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South Carolina Medicaid announces action to reduce improper payments *Findings of year-long audit point to inaccurate eligibility determinations as problem*

COLUMBIA, S.C. — Today South Carolina Department of Health and Human Services Director Anthony Keck announced several actions to reduce eligibility determination errors which a recently released federal audit indicates may have resulted in a total of \$406 million of improper Medicaid payments during federal fiscal year (FFY) October 2009 to September 2010.

In addition to redesigning eligibility procedures, the Department will begin automating its paper-based system to increase accuracy and case worker accountability, perform monthly random eligibility audits at each eligibility office, and more closely tie eligibility office supervisor and management job evaluations to error rates, productivity and processing time measures. The Department has also requested in its SFY13 budget increased fraud investigation capacity in partnership with the South Carolina Attorney General's office. The results of the audit also were shared with the Office of Inspector General, and Director Jim Martin has agreed to assist an internal leadership team in its transition to an improved eligibility and enrollment system which protects taxpayer dollars.

"The results of this year-long federal audit confirm what we knew about our eligibility and enrollment system we inherited — it delivers uneven service to Medicaid beneficiaries, doesn't reach all those truly in need and does a poor job of ensuring accountability for taxpayer dollars," Keck said. "The audit provides detail about where the system failed; mainly the failure to faithfully and consistently follow the state's eligibility guidelines."

Since January 2011, the department has made several other important changes and investments in its eligibility and enrollment division, which processes more than 459,000 Medicaid applications each year and completes 647,000 annual redeterminations through 740 employees in 174 sites throughout the state. These changes included:

- merging information management and enrollment eligibility under one Deputy Director/Chief Information Officer to drive automation in a department drowning in paper;
- securing a private grant from the Ford Foundation to introduce Lean Six Sigma process improvement methods - used in some of the world's best companies - into the eligibility and enrollment division;
- using data matches to electronically verify eligibility for certain redeterminations; and
- releasing a Request for Proposal for a new Medicaid Eligibility Determination System. The current system is now more than 10 years old and increasingly unable to meet the changing demands of the Medicaid program.

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The FFY10 Payment Error Rate Measurement (PERM) report suggests that 10.7 percent (+/- 4.3 percent margin of error) of persons made Medicaid eligible in South Carolina were done incorrectly or could not be determined under audit due to insufficient documentation. Federal PERM reports are produced every three years.

The FFY10 eligibility error rate is an improvement over the previous FFY07 rate of 19.18 percent. The percentage of improper payments made in South Carolina as a result of these incorrect eligibility determinations, however, increased significantly over that time period from 5.25 percent in FFY07 to 17.2 percent in FFY10. While certain audit methodology limitations may have contributed to that large increase, South Carolina's FFY10 eligibility-related payment error rate is still more than four times the national average of 4 percent using the same audit methods. The state is not liable for returning the federal portion of these payments to the federal government.

“While incorrect eligibility determination is largely explained by failure to follow procedures, beneficiary fraud and worker collusion cannot be ruled out,” Keck said. Patterns of errors work over 20 to 1 in favor of improperly granting eligibility versus improperly denying it. For this reason preliminary fraud investigations will be opened by the Department’s Program Integrity Unit on the cases identified in the PERM report to determine if they should be referred for fraud. Last year this unit recovered \$27.6 million dollars in improper payments.

"Last year at the start of our term we were faced with a \$228 million mid-year deficit" Keck said."We committed to fixing it and we did. This year we are haunted by another ghost of the past, eligibility errors, and I have no doubt our team will fix this problem, too."

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