

# The County of Seneca, New York Division of Human Services



## Targeted Medicaid Assessment Report as of September 30, 2003

### Report Distribution:

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## Background

Medicaid is a health plan developed by the federal government in 1965 as a companion to the Medicare program. The program is intended for residents who cannot afford to pay for their medical care. Eligibility for the program is through a means test that reviews the income and resources of the individual or family applying for coverage.

The Seneca County Division of Human Services (DHS), Department of Temporary Assistance operates the delivery of the Medicaid program to the Seneca County community on behalf of the New York State Department of Health (NYSDOH). The State requires this service of the County and regulates its activity via a vast collection of Medicaid regulations, controls and systems. Like all other counties in New York, Seneca must administer this program to its community while sharing in the expenses which are related to it. Seneca, in particular has a total Medicaid budget of approximately \$30 million, \$5 million of which is funded by the County itself.

## Purpose

The purpose of this assessment was to support DHS's management in developing and organizing a Medicaid Improvement program that supports Seneca County's business direction and objectives. This support included the following:

- A. Design and facilitate an initial workshop to orient key stakeholders and to develop a detailed project plan.
- B. Conduct interviews with members of the Division's Medicaid administration, staff development and frontline workers.
- C. Collect and analyze Medicaid claims data.
- D. Assess the efficiency and effectiveness of the administration of Medicaid at the Division.
- E. Work to identify and isolate operational improvements that will:
  - i. Reduce ineligible Medicaid case counts
  - ii. Reduce the average cost per Medicaid case
  - iii. Reduce overall abuse and fraud
  - iv. Reduce waste from process
  - v. Tighten the local use of Medicaid eligibility rules
  - vi. Optimize the Division's workforce
- F. Provide a numerical and financial analysis of the Division's Medicaid-related expenditures.
- G. Provide a written report to the Division's management, which highlights the key findings, areas for operational improvement and greatest opportunities for savings related to Medicaid expenditures.
- H. Provide a transition plan which reveals how to achieve the proposed savings efficiencies.

## Scope

Based on the objectives noted above, the scope of the engagement was as follows:

- A. We collected and reviewed Medicaid-related data from the NYSDOH.
- B. We organized and facilitated a project kick-off with *all* County management and staff who have *any* role in the administration of Medicaid within Seneca County.
- C. We conducted a series of data gathering efforts with DHS personnel. We requested, reviewed and analyzed budget information, caseload data, operations statistics and Medicaid claims data.
- D. We conducted a series of process-related information gathering. We investigated *how* Medicaid is administered and managed at Seneca County.
- E. With management, we explored root causes for recent facts and trends with regard to Medicaid spending and caseloads at Seneca County.
- F. We toured the DHS facility at Seneca County, which included an overview of their physical layout as well as their case folder management system/process.
- G. We conducted several, in-depth interview sessions with *all* DHS personnel who have *any* role in the administering of Medicaid at Seneca County.
- H. With the assistance of the DHS management and staff, we reviewed case folders for facts and supportive evidence.
- I. With the assistance of DHS management and staff, we obtained estimates regarding the impact of our recommendations.
- J. We validated all findings and estimates with DHS management.

## Opinion

In our opinion, the group of individuals which supports the Medicaid program at DHS does an excellent job of conducting business according to the guidelines, mandates and expectations of NYSDOH. The staff's individuals are experienced and well-versed in their roles, and management is knowledgeable as well as effective at meeting the expectations of the State. Furthermore, we did not discover any instances of DHS being out of compliance with New York State regulations.

It is also our opinion that significant opportunity exists to improve the performance and cost-effectiveness of the Medicaid organization at DHS by making modifications to *how* operations are conducted, as opposed to *what* is done or the regulations which must be adhered to. The net effect would be:

- A reduction of the Medicaid caseload, by identifying more ineligible clients.
- A decrease in the average cost per Medicaid case, without degradation of benefit to the client.

In order to achieve these results, we feel DHS must:

- Further standardize its policies and procedures, therefore strengthening the influence management has on the outcomes.

