01-89 ADMINISTRATION AND OBJECTIVES 7005.1

7000. INTRODUCTION

Congress appropriates funds each year from tax revenues to share with States in the cost of Medicaid. The law also specifies uses for these funds and the categories of beneficiaries who are entitled to receive services.

In addition to the benefits of the program there have also been problems. Most prominent is that management controls have not kept pace with the growth of the program. For example, Medicaid funds have been lost through payments for medical services for ineligible recipients.

Large losses resulted from faulty quality controls. Medicaid managers did not have sufficient information to monitor their programs properly. In short, all programs need strong management controls.

To fill this need, the Medicaid Eligibility Quality Control (MEQC) System collects data on eligibility, beneficiary liability, and claims payments. The primary objective of the system is to measure, identify, and eliminate or reduce dollar losses as a result of erroneous eligibility determinations.

The diagram in §7099, Exhibit 1, graphically depicts the overall MEQC system.

7005. ADMINISTRATION OF MEQC

Sound State management is critical to achieving the objectives of the MEQC system, especially in positioning and staffing of the unit.

7005.1. Organization.--Assign the staff responsible for developing, directing, and evaluating MEQC so that it can report directly to top management. Separate the staff physically and functionally from operating units and policy units.

If you cannot establish an independent MEQC unit, clearly document the arrangements for maintaining objectivity and independence and forward them to the regional office (RO) for concurrence.

By maintaining objectivity, MEQC findings provide Medicaid management with accurate, reliable, and timely information to help determine whether policies are being carried out properly and if the program is operating at maximum efficiency. MEQC findings are supplemented by other administrative and management reviews.

It is essential that management demonstrate a commitment to error reduction through appropriate eligibility and personnel policies, availability of resources, and participation in corrective action planning.

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7005.2 ADMINISTRATION AND OBJECTIVES 01-89

7005.2 Staffing.--Staff MEQC units to keep the review process current within established reporting dates and at a quality level including adequate staff training to ensure valid MEQC findings. Recommended qualifications for staff are:

o For MEQC reviewers, experience equal to firstline supervisors of Medicaid eligibility or assistance payment workers, or as an AFDC-QC reviewer;

o For MEQC supervisors, prior supervisory experience in other quality control (QC) units, or prior experience as an AFDC-QC or MEQC reviewer.

The number of reviewers and supervisors required for effective MEQC reviews varies with the sample size, travel requirements, and complexity of State Medicaid requirements and operations.

Statistical staff must be qualified to select and manage case samples, process completed schedules, supervise tabulation, and prepare accurate and timely statistical summaries and analyses. Maintain close coordination between your research and statistical staff and the MEQC unit. Competent clerical support for MEQC is essential.

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12-92 ADMINISTRATION AND OBJECTIVES 7015.1

7015. FEDERAL MEQC STATE PLAN REQUIREMENTS

A State title XIX plan must meet the requirements set by the Health Care Financing Administration (HCFA) for operating a MEQC system. In addition, 42 CFR 431.800 specifies that each State agency submit copies of its State plan, the sampling plan, and periodic data reports within the format and timeframes described elsewhere.

7015.1 State Plan Requirements.--A State plan under title XIX of the Act must provide the basis, purpose and operational requirements for a MEQC system in accordance with 42 CFR 431.800. It must provide for the MEQC system to operate in accordance with the policies, sampling methodology, review procedures, and reporting forms and requirements issued by HCFA.

Document reports by conducting necessary field investigations, including in-person interviews in each active sample case. Use sampling periods of 6 months; October through March and April through September.

The reports include a:

o Description of the State's sampling plan,

o Flow transmission of completed review findings, and

o Summary of universe dollar and case counts (Table V) for the 6-month sample.

Other data and reports may be requested as needed by HCFA.

Provide authorized HCFA staff with all State records and MEQC reviews to which you have access. Take appropriate action to correct any eligibility errors found in the sample cases and to prevent or reduce the incidence of such errors. By September 15 of each year, submit to HCFA a report of your error analyses and a corrective action plan (CAP).

