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OFFICE OF THE STATE COMPTROLLER

July 2, 2009

Richard F. Daines M.D.
Commissioner
NYS Department of Health
Corning Tower
Empire State Plaza
Albany, NY 12237

Re: Report 2008-F-26

Dear Dr. Daines:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution; and Article II, Section 8 of the State Finance Law, we have followed up on the actions taken by officials of the Department of Health, to implement the recommendations contained in our audit report, *Eligibility of Children Enrolled in Child Health Plus B* (Report 2005-S-58).

Background, Scope and Objective

Child Health Plus B was created by the State Legislature in 1991 and is administered by the Department of Health (Department). It provides low cost or free health insurance to children under the age of 19 living in New York State. In administering Child Health Plus B, the Department contracts with 32 health insurance plans (Plans) throughout the State. The Department is responsible for overseeing Plan activities and performance, and ensuring children are appropriately enrolled based on eligibility guidelines. In carrying out this responsibility, the Department conducts annual audits of all Plans to ensure compliance with applicable eligibility requirements. Children may enroll in a Child Health Plus B plan if they are not eligible for Medicaid, the State's public employee health benefits plan, and are not covered by any other health insurance plan. Plans that incorrectly determine eligibility for Child Health Plus B enrollees must reimburse the State for any premiums paid on behalf of such ineligible enrollees.

Our initial audit report, which was issued on April 4, 2007, examined the eligibility of children enrolled in Child Health Plus B. We found more than 20,000 enrollees who were ineligible because they were either simultaneously enrolled in Medicaid, were eligible for coverage under the State's public employee health benefits plan (NYSHIP), or had other health insurance coverage during the time of their Child Health Plus B enrollment. Department premiums paid to health insurance plans on behalf of these inappropriate enrollments totaled more than \$2.6 million.

We also found that enrollments in Child Health Plus B were not always supported by accurate eligibility documentation, not all fields in the Child Health Plus B database met various unique business rules for data accuracy, and that the database could be enhanced to ensure validity of the data.

The objective of our follow-up was to assess the extent of implementation, as of June 8, 2009, of the 12 recommendations included in our initial report.

Summary Conclusions and Status of Audit Recommendations

We found Department officials have made progress in implementing the recommendations identified in our prior audit report. Of the 12 prior audit recommendations, eight recommendations have been implemented and four recommendations have been partially implemented.

Follow-up Observations

Recommendation 1

Investigate all enrollees we identified as ineligible and recoup all related overpayments.

Status - Partially Implemented

Recommendation 2

Investigate enrollments we identified as potentially ineligible based on similar enrollment information and those who appear to have had other third party insurance and recoup all overpayments.

Status - Partially Implemented

Agency Actions for Recommendations 1 and 2 - We found the Department investigated but did not recoup any funds for those enrollees we identified as ineligible or potentially ineligible in our prior audit. Our original audit identified 20,809 ineligible enrollees, for whom \$2,644,016 in Child Health Plus B net premiums had been paid. These enrollees included 18,575 with Medicaid, 1,989 with access to NYSHIP and 245 with third party insurance. (Please note each enrollee could represent up to six multiple enrollments for the same child.) The audit also identified an additional 1,032 enrollees who were potentially ineligible for Child Health Plus B because they may have had third party insurance. Net premium payment amounts for these enrollees were \$131,700.

The Department's investigation identified duplicate enrollments as follows: 2,838 with Medicaid, and 245 Interplan (enrollments between plans) but they did not recoup any payments. According to the Department, they do not recoup retroactively for Interplan and Medicaid duplicates. Changes in status for these enrollees are only made going forward. The Department stated that the plans correctly determined the eligibility of the enrollees based on the documentation presented, and that disenrollment is done at the end of the month the duplication is found. When a duplicate is found, the Department's Knowledge Information

Data System (KIDS) will “no pay” the enrollee for the following and subsequent months so no further payments are made to the plan. The plan will then disenroll the child from the system. According to Department officials, they plan to obtain access to encounter claim data by the fall of 2009 that will allow it to review historical encounter claim data to determine if, in fact, the health plan incurred a risk for any services provided for an enrollee.

