Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

DETERMINING IF CHILDREN ENROLLED IN SEPARATE SCHIPS WERE ELIGIBLE FOR MEDICAID

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EXECUTIVE SUMMARY

OBJECTIVE

To determine whether children enrolled in separate State Children's Health Insurance Programs (SCHIP) were eligible for Medicaid.

BACKGROUND

The Balanced Budget Act of 1997, Public Law 105-33, established the SCHIP under Title XXI of the Social Security Act. To encourage States to expand child health insurance eligibility, the Federal match rate for States' SCHIP expenditures is greater than the rate for Medicaid. This creates a financial incentive for States to enroll children in SCHIP. Children may be eligible for SCHIP or Medicaid, but not both. To ensure States are not enrolling Medicaid-eligible children in SCHIP, the Balanced Budget Refinement Act of 1999 mandates the Office of Inspector General to sample States that administer separate SCHIPs every 3 years to determine the number of SCHIP enrollees, if any, who are eligible for Medicaid benefits.

Federal regulations require States to maintain an accounting system and supporting financial records to assure proper SCHIP enrollment and must include in each record facts to support the State's determination of SCHIP eligibility.

For a simple random sample of 386 cases from 34 States that administer a separate SCHIP, we reviewed case-file documentation according to each State's criteria to determine whether each child was eligible for SCHIP or Medicaid.

FINDINGS

Only 1 percent of children enrolled in separate SCHIPs were eligible for Medicaid. We definitively determined that 4 of the 386 children whose cases we reviewed were not eligible for SCHIP, but were eligible for Medicaid. This result echoes our finding from our February 2001 report on this same subject, which found only 9 of 500 children were enrolled in error, indicating that enrollment errors continue to be low.

However, inconsistent income calculations and lack of documentation create vulnerabilities. Thirteen percent of children's case files contained income calculations that were inconsistent with State guidelines or we could not duplicate the analysis using available case-file documentation. In addition, more than 7 percent of case files lacked documentation to support States' determinations of separate SCHIP eligibility. Based on our own calculations, other case-file documentation and information that States provided at our request, we found no reason to challenge State determinations for a majority of these cases.

CONCLUSION

Enrollment of Medicaid-eligible children in separate SCHIPs continues to be low. However, inconsistent income calculations and lack of documentation create vulnerabilities that, if not addressed, could lead to children being enrolled in separate SCHIPs despite being eligible for Medicaid, a result more likely true for children whose families' incomes are near the lower SCHIP income limit.

To keep errors low, the Centers for Medicare & Medicaid Services (CMS) may want to remind States of the need to maintain information in each case to support eligibility determinations and provide additional guidance to States regarding practices to ensure proper SCHIP enrollment.

AGENCY COMMENTS

CMS concurred with our findings and conclusions and noted that regulations currently in place support our suggestion that the agency work closely with States to ensure that States maintain sufficient information in each applicant's record to support the eligibility determination. The Health Resources and Services Administration expressed concern with what it believed was an inappropriately negative tone in light of the fact that very few children were erroneously enrolled in SCHIP. We agree that the finding of only 1 percent of children enrolled in separate SCHIP were eligible for Medicaid is positive. However, vulnerabilities we identified, if not addressed, could lead to children being enrolled in separate SCHIPs despite being eligible for Medicaid. We describe these vulnerabilities as a means to ensure that future error rates remain low.

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INTRODUCTION

OBJECTIVE

To determine whether children enrolled in separate State Children's Health Insurance Programs (SCHIP) were eligible for Medicaid.

BACKGROUND

The Balanced Budget Act of 1997, Public Law 105-33, established the SCHIP under Title XXI of the Social Security Act (the Act). Congress appropriated nearly $40 billion over 10 years to help States expand health insurance to children whose families earn too much to qualify for Medicaid, yet not enough to afford private health insurance. The SCHIP is designed to help reduce the number of uninsured low-income children by providing them with health care coverage.

To cover uninsured children under Title XXI, States can design a separate SCHIP and/or expand their existing Medicaid program. The option for a separate SCHIP permits States to adopt programs that closely resemble private health insurance and allows States considerable flexibility in defining eligibility and coverage options.

This inspection addresses those 36 States that administer a separate program. As of January 1, 2003, 19 States administered only a separate SCHIP and 17 States administered both a separate and an expansion SCHIP. At the end of the third quarter of Federal fiscal year 2003, 2.9 million children were enrolled in separate SCHIPs in these 36 States.[1]

Enhanced Federal Match Rates and Legislative Requirement for Office of Inspector General Studies.

To encourage States to expand child health insurance eligibility, the Federal match rate for States' SCHIP expenditures is greater than the rate for Medicaid. The average match rate for SCHIP is 72 percent,

[1] The Centers for Medicare & Medicaid Services' third quarter fiscal year 2003 enrollment population is similar to the timeframes of our review period. "[Fiscal Year] 2003 Third Quarter - Program Enrollment Last Day of Quarter by State- Total SCHIP." Retrieved June 3, 2004, from http://www.cms.hhs.gov/schip/enrollment/2003pit3qt.pdf.

while the average rate for Medicaid is 60 percent.[2] This creates a financial incentive for States to enroll children in SCHIP.

Based on a variety of factors, such as a family's countable income and child's age, children may be eligible for Medicaid or SCHIP, but never both. Title XXI of the Act requires States to screen SCHIP applicants for Medicaid eligibility to prevent States from inappropriately maximizing Federal matching funds by enrolling Medicaid-eligible children in SCHIP.