Federal requirements specify that all activities under the MEQC program must be performed in a manner consistent with 42 CFR 435.902 concerning the rights of the beneficiary.

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7015.2 ADMINISTRATION AND OBJECTIVES 12-92

7015.2 Contents of Required State Submissions.--Forward to the RO a copy of the sampling plan, periodic reports on MEQC findings, and an annual description of the State's comprehensive plan for analysis of, and corrective action on, the MEQC findings. (See Chapters 1, 2, and 4.)

A. Sampling Plan.--To achieve MEQC objectives, the planning, selection, and control of samples must provide a reliable basis for measuring the proportion of cases with errors due to beneficiary ineligibility or incorrect liability. (See Chapter 2.)

B. Periodic Data Reports.--Prepare and submit periodic data reports based on MEQC findings to HCFA. Table V is submitted to obtain universe data necessary for statistical calculations.

C. Description of Corrective Action Plan (CAP).--Submit a comprehensive plan to HCFA for analysis of and corrective action on the MEQC findings. Submit the CAP annually. (See §7055.)

The annual CAP includes the status of the corrective action process at the time the report is prepared and summarizes the results of actions taken since the last report.

The acceptance of the plan by the RO does not constitute meeting the requirements for a good faith waiver. The listed requirements for the plan are minimal requirements as opposed to those for good faith waivers, which require exceptional effort. Waiver reviews are far more encompassing in corrective action activities and go beyond SMM CAP requirements.

7015.3 Maintenance of Current State Plan.--When changes occur in any process or in the administrative arrangements described in the State plan, submit a revised plan to the RO.

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01-89 ADMINISTRATION AND OBJECTIVES 7032.

7030. COMPONENTS OF THE MEQC SYSTEM

The MEQC system consists of a number of distinct, yet related components, which are further described in §§7031ff. (See §7099, Exhibit 2.). The tasks listed under each component need not be performed by the same unit of the State agency. The State administrator assigns responsibilities for the performance of specific tasks and arranges adequate staffing so all tasks are carried out effectively and promptly.

7031. SAMPLE SELECTION

Select MEQC sample cases each month according to the specifications listed in Chapter 2. The minimum required number of completed reviews is specified for a 6-month period. The size of the sample selected is approximately equal in each month. The recommended selection method is either a simple random or the systematic random method. Transmit case identifiers for cases to the MEQC unit for review.

7032. REVIEW PROCESS

The MEQC review documents the eligibility of sample case beneficiaries through case record reviews and field investigations. States that have opted to do an independent sample of Supplemental Security Income (SSI) recipients must conduct full MEQC investigations on every SSI case in the sample. States with more restrictive Medicaid eligibility requirements for the aged, blind and disabled must verify that beneficiaries meet the more stringent requirements.

During case record reviews, specific facts are collected about the circumstances of case members. Field investigations are required to verify the information, and include a personal interview with the beneficiaries, or someone acting on their behalf, and contacts with other sources. The information gathered is used to make an MEQC determination concerning the eligibility status of each case as of the review month.

Information is collected on paid claim findings to determine the dollars spent in error.

Ensuring the quality, timeliness, and independence of MEQC reviews is a major responsibility of top management. This requires the assignment of the MEQC function to an appropriate level of management with the capability to institute and accomplish the necessary activities which assure quality and timeliness. You may determine the quality of your MEQC reviews by examining:

o The timely reporting of completed case reviews,

o Personal client interviews,

o Number of difference cases,

o Number of inappropriately dropped cases,

o Adherence to verification standards, and

o Analysis of Federal re-review findings.

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7033. ADMINISTRATION AND OBJECTIVES 01-89

7033. INDIVIDUAL CORRECTIVE ACTION

Correction of case status is an established and integral part of your ongoing supervision of your operating units.

MEQC is responsible for referring individual sample cases found to be in error to the appropriate unit for action and follow-up after the review has been completed. The MEQC unit provides the local agency with information that identifies beneficiaries unwilling to cooperate or who could not be located. Appropriate agency units are notified of questionable beneficiary and/or provider actions that could indicate fraud or abuse.