The Department investigated the 245 cases where our prior audit identified the enrollee might have had third party insurance coverage, and found that they represented 178 individual enrollees. Based on a sample of 30 of these enrollees, the Department concluded that they had not had third party insurance for an extended period of time before our original audit, and that no further reviews or actions were warranted.

Recommendation 3

Improve processes currently used to identify multiple enrollments in Child Health Plus B and other health insurance programs. Consider performing analyses based on the similarity of names and other identifying information, improving coordination with the Medicaid program to increase the effectiveness of the prospective review process, identifying occurrences in which enrollees are dually enrolled by the same Plan, and gaining access to other databases.

Status - Implemented

Recommendation 6

Review and enhance controls for identification of duplicate enrollments.

Status - Implemented

Agency Actions for Recommendations 3 and 6 - We found the Department has improved the processes used to identify multiple enrollments in Child Health Plus B and other health insurance programs, as well as its ability to identify duplicate enrollments. In July 2007, the Department enhanced its process to identify duplicate enrollments. These enhancements included data standardization techniques to account for spelling differences and data entry errors. To enhance its ability to identify multiple enrollments, the Department now receives an updated database from the NYS Department of Civil Service of all NYSHIP enrollees on a weekly basis. In August 2008, the Department began matching Child Health Plus B enrollment against this database to identify children enrolled in both Child Health Plus B and NYSHIP. Plans are then required to follow-up with families to verify the enrollment of children identified as dually enrolled and take appropriate action.

According to Department officials, they have also researched the possibility of using a contract the Office of the Medicaid Inspector General (OMIG) has for third party recoveries. This contract has a two step process to identify potential matches of applicants who have third party insurance. However, this verification process is very costly. The Department is exploring whether to enter a similar contract with a vendor that would meet its

needs. The Department also would prefer if the plans would confirm third party insurance with the applicants.

Recommendation 4

Determine whether the Plans are complying with temporary enrollment procedures. If not, take the necessary steps to foster compliance.

Status - Implemented

Agency Action - We found the Department has taken steps to ensure plans are complying with temporary enrollment procedures. All plans are audited annually to ensure compliance with all federal and state rules and regulations, Child Health Plus contract provisions, and all Department policy directives. In addition, on July 6, 2007, the Department issued a new policy (ADM #A-54) that states that temporary enrollment in Child Health Plus B is no longer available for newly applying children who appear to be Medicaid eligible. Health plans must refer these children either to a facilitated enroller or the Local Districts of Social Services to apply for Medicaid. Temporary enrollment is now limited to those children who appear eligible at recertification.

Recommendation 5

Recoup overpayments on duplicate enrollees.

Status - Implemented

Agency Action - The Department recouped approximately \$522,900 for 468 Intraplan duplicate enrollments (enrollments within the same plan) in August 2007. The Department also identified an additional 178 potential Intraplan duplicate enrollments that according to Department officials, turned out be enrollees who were twins or had very slight differences in the information used to match enrollees, such as name spelling or date or birth.

Recommendation 7

Follow up on the 16 files we identified and recoup all overpayments made to ineligible enrollees.

Status - Implemented

Agency Action - We found the Department has followed up on the 16 files identified during the audit and recouped overpayments to ineligible enrollees. In total, the Department recouped approximately \$17,042 for 14 enrollees. The Department reviewed the remaining two cases and determined they were eligible based on information contained in the case file and the information presented through the audit.

Recommendation 8

Take steps to improve the application process including, but not limited to, creating electronic worksheets to aid in calculations of income, program determination, and family premium contribution amounts.

Status - Implemented

Agency Action - We found that the Department has taken steps to improve the application process. On October 14, 2008, the Department released an RFP to develop an enrollment center for Medicaid and Child Health Plus. The enrollment center will augment the role of the local Departments of Social Services by providing additional capacity for the timely processing of enrollments and renewals, among other responsibilities. Once fully operational, the enrollment center will have an electronic interface with the Medicaid and Child Health Plus systems that will assist the enroller in determining what program the application is eligible for. Responsibilities of the enrollment center will include:

- Operating a Statewide Toll-Free Call Center for Medicaid, Family Health Plus and Child Health Plus;
- Developing and Operating a Statewide Telephone and Mail-in renewal system for Medicaid, Family Health Plus and Child Health Plus;
- Administering the Premium Assistance program;
- Administering the Family Health Plus Employee Buy-in Programs;
- Managing Web-Based renewal;
- Augmenting Marketing and Outreach Materials Developed by New York State Department of Health; and
- Processing new applications and other renewals.

