

Center for Medicaid and State Operations 7500 Security Boulevard Baltimore, MD 21244-1850

September 12, 2000

Dear State Quality Control Directors:

In previous guidance, we have strongly encouraged States to simplify application and enrollment processes to remove barriers to the enrollment of children and families in Medicaid and children in your State Children's Health Insurance Program (SCHIP). However, some States have voiced concern that the Federal Medicaid Eligibility Quality Control (MEQC) program is a barrier to their simplification efforts. However, there is no indication that States' simplification procedures have contributed to an increase in errors.

MEQC is an important tool for ensuring program integrity and should not be seen as a barrier to simplification. In fact, MEQC can serve as a valuable aid to simplification efforts and to help ensure that individuals receive the coverage to which they are entitled. In this letter, we reiterate the requirements of the MEQC program and explain how MEQC and other monitoring and review activities can help you in your simplification efforts and other efforts to improve program administration.

Federal MEQC Requirements

Federal regulations at 42 CFR 431.800ff set forth the MEQC program requirements. From 1978 to 1994, MEQC program operations nationwide closely followed these regulations. States reported the findings of their eligibility reviews to HCFA and were assigned error rates. States with error rates over 3% were subject to disallowances of Federal matching funds but could appeal those disallowances. By the end of 1994, States had successfully reduced and maintained their error rates to a 2% national average with no States, except one, being disallowance-liable since 1996. Due to the consistently low error rates, HCFA offered States the option to develop alternative ways to effectively identify and reduce erroneous payments under an MEQC pilot program or as part of a Section 1115 waiver. States operating MEQC pilots or waivers have their error rates frozen until traditional MEQC activities are resumed. Generally,

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these alternative MEQC programs operate on an annual basis and can be renewed at State option. Currently there are thirty-one States operating MEQC pilots.

Another important aspect of ensuring program integrity is the negative case action program which all States are required to operate under Federal regulations at 42 CFR 431.812. The purpose of the negative case action program is to provide States with data for developing corrective actions that improve beneficiary protection against erroneous Medicaid denials and terminations. Under the negative case action program, a State must review a sample of denied, terminated and suspended cases to determine if the reason for action was correct and if the notice of negative action was sent within the required timeframe.

States also have the option to conduct alternative negative case action programs, similar to MEQC pilots. This option advantages States in that they can develop concrete data that focuses on error prone areas or areas of special concern. For example, States can conduct focused case reviews on hard-to-reach populations or other targeted populations, evaluate their Medicaid application process in an effort to pinpoint areas that may be leading to a high rate of erroneous denials, or target error prone areas or identify barriers that, when corrected, will improve program administration and increase beneficiary protection from erroneous denials and/or terminations. Another advantage with alternative negative case action programs is that States can conduct special studies or reviews to address consumer or advocacy group reports of erroneous denials and terminations.

Ways MEQC Can Aid Simplification Efforts

HCFA has established an Internet website that summarizes current State MEQC pilots and other MEQC information. Information is updated each March and September. The address for the HCFA Home Page is: <http://www.hcfa.gov/medicaid/regions/mqchmpg.htm>. We encourage you to use this resource to access information on the innovative methods many States are using to reduce erroneous expenditures and to improve the administration of their Medicaid programs. Listed below are examples of MEQC pilots and alternative negative case reviews that can be used to improve program operations:

- Conduct focused reviews to determine whether eliminating certain Medicaid eligibility verification requirements is impacting the number of erroneous eligibility determinations (this would be an MEQC pilot).

The elimination or reduction of documentation and verification requirements by applicants is one way to simplify the enrollment and application process, and to minimize barriers to enrollment. Indeed, one State has found that extensive verification requirements were responsible for a significant number of denials and terminations of individuals and families who did not return the required verifications but were otherwise eligible for Medicaid. Some States, however, are concerned that eliminating or reducing documentation and verification requirements can have an adverse program integrity impact. A pilot that provides a State a means to evaluate the impact of eliminating or reducing documentation and verification requirements on proper eligibility

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determinations can help assure the State that its simplification efforts do not jeopardize program integrity and, at the same time, maintain the State's low error rate. (Although error rates are frozen for States operating MEQC pilots, many States compute their own error rates to help monitor correct program spending.) States that have not dropped verification requirements but that are considering such action might design an MEQC pilot to focus on whether certain verification requirements are creating particular barriers to enrollment that, if not used, would result in erroneous eligibility determinations.

- Conduct focused reviews to determine whether allowing a mail-in redetermination

process has an impact on erroneous eligibility redeterminations (*this would be an MEQC pilot*).

Retention of eligible individuals and families on the Medicaid rolls have proven to be a major problem. One way to address this problem is to use a process for requesting redetermination information from individuals and families that decreases the likelihood of a non-response. Some States have sought to do this through using a mail-in redetermination process, much like the mail-in application process. A few States fill in the renewal form and only request the individual or family to note changes in the information provided. This MEQC pilot provides States a basis to evaluate the mail-in process and determine whether it has an impact on erroneous redeterminations in relation to the prior process.

- Review a targeted sample of joint Medicaid/TANF applications to determine if Medicaid is erroneously denied when TANF is denied (*this would be an alternative negative case review*).

The April 7, 2000 State Medicaid Directors letter issued by HCFA (see attached) addresses situations where individuals may have been improperly denied or terminated from Medicaid, such as when Medicaid is denied upon denial of TANF and encourages States to identify and enroll these individuals. This alternative negative case review is an important tool that States can use to ensure that Medicaid is not erroneously denied when TANF is denied.