- Leverage opportunity to outsource services (a) which the County is not required to provide internally, (b) which are not core to the Division's (or the County's) purpose and (c) which are more cost effective through an external provider.
- Strengthen its controls by measuring and monitoring the performance of its day-to-day operations, not just the Medicaid programs.
- Shift clientele to the most cost-effective form of Medicaid coverage, while maintaining the appropriate level of benefit and service.

## Financial & Staffing Summary

The following is a summary of our recommendations, and their associated cost savings, cost avoidances and impact to Medicaid staffing levels. We must note that in order for DHS to realize any of this assessment's savings, it must first properly implement and manage the associated recommendations.

Recommendation	Cost Savings	Cost Avoidance	Gross \$	Local County \$	Staffing Level $\Delta$
Recertification Schedule	√		\$ 60,279	\$ 10,413	None
Standardization of Practices - Disabled	√		\$ 218,818	\$ 37,800	None
Self Employed and Not Claiming Income	√		\$ 145,879	\$ 25,200	None
Out of District/State Residency	√		\$ 72,939	\$ 12,600	None
Intake/Eligibility Interviews - @ Intake		√	\$ 350,109	\$ 60,480	None
Intake/Eligibility Interviews - @ Recertification	√		\$ 175,054	\$ 30,240	None
County-Operated Transportation Costs	√		\$ 82,657	\$ 20,664	None
<b>Totals</b>			<b>\$ 1,105,735</b>	<b>\$ 197,397</b>	

In the aggregate, by incorporating case-level research and estimates from DHS, we estimate an annualized, gross financial impact of \$1,105,735 (with a local County share of approximately \$197,397). These cost savings and cost avoidances – which constitute roughly 3% of the overall Medicaid budget – are possible without change to Medicaid regulations or DHS staffing levels.

## Management Response

All findings and recommendations were discussed with Keith Ashby, Sharon Secor, Charles Schillaci, Margaret Birmingham and Ellen Jenkins as of August 25, 2003. The management team at Seneca County has responded to this report via a letter to the residents of Seneca County, under separate cover.

## Final Note

The outcome of this assessment would not have been possible without the support of Commissioner Schillaci, Deputy Commissioner Birmingham, Director (of Temporary Assistance) Jenkins, and the high degree of cooperation from the *entire* Medicaid (and related) staff. We would like to thank each of them for their assistance during this assessment.

## Findings and Recommendations

### 1. Standardization of Practices

#### *Finding*

We found that the local framework for administering Medicaid needs to provide a more consistent approach for the staff's handling of the clientele, with regards to both eligibility determination and under care maintenance. It was also noted that there is a variable bias towards inclusion of clientele and not exclusion. In fact, on a scale of 1 to 10, with 10 being the most restrictive, Senior Examiners indicated that one team would score a 5 or 6, while other teams would score a 7 or 8.

We also found that there is not a sufficient framework in place to ensure standard interpretation of regulations, or to ensure that there is a consistent implementation of the Medicaid regulations between the teams. Management expressed that this is in part due to the fact that there has been some concern over the possibility that implementing standards may result in the turning away of eligible clients.

In addition, interviews with DHS personnel revealed that clients with disabilities are given more leniencies during the eligibility determination process, regardless of whether or not those clients are already recipients of SSI. More specifically, the local eligibility implementation is less rigorous in the analysis of a disabled client's financial resources. For example, a disabled client who is found to have a job (though income level is not known) is often still granted Medicaid benefits – particularly with SSI clients.

#### *Recommendation*

We recommend that DHS design and implement a new framework which standardizes both the interpretation and implementation of the Medicaid eligibility regulations. This new framework needs to ensure the dissemination and governance of its new practices – for both DHS staff *and* facilitated enrollment. During the design phase, care should be taken to align the framework and its practices with the objectives of County Leadership.

#### *Financial Impact Estimate*

This is an over-arching recommendation which would have various, positive impacts that are difficult to quantify. However, we were able to estimate the financial impact from standardizing the treatment of the disabled population.

Upon review of actual cases, DHS was able to determine that the proposed standardization would enable them to identify and close approximately fifteen (15) cases which are currently deemed eligible, but should be considered ineligible. This is roughly 1.5% of the current disabled caseload. From that, we were able to estimate an annualized, gross savings of \$218,818 (with a local County share of approximately \$37,800).

