

# **2020 Recipient Eligibility Determinations Audit**

**SL 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**

**March 25, 2022**

## Contents

I. Introduction .....	3
II. Methodology .....	4
III. Cycle 2 Accuracy and Quality Assurance Results .....	4
IV. Conclusion.....	8
V. Appendices .....	9
Appendix A: Medicaid Eligibility Determinations Accuracy and Quality Assurance .....	9
Appendix B: Quality Assurance Standard .....	10
Appendix C: County Audit Results for Medicaid Eligibility by County.....	11
Appendix D: Joint State/Local Agency Accuracy Improvement Plan .....	12

## I. Introduction

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

- 1) Annual statewide percentage of county DSS that met the accuracy standards adopted under G.S. 108A-70.47 in the prior fiscal year.
- 2) Annual statewide percentage of county DSS that met the quality assurance standards adopted under G.S. 108A-70.48 in the prior fiscal year.
- 3) Annual audit result for each standard adopted under G.S. 108A-70.47 for each county DSS.
- 4) Number of years in the preceding five-year period that each county DSS failed to meet the standards in G.S. 108A-70.47 or G.S. 108A-70.48.
- 5) Description of corrective action activities conducted by the Department and county DSS 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 did not show significant improvement compared to the previous fiscal year, a description of how the Department plans to assist county DSS 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 on an acceptable error rate by adopting the Centers for Medicare & Medicaid Services (CMS) eligibility error rate of 3.2%. The error rate threshold is applied as follows:

- 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.
- 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.
- 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.

This report reflects the results of Year 2 of the initial 3-year audit 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 has 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.

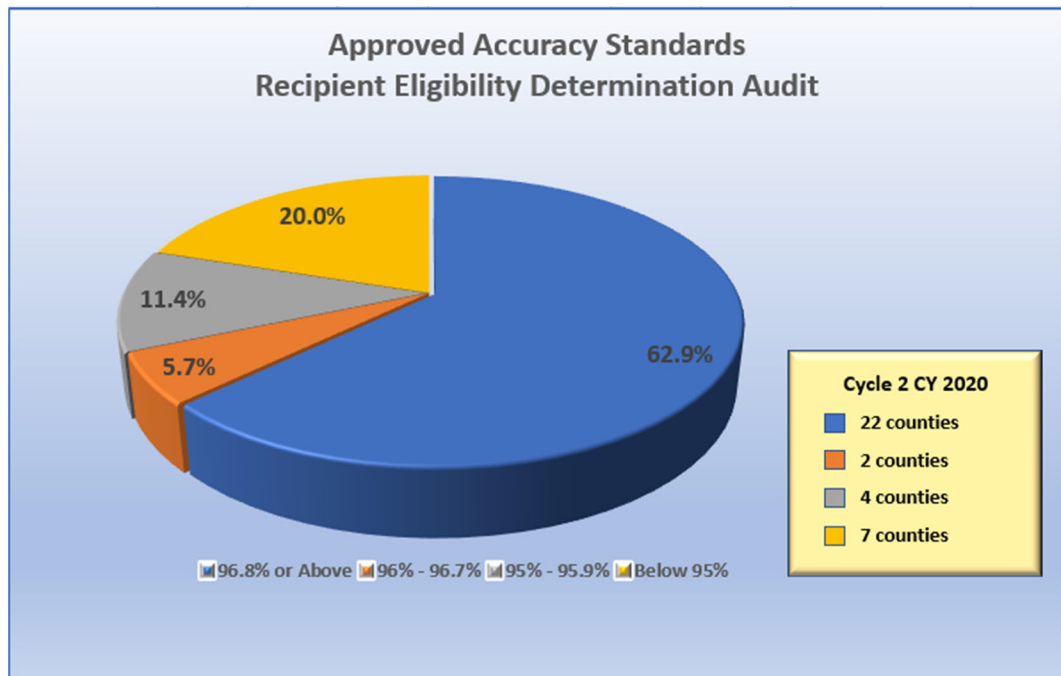
As previously noted, the 100 county DSSs are being audited over a three-year cycle. Cycle 1 conducted during CY 2019 included 30 counties; Cycle 2 conducted during CY 2020 included 35 counties; and Cycle 3 covering the remaining 35 counties will be conducted during CY 2021. A sample size of 200 eligibility determinations made in a 12-month period is audited for each county. The sample includes 100 initial Medicaid eligibility determination applications and 100 Medicaid reenrollment determinations. The audit procedures determine the county DSSs 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 2 Accuracy and Quality Assurance Results