- Review a sample of Medicaid terminated cases to determine if Medicaid was improperly terminated because of a TANF termination due to noncooperation with TANF work requirements (*this would be an alternative negative case review*).

In general, a TANF sanction should not affect Medicaid coverage unless a State selects in its Title XIX State plan the option to terminate Medicaid for persons (excluding poverty level pregnant women, poverty level children and minor children who are not the heads of households) who are terminated from TANF for refusing to cooperate with TANF work requirements. This review allows States to determine whether there have been improper terminations of Medicaid due to TANF terminations for this reason.

Increase the sample size of negative case reviews as allowed under regulations at 42 CFR 431.814 (j)(1) and receive FFP for any increased administrative costs incurred (*this option is part of the*

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regular negative case action program).

Negative case reviews are an important tool available to States to ensure that improper denials and terminations do not occur. This option under the regular negative case action program may be attractive to States that wish to obtain additional data through a larger case review on the causes of erroneous denials and terminations that will enable the development of a wider array or more effective corrective actions.

- Review a sample of Medicaid cases that were denied or terminated due to procedural requirements, e.g., client failed to provide verification of eligibility to determine if the cases were otherwise eligible. Conduct focus groups with individuals and families to find out why they did not reenroll, and use the findings to consider changes in enrollment and reenrollment practices and procedures (*this would be an alternative negative case review*).

Failure of clients to provide required information, or complete the application or redetermination process is the reason for a significant number of Medicaid denials and terminations. The case reviews will help indicate if a significant number of individuals and

families who fail to follow procedure requirements are otherwise eligible. The information obtained from group interviews would provide the State with information on why this failure occurs. The findings could be used to help develop enrollment practices and procedures designed to overcome this problem, or to minimize its effect.

We are prepared to work with you to develop these or any other MEQC pilots and alternative negative case action programs that meet Federal requirements.

Other Program Activities

You do not need to limit your oversight and monitoring activities to MEQC activities required by Federal law. Federal financial participation is available for other monitoring and oversight activities you carry out, which are not required by Federal law, but which are designed to aid you in simplifying and improving program administration while ensuring program integrity. For example, the reduction and elimination of enrollment and reenrollment barriers can also be a focus of other program activities.

Here are some suggested activities emphasizing State actions we encourage you to consider.

- Monitor enrollment data.

One strategy in addressing how State and local procedures may be affecting participation rates is to review and analyze data on enrollment trends for families and children in your State. The monitoring and review of enrollment data provides a basis to establish reasonable goals for increasing enrollment of families and children in Medicaid. Goals could be set statewide, or at the local level, or both statewide and local. The promotion of enrollment goals helps establish the

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importance of enrollment as a State and local objective. In addition, if declines in enrollment occur, they may signal the existence of enrollment or reenrollment barriers. Therefore, monitoring of data can be used as a tool to signal the potential existence of enrollment and reenrollment barriers.

- Monitor and assess the culture in local offices.

A consistent theme in various studies is that individuals and families complain about bad treatment at welfare offices, or think they will be treated badly. There are a variety of factors that contribute to this problem or perception. States could monitor and assess the culture in local offices and determine the factors that may cause or contribute to this problem. Based on the assessment, the State could develop a strategy to address them. One strategy might be to place more emphasis on enrolling children and families into Medicaid by, for example, adopting enrollment goals as a performance measure for offices. Regular consultation with community-based organizations and organizations that work closely with low-income families can also help States and local offices learn more about practices that may be lowering enrollment.

- Monitor your TANF and Medicaid eligibility determination processes to ensure they

are properly coordinated, and that the determination of TANF eligibility does not delay or impede the determination of Medicaid eligibility, or result in erroneous Medicaid denials and terminations.

The delinkage of Medicaid from cash assistance has created many challenges for States that have been a major focus of our joint efforts to improve eligibility and low-income families' ability to enroll and stay enrolled in Medicaid. As States improve their Medicaid/TANF coordination processes to achieve a more effective, efficient program, an important tool is a program of regular monitoring of the TANF/Medicaid delinking effort to ensure that processes in place are working properly and do not delay or impede Medicaid eligibility determinations, or result in erroneous Medicaid denials and terminations.

- Review systems and procedures to ensure that all possible avenues to Medicaid eligibility were exhausted prior to termination.

The April 7, 2000 State Medicaid Directors letter also addresses redetermination procedures and reiterates previous guidance on HCFA's policy that all possible avenues to eligibility must be explored and exhausted before Medicaid can be terminated. States can review its systems and procedures for exhausting all possible categories of coverage to determine if these systems and procedures are functioning properly and in compliance with Federal requirements.

Assess Medicaid and TANF denial and termination notices.

Incomplete and unclear denial and termination notices can be a barrier in the pursuit of beneficiary appeal rights or, in the case of TANF denial and termination notices, may not be clear

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whether or not Medicaid benefits continue. A review of Medicaid and TANF standardized notices to ensure they clearly explain the agency's action and, in the case of TANF denials and terminations, whether or not Medicaid eligibility continues and provides a phone number that individuals can call for assistance will help reduce barriers to continued benefits.

We encourage you to make use of the information contained in this letter to make the MEQC and negative case action programs operated in your State as effective as possible. We also encourage you to consider the suggested program activities that can help applicants and recipients overcome barriers to accessing the Medicaid services available to eligible individuals and families. Please direct any questions to your servicing regional office.

Sincerely,

Timothy W.
Westmoreland Director

[Attachment](#)

cc:
All HCFA Regional Administrators

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