***Impact on Medicaid Staffing Levels***

None.

## 2. Interpretation of Regulations

### ***Finding***

We found that DHS consistently referred to NYSDOH for Medicaid regulation interpretations. Given that the State's objectives may not always be 100% in alignment with those of Seneca County, there is the potential for compromising the objectives of the County Leadership. One likely outcome is an inappropriately high number of case openings.

Once a legal interpretation is made, whether locally or by the state, the process does not require the inquiring Medicaid team to communicate the results of that inquiry to their colleagues and other teams. Therefore, such communication often does not occur. This practice leads to duplicate inquiry efforts, inconsistent interpretations, and inconsistent handling of clientele. This issue further reinforces the need for procedural standardization.

In addition, there is opportunity for DHS's staff counsel to more frequently back the Medicaid Examiners in their desire to challenge the validity of a client's eligibility. Historically, staff counsel has taken a more conservative stance than that of the Examiners and, as such, more cases could potentially be challenged, deemed ineligible, and then closed.

### ***Recommendation***

We recommend that DHS adopt and govern a standard process for centralizing the Medicaid regulation interpretations, as well as the dissemination of the outcome of those interpretations. The Medicaid staff should then become trained and well-versed in those protocols.

### ***Financial Impact Estimate***

This is an over-arching recommendation which would have various, positive impacts that are difficult to quantify. As such, no financial impact estimate is given.

### ***Impact on Medicaid Staffing Levels***

None.

### 3. Key Measures

#### *Finding*

We found that DHS is well assimilated with other New York State counties in their tracking and use of State-mandated measures/metrics. Many of those measures are automatically tracked via State computer systems, and though those measures are useful for the tracking and accounting of the administering of the Medicaid program, they offer little help to the management of the Medicaid teams' operations, performance and costs.

As such, there is opportunity for DHS to improve its use of locally-implemented key measures, both in terms of quantity and quality. A few examples of measures which should be integrated into their operations are:

- Number of recertifications which were for HMO-related cases versus straight-MA cases.
- Number of recertification closings which were for HMO-related cases versus straight-MA cases.
- Average cost per case, by case type.
- Recertification closing rates for a 6-month recertification basis, versus a 12-month recertification basis.

#### *Recommendation*

There are several operations-related key measures which we have recommended to DHS for implementation and monitoring.

#### *Financial Impact Estimate*

This is an over-arching recommendation which would have various, positive impacts that are difficult to quantify.

#### *Impact on Medicaid Staffing Levels*

None.

## 4. Organization Optimization

### ***Finding***

We found that DHS's Medicaid program has a good organizational structure and sufficient resources within that organization to meet the workload of the Medicaid program. This is particularly true when compared to other New York State counties, some of which have Examiners carrying double or triple the caseload of Seneca County's Medicaid Examiners. The Medicaid Examiners have capitalized on this fact, however, by knowing their cases and clients better than many other counties would.

An example of this higher level of client awareness is the relatively high degree of Examiner knowledge of the job-search efforts which are made by their "employable" clients. Another example is the fact that Medicaid examiners handle Food Stamp cases in parallel with their Medicaid program responsibilities. This multipurpose role further enhances their overall awareness of the eligibility of those clients which receive both benefits.

As such, DHS's Medicaid Examiners have a relatively firm (though not absolute) grasp of the employability and/or legitimacy of their clients, thus enabling DHS to be more effective at minimizing their total caseload than most other counties. This is evidenced by DHS's low "recipient per capita" statistic, relative to other Upstate New York counties.

We also found there is opportunity for optimization within the organization. For example, interviews revealed that:

- Document preparation and/or retrieval often takes too long, thus reducing the timeliness of the intake and recertification processes.
- Too many administrative/clerical tasks are being handled by Examiners and Sr. Examiners.

We also found that DHS has not put in place an *ultimate* authority to oversee and ensure the local standardization and management of the processes and key measures for the delivery of the Medicaid program. For certain, DHS does manage their operations, but having a single point of authority would enhance their ability to standardize.