7034. DATA MANAGEMENT

Data management consists of ordering, handling, and processing data collected in the review process. This involves keeping track of reviews that have and have not been completed, ensuring accurate and consistent data and preparing monthly status reports, statistical tables for Federal reports and additional tabulations, as needed, to facilitate data analysis.

7035. ERROR ANALYSIS

The MEQC error analysis provides clear and concise presentations of findings for planning and evaluating corrective actions. This involves analysis of MEQC data and other special studies along with review of programmatic circumstances in order to ascertain specific error causes. The essential components of this process are data and program analysis.

7036. DISSEMINATION OF FINDINGS

MEQC findings are disseminated after the data have been analyzed to ensure that appropriate staff receive the information timely. It involves determining specific information requirements and supplying it to administrative and program staff, as well as local agencies and other interested parties, such as State legislatures, other State agencies, or the general public.

7050. MEQC AND CORRECTIVE ACTION

The MEQC system provides State title XIX agency administrators with meaningful information on the nature of case and payment errors in Medicaid eligibility determinations so that State agencies can assess problem areas and develop corrective actions (CA) suited to their needs and available resources.

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01-89 ADMINISTRATION AND OBJECTIVES 7050. (Cont.)

The CA process is the means by which States take administrative actions to reduce errors which cause misspent Medicaid dollars. An effective CA process will have a great impact on the reduction and elimination of errors. It involves five phases: data analysis, program analysis, and the planning, implementation, and evaluation of CAs. Each phase is a continuous decision-making process with the completion of each annual MEQC reporting period. The recognition and application of good management principles are the basis for establishing an effective CA process. The CA process outlined serves as a model for developing and implementing appropriate CAs. Tailor the process to your individual needs.

A. Organization.--The key ingredient to an effective CA process is the active participation and commitment of top management. This is particularly important because of the multi-departmental responsibilities within the program. Problems and their solutions are seldom limited to a single area of the Medicaid agency's operations. They are derived from a variety of responsibilities and activities at both the State and local level. Additional complications exist in States where an agency other than that administering the program has responsibility for the eligibility determinations. Accordingly, in addition to the Director or Deputy Director of the Medicaid agency, management involvement should entail the participation of the major department heads of the State agency(s). This typically includes management from:

o Medicaid Eligibility Policy and Program Development

o Eligibility Field Operations

o Medicaid Eligibility Quality Control

o Research and Statistics

o Systems and Procedures/Management Analysis

o Financial Division

o Public Information

o Data Processing

o Staff Development

o Legal Department

This top management group known as the CA panel makes all major decisions, including planning, implementation, and evaluation. On a regular basis conduct CA panel meetings. Given the multi-departmental or joint agency nature of the panel composition, leadership of the panel should rest with the State Medicaid agency Director, or Deputy Director rather than any single section or division head. This provides realistic panel direction for it to function as a decision-making body in support and commitment to CA.

B. Communication.--Communication plays a major part in the CA process. Convey your error reduction goals via agency policy and actions. Make your State and local staff aware of, and update them on the agency's error reduction goals through directives, memoranda, meetings, etc. In addition, the top management panel and/or its members should be accessible to your staff responsible for error reduction. This access is essential for the implementation and monitoring of CA tasks, feedback, and revisions when appropriate.

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7052. ADMINISTRATION AND OBJECTIVES 01-89

C. Resources.--The allocation of major resources to CAs is essential in management's commitment to error reduction. In many instances error reduction efforts include hiring additional staff or the temporary reassignment of staff when workloads become overburdening or a staff shortage occurs. Another resource allocation for error reduction may include the purchase/rental of hardware for automated processes. Often heads of divisions in need of additional resources are not authorized to hire or transfer staff, or acquire computer terminals. The commitment for the necessary resources to reduce errors must come from top management.

7052. MEQC CAP REQUIREMENTS

State title XIX agencies are directed in 42 CFR 431.800(i)(3) to report annually to the Administrator on error analyses and CAs developed from MEQC findings. The plan must include analyses and planned CAs based upon the 2 most recently completed 6-month sampling periods for which MEQC review data are available.

