

**SMDL #01-015**

January 19, 2001

Dear State Medicaid Director:

We are writing this letter to address concerns expressed by some Medicaid Directors that implementation of Medicaid simplification strategies could lead to a higher Medicaid error rate and possible federal disallowances.

We share the States' view that program integrity remain a high priority for the Medicaid program. However, we do not believe that such concerns need be a barrier to program simplification. The record to date shows that both goals are compatible and achievable.

Over the past several years, the combined efforts and effective partnership of States, the Health Care Financing Administration (HCFA), the Office of the Inspector General (OIG), and others has been successful in reducing improper payments and combating fraud. At the same time, the national average Medicaid eligibility error rate has been below two percent for over ten years, and no State has been subject to disallowances for more than six years resulting from erroneous eligibility determinations. Many States have taken significant steps to simplify their enrollment and retention procedures, without any apparent impact on their error rates.

HCFA and OIG have a common interest in ensuring that all aspects of the Medicaid program work well. Eligibility determinations and program effectiveness work in concert. It is just as unacceptable to deny eligibility to program benefits as a result of complicated and burdensome application and retention procedures as it is to enroll ineligible individuals. Program integrity and accurate and efficient eligibility determinations go hand in hand.

Both HCFA and OIG want all eligible people to be enrolled in the Medicaid program in the most simplified process possible within a strong program integrity environment. The concept of program integrity includes efforts to provide benefits effectively and efficiently to eligible individuals. State initiatives to streamline verification requirements, use simplified mail-in forms at the point of enrollment and at reenrollment, and rely on information available through other programs and on post-eligibility data matches, can be consistent with program integrity goals.

Our views on program integrity are consistent with the National Medicaid Fraud and Abuse Initiative and are shared by members of Congress as well as the General Accounting Office (GAO). Furthermore, while Congress is properly concerned about the potential for fraud, waste and abuse in both Medicaid and Medicare, recent legislation expanding States' options for promoting enrollment of children demonstrates that there is broad support of State efforts to simplify Medicaid application and retention procedures in ways that are designed to promote the enrollment of eligible individuals. HCFA's efforts to encourage Quality Control pilot projects, which allow States to focus on quality control issues that they believe are most pressing in their State, offer further support to State efforts to simplify enrollment procedures. We encourage you to visit HCFA's webpage to learn more about pilots at <http://www.hcfa.gov/medicaid/regions/mqchpg.htm>.

The collaborative efforts of State and Federal agencies have proven to be successful in ensuring program integrity in the Medicaid program. We believe that we can achieve continued success as we balance the need to minimize improper payments and the incidence of fraud with the important goal of simplifying program administration and ensuring that all eligible persons receive the coverage to which they are entitled. HCFA and OIG are committed to working with you to that end.

Please direct any questions to your servicing HCFA regional office.

Sincerely,

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Timothy M. Westmoreland

Director

Center for Medicaid and State Operations

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Michael Mangano

Acting Inspector General

Office of the Inspector General

cc:

HCFA Regional Administrators

HCFA Associate Regional Administrators for Medicaid and State Operations

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Lee Partridge, Director, Health Policy Unit - American Public Human Services Association

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