Furthermore, the Balanced Budget Refinement Act of 1999 mandates the Office of Inspector General (OIG) to sample States that administer separate SCHIPs every 3 years to determine the number of SCHIP enrollees, if any, who are eligible for Medicaid. This study addresses this section of the mandate. In February 2001, OIG released the first mandated report on separate SCHIPs entitled "Ensuring Medicaid Eligibles are not Enrolled in SCHIP," OEI-05-00-00241. For that inspection, we selected 5 States and reviewed 100 cases per State to determine if Medicaid-eligible children were enrolled in separate SCHIPs. We identified 9 enrollment errors in the sample of 500 children.

Although the mandate does not require examination of the Medicaid-expansion SCHIPs, discussions with Congress indicated that interest existed in collecting information on these programs. Therefore, Medicaid-expansion programs will be addressed in a separate report.

The mandate also requires OIG to assess States' progress in reducing the number of uninsured children through their State-identified performance goals and strategic objectives. In August 2004, OIG issued a report addressing this portion of the mandate entitled "SCHIP: States' Progress In Reducing the Number of Uninsured Children," OEI-05-03-00280.

Screening SCHIP Applicants for Medicaid.

Federal regulations require States to screen all SCHIP applicants for Medicaid eligibility.[3] The screening must, at a minimum, identify those

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[2] Federal Register, November 30, 2001. Retrieved June 2, 2004, from http://www.aspe.hhs.gov/health/fmap03.htm.

[3] 42 CFR § 457.350(a).

children who are potentially eligible for Medicaid based on such factors as their age and family income falling below a percentage of the Federal Poverty Level (FPL).[4] Those children found to be eligible for Medicaid must be enrolled in Medicaid. When determining Medicaid eligibility, some States use resource or asset tests. These tests are based upon predetermined amounts, set by the State, that limit the amount of valuable material possessions (e.g., cash, cars, stocks, and bonds) a family can have in order for a child to be eligible for Medicaid. For instance, if a family owns a vehicle worth in excess of $3,000, they may not qualify for Medicaid because the value of their resources exceeds the State's resource limit. This could directly impact SCHIP enrollment because children who are found ineligible for Medicaid due to resource or asset tests may be determined eligible for SCHIP even if their family's countable income would otherwise make them eligible for Medicaid.

Determining SCHIP Eligibility.

If the Medicaid screening finds the child ineligible for Medicaid, then the State determines whether the child is eligible for SCHIP. States can establish their own criteria for SCHIP eligibility in accordance with Federal regulations. States' SCHIP criteria are broadly based on such factors as the family's countable income and the child's age.[5] The lower income limit for SCHIP, as a percentage of the FPL, is essentially the upper income limit for Medicaid, meaning that a child could be eligible for SCHIP or Medicaid, but not both. The SCHIP also has an upper income limit, as a percentage of the FPL, which a family's income cannot exceed. The upper and lower income limits for SCHIP vary by State.

To determine what percentage of the FPL a family's countable income represents, States first determine the family's gross income. Each State establishes its own procedure for calculating gross income. States generally take either an actual or averaged weekly income amount and multiply by 4 or 4.3, or an actual or averaged bi-weekly income amount and multiply by 2 or 2.15 to calculate a gross monthly income. Some

[4] 42 CFR § 457.350(b).

[5] 42 CFR § 457.310 and 42 CFR § 457.320.

States, however, use annual income amounts to determine eligibility rather than using monthly figures.

Generally, income disregards are amounts that are subtracted from the family's gross income. In most States, income disregards of $90 for each working parent and $50 for child support payments received, and a deduction of $175-$200 for childcare expenses are permitted by State policy. Not all States, however, have policies allowing the application of income disregards.

When applicable, the appropriate income disregards are subtracted from the family's gross income to arrive at the family's countable income. The family's countable income and the number of people in the household are then used to determine what percentage of the FPL the family's countable income represents, based on the Federal Poverty Guidelines published yearly in the Federal Register. If the family's countable income falls within the eligibility range the State established for the child's age group, the child is determined income eligible for SCHIP. States must redetermine enrolled children's eligibility at least every 12 months.[6]

States' Documentation Requirements.

Federal regulations require States to maintain an accounting system and supporting financial records to assure proper SCHIP enrollment, and the State must include facts to support the determination of SCHIP eligibility in each record.[7] States choose the documentation that they require from families who apply and the processes they use to verify information. (See Appendix A for a listing of the States' verification and quality assurance practices.) Some of the common documentation found in a case file includes the following:

- application for SCHIP;
- copies of pay stubs or tax forms;
- proof of other income, such as Social Security or unemployment benefits;
- dependent care expenses;

[6] 42 CFR § 457.320(e)(2).

[7] 42 CFR § 457.226(a) and 42 CFR § 457.965.

- caseworker notes;
- calculation sheets the State used, which detail how gross and countable income were calculated; and
- the family's countable income used, and the corresponding FPL percentage.

States may choose to allow families to self-declare income information.[8] Self-declaration of income permits a family to state the amount of income grossed over a period of time (e.g., daily, weekly, monthly, or quarterly) without providing documentation, such as pay stubs or tax records. Fourteen States have chosen to allow some form of self-declaration. As such, State records may lack documentation to support family income, but Federal regulations require that the records must still contain facts to support their eligibility determinations (e.g., calculations, disregards).