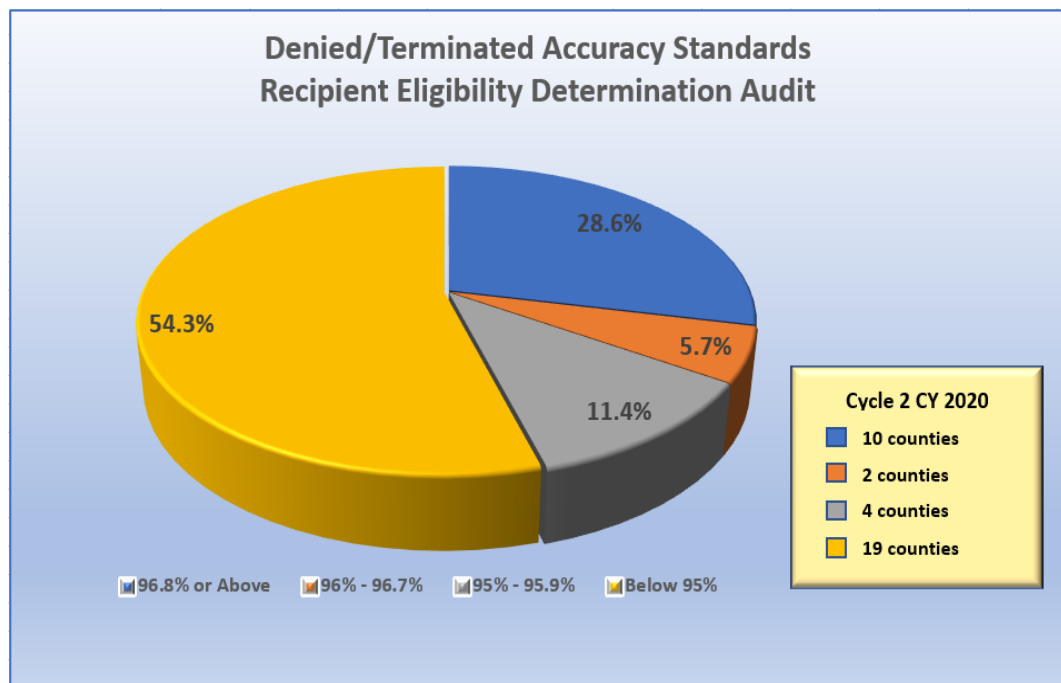
### 1. Statewide annual percentage of county DSSs that met the accuracy standards

- A. Approved - The overall accuracy rate for Cycle 2 was 96.2%. The Department reviewed 35 counties in Cycle 2 for Medicaid eligibility determination accuracy. The 96.8% accuracy rate of approved determinations was met by 22 (62.9%) counties. Another two (5.7%) counties fell just shy of the standard, achieving a 96.0% accuracy. The remaining 11 (31.4%) counties achieved at or just below a 95% accuracy rate.



**Note:** In January 2017, the Office of State Auditor (OSA) 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. Three 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 three counties included in OSA’s performance audit results.

- B. Denied/Terminated - The overall denied/terminated accuracy for Cycle 2 is 92.4%. The 96.8% accuracy rate of denied/terminated determinations was met by 10 (28.6%) counties. Another two (5.7%) counties fell just shy of the standard, achieving a 96.0% to 96.7% accuracy rate. The remaining 23 (65.7%) counties achieved an accuracy rate at or below 95%.



**Note:** The audit identified that federal timeliness guidelines were not consistently followed according to 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 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 SFY 2020, 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. Statewide percentage of county DSSs 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 quarterly and submit review details to the State. The requirements for compliance include documenting the review on the State-issued template, using 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 35 Cycle 2 counties successfully completed and met the Medicaid quality assurance minimum standards for calendar year 2020. Minimum sample sizes are based on county population (see Appendix B). OCPI QA reviewed the county -submitted reviews and noted four main training issues that were 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 using 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 Medicaid manuals to ensure relative policies can be successfully implemented.