Submit State CAPs, in duplicate, to the Regional Administrator (RA) by August 31 of each year, with revisions to the plan submitted within 60 days after identifying additional error prone areas or when there are other significant changes in the error rate or changes in planned corrective action. The RA will review the plans, updates, and may request additional information. Submit supporting documentation on all completed corrective action initiatives upon request.

7055. MEQC CAP FORMAT

The CAPs submitted describe prospective actions planned for the upcoming year and provide status reports on corrective actions being implemented. Include these five sections:

A. Data Analysis.--Screen MEQC data to identify clusters of errors and their causes. Provide a statistical description of all payment and case errors and associated causes. (See § 7055.1.)

B. Program Analysis.--Review quality control findings (including Federal differences) and any other studies and analyses. Provide a narrative description of all payment errors (and case errors if appropriate), and the specific programmatic causes to which they are attributed. (See §7055.2.)

C. Corrective Action Planning.--Provide a description of the CA initiatives to be implemented. Include the error concentration targeted, the major activities necessary for implementation, the evaluation procedures, the expected results, and the estimated associated potential cost and/or savings. (See §7055.3.)

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12-92 ADMINISTRATION AND OBJECTIVES 7055.1

D. Corrective Action (CA) Implementation.--Develop an overall implementation schedule for each CA initiative showing major tasks to be performed. Include a reasonable time schedule for each action. Schedule most actions for full implementation within 6 months, except for certain long range projects. Specify start, interim, and scheduled implementation dates. Identify the person and/or component responsible for overall implementation and monitoring of whether activities are on schedule. (See §7055.4.)

E. Corrective Action Evaluation.--Determine the effectiveness of the CA. Document the outcome of all planned CAs reported in the prior year CAP that have been fully implemented. Address actions continuing from prior years. If the CA was successful, indicate the concrete measures of its effectiveness and how it has impacted upon the error rate. (See §7055.5.)

You may include an optional section, Suggested Federal Initiatives, that addresses actions required of HCFA ROs or CO to assist States in CA efforts or to implement changes to improve the administration of the program.

7055.1 Data Analysis Content.--Provide clear and concise presentations of MEQC findings for planning and evaluating CAs. This initial phase of CA planning involves the collection and sorting of data using basic and sophisicated statistical techniques. The basic requirement for data analysis is the sorting of errors by:

o Type--general classification, e.g., resources;

o Element--specific kind of classification, e.g., bank accounts;

o Source--agency or client; and

o Nature--cause of error as coded on MEQC tables, e.g., failure of beneficiary to report a change.

This activity identifies clusters of errors, their causes, characteristics and frequency that can be corrected by specific action, and enables you to focus actions on the error concentration(s) that have the most significant impact on the payment error rate. Your analysis must account for all error cases (including those in the AFDC stratum). Avoid duplicative planning by utilizing AFDC CAPS when appropriate. (See Chapter 5.)

o Outline the major types of errors and the percentage of the payment error rate associated with the element within the type, e.g., "Excess Resources - Bank Accounts" (30 percent), "Unearned income - Retirement Survivors Disability Insurance (RSDI)" (17 percent).

o Identify the frequency and characteristics of each error concentration by error element, e.g., bank accounts, RSDI income.

- Is the specific source of error primarily agency or client caused?

- Has the occurrence of the error element remained constant over several review periods?

- Is the error primarily found in a certain geographic location?

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7055.2 ADMINISTRATION AND OBJECTIVES 12-92

o Identify the general nature (cause) of the error, e.g., information not verified, policy incorrectly applied.

o Identify the group or factor(s) which are more error prone than the rest of the Medicaid population, e.g., nursing home population, recipients of RSDI.

Base the analysis, at a minimum, upon the two most recent review periods for which case and payment data are available. Supplement the minimum requirements with more recent partial review data. The CAP should contain the tables used in the analysis. Present the statistical data analysis to program managers in a narrative form that will help them decide among alternative approaches to CA.

Error prone profiles, trend analyses, and geographical breakdowns are at the State's discretion. However, States with consistently high error rates or CAs which have proved ineffective in reducing the error rate should strongly consider additional data analysis or special studies.

Data analysis is not limited to MEQC findings. Utilize other data sources to supplement MEQC findings.