SCOPE

The information obtained for this study is restricted to those States that were administering a separate SCHIP as of January 1, 2003. For a simple random sample of children enrolled in separate SCHIPs as of June 1, 2003, we determined whether a child was eligible for SCHIP, based on the child's age, family's countable income, and household composition. For those children whom we determined that their family's countable income fell below the lower income limit for SCHIP, we determined whether they were eligible for Medicaid or the reasons why they were appropriately enrolled in SCHIP. We did not evaluate eligibility determinations for pregnant women or adults enrolled in SCHIPs. Additionally, this report did not evaluate the Medicaid-expansion programs administered by States under Title XXI.

METHODOLOGY

Sample Selection

From each of the 36 States that administers a separate program, we requested the universe of children who were enrolled in separate SCHIPs as of June 1, 2003. The separate population in Rhode Island

[8] 42 CFR § 457.380(b).

consisted only of pregnant women. Michigan administers both a separate SCHIP and Medicaid-expansion. Michigan had difficulties providing us information about their program populations timely. We intend to explore challenges States face in providing program population information in a separate study. Both States were dropped from the study. We received information from 34 States and aggregated the State universes into a single population of 2.8 million. (See Appendix B.) From the population representing the 34 States, we selected a simple random sample of 400 cases for review. Due to their relatively small separate SCHIP populations, Indiana, Maine, Maryland, New Hampshire, North Dakota, and South Dakota did not have any cases selected as part of our sample.

Some of the children in our separate SCHIP sample from New Jersey were actually enrolled in Medicaid-expansion. After removal of nine of those cases, we were left with two cases in New Jersey. A similar problem occurred in Kentucky, resulting in five sampled cases that were selected from that State actually being enrolled in Medicaid-expansion. Since our sample population for this report was only separate SCHIP cases, we excluded these five cases from our analysis as well, which left no cases in Kentucky. This resulted in the exclusion of a total of 14 cases, bringing our total usable sample to 386.

Data Collection.

The case-file documentation we requested consisted of the SCHIP application or the most recent redetermination information, supporting income documentation (if appropriate), calculation sheets States used to calculate income, and any notes indicating family circumstances or explaining how eligibility was determined. States that allow families to self-declare income information were not required to provide income documentation. We reviewed this documentation to determine if children enrolled in separate SCHIPs were eligible for SCHIP based on each State's separate SCHIP income-eligibility criteria. For those children who were not eligible for SCHIP, we determined if they were instead Medicaid-eligible.

In each State, we collected information on the State's guidelines for their separate SCHIP, which included, but was not limited to, requirements for proof of income, age requirements, and the FPL limits. We analyzed the following elements of each case in accordance with each State's criteria for separate SCHIP eligibility:

- date of application or redetermination;
- age of the child at the time of the SCHIP eligibility determination;
- household composition (or number of people in the family);
- documentation used to support family income, which could include pay stubs, tax forms, or income information from State databases;
- family's gross income prior to any income disregards;
- family's countable income after any income disregards (calculated by OIG based on the case-file documentation as well as the caseworkers when this figure was available); and
- the FPL percentage represented by the family's countable income (calculated by OIG based on case-file documentation, as well as the caseworker).[9]

When the household composition, age, and countable family income were within the FPL and State program guidelines, we determined children income eligible for separate SCHIP, and therefore, we did not attempt to determine if these children were eligible for Medicaid. When it appeared that these factors were not within State program guidelines, we contacted the State to provide the State an opportunity to support the enrollment of the child. The States responded in one of three ways: (1) they provided additional information that we accepted as support for separate SCHIP enrollment; (2) they confirmed that an error in enrollment had been made; or (3) they were unable to provide documentation to support the eligibility determination, in which case we concluded that an error had occurred. An example of the worksheet we used in reviewing each case is found in Appendix C.

Separate SCHIP Administrators.

We gathered background information (such as how each program is administered, who determines eligibility, how States ensure proper enrollment, and unique programmatic features within each State) from

[9] OIG FPL percentage calculations were based on the date of application. Annual poverty level guidelines for 2003 were effective on February 7, 2003. Therefore, in reviewing applications dated prior to March 1, 2003, we used 2002 FPL guidelines. For applications dated on or after March 1, 2003, we used 2003 FPL guidelines.

SCHIP directors and administrators for the 36 States with separate SCHIPs. To gain additional information about individual State SCHIPs, we obtained each State's eligibility criteria and a description of its eligibility determination process.

Onsite Visits.
Prior to our case-file analysis, we conducted onsite visits with eligibility staff in California, Texas, New York, and Georgia. These four States represent 59 percent of the total separate SCHIP population. While onsite, we had caseworkers demonstrate the process of making an eligibility determination, reviewed both paper processes and electronic systems used in determining eligibility, and observed what procedures were in place to ensure proper enrollment.

This inspection was conducted in accordance with the "Quality Standards for Inspections" issued by the President's Council on Integrity and Efficiency.

Only 1 percent of children enrolled in separate SCHIPs were eligible for Medicaid

Section 2102(b)(3)(B) of the Act requires that children who apply for SCHIP but are found eligible for Medicaid, must be enrolled in Medicaid. Out of 386 randomly sampled separate SCHIP cases, we definitively determined that 4 children were not eligible for SCHIP, but were eligible for Medicaid. Therefore, 1 percent of children enrolled in separate SCHIPs were eligible for Medicaid. (See Appendix D for confidence intervals for all point estimates.) The four cases, all from different States, are illustrated in Table 1.

