	90	88	337	65
Henderson	88	148	118	121	97	484	132
Hertford	69	69	69	69	69	276	0
Iredell	141	342	224	418	261	1245	681
Jackson	76	140	132	137	144	553	249
Madison	46	62	84	244	184	574	390
Martin	64	64	64	64	64	256	0
Mecklenburg	999	1004	1029	1026	1021	4080	84
Randolph	163	427	321	365	65	1178	526
Rockingham	109	141	213	180	145	679	243
Rowan	162	162	287	293	173	915	267
Swain	86	89	91	92	87	359	15
*Tyrrell	30	32	30	32	30	124	2
Union	158	158	154	162	158	632	0
Wake	661	807	839	868	822	3336	692
Warren	53	65	69	46	75	255	43
Wilkes	77	82	166	93	135	476	168
Yancey	40	40	40	40	40	160	0
Statewide	5436	7562	7723	8224	6892	30401	8657

\*Note: There were only 15 cases subject to review for 1<sup>st</sup> Qtr.

Appendix C:  
 County Audit Results for Medicaid Eligibility by County

<b>Recipient Eligibility Determination Audit</b>			
<b>Cycle I - Calendar Year 2019 - 30 Counties</b>			
<b>Accuracy Standards</b>			
<b>County</b>	<b>Approved 96.8%</b>	<b>Denied/Terminated 96.8%</b>	<b>Technical Errors 90.0%</b>
Alamance	95.0%	90.0%	72.5%
Caldwell	98.0%	94.0%	87.5%
Catawba	97.0%	98.0%	92.5%
Chatham	99.0%	98.0%	94.5%
Durham	96.0%	96.0%	86.5%
Edgecombe	95.0%	91.0%	85.5%
Forsyth	95.0%	94.0%	70.5%
Franklin	98.0%	97.0%	92.0%
Gaston	97.0%	94.0%	90.0%
Gates	98.0%	99.0%	91.5%
Granville	96.0%	91.0%	91.5%
*Guilford	90.0%	93.0%	72.0%
Haywood	96.0%	94.0%	87.5%
Henderson	97.0%	94.0%	86.5%
Hertford	97.0%	94.0%	79.0%
Iredell	99.0%	95.0%	87.5%
Jackson	97.0%	97.0%	88.5%
*Madison	98.0%	92.0%	84.0%
Martin	94.0%	97.0%	85.0%
*Mecklenburg	93.0%	92.0%	74.5%
Randolph	94.0%	97.0%	66.5%
Rockingham	98.0%	98.0%	94.0%
*Rowan	96.0%	94.0%	85.0%
Swain	96.0%	96.0%	93.5%
Tyrrell	99.0%	97.6%	94.5%
Union	95.0%	96.0%	85.5%
*Wake	97.0%	99.0%	87.5%
Warren	98.0%	91.0%	76.5%
*Wilkes	98.0%	100.0%	95.5%
Yancey	100.0%	93.0%	85.5%

\*County was included in the 2017 State Auditor's Report on Medicaid Eligibility

Appendix D:

Joint State/Local Agency Accuracy Improvement Plan

Department of Social Services

**REQUIREMENT:** Accurate processing of Medicaid applications/redeterminations to meet the State standards.

**ACCURACY STANDARDS**

- Only eligible applicants are approved for Medicaid benefits 96.8% of the time.
- Eligible applicants are not denied/terminated 96.8% of the time

Note: The eligibility determination process is free of technical errors that do not change the outcome of the eligibility determination 90% of the time.