**3. The annual audit results for each standard (eligible or ineligible) for each county DSS are as follows:**

The review of Medicaid eligibility determinations actions conducted by the county DSSs were completed by February 2021. Cycle 2 tested 7,000 individuals to verify Medicaid eligibility determinations were performed accurately and timely. See Appendix C: Annual Recipient Eligibility Determination Audit results by county.

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

As this is the initial year for Cycle 2 counties of the accuracy determination audit, no prior years' 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 2 failed to successfully complete the quality assurance reviews implemented for CY 2020.

## 5. Corrective action activities conducted by the Department and county DSSs.

Throughout the audit each month, OCPI QA provided counties with their error findings, root causes and best practice suggestions to improve the 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 initiated a partnership of State Medicaid staff and county leadership to work with those counties not currently meeting the accuracy requirements. County leadership includes the 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 identified in Cycle 1 (21 counties) that failed to meet the state accuracy rate were placed under an Accuracy Improvement Plan (AIP) according to the requirements of GS 108A-70.49. (See Appendix D.)

The Department's OST was assigned to monitor the AIP process through weekly calls and monthly virtual meetings to identify gaps and discuss any recommendations needed to meet the accuracy rate. DHB are reviewing eligibility determinations based on AIP created by county and the Department. If the county meets the goal for both active and/or negative accuracy standards (based on the accuracy standards the county identified as underperforming) for at least three consecutive months AND that adequate controls are in place to ensure sustainability, the county will be released from the State's corrective action plan.

The Department continues to provide 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 has instituted the NC FAST Certification program which is currently being rolled out to all counties. Certification results are provided to the state to verify the process is in place and the steps to monitor actions are received monthly.

NC FAST implemented two additional processes to streamline the eligibility determination process based on audit findings. Those new automations are the Straight-Through process of eligibility determination and the Reasonable Compatibility Income calculation. The Straight-Through process will use electronic online verifications to verify and input identified income for beneficiaries with stable income or online verification income received. It will require no worker action which will eliminate county staff misapplied income policy and keying errors. The second approach the Department implemented was a 10% Reasonable Compatibility approach (self-attestation versus online income verification from electronic sources). This tool will allow for a 10% discretion between self-attestation and online verification to use for income verification. These two system enhancements should reduce county staff workload activities and reduce findings on income calculation and data entry errors. A Quality Assurance webinar was conducted in December 2020 on implementing internal control processes and evaluating existing controls to provide structured recommendations for implementing eligibility determinations decisions. This webinar is posted on the NC Medicaid website for future reference and training for all 100 counties and the Department.

The State continues to share the "Compliance and How to Strengthen Internal Control Processes" that is posted on the [NCACDSS website](#) for reference and training for those counties subject to an Accuracy Improvement Plan.

- 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 2 is 96.2% for approvals and 92.4% for denials. Since the publication of the State Auditor's 2017 report on Medicaid eligibility determinations, the Department and county DSSs have invested much time and effort into strengthening the policies and procedures for 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 the Department's accuracy standard goals. Challenges, such as high staff turnover in the county DSSs 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 county DSSs to ensure Medicaid beneficiaries receive accurate and timely eligibility services.



## V. Appendices

### Appendix A: Medicaid Eligibility Determinations Accuracy and Quality Assurance

#### Session Law 2017-57, Section 11.H.22(c)

**SECTION 11H.22.(c)** Article 2 of Chapter 108A of the General Statutes is amended by adding a new Part to read: "Part 11. 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:

- a. 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.
- b. 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.
- c. The annual audit result for each standard adopted under G.S. 108A-70.47 for each county of department services.
- d. 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.
- e. 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.
- f. 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."

#### Session Law 2018-5, Section 11.H.5(c)

G.S. 108A-70.51 reads as rewritten: 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 ~~annual statewide~~ 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 ~~annual statewide~~ 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 ~~annual~~ audit result for each standard adopted under G.S. 108A-70.47 for each county of department ~~services~~ services in the prior fiscal year.
- (4) The number of years in the preceding ~~five-year~~ 10-year period that ~~each 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 ~~fiscal year~~ 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."