Table 1: Medicaid-Eligible Children Enrolled in SCHIP*

		Age Range	Federal Poverty Level Range	Income Range
Case 1	*State Criteria*	*Under age 1*	*200-250%*	*$2,020.00 - $2,525.00*
	Family (2 members total)	Child is under age 1	125%	$1,263.12
Case 2	*State Criteria*	*6-19 years*	*100-200%*	*$1,271.67 - $2,543.34*
	Family (3 members total)	Child is 14 years old	73%	$923.95
Case 3	*State Criteria*	*0-6 years*	*134-185%*	*$2,755.94 - $3,804.84*
	Family (6 members total)	Child is 4 years old	126%	$2,555.46
Case 4	*State Criteria*	*1-5 years*	*134-200%*	*$1,677.23 - $2,503.33*
	Family (3 members total)	Child is 3 years old	118%	$1,480.12

Source: 2004 OIG analysis of case-file documentation for sampled SCHIP cases

*The FPL changes each fiscal year and is adjusted for family size. Thus, 100% FPL in 2002 is different from 100% FPL in 2003, and 100% FPL for a family of three is different from 100% FPL for a family of four.

The SCHIP administrators in three States agreed that the children were eligible for Medicaid; however, the fourth State SCHIP administrator could not provide documentation to support the State's eligibility determination. The following paragraphs provide a detailed description of the error in each case.

Case 1: The caseworker incorrectly interpreted an employer letter and overstated the family's monthly income, making the child appear to be eligible for separate SCHIP, although the child was actually eligible for Medicaid.

Case 2: The application indicated that one parent worked between 24 and 40 hours per week and earned $10 per hour. The parent submitted two pay stubs to verify her income, but these pay stubs were not representative of her normal wages. Although there was a discrepancy between the number of hours the parent reported that she worked and what the income documentation showed, the caseworker failed to clear up the discrepancy before determining eligibility. The caseworker used wage information listed on the redetermination form rather than the income substantiated by the employer. This resulted in the family's income appearing to be higher than what was actually documented.

Case 3: State officials could not determine the cause, but agreed that an error had been made. The child was enrolled in separate SCHIP despite the family's income being more than $500 below the minimum for SCHIP eligibility in the child's State.

Case 4: After repeated requests, State officials did not provide any documentation for the eligibility determination that supported the child being enrolled in separate SCHIP. The only documentation the State provided was for an eligibility determination that found the child eligible for Medicaid.

One child was ineligible for separate SCHIP because the family's income exceeded eligibility limits.

Federal regulation (42 CFR § 457.320) allows States to establish income limits for SCHIP eligibility. If a family's countable income is in excess of the maximum income limit in their State, they should be found ineligible. Although it was not the objective of this inspection, we identified one child who was ineligible for separate SCHIP because the family's income exceeded the maximum income limit for the State. Therefore, the child was ineligible. A detailed description of the error is described in Table 2.

Table 2: Child Ineligible for Separate SCHIP

		Age Range	Federal Poverty Level Range	Annual Income Range*
Case 5	*State Criteria*	*6-19 years*	*100-200%*	*$18,100 - $36,200*
	Family (4 members total)	Child is 10 years old	248%	$68,920

Source: 2004 OIG analysis of case-file documentation for the sampled SCHIP case

*The State in which case 5 occurred uses annual income, rather than monthly income, to determine SCHIP eligibility.

Case 5: The caseworker used only the family's income from self-employment, although they also had income from other employment. Counting only the self-employment income, the family's countable income appeared to be $34,000 annually. This was the income used to determine separate SCHIP eligibility. Based on State criteria, counting all the income sources, the family's actual countable income was $68,920, which is above the maximum for separate SCHIP eligibility in this State.

However, inconsistent income calculations and lack of documentation create vulnerabilities

Thirteen percent of children's case files contained inconsistent income calculations or calculations that we could not duplicate using available case-file documentation.

Under Federal statute, States have the discretion to tailor the administration of their SCHIPs to the unique characteristics of their State. States can implement policies that provide varying means for averaging and projecting income, determining what income to include or exclude, and calculating which expenses can be disregarded (e.g., work expenses and childcare expenses). We reviewed all cases in accordance with each individual State's criteria. Based on our review, 13 percent of separate SCHIP cases contained income calculations that were inconsistent with State guidelines or contained calculations that we could not duplicate using available case-file documentation. Also worth mentioning is that States did not provide the family's countable income totals arrived at by the caseworker for 131 of the 386 sampled cases. Therefore, we could not compare our countable income calculations to those that the State used to determine eligibility. Thus, it is possible that the number of cases that contained inconsistent income calculations could be higher.

Eight percent of children's case files exhibited inconsistencies in calculated income. In cases for 8 percent of children, income was calculated in ways that diverged from documented State guidelines, and as a result, the countable incomes we calculated differed from the amounts the State reported. However, for these cases, we were able to follow what the caseworker did that led to the differences in countable incomes. These inconsistencies consisted of variations in how caseworkers applied State guidelines regarding income disregards, multiplication methods, and rounding. Some caseworkers also used incorrect income information. The differences between the income amounts we calculated and the income the State reported to us ranged from $0.01 to approximately $500. (See Table 3.)

Table 3: Differences Between Income Calculated by State and Income Calculated by OIG*

No. of Cases	Amount of Difference
14	$0.01 - $1.00
5	$1.00 - $10.00
3	$10.00 - $50.00
1	$50.00 - $100.00
8	$100.00 - $500.00

*In two cases, annual incomes have been converted to monthly incomes.