The Department intends to award \$34 million for the project, subject to the availability of funds. The contract for the project should be awarded during the current fiscal year.

Recommendation 9

Provide Plans with reports of enrollees who appear to have access to State health benefits, have third party insurance, and who appear to be duplicate enrollments based on similarity of enrollment information.

Status - Partially Implemented

Agency Action - We found the Department has developed reports of enrollees who appear to have access to State health benefits and appear to be duplicate enrollees based on similarity of enrollment information. As reported in recommendation three, the Department has enhanced its process to identify duplicate enrollments and enrollees who appear to have access to State

health benefits. The Department is still working to identify enrollees who appear to have access to third party insurance. The Department has developed reports that are accessed by the health plans that list those enrollees that require follow-up by the health plan because they appear to be a duplicate enrollee or appear to have access to State health benefits. Health plans were notified of their responsibility to check these reports via letters from the Department, following the implementation of specific enhancements. For example, upon implementation of the match with the NYSHIP database, the health plans received a letter informing them of the implementation. These letters stated the plans are required to access reports that show children identified by the match as being enrolled in the both the health plan and NYSHIP. The letter informs the health plan of their responsibility to follow-up with the child's family to determine the child's eligibility and take appropriate action. Because the Department is still working to identify enrollees who appear to access to third party insurance, they have not yet developed reports for these employees.

Recommendation 10

Revise the methodology used to select records for testing during the annual eligibility audits of Plans to include additional tests based on risk analysis to test for such things as access to or enrollment in other health insurance and duplicate enrollments based on similarity of records.

Status - Implemented

Agency Action - We found the Department has expanded the cases reviewed during annual audits to include targeted cases based on risk. Previously, each audit included a review of up to 250 randomly selected records. This review is still included. However, in addition, the Department uses Audit Command Language (ACL) and other methods to select approximately 20 to 25 records for other targeted reviews such as duplicate enrollments, early disenrollments and NYSHIP cases. The Department provided us with an audit report that showed that these procedures have been implemented.

Recommendation 11

Strengthen controls over the Knowledge Information Data System to ensure the data is accurate.

Status - Implemented

Agency Action - We found the Department has strengthened controls over the Knowledge Information Data System (KIDS). Prior to the release of each new version of the software, which occurs at least annually to update the eligibility standards based on the latest federal poverty levels, the Department now tests the system using front end transaction software. The front end transaction software ensures the data is accurate and within the rules of the program. For example, the software identifies errors within the social security number such as being blank or not containing nine digits. Changes in the system are documented, tested and included in a validation file. All other software releases are based on programmatic changes and/or federal or state legislation.

Recommendation 12

Include tests of social security numbers that appear invalid during all audits and report back to Plans on the results and the need to ensure valid and accurate social security numbers.

Status - Partially Implemented

Agency Action - The Department has not modified its audit tests to include looking at social security numbers that appear invalid and to report this information back to plans. However, the Department has modified the business rules regarding edits on household social security numbers. For example, social security numbers cannot begin with “666” and the middle two digits and last four digits cannot be “0” unless all 9 characters are “0.” Additionally, the Department is working with the Office of Temporary Disability Assistance to develop a process to test the validity of social security numbers submitted by the health plans to KIDS. This process will be completed at the time of application and when a new social security number is entered or modified. The Department plans to design and implement their own automated system, and believes that this new process will result in more frequent and focused reviews than would have been conducted during annual audits.

Major contributors to this report were Todd Seeberger, Vicki Wilkins, Andrew Davis and Mark Radley.

We would appreciate your response to this report within 30 days, indicating any actions planned to address the unresolved issues discussed in this report. We also thank the management and staff of the Department for the courtesies and cooperation extended to our auditors during this process.

Very truly yours,

Michael Solomon
Audit Manager

cc: Thomas Lukacs, Division of the Budget
Mr. Stephen Abbott, Department of Health