### ***Recommendation***

We would not recommend a reorganization of the Medicaid group at DHS; however we would recommend that DHS make subtle adjustments to each person's role within the organization. In doing so, the following needs to be accomplished:

- DHS management needs to ensure that the goals they are setting, measuring and managing against are in alignment with the objectives of County Leadership. They also need to ensure that the proper operational framework and standards are in place (and measurable), in order to realize their goals.

- DHS management should make a distinct point to monitor timeliness of activities, throughput of the organization, and analyze outcomes from any modification that is made to the processes of the organization.
- DHS should identify and hold accountable an individual within the organization who:
  - a. Oversees and ensures the *standardization* of practices and processes for the delivery of the Medicaid program.
  - b. Ensures the implementation of key measures (see “Key Measures” recommendation).
  - c. Reports the health and operational performance of the organization to the Commissioner.
- In lieu of sending the entire Medicaid Examiner staff to non-mandated training, DHS should look for appropriate opportunities to train their Sr. Examiners, who could then coach their team of Examiners.
- Sr. Examiners should more proactively emphasize their role as coaches to their teams, thus ensuring that standards, best practices and management-directed principles are being adhered to. Standardization, thoroughness and accuracy of the Examiners should be the focus.
- Examiners should maximize their time spent on interviews, determinations, recertifications and the identification of fraud and abuse.
- Typists should maximize their time ensuring the Examiners have the information they need to conduct interviews, investigations and recertifications in the most timely manner possible. As such, they need to focus on providing timely and accurate documentation and, as much as possible, prevent Examiners from performing tasks related to document preparation and collection.
- Typists should ensure that they are customer-focused, realizing that their primary customer is the group of DHS Examiners and, as such, be very deliberate in their efforts to achieve higher levels of customer support and satisfaction.

### ***Financial Impact Estimate***

This is an over-arching set of recommendations which would have various, positive impacts that are difficult to quantify.

### ***Impact on Medicaid Staffing Levels***

None.

## 5. Intake/Eligibility Interviews

### ***Finding***

We found that there is an opportunity to increase the intensity of the intake/eligibility interviews, thus reducing the number of ineligible applicants who enter into the Medicaid program. The current interview process does not require the Examiners to routinely or consistently ask applicants about *each* item in their application, nor does it sufficiently challenge applicant responses or applicant-provided documentation. A more critical interview process would better support one of intake's key objectives, which is to uncover instances of both intentional and unintentional Medicaid fraud.

### ***Recommendation***

We recommend that DHS adopt and govern a standard practice of verifying *all* of the information provided by each applicant. One of the objectives of this new, standard practice should be to ensure that all applicants are treated fairly and equally.

In addition, we recommend the standard practice of documenting statements and claims which are made by the applicant during the application process. The applicant should then be asked to review and validate their statements with their signature. This would reinforce with the client the importance of providing complete and accurate information, and provide the Examiner the opportunity to identify those occasions when a client is not presenting a consistent or truthful story.

### ***Financial Impact Estimate***

DHS estimates that the new intake/eligibility interview practices would enhance DHS's ability to identify ineligible applicants by an additional two (2) to four (4) application denials per month (roughly 2-4% of all applicants which are interviewed). From that, we were able to estimate an annualized, gross cost-avoidance of \$350,109 (with a local County share of approximately \$60,480).

These new practices would also impact the outcome of recertifications. DHS estimates that the new, more rigorous eligibility process will enable the staff to identify between fifteen (15) to twenty (20) case recertifications requiring closer scrutiny and corresponding "Just Cause" interviews. DHS management further estimates that this will result in an additional one (1) to two (2) cases closing per month. From that, we were able to estimate an annualized, gross savings of \$175,054 (with a local County share of approximately \$30,240).

### ***Impact on Medicaid Staffing Levels***

None.

## 6. Out of District/State Residency

### ***Finding***

We found that there is valuable opportunity to put in place a more aggressive process for investigating and denying applicants who are likely to have out-of-district or out-of-state residencies. It is known that such a population exists within Seneca County and, as such, this becomes both an issue and an opportunity for DHS.

Currently, local rent and utility bills are regarded as sufficient proof of residency and the applicant is not required to provide corroborative documentation. The result is that many of the individuals who are legally out-of-district and out-of-state applicants go unidentified and, thus, receive benefits for which they are not truly entitled.