Source: 2004 OIG analysis of case-file information

The inconsistencies identified did not result in the children being ineligible for separate SCHIP, and therefore we agreed with the States that these children were indeed eligible for separate SCHIP. However, if not addressed, these inconsistencies show that there is a potential that some children could be enrolled in separate SCHIPs, but be eligible for Medicaid, especially in instances where families' countable income is close to the income limits between Medicaid and SCHIP or SCHIP and ineligibility. We had 21 sampled children whose family countable income was within 5 percent of the lower income limit for SCHIP (i.e., within 5 percent of being eligible for Medicaid).[10] Projected to our universe of children enrolled in separate SCHIPs, this represents 5.4 percent of all children enrolled. Thus, minor income calculation errors for these families could result in children being enrolled in separate SCHIPs despite being eligible for Medicaid. Examples of the

[10] Cases for 32 children from 1 State were excluded from this calculation because this State did not provide the date on which their determinations were made. While we do not dispute the State's determinations, we were unable to identify which year's FPL guidelines to use in assessing proper enrollment in this State.

inconsistencies found in our sample are provided in the following descriptions and tables.

Income Disregards. In some cases, income disregards were applied in ways that contradicted State guidelines. For example, a caseworker gave a family with two working parents only one earned income disregard when they should have been given two, as Table 4 illustrates.

Table 4: Income Calculations: Incorrectly Applied Disregards

	OIG		*Caseworker*	
	Parent 1	Parent 2	Parent 1	Parent 2
Average Income	314.75	434.89	314.75	434.89
Multiply By	4.33	2.17	4.33	2.17
Monthly Income	1,362.87	943.71	1,362.87	943.71
Disregards	**120.00**	**120.00**	**0.00**	**120.00**
Countable Income	1,242.87	823.71	1,362.87	823.71
Total Countable Income	**2,066.58**		**2,186.58**	
Total Countable Income Difference	**120.00**			

Multipliers. In these cases, caseworkers used methods for calculating countable income that differed from State guidelines. For example, a caseworker multiplied the average bi-weekly income by 4 instead of 4.33, as State guidelines specify.

Table 5: Income Calculations: Incorrect Use of Multipliers

	OIG	*Caseworker*
Average Income	340.20	340.20
Multiply By	**4.33**	**4.00**
Monthly Income	1,473.07	1,360.80
Disregards	120.00	120.00
Countable Income	**1,353.07**	**1,240.80**
Total Countable Income Difference	**112.27**	

Rounding. In some instances, caseworkers rounded income amounts to the next whole dollar, while income amounts in other cases from the same State were not rounded. As Table 6 illustrates, a caseworker rounded earned and unearned income amounts up to the nearest whole dollar, while other caseworkers from this State did not.

Table 6: Income Calculations: Rounding		
	OIG	*Caseworker*
Earned Income	**1,636.84**	**1,637.00**
Unearned Income	**630.64**	**631.00**
Monthly Income	2,267.48	2,268.00
Disregards	90.00	90.00
Countable Income	**2,177.48**	**2,178.00**
Total Countable Income Difference	**0.52**	

Incorrect Numbers. In these cases, caseworkers also used incorrect numbers in income calculations. Income figures on calculation sheets contradicted the countable income totals as documented in the case files. As Table 7 illustrates, a caseworker appears to have incorrectly written $656.22 as $626.47.

Table 7: Income Calculations: Caseworker Errors		
	OIG	*Caseworker*
Pay Stub 1	**656.22**	**626.47**
Pay Stub 2	585.15	585.15
Total Income	1,241.37	1,211.62
Divide By	2.00	2.00
Average Income	620.69	605.81
Multiply By	2.15	2.15
Monthly Income	1,334.47	1,302.49
Disregards	90.00	90.00
Countable Income	**1,244.47**	**1,212.49**
Total Countable Income Difference	**31.98**	

Approximately 5 percent of children's case files contained income calculations that we could not duplicate. In cases for 4.9 percent of children, we were unable to arrive at the same income amount that the State calculated. However, both the State's and the OIG's calculations resulted in the child being eligible for separate SCHIP. For example, one case file contained documentation of weekly income in the amounts of $268.25, $280.94, $344.38, and $295.44. According to State guidelines, these four amounts should have been totaled to determine the family's monthly gross income ($1,189.01). However, the case-file documentation lists the family's monthly gross income as $1,758.20. There is no other documentation of income in the case file, nor is there any indication of the calculations the caseworker made to arrive at the documented monthly income. This example represents the problem in all the cases where we identified similar concerns. Although the caseworkers' calculations could not be duplicated, our calculated countable income supported the children's enrollment in separate SCHIP. As a result, we agreed with the States' determinations of eligibility.

More than 7 percent of case files lacked documentation to support the States' determinations of separate SCHIP eligibility.

Pursuant to 42 CFR § 457.965, States are required to include facts to support the determination of eligibility for SCHIP on each child. In 3.9 percent of cases, the States did not provide documentation to support the family's countable income calculated by the caseworker and used to determine eligibility. These cases were either from States that did not allow self-declaration of income, or the case did not meet the State's criteria for self-declaration of income. Undocumented information included wages (where required), unearned income, and documentation of childcare expenses. Based on other information contained in the case files, these children appeared to be properly enrolled. However, without the missing documentation, we could not be sure that the States' determinations of eligibility were correct.