7055.2 Program Analysis.--This phase of the CA planning process is the most critical, as the proper identification of error causes is essential for the development of effective CAs. This phase requires familiarity with the agency's operational policies and procedures and an ability to analyze and identify the policies and/or procedures that cause errors.

The data analysis phase identifies the types of errors, error elements, their source and their nature. For CA planning, relate the errors to their actual cause in the program operation process.

Explain the program/operational cause in sufficient detail so that it identifies why a particular element is in error.

EXAMPLE: The data analysis indicates resources; i.e., joint bank accounts are 80 percent of the State's payment error rate and the majority of these errors are agency caused. Program analysis could entail an evaluation of the resource policy and procedures on application of policy in joint bank accounts to be sure staff understand the policy or whether it needs revision. Other evaluations could include kinds and locations of staff making the errors to determine if the problem involves new or overburdened staff.

To determine the specific causes of the error concentration(s) or extent of a problem, it may be necessary to utilize additional State studies or other reports such as State assessment reports, internal audits, and special studies.

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Special studies may be done if additional data analyses are required to fully understand the nature and cause of the error situation. Special studies may be beneficial to:

o Pinpoint error causes when you have a small MEQC sample which does not provide sufficient data;

o Do effective CA planning when data are needed more frequently than every 6 months;

o Pilot test a particular CA initiative to assess its cost-effectiveness prior to implementation; and

o Evaluate local office adherence to revised policy instructions.

Identify and discuss any special studies or reports that were used to obtain additional information to identify errors and related causes.

The CA panel's primary activity in this phase is to determine what the data analysis indicates, what additional information is necessary to identify root error causes, and to identify the major error causes. Each member should review the QC data analysis prior to the panel's open discussion of error concentrations and their causes. The panel should decide on probable cause(s) for each error concentration and determine the extent and method of obtaining additional information necessary to determine the programmatic cause. Program analysis activity often includes, but is not limited to, conducting staff interviews or disseminating questionnaires, policy reviews, conferences with local managers, special studies, and error prone profiles. The analysis should show a relationship between the error concentrations and the agency's program operations and management practices and policies. This relationship permits the determination of each error cause. A good, extensive program analysis tells the State what to do in the most cost effective manner possible.

The end product of the program analysis phase of CA should be a narrative description of the specific programmatic error cause(s) for all payment errors and, at your option, case errors.

7055.3 Corrective Action Planning.--Focus CA planning on the error concentration(s) that has the most significant impact on the payment error rate or case error rate if appropriate. Identify errors that are not included in the planning and give the reason(s); e.g., isolated incident. The first step is the preliminary selection of alternative methods of CA which will reduce or eliminate the error causes identified in the program analysis phase. Prepare a descriptive summary of each alternative estimating the various staff resources, time, activities, eventual implementation problems, etc. necessary to conduct full planning of the CA. From this summary, study each alternative for potential cost benefits/feasibility, necessary resources for implementation, etc. The CA panel should review and discuss the positive and negative aspects of each alternative and select those which it considers the most appropriate solutions for the error causes. To increase the success of error reduction, the panel should clearly establish a connection between the CAs it chooses and the error cause(s) they will address, as indicated by the program analysis.

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7055.4 ADMINISTRATION AND OBJECTIVES 01-89

For each initiative selected for implementation include:

o A summary description of the scope of the initiative in terms of processes, policies, costs, benefits, constraints, and anticipated implementation problems;

o A detailed specification of necessary activities (preparing training plans, writing policy changes, writing computer programs, etc.);

o Estimated cost/resources required for implementation;

o Potential cost savings associated with effective implementation of the corrective action;

o A concise description of planned evaluation methodology expressed in measurable quantitative/qualitative terms whenever possible. For example, if the selected action is a rewrite of the policy manual section on treatment of resources designated for burial, a proper evaluation technique may be a case review in a given local office(s) 3 months after the effective date of the revised policy to ascertain if the revised policy is being correctly applied; and

o A statement as to why this particular action will resolve the problem. If training is used as a CA, it must be related to the error situations. Include subject(s) of training, dates, and audience.