### ***Recommendation***

We recommend that DHS adopt and govern a standard practice of screening all applicants to identify those who should produce additional, corroborative documentation as proof of residency. Loan applications and income tax filings should be strongly considered.

In addition, we recommend that all *current* Medicaid cases be screened at recertification to identify those active clients who should produce similar documentation.

### ***Financial Impact Estimate***

Upon review of actual cases, DHS was able to determine that the recommended practice would enable them to identify and close approximately five (5) cases which are currently deemed eligible, but should be considered ineligible. This is roughly 1/5 of 1% of the all Medicaid cases. From that, we were able to estimate an annualized, gross savings of \$72,939 (with a local County share of approximately \$12,600).

### ***Impact on Medicaid Staffing Levels***

None.

## 7. Self Employed and Not Claiming Income

### ***Finding***

Although DHS aggressively pursues the denial and closing of cases for applicants who fail to report income, we found that their analysis procedures do not make use of all the tools which are currently available to them.

For example, applicants who have owned and operated a business at a loss for more than three years are not currently required by DHS to liquidate their business in order to continue receiving Medicaid benefits.

Another example is that the current process does not utilize the applicant's expenses as a proxy for income. Another New York State county has determined that it is legal to utilize expenses in this manner, thus recognizing that if an applicant spends \$X per month on traceable items such as home mortgages, car loan payments, utilities and credit cards, then it stands to reason that the applicant has an income source which meets or exceeds that \$X per month.

### ***Recommendation***

We recommend that DHS give serious consideration to adopting and governing a standard practice of screening all applicants to identify those who should produce additional, corroborative documentation which shows actual, paid expenses. The eligibility process should then use that information to calculate the minimum, likely income level of the applicant. Well documented expenses such as mortgages, rent, car loans and credit cards should all be strongly considered.

In addition, we recommend that all *current* Medicaid cases be screened at recertification to identify those active clients who should produce similar documentation.

### ***Financial Impact Estimate***

Upon review of actual cases, DHS was able to determine that the recommended practice would enable them to identify and close approximately ten (10) cases which are currently deemed eligible, but should be considered ineligible. This is roughly ½ of 1% of all Medicaid cases. From that, we were able to estimate an annualized, gross savings of \$145,879 (with a local County share of approximately \$25,200).

### ***Impact on Medicaid Staffing Levels***

None.

## 8. Front-End Detection System (FEDS)

### ***Finding***

We found that DHS's policy for selecting and assigning intake applications for FEDS investigations is both random and insufficient to prevent fraudulent applicants from enrolling in Medicaid. In addition, the backlog of investigations (in the months reviewed) is more than 95 cases. The intake process has been generating too many referrals to the FEDS team, thus creating a bottleneck and preventing the timely processing of fraud investigations. As a result, DHS runs a higher risk of providing benefits to fraudulent and ineligible applicants.

Medicaid Examiners are also lacking a mechanism for pre-screening clients for FEDS investigations. As was mentioned by the "Intake/Eligibility Interviews" finding in this report, we found that the interview process does not provide a rigorous enough verification of client applications. This results in responsibility and workload being shifted onto the fraud team, thus creating a bottleneck.

It is worth noting that, independent of our assessment, DHS has recognized this issue and has promptly been modifying its process for improving the identification of cases which should undergo a FEDS investigation.

### ***Recommendation***

We support the actions taken by DHS and recommend that they monitor the new process closely. This would reinforce the Examiners' need to appropriately screen applicants and conduct rigorous interviews in order to minimize the number of inappropriate referrals to the fraud unit. DHS needs to continuously monitor and enforce the use of all of its available fraud detection tools, thus ensuring that all applicants are appropriately screened.

### ***Financial Impact Estimate***

As was mentioned earlier, DHS has recognized this issue independent of our assessment – and our recommendation to closely monitor the new process would only reinforce savings, not create additional savings. As such, no financial impact estimate is given.

### ***Impact on Medicaid Staffing Levels***

None.