For another 2.3 percent of cases, States determined children were not eligible for Medicaid, but the documentation we received did not fully support the States' determinations. For example, documentation for some cases indicated that the children were enrolled in separate SCHIP because their families had assets in excess of the Medicaid limit. However, the case files lacked documentation to support the amount of

or proof of the families' assets and only indicated the children were "enrolled due to assets." In the remaining few cases, SCHIP officials explained that household composition rules for Medicaid and SCHIP differ in their State. Fewer people were counted in the household to determine Medicaid eligibility than were counted to determine separate SCHIP eligibility. Therefore, the families' countable incomes were too high for Medicaid, yet appeared too low for separate SCHIP. The available documentation did not allow us to definitively determine proper enrollment, although we did not dispute the States' determinations.

Finally, 1.3 percent of cases appeared to have countable income that would support Medicaid eligibility, although SCHIP officials claimed that the children had been found ineligible for Medicaid because their families' countable incomes were too high. For these cases we could not definitively determine proper enrollment.

CONCLUSION

Enrollment errors that result in the enrollment of Medicaid-eligible children in separate SCHIPs continue to be low. However, inconsistent income calculations and lack of documentation create vulnerabilities that, if not addressed, could lead to children being enrolled in separate SCHIPs despite being eligible for Medicaid, a result more likely true for children whose families' incomes are near the lower SCHIP income limit.

To keep errors low, the Centers for Medicare & Medicaid Services (CMS) may want to consider reminding States of the need to maintain information in each case to support eligibility determinations and provide additional guidance to States regarding practices to ensure proper SCHIP enrollment.

AGENCY COMMENTS

In its written comments to the report, CMS concurred with our findings and conclusions, and noted that regulations currently in place support our suggestion that the agency work closely with States to ensure that States maintain sufficient information in each applicant's record to support the eligibility determination.

The Health Resources and Services Administration expressed concern with what it believed was an inappropriately negative tone in light of the fact that very few children were erroneously enrolled in SCHIP. We agree that the finding of only 1 percent of children enrolled in separate SCHIP were eligible for Medicaid is positive. However, inconsistent income calculations and lack of documentation create vulnerabilities that, if not addressed, could lead to children being enrolled in separate SCHIPs despite being eligible for Medicaid. We describe these vulnerabilities as a means to ensure that future error rates remain low.

APPENDIX ~ A

State's Verification and Quality Assurance Practices

The following chart illustrates the responses States gave when surveyed about their verification and quality assurance practices. All of the States except one reported that they use an electronic system to assist caseworkers in their eligibility determinations. Additionally, all States except North Dakota reported some type of systematic training of staff regarding eligibility determinations. North Dakota reported that they have only one person responsible for making SCHIP-eligibility determinations, and that person has been in the same position since the establishment of the program in that State. We were unable to identify any relationship between quality assurance activities and the likelihood of errors being made by the States.

State ID	AL	AZ	CA	CO	CT	DE	FL	GA	IA	IL	IN	KS	KY	MA	MD	ME	MI	MS
Proof of Income Required	+	+	+	+	-	+	-	-	+	+	+	+	+	+	-	+	-	+
Self-Declaration Allowed	-	+	+	-	+	-	+	+	-	-	+	-	-	+	+	-	+	-
Proof of Other Eligibility Criteria Required	-	-	+	+	-	-	-	+	+	-	-	-	-	-	-	-	-	-
Information Verified	-	-	-	-	+	+	-	+	+	+	+	+	+	+	-	+	-	+
Written Policies for Verification of Enrollment	-	NR	NR	NR	+	+	NR	+	+	+	-	+	+	+	+	+	-	+
Redetermination Information Verified Same as at Enrollment	+	+	-	-	+	+	NR	NR	+	+	NR	+	+	+	-	+	+	+
Determinations Reviewed Periodically	+	+	+	+	+	+	+	+	+	+	-	+	+	+	+	+	+	-
Medicaid-Eligible Children Identified as Result of Review	-	-	+	-	+	-	-	-	+	-	NR	+	+	-	-	+	+	+

State ID	MT	NC	ND	NH	NJ	NV	NY	OR	PA	RI	SD	TX	UT	VA	VT	WA	WV	WY
Proof of Income Required	▬	✚	✚	✚	✚	✚	✚	✚	✚	✚	✚	✚	▬	✚	▬	✚	✚	▬
Self-Declaration Allowed	✚	▬	▬	▬	▬	✚	▬	▬	▬	▬	▬	▬	✚	▬	✚	▬	▬	✚
Proof of Other Eligibility Criteria Required	▬	▬	✚	✚	✚	▬	✚	▬	▬	✚	▬	✚	▬	▬	▬	✚	▬	▬
Information Verified	▬	✚	▬	✚	✚	✚	▬	✚	✚	✚	✚	✚	✚	▬	✚	✚	✚	✚
Written Policies for Verification of Enrollment	✚	✚	NR	✚	✚	✚	✚	✚	✚	✚	✚	✚	✚	NR	✚	✚	✚	✚
Redetermination Information Verified Same as at Enrollment	✚	✚	✚	NR	✚	✚	▬	✚	✚	✚	NR	✚	▬	▬	✚	✚	✚	✚
Determinations Reviewed Periodically	✚	✚	▬	✚	✚	✚	✚	✚	✚	✚	✚	✚	✚	✚	▬	✚	▬	✚
Medicaid-Eligible Children Identified as a Result of Review	✚	▬	NR	▬	✚	▬	✚	NR	✚	✚	✚	NR	NR	✚	NR	✚	NR	▬

Key

✚ Indicates State's response was Yes

▬ Indicates State's response was No

NR Indicates State did not respond

APPENDIX ~ B

Separate SCHIP Universe and Sample

The following Table shows the total number of children enrolled in each State's separate SCHIP and the total number of children selected in our sample in each State.

