



Department of Health
Bureau of Children with Medical Handicaps Audit

Audit Period: July 2014 through June 2015

Results Summary:

Objective	Conclusion
Medical Eligibility	Well-Controlled with Improvement Needed
Financial Eligibility	Improvement Needed
Invoice Payment	Well-Controlled with Improvement Needed

Report number: 2016-ODH-01

Issuance date: September 24, 2015



Executive Summary

Background

The Bureau of Children with Medical Handicaps (BCMh) links families of children with special health care needs to a network of providers and helps families obtain payment for the services their children need. BCMh's mission is to assure that children with special health care needs and their families obtain comprehensive care and services that are family centered, community-based, and culturally sensitive. BCMh receives funding from the federal Maternal and Child Health Block Grant, state general revenue funds, county tax funds, third-party reimbursements, and donations. During the period July 2014 through June 2015, BCMh received 342,658 claims and paid 261,189 invoices for approximately \$36 million.

BCMh clients must meet both medical and financial eligibility criteria. Clients that are enrolled in the Medicaid program are automatically financially eligible for the BCMh program. During the period July 2014 through June 2015, the BCMh received over 16,000 Medical Application forms and over 9,000 applications to determine financial eligibility.

During the audit, OIA identified opportunities for ODH to strengthen internal controls and improve business operations. OIA conforms to the *International Standards for the Professional Practice of Internal Auditing*. OIA would like to thank ODH staff and management for their cooperation and time in support of this audit.

This report is solely intended for the information and use of agency management and the State Audit Committee. It is not intended for anyone other than these specified parties.

Scope and Objectives

OIA staff was engaged to perform an assurance audit over the BCMh. The work was completed July through September 2015. The scope of this audit included key processes within the BCMh program. The scope did not include evaluation of treatment services for medical necessity. The scope also did not include tests over the operating effectiveness of the interface between the BCMh system (CMACS) and the Medicaid Information Technology System (MITS).

Audit objectives include:

- Evaluate the design and effectiveness of controls over BCMh medical eligibility.
- Evaluate the design and effectiveness of controls over BCMh financial eligibility.
- Evaluate the design and effectiveness of controls over BCMh invoice payments.



Detailed Observations and Recommendations

The Observations and Recommendations include only those risks which were deemed high or moderate. Low risk observations were discussed with individual agency management and are not part of this report. However, the low risk observations were considered as part of the audit objective conclusions.

Observation 1 – Financial Eligibility Determination Process

Supervisory oversight and monitoring over business operations and processes ensures that guidelines and requirements are followed and completed timely. Additionally, adequate reviews and monitoring provides a method of preventing errors or deficiencies, ensuring compliance, and an assurance that a desired level of quality is met.

The BCMH management does not conduct routine supervisory reviews over the financial eligibility determination processes to identify inappropriate approvals, errors, or omissions when recording financial information in the BCMH system (CMACS). Additionally, documentation to support income and deductions to determine financial eligibility helps ensure that only those who meet the eligibility criteria are determined eligible. However, the BCMH does not require applicants to submit documentation to support child care cost deductions other than applicants' self-reported amounts on applications.

OIA randomly tested 17 out of 9,907 Combined Program Applications that the BCMH received during the period July 2014 through June 2015 to determine if the applications included required documentation to support income and deductions and that financial eligibility was appropriately approved or denied by the BCMH. Testing results include the following:

- Eight (47%) applications were not received by the BCMH within 60 days (range of 66 and 139 days) after the application was mailed to the applicant, as required by Ohio Administrative Code (OAC) § 3707-43-15 (D)(3). The BCMH approved six of these applications.
- For five (29%) applications, the BCMH financial eligibility personnel, Resource Payment Specialists (RPS), did not accurately and completely enter income into CMACS from pay stubs and tax forms. The BCMH approved three of these applications; however, the errors did not result in inappropriate eligibility determinations.
- For two (12%) applications, the RPS did not accurately and completely enter insurance premium expense deductions into CMACS from supporting documentation. The BCMH approved one of these applications. In this instance, the BCMH granted the applicant a \$6,000 insurance premium expense deduction with no documentation to support the deduction amount other than the applicant self-reporting it on the application. The removal of this deduction would have resulted in the applicant not meeting financial



eligibility requirements.

- Two (12%) applications were approved without the BCMH obtaining a copy of a Medicaid approval or denial letter when the applicants were likely eligible for the Medicaid program based on family size and income. Medicaid eligibility determinations are critical for ensuring that BCMH is the payer of last resort.
- Two (12%) applications did not include copies of pay stubs and the most recent tax form submitted for federal income tax purposes, as required by OAC § 3707-43-16 (A)(3). The BCMH approved these two applications.

Additionally, one (6%) application included self-reported child care costs of \$135 per week. However, this application did not meet financial eligibility requirements and was denied.