## 9. Recertification Schedule

### ***Finding***

We found that there is an opportunity to reduce the number of months that a Medicaid client lingers in the system once they have fallen out of eligibility. Each month, DHS obtains a list of clients who are up for recertification of eligibility. The Medicaid teams then conduct a recertification for each of those clients, and process a case closing for each of the clients which have become ineligible. We found that the timing of the State-generated recertification list does not enable the timely processing of Medicaid recertifications, thus the final determination transaction takes place after the State's monthly deadline. This causes a case's actual closing to roll over to the next month, which results in an extra month of Medicaid coverage for the client. This is particularly wasteful for those clients who are enrolled in either Managed Care or Family Health Plus since those payments are made to the HMO, regardless of whether or not the client makes use of that coverage.

### ***Recommendation***

We recommend that DHS advance the initiation of its monthly recertification cycle by 15-25 days, thus ensuring that the recertification closings are transacted by the monthly deadline.

### ***Financial Impact Estimate***

Based on year 2002 and 2003 recertification closings and caseloads, we estimate an annualized, gross savings of \$60,279 (with a local County share of approximately \$10,413).

### ***Impact on Medicaid Staffing Levels***

None.

## 10. County-Operated Transportation Costs

### *Finding*

We found that Seneca County's costs for providing transportation far exceed the costs of providing a similar level of service via contracted providers.

### *Recommendation*

We recommend that Seneca County either increase the number of County-provided transports to DHS in order to achieve better economies of scale, or discontinue County-provided transports in favor of external/contracted providers.

If the former alternative is pursued, we recommend that Seneca County develop a more robust transportation scheduling process, as well as establish standard routes to remote locations. This would increase the number of transports per trip and decrease the unit cost per transport. Furthermore, the County should adopt the following, complementary practices:

- Schedule transports such that drivers are not idle while awaiting the completion of the client's appointment.
- Improve resource utilization by increasing the number of overall transports provided by County staff without increasing the number of cars, drivers or hours worked.

### *Financial Impact Estimate*

In collaboration with DHS, we analyzed the cost of transportation. Both the costs and outcomes from year 2002 were utilized to calculate the actual average cost per transport (\$44.68) and average cost per trip (\$61.60) for County-provided transports. We then estimated what those same transports would have cost, had DHS instead used an external/contracted provider (at \$14.00 per transport).

In total, we estimate an annualized, gross savings of \$82,657 (with a local County share of approximately \$20,664).

### *Impact on Medicaid Staffing Levels*

None. However, if the district decides to use contract providers to deliver these transports, seven (7) non-Medicaid, part-time-staff positions could be eliminated or reallocated.

## 11. County-Operated Transportation Approvals

### ***Finding***

Based on an analysis of pre-approved Medicaid transports in 2002 and the amount paid by New York State, we found that the amount paid by the State exceeded the amount approved by DHS by \$42,000 – including *only* transportation which requires pre-approval. Further review identified several transportation providers with which DHS is unfamiliar and, as such, the corresponding transportations were never approved.

In addition, there were several positive variances. For example, the number of transports approved by the district exceeded the amount provided/utilized. This is likely explained by the fact that many providers are pre-approved more than twelve months in advance of the actual service, thus falling outside the scope of a one-year analysis.

### ***Recommendation***

We recommend that DHS conduct an in-depth analysis, focusing on transportation alone, in order to better understand if the aforementioned variances are appropriate, or if they are caused by fraudulent activity. In the mean time, and in order to better manage this area, DHS should shorten the pre-approval time for transports to a period of approximately six months.

### ***Financial Impact Estimate***

This is a “good practice” recommendation which is not linked to specific dollar savings. As such, no financial impact estimate is given.

### ***Impact on Medicaid Staffing Levels***

None.

## 12. Over-Transportation

### *Finding*

We found that several pre-approved transportation providers deliver a level of transportation which exceeds the needs of the clientele. DHS management believes that this results from service providers not having a more appropriate level of service to offer.

### *Recommendation*

We recommend that DHS require that Medicaid clientele receive the appropriate level of transportation, based on the client's needs. Full services Medicaid providers that include Medicaid transportations in their portfolio of services should be expected to either develop more appropriate levels of transport service, or use one of the many other service providers in the community.

### *Financial Impact Estimate*

Further analysis is required to estimate the financial impact of over-transportation.

### *Impact on Medicaid Staffing Levels*

None.