State	Separate Universe	Percent of Universe	Separate Sample	Percent of Sample
AL	59,991	2.14	16.00	4.15
AZ	49,717	1.77	8.00	2.07
CA	656,696	23.39	93.00	24.09
CO	48,671	1.73	8.00	2.07
CT	14,799	0.53	1.00	0.26
DE	4,920	0.18	1.00	0.26
FL	316,882	11.29	47.00	12.18
GA	183,986	6.55	32.00	8.29
IA	14,996	0.53	1.00	0.26
IL	21,090	0.75	1.00	0.26
IN	13,803	0.49	0.00	0.00
KS	30,133	1.07	3.00	0.78
KY	20,193	0.72	0.00	0.00
MA	16,051	0.57	1.00	0.26
MD	6,018	0.21	0.00	0.00
ME	4,624	0.16	0.00	0.00
MS	56,656	2.02	6.00	1.55
MT	9,530	0.34	2.00	0.52
NC	100,916	3.59	10.00	2.59
ND	2,094	0.07	0.00	0.00
NH	5,389	0.19	0.00	0.00
NJ*	94,581	3.37	2.00	0.52
NV	23,319	0.83	5.00	1.30
NY	311,826	11.11	44.00	11.40
OR	18,697	0.67	2.00	0.52
PA	116,615	4.15	21.00	5.44
SD	1,872	0.07	0.00	0.00
TX	511,810	18.23	71.00	18.39
UT	24,232	0.86	2.00	0.52
VA	33,358	1.19	4.00	1.04
VT	2,986	0.11	1.00	0.26
WA	6,219	0.22	1.00	0.26
WV	21,543	0.77	2.00	0.52
WY	3,113	0.11	1.00	0.26
Total	**2,807,326**	**99.98****	**386.00**	**100.02****

* Recent information suggests that New Jersey's separate universe is actually 61,245.

**The totals do not equal 100 percent due to rounding.

APPENDIX ~ C

Worksheets Used in Case Review

The following pages show examples of the case review and calculation sheets we used in reviewing the sampled cases. The example is not meant to represent any specific State or case, but rather to illustrate the process used in assessing proper enrollment.

SCHIP CASE FILE REVIEW

State: XX Case File ID #: XXXXXX

Type of Program Administered: ☒ Separate ☐ Expansion ☐ Combination

State's Age Requirements and FPL to be SCHIP Eligible: ages 1-5, 133-200% FPL; ages 6-18, 100-200% FPL

State's Income Disregards: $90 earned income, $50 child support received, $200 child care for a child under age 2 or $175 for a child over age 2

Does State Require Proof of Income? (yes) / no Does State Allow Self-Declaration? yes (no)

Date of Application or Redetermination: 4/15/03
Between 6/1/02 and 6/1/03? (yes) / no

Age of Child at Determination or as of June 1, 2003 (whichever is earlier): 10

Number of Individuals in Household: 4

Household Income Before Disregards: 2218.85

Countable Household Income After Disregards: 1988.85

Caseworker's Countable Income After Disregards: 1988.85

Difference Between Countable Income Amounts: —

FPL Tables Used: 2002 / (2003) *(use 2003 on/after March 1, 2003, unless otherwise specified by State)*

FPL Percentage: 130%

SCHIP Eligible: ☐ Expansion Eligible ☒ Stand Alone Eligible ☐ Not Eligible ☐ Inconclusive

Comments or Missing Documentation:

☐ Follow-up:

Reviewed by: XX

WRITE OUT ALL CALCULATIONS ON PAGE 2

Parent 1	Parent 2	Children's Income
Earned Income	Earned Income	Child 1
Paystub 1: 275	Paystub 1: 200	Amount 1:
Paystub 2: 300	Paystub 2: 150	Amount 2:
Paystub 3: 310	Paystub 3: 175	Amount 3:
Paystub 4: 290	Paystub 4: 165	Amount 4:
Paystub 5:	Paystub 5:	
Paystub 6:	Paystub 6:	Sub-total
		Average
Sub-total 1175	Sub-total 690	Multiply By
Average 293.75	Average 172.50	**Child's Monthly Income:**
Multiply By 4.33	Multiply By 4.33	
Monthly Earned Income: 1271.93	**Monthly Earned Income:** 746.92	
Unearned Income	Unearned Income	Child 2
Amount 1:	Amount 1:	Amount 1:
Amount 2:	Amount 2:	Amount 2:
Amount 3:	Amount 3:	Amount 3:
Amount 4:	Amount 4:	Amount 4:
Amount 5:	Amount 5:	
		Sub-total
Subtotal	Subtotal	Average:
Average	Average	Multiply By:
Multiply By	Multiply By	**Child's Monthly Income:**
Monthly Unearned Income: 200 (child supp)	**Monthly Unearned Income:**	
Total Monthly Income: 1471.93	**Total Monthly Income:** 746.92	**Total Children's Monthly Income:**

Total Household Income 2218.85
Applicable Deductions
earned income (x 2) $ 180
child support received $ 50
child care expense (under age 2) $_____
child care expense (over age 2) $_____
Health insurance premium - $_____
Adult Dependent Care - $_____
Other deduction - $_____
Other deduction - $_____
Net Household Income (minus deductions): 1988.85

Source: OIG worksheet used in case-file review

APPENDIX ~ D

Confidence Intervals for Projections

The following chart shows projections to the separate SCHIP universe based on the errors and inconsistencies identified in our review. The projections are made at the 95% confidence level.