Recommendation

To reduce error rates and help ensure accurate financial eligibility determinations consider any of the following:

- Enhance CMACS so that the financial eligibility determination process cannot proceed until the applicant has timely submitted all required documentation and Medicaid approval or denial letters, when applicable.
- To reduce the risk of data entry errors when recording income information into CMACS, reach out to the Office of Health Transformation to gain an understanding of the integrated eligibility initiative to explore the feasibility, risks, and benefits of a CMACS enhancement to obtain and use federal income tax data for the prior year to determine family income.
- To reduce the risk of data entry and calculation errors when recording deductions into CMACS from pay stubs, federal income tax forms, and other documents submitted by applicants, explore the potential risks and benefits of offering a standard deduction based on various factors to determine a family's maximum ability to pay for medical care. Such standard deductions may be most beneficial in reducing the administrative burden of calculating cost shares for applicants that do not meet financial eligibility requirements. Families with unusually high insurance premiums could submit documentation to qualify for higher deductions.
- Develop a risk-based supervisory review process so that applications most susceptible to errors are selected for review. Develop procedures for conducting preventative and detective supervisory reviews to include record of the review and any actions or findings. Risk factors may include:
 - Applications approved after applying payroll deductions for health-related insurance coverage and service level credits;



- Applications in which the family may be eligible for Medicaid based on family size and income; and
- Applications with pay stubs from multiple employers.
- Require applicants to submit documentation from third-party sources to validate all income and deductions.
- Create worksheets and templates to assist RPS personnel in completely recording information from pay stubs and tax forms and accurately calculating deductions. Update policies, procedures, and desk aids, as needed.
- Implement required periodic training programs for all RPS personnel to go over issues or findings identified during supervisory reviews as well as to provide training over routine processes.
- Evaluate the OAC requirement that applicants submit Combined Program Applications within 60 days of when BCMH mails applications to determine impact to financial eligibility determination processes. Take necessary steps to revise OAC requirements, as necessary.

Management Response

As part of its commitment to improving the agency's operational effectiveness and efficiency, the new Ohio Department of Health senior leadership team asked the OBM Office of Internal Audit last fall to conduct an independent assessment of the Children with Medical Handicaps (CMH) program. The request followed an ODH internal review of the CMH program which identified opportunities for improvement that the agency's senior leadership concluded warranted a deeper assessment of the program which OBM could provide.

ODH appreciates OBM's assessment and verification of opportunities to strengthen internal controls and improve business operations of the CMH program. While the OBM assessment was in progress, ODH began reviewing the construct of the CMH program and how program rules have been implemented in context of good management practices, the federal Affordable Care Act, and the extension of Medicaid coverage in Ohio. This process will incorporate OBM's findings and likely culminate in proposed changes to improve the CMH program's effectiveness and efficiency, and align it with good business practices and the new healthcare landscape. ODH will engage partners at the appropriate time in this process.

In particular, ODH is seeking opportunities to streamline the CMH program eligibility determination process to reduce the amount of rework required due to incomplete applications. In June 2014, the CMH program participated in focus groups with the Ohio Department of Medicaid to explore access to the Integrated Eligibility System. Access to the system would enhance the ability of the CMH program to verify federal tax information. This information would be used in concert with additional sources of income information to properly validate eligibility.



Management also is developing a supervisory review process to ensure that quality standards for financial eligibility are met. During the supervisory review, a random sample of approved cases will be evaluated. Risk factors used to determine selection for review will include multiple employers, previous claims exceeding \$500, and applications with multiple deductions. Areas which will be evaluated during the supervisory review process include, but are not limited to, household size, income validation, deduction validation, proper use of service credit, and evidence of Medicaid referral. Results will be shared with staff on a monthly basis, and will be used to train staff on maintaining accuracy, needed areas of improvement, methods to improve quality customer service, and methods to help improve process efficiency.

The CMH program also is increasing the documentation requirements for certain deductions. Effective October 31, 2015, program applicants will be required to provide documentation of any child care expenses, such as canceled checks or a payment ledger prepared by a licensed child care facility. If the family is unable to show documentation of the child care expense, the deduction for those expenses will not be allowed.

The CMH program provides a valuable service to eligible families with special healthcare needs, and ODH is committed to ensuring that the program operates with good business practices and is aligned with the new healthcare landscape.

Risk*	Remediation Owner	Estimated Completion Date
Moderate	Chief, Office of Health Improvement & Wellness	September 2016

Due to the limited nature of our audit, we have not fully assessed the cost-benefit relationship of implementing the observations and recommendations suggested above. However, these observations reflect our continuing desire to assist your department in achieving improvements in internal controls, compliance, and operational efficiencies.

* Refer to Appendix A for classification of audit observations.



Appendix A – Classification of Conclusions and Observations

Classification of Audit Objective Conclusions

Conclusion	Description of Factors
Well-Controlled	The processes are appropriately designed and/or are operating effectively to manage risks. Control issues may exist, but are minor.
Well-Controlled with Improvement Needed	The processes have design or operating effectiveness deficiencies but do not compromise achievement of important control objectives.
Improvement Needed	Weaknesses are present that compromise achievement of one or more control objectives but do not prevent the process from achieving its overall purpose. While important weaknesses exist, their impact is not widespread.
Major Improvement Needed	Weaknesses are present that could potentially compromise achievement of its overall purpose. The impact of weaknesses on management of risks is widespread due to the number or nature of the weaknesses.

Classification of Audit Observations

Rating	Description of Factors	Reporting Level
Low	Observation poses relatively minor exposure to an agency under review. Represents a process improvement opportunity.	Agency Management; State Audit Committee (Not reported)
Moderate	Observation has moderate impact to the agency. Exposure may be significant to unit within an agency, but not to the agency as a whole. Compensating controls may exist but are not operating as designed. Requires near-term agency attention.	Agency Management and State Audit Committee
High	Observation has broad (state or agency wide) impact and possible or existing material exposure requiring immediate agency attention and remediation.	Agency Management and State Audit Committee