<p><b>STATE POINT OF CONTACT</b></p> <p>Name: _____</p> <p>E-mail address: _____</p> <p>Phone number: _____</p>		<p><b>COUNTY POINT OF CONTACT</b></p> <p>Name: _____</p> <p>E-mail address: _____</p> <p>Phone number: _____</p>		
<p><b>COUNTY METRICS</b></p> <p>[List programs and months out of compliance and associated accuracy metrics]</p>		<p><b>COUNTY SELF-ASSESSMENT</b></p> <p>[Brief summary of county self-assessment that lists reasons for failure to meet accuracy standards]</p>		
<p><b>CURRENT INITIATIVES</b></p> <p>[Initiatives/improvements currently underway to address accuracy issues; steps already taken in months prior to implementing AIP]</p>				
<p><b>ACTION PLAN</b></p>				
<p><b>KEY GOAL</b> (e.g. "Meet the 96.8% accuracy standard rate")</p>				
<p><b>Strategies &amp; Actions for Improvement</b></p>				
<p><b>Strategy/Action #1 For Completing Goal</b> (detailed description):</p>				
<p><b>Desired Outcome</b> (including associated metrics):</p>	<p><b>Target Dates and Checkpoints</b> (including targeted completion date):</p>	<p><b>Strategy/Action Owner</b></p>	<p><b>Resources Needed</b></p>	<p><b>State Actions/Support Required</b></p>

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**Strategy/Action #2 For Completing Goal** *(detailed description):*

Desired Outcome <i>(including associated metrics):</i>	Target Dates and Checkpoints <i>(including targeted completion date):</i>	Strategy/Action Owner	Resources Needed	State Actions/Support Required

**Strategy/Action #3 For Completing Goal** *(detailed description):*

Desired Outcome <i>(including associated metrics):</i>	Target Dates and Checkpoints <i>(including targeted completion date):</i>	Strategy/Action Owner	Resources Needed	State Actions/Support Required

Date of AIP Review: \_\_\_\_\_

Reviewed By: \_\_\_\_\_

Next Projected review of AIP: \_\_\_\_\_

**AIP PROGRESS REVIEW AND UPDATES**

*Section to be completed by authorized reviewer [INSERT TIME FREQUENCY] and findings reviewed by [COUNTY NAME] Director.*

**SUMMARY (key findings of review):**

**KEY STEPS PRIOR TO NEXT REVIEW:**

**TARGETED IMPROVEMENT UPDATES**

*Complete 1 row for each targeted improvement identified in the original AIP*

**STRATEGY/ACTION #1 [List associated action]:**

Metrics	Status	Actions	Recommendations for Enhancement and Monitoring of AIP
<b>TARGET GOAL:</b>  <b>LAST REVIEW [insert status at last review]:</b>  <b>CURRENT:</b>	<input type="checkbox"/> Achieved <input type="checkbox"/> In Progress – On Schedule <input type="checkbox"/> In Progress – Behind <input type="checkbox"/> Not Started	<input type="checkbox"/> Remove from AIP <input type="checkbox"/> Revise/Re-evaluate goal <input type="checkbox"/> Continue to Implement <input type="checkbox"/> Continue to Monitor	

**STRATEGY/ACTION #2 [List associated action]:**

Metrics	Status	Actions	Recommendations for Enhancement and Monitoring of AIP
<b>TARGET GOAL:</b>  <b>LAST REVIEW [insert status at last review]:</b>  <b>CURRENT:</b>	<input type="checkbox"/> Achieved  <input type="checkbox"/> In Progress – On Schedule  <input type="checkbox"/> In Progress – Behind  <input type="checkbox"/> Not Started	<input type="checkbox"/> Remove from AIP  <input type="checkbox"/> Revise/Re-evaluate goal  <input type="checkbox"/> Continue to Implement  <input type="checkbox"/> Continue to Monitor	

**STRATEGY/ACTION #3 [List associated action]:**

Metrics	Status	Actions	Recommendations for Enhancement and Monitoring of AIP
<b>TARGET GOAL:</b>  <b>LAST REVIEW [insert status at last review]:</b>  <b>CURRENT:</b>	<input type="checkbox"/> Achieved  <input type="checkbox"/> In Progress – On Schedule  <input type="checkbox"/> In Progress – Behind  <input type="checkbox"/> Not Started	<input type="checkbox"/> Remove from AIP  <input type="checkbox"/> Revise/Re-evaluate goal  <input type="checkbox"/> Continue to Implement  <input type="checkbox"/> Continue to Monitor	