## Appendix B: Quality Assurance Standard

2nd Party Medicaid Eligibility Corrective Action, CY 2020							
Number of Cases Reviewed by REDA Cycle 2 Counties							
County	Minimum Quarterly Sample Size	Quarter 1	Quarter 2	Quarter 3	Quarter 4	CY 2020 Cases Reviewed	Difference (+/-)
Alexander	73	372	261	295	257	1185	893
Alleghany	30	50	59	60	63	232	112
Anson	73	375	85	178	260	898	606
Ashe	57	112	110	122	79	423	195
Avery	32	32	32	32	32	128	0
Bertie	58	81	119	106	137	443	211
Bladen	96	221	148	143	144	656	272
Buncombe	232	265	350	476	465	1556	628
Burke	104	233	158	185	178	754	338
Cabarrus	180	384	341	445	394	1564	844
Caswell	56	61	60	70	56	247	23
Cherokee	70	80	80	75	80	315	35
Cumberland	401	506	781	720	594	2601	997
Currituck	30	30	30	30	30	120	0
Dare	49	155	123	153	129	560	364
Davidson	168	366	376	331	440	1513	841
Davie	71	75	60	80	71	286	2
Halifax	85	114	90	128	67	399	59
Hoke	132	178	187	147	173	685	157
Lenoir	87	344	338	271	307	1260	912
McDowell	110	110	110	110	110	440	0
Moore	74	95	85	102	91	373	77
Nash	122	143	128	128	124	523	35
Pasquotank	95	104	127	129	61	421	41
Perquimans	30	48	127	28	166	369	2
Person	88	115	96	181	134	526	174
Polk	33	116	109	107	107	439	307
Rutherford	81	158	265	134	148	705	381
Sampson	94	96	94	94	97	381	5
Scotland	60	85	93	92	76	346	106
Transylvania	61	61	65	81	110	317	73
Vance	84	90	90	90	90	360	24
Washington	39	318	143	484	271	1216	1060
Watauga	45	45	45	45	45	180	0
Wilson	112	944	1210	1183	1168	4505	4057
Statewide	3212	6562	6575	7035	6754	26926	13831

## Appendix C: County Audit Results for Medicaid Eligibility by County

<b>Recipient Eligibility Determination Audit</b>			
<b>Cycle 2 - Calendar Year 2020 - 35 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>
ALEXANDER	97.0%	96.0%	95.0%
ALLEGHANY	98.0%	95.9%	93.4%
ANSON	89.0%	74.0%	83.0%
ASHE	99.0%	100.0%	98.5%
AVERY	92.8%	89.9%	91.8%
BERTIE	97.0%	96.0%	92.5%
BLADEN	97.0%	91.0%	94.0%
BUNCOMBE	99.0%	99.0%	99.5%
BURKE	95.0%	94.0%	97.0%
CABARRUS	99.0%	98.0%	98.5%
CASWELL	97.0%	80.0%	92.5%
CHEROKEE	99.0%	95.0%	90.5%
CUMBERLAND	95.0%	88.0%	85.0%
CURRITUCK	97.0%	95.0%	97.5%
DARE	97.0%	99.0%	94.5%
DAVIDSON	98.0%	94.0%	82.0%
DAVIE	100.0%	98.0%	98.0%
HALIFAX	97.0%	92.0%	93.5%
HOKE	96.0%	94.0%	95.5%
LENOIR	90.0%	93.9%	85.9%
MCDOWELL	96.0%	95.0%	94.0%
MOORE	95.0%	92.0%	93.5%
NASH	90.0%	81.0%	77.0%
PASQOTANK	99.0%	98.0%	94.5%
PERQUIMANS	99.0%	97.9%	94.4%
PERSON	98.0%	94.0%	98.0%
*RUTHERFORD	97.0%	99.0%	99.0%
POLK	94.0%	85.0%	86.5%
SAMPSON	99.0%	97.0%	93.5%
SCOTLAND	98.0%	93.0%	96.5%
TRANSYLVANIA	98.0%	97.0%	95.5%
*VANCE	91.0%	82.0%	93.0%
*WASHINGTON	97.0%	85.7%	96.4%
WATAUGA	91.0%	88.0%	96.0%
WILSON	95.0%	87.0%	96.0%

\*County is 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.

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

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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.*

<b>SUMMARY (key findings of review):</b>	<b>KEY STEPS PRIOR TO NEXT REVIEW:</b>
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**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

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