7055.4 Corrective Action Implementation.--This phase of the plan includes the overall implementation schedule for each CA initiative. Include a reasonable time schedule (actual implementation within 6 months of the start date except for certain long-range projects) for each initiative. If the initiative is a long-range activity that requires more than 6 months for final implementation, include interim target dates along with an explanation of why the activity requires extended time; i.e., total manual revision needed, legislative change required, computerization of system needed.

Briefly describe the methodology you plan to use to accomplish each initiative. Include:

o A description of pertinent tasks required to implement each action, e.g., corrective action meetings with appropriate staff;

o Milestones and established interim target dates (include start dates and final implementation dates);

o Individuals/components responsible for overall implementation and monitoring of each activity, e.g., CA panel, Medicaid Director, Director of Income Maintenance, Quality Control Director, etc.;

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o Identification of critical areas and any special assistance required; and

o A monitoring plan to assure awareness by the CA panel of the progress in achieving goals.

If any significant changes or deviations from the implementation schedule occur, submit an updated report to the RO indicating the revisions and/or modifications. If an action is off schedule, include a revised implementation schedule with an explanation for the delay or change in target date.

The staff member responsible for the CA should ensure the operational activities are assigned and fully carried out. During the execution of CAs, the panel should monitor these activities, both administratively and technically.

7055.5 Corrective Action Evaluation.--This section documents the outcome of previously implemented actions reported in the prior year's CAP and any updates to it. In addition, an update on actions continuing from prior years should be presented much in the same manner as the recent CA evaluation. Include a description of the actions taken and when they were finally implemented compared to the planned implementation schedule. The purpose of the evaluation is to determine the effectiveness of the implemented actions. Focus on the reduction of the specified error(s), i.e., has the action achieved the desired result? If not, why not? What will you do instead to alleviate the error situation? This phase determines how the actual results compare with the anticipated results. For example:

o Were target dates met?

o Have expected results been realized? (Are errors in the pinpointed area decreasing?)

o Are modification or termination of CAs warranted?

o Were cost/resource estimates realistic?

o Were additional problem areas encountered? If so, what were they?

o What, if any, unanticipated effects occurred, i.e., increased errors in other program areas?

Define the methods and procedures used for evaluation purposes. Prepare an evaluation summary which includes the sources and methods of obtaining information. If the expected results are not being realized decide whether to continue or modify the action. If the CA is to be modified include the modification or revision in the CAP update. The update can also be utilized to report the results of special studies and to modify actions based upon the results of new data.

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7099 ADMINISTRATION AND OBJECTIVES 01-89

After implementation of CA initiatives, it is important to monitor local office application of the actions and the effect on overall program improvement and specific error reduction.

If you require any assistance in preparing your annual CAP contact the RO.

7099. ROLE OF A STATE MODEL SYSTEM IN THE EVALUATION PROCESS

Based on information provided in the initial stage of implementation, the CA panel determines the data necessary for evaluation purposes, (e.g., routine reports from QC data, supplemental reports such as geographical breakdowns, special reports if QC data is not sufficient or as frequently available as needed. The staff/component responsible for the activity prepares the necessary evaluation reports and submits them to the panel periodically to provide continuous feedback on each CA activity. From these reports the panel evaluates the effectiveness of the actions in meeting its objective. The panel's determination of effectiveness focuses on the reduction of errors occurring within the respective error element rather than reduction of the overall error rate, cost effectiveness, and any beneficial and detrimental side effects. The evaluation is the basis for determining which types of actions accomplish error reduction, the necessity of modifying/discontinuing CAs, and development of future CA activities. Once the panel is satisfied that the CA objectives have been achieved, or decide to modify/discontinue a CA, a final evaluation report is prepared documenting the results.

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01-89 ADMINISTRATION AND OBJECTIVES 7099 (Cont.)

Exhibit 1 - Medicaid Quality Control Process

\*SSI Cases in 1634 States not subject to review.

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7099 (Cont.) ADMINISTRATION AND OBJECTIVES 01-89

Exhibit 2 - Model State Quality Control System

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Exhibit 3 - The Five Phases of Corrective Action

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