Confidence Intervals - Errors and Inconsistencies Found			
Type of Error or Inconsistency		**Point Estimate**	**Confidence Interval**
Improperly Enrolled Because Eligible for Medicaid		1.0%	0.03 - 2.6%
Income Calculations Not Supported by State Guidelines*		13.0%	9.6 - 16.3%
	Calculations Inconsistent with Documented State Guidelines	8.0%	5.5 - 11.2%
	Cases Within 5 Percent of Being Eligible for Medicaid	5.4%	3.4 - 8.2%
	OIG Could Not Duplicate Caseworker's Calculations	4.9%	3.0 - 7.6%
Lacked Documentation to Support Eligibility Determinations		7.5%	5.1 - 10.6%
	Lacked Documentation of Countable Income	3.9%	2.2 - 6.3%
	Lacked Documentation to Support States' Determinations of Separate SCHIP Eligibility	2.3%	1.1 - 4.4%
		1.3%	0.4 - 3.0%
*This confidence interval uses the normal distribution; all others use the binomial distribution.			

DEPARTMENT OF HEALTH & HUMAN SERVICES

Centers for Medicare & Medicaid Services

Administrator
Washington, DC 20201

RECEIVED
2005 APR 12 PM 3:50
OFFICE OF INSPECTOR GENERAL

DATE: APR - 8 2005

TO: Daniel R. Levinson
Acting Inspector General
Office of Inspector General

FROM: Mark B. McClellan, M.D., Ph.D. MM
Administrator
Centers for Medicare & Medicaid Services

SUBJECT: Office of Inspector General (OIG) Draft Report: "Determining if Children Enrolled in Separate SCHIPs Were Eligible for Medicaid" (OEI-07-03-00220)

Thank you for the opportunity to review and comment on this draft report. We found no inaccuracies in how SCHIP is described and OIG did not make any recommendations.

The OIG conducted this report in response to the Balanced Budget Refinement Act of 1999 mandate that OIG sample states every 3 years to determine the number, if any, of State Children's Health Insurance Program (SCHIP) enrollees who are eligible for Medicaid and who therefore should have been enrolled in Medicaid rather than SCHIP. States with separate child health programs are required by statute to screen for Medicaid eligibility and enroll the child in Medicaid if eligible. This report is a successor to the first mandated report issued in February 2001 entitled, "Ensuring Medicaid Eligibles are not Enrolled in SCHIP." Both this most recent report and the February 2001 report found very small rates of children enrolled in separate child health programs that should have been enrolled in Medicaid. In fact, "less than 1 percent of children enrolled in separate child health programs were eligible for Medicaid."

We have no concerns with regard to the OIG's findings or conclusions. Our regulations support the OIG's suggestion that CMS may want to consider reminding states of the need to maintain information in each case to support eligibility determinations. Section 457.965 of the SCHIP regulation states that, "The State must include in each applicant's record facts to support the State's determination of the applicant's eligibility for SCHIP."

The Agency is as proud of the success of our screen and enrollment efforts as we are of our success at enrolling children in SCHIP. Enrollment in SCHIP has grown from almost 1 million in FY 1998 to almost 6 million in FY 2003. Surveys such as those conducted

Page 2- Daniel R. Levinson

by the Census Bureau and the Centers for Disease Control and Prevention have also shown that the number and rate of low-income uninsured children has fallen significantly since the inception of SCHIP.

DEPARTMENT OF HEALTH & HUMAN SERVICES

Health Resources and Services Administration

Rockville MD 20857

DEC 3 2004

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2004 DEC 10 AM 11:59
OFFICE OF INSPECTOR GENERAL

TO: Acting Inspector General

FROM: Administrator

SUBJECT: Office of Inspector General Draft Report, "Determining if Children Enrolled in Separate SCHIPs Were Eligible for Medicaid"(OEI-07-03-00220)

Attached please find the Health Resources and Services Administration's comments on this draft report. Staff questions may be referred to Gail Lipton on (301) 443-6509.

Betty James Duke

Betty James Duke

Comments of the Health Resources and Services Administration on the Office of Inspector General Draft Report "Determining if Children Enrolled in Separate SCHIPs Were Eligible for Medicaid" (OEI-07-03-00220)

General Comments

The Health Resources and Services Administration (HRSA) appreciates the opportunity to provide our comments on the Office of Inspector General (OIG) draft report, "Determining if Children Enrolled in Separate SCHIPs Were Eligible for Medicaid." During the August 10, 2004, exit conference with OIG, HRSA representatives commented that the tone of the report was generally negative despite the fact that the report concludes that only 1 percent of children enrolled in separate SCHIP programs were eligible for Medicaid. While OIG officials stated that they would look over the report and make changes, the report tone is still negative and does not reflect this finding. Given that many States have not used all of their SCHIP allotments, it is important that States do not misinterpret OIG's conclusions and change their SCHIP applications making it more difficult for eligible individuals to enroll. The report should commend States for their diligence in assuring that children were not inadvertently enrolled in SCHIP despite the higher matching rate.

ACKNOWLEDGMENTS

This report was prepared under the direction of Brian T. Pattison, Regional Inspector General for Evaluation and Inspections in the Kansas City regional office, and Gina C. Maree, Assistant Regional Inspector General. Other principal Office of Evaluation and Inspections staff who contributed include:

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