



Performance Audit

Medicaid and Children's Health Insurance Program (CHIP) Client Eligibility Determinations

Michigan Department of Health and Human Services (MDHHS)

Report Number:
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MDHHS establishes client eligibility for individuals in need of Medicaid and CHIP healthcare coverage. Oversight of the eligibility determination process is primarily performed by the Economic Stability Administration (ESA) within MDHHS. ESA provides guidance in process, policy, training, technology, and leadership to the MDHHS local offices, while MDHHS local office eligibility specialists are responsible for performing client eligibility determinations for Medicaid and CHIP healthcare coverage. During fiscal year 2019, \$14.7 billion and \$258.2 million in direct beneficiary level payments were issued on behalf of 2.8 million and approximately 237,500 individuals enrolled in Medicaid and CHIP, respectively (see Exhibit 2).

Audit Objective			Conclusion
Objective 1: To assess the effectiveness of MDHHS's efforts to complete accurate Medicaid and CHIP client eligibility determinations.			Moderately effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
Inaccurate eligibility determinations and failure to maintain documentation resulted in estimated improper payments of \$2.3 billion and \$89.5 million for Medicaid and CHIP, respectively (Finding 1).	X		Disagrees
MDHHS incorrectly transferred an estimated \$1.9 million in Medicaid expenditures to CHIP because of inaccurate system information (Finding 2).		X	Disagrees
Of the 316,312 beneficiaries who received transitional medical assistance (TMA), 13% were ineligible, resulting in known improper payments of \$24.2 million and \$2.1 million for Medicaid and CHIP, respectively (Finding 3).		X	Agrees
Over \$52 million in known improper payments occurred because social security numbers (SSNs) had not been verified as required. On average, these Medicaid and CHIP beneficiaries received healthcare coverage for 2.1 and 3.2 years, respectively, without a verified SSN (Finding 4).		X	Disagrees

Findings Related to This Audit Objective (Continued)	Material Condition	Reportable Condition	Agency Preliminary Response
Estimated improper payments of \$43.6 million and \$1.7 million occurred for Medicaid and CHIP, respectively, for beneficiaries whose alien status was not appropriately verified by MDHHS (Finding 5).		X	Disagrees
MDHHS made estimated Medicaid improper payments of \$24.2 million for Healthy Michigan Plan (HMP) beneficiaries who had Medicare healthcare coverage (Finding 6).		X	Disagrees
Known inappropriate healthcare coverage payments of \$3.6 million occurred on behalf of incarcerated individuals (Finding 7).		X	Agrees
Over 1,100 beneficiaries received \$11.7 million in known improper Medicaid payments for healthcare coverage with no corresponding eligibility data to support the Supplemental Security Income eligibility (Finding 8).		X	Disagrees
Observations Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
Restricted access to federal tax return data limited our ability to audit the eligibility determinations for certain Medicaid and CHIP beneficiaries (Observation 1).	Not applicable for observations.		
Use of State of Michigan tax return data could improve the accuracy of Medicaid and CHIP eligibility determinations (Observation 2).			

Audit Objective			Conclusion
Objective 2: To assess the effectiveness of MDHHS's oversight of the Medicaid and CHIP client eligibility determination processes at MDHHS local offices.			Moderately effective
Findings Related to This Audit Objective	Material Condition	Reportable Condition	Agency Preliminary Response
MDHHS did not complete sufficient monitoring of eligibility determinations that were the basis for \$14.7 billion and \$258.2 million in Medicaid and CHIP payments, respectively (Finding 9).	X		Disagrees
MDHHS did not timely use 76% of the 1.5 million system-generated tasks and reminders which help ensure the accuracy of its eligibility determinations (Finding 10).	X		Disagrees
On average, MDHHS did not complete 16% of its monthly required redeterminations in a timely manner (Finding 11).		X	Disagrees

Findings Related to This Audit Objective (Continued)	Material Condition	Reportable Condition	Agency Preliminary Response
Of the 1,410 respondents to our survey of 3,600 MDHHS employees responsible for eligibility determinations, 46% indicated they needed additional training and 3% indicated they never received training for determining healthcare coverage eligibility (<u>Finding 12</u>).		X	Agrees
The lack of a process to track, review, and share policy questions and clarifications limits MDHHS's ability to ensure its approximately 3,600 eligibility specialists and supervisors, representing 83 counties, possess necessary resources to ensure accurate eligibility determinations (<u>Finding 13</u>).		X	Disagrees

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Office of the Auditor General
201 N. Washington Square, Sixth Floor
Lansing, Michigan 48913

Doug A. Ringler, CPA, CIA
Auditor General

Laura J. Hirst, CPA
Deputy Auditor General