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Report Highlights

Medicaid Eligibility: Modified Adjusted Gross Income Determination Process

Louisiana Department of Health

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Why We Conducted This Audit

We evaluated the Louisiana Department of Health's (LDH) policies and processes for making and documenting Modified Adjusted Gross Income (MAGI) eligibility determinations. This report is the second in a series of two reports where we tested the eligibility of a sample of Medicaid recipients. Whereas this report evaluated the department's overall process for making eligibility determinations for the MAGI population, the first report titled *Medicaid Eligibility: Wage Verification of the Expansion Population* (issued November 8, 2018) focused on the wage verification process.

What We Found

We tested eligibility determinations for a random sample of 60 recipients from the Medicaid expansion adult group using MAGI-based determinations and renewals for the period of July 2017 through February 2018. **Our testing found that for all 60 recipients (100%), LDH did not utilize federal and/or state tax data to verify self-attested tax filer status and household size or to verify certain types of income, including self-employment income, out-of-state income, and various unearned income.** We consider the department's decision to not use tax data a weakness in internal control because tax data is the only trusted source for these critical Medicaid eligibility factors. Based on the federal definition of improper payments, the Centers for Medicare and Medicaid Services (CMS) could consider all related payments improper. In addition, **our testing specifically found that five (8%) of the 60 recipients in our sample were ineligible for Medicaid**, based on the issues we identified with LDH's MAGI eligibility determination process.

We noted that LDH made per member per month (PMPMs) payments totaling $60,586 to the managed care organizations (MCOs) on behalf of the ineligible recipients. Because this sample was randomly selected, we were able to project these results to the population of 220,292 Medicaid expansion recipients considered for this report. Based on this projection, it appears that **LDH paid PMPMs for 17,623 Medicaid recipients who did not qualify for Medicaid coverage**. Our testing results suggest that if policies and processes are strengthened, **the department could experience annual cost avoidance of approximately $111 million**.

Specific issues noted in the report include:

- LDH did not adequately verify critical MAGI-based eligibility determination factors for any of the 60 recipients in our sample. If LDH does not verify critical eligibility factors, recipients may be deemed eligible when they are not, resulting in the department making PMPM payments to MCOs on behalf of ineligible recipients until the error is corrected.
- LDH policy allowed caseworkers to renew the eligibility of 50 (83%) of the 60 recipients in our sample without contacting the recipients or conducting electronic verification for critical eligibility factors.
- LDH caseworkers made incorrect eligibility decisions for five (8%) of the recipients in our sample. Also, LDH caseworkers did not consistently follow up on requests for information, resulting in eight (13%) documentation errors for the recipients in our sample. In addition, LDH caseworkers and supervisors did not consistently retain adequate documentation to support the eligibility decision.
- LDH did not retain signed Medicaid applications in the case record for 50 (83%) of the 60 recipients in our sample.
- LDH allowed applications to be completed by one individual on behalf of another legal adult for three (5%) of the 60 recipients in our sample.

View the full report, including management's response, at **www.lla.la.gov**.