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Our first care is your health care
ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM

May 29, 2012

Debra K. Davenport, CPA
Auditor General
Office of the Auditor General
2910 North 44th Street, Suite 410
Phoenix, AZ 85018

**RE: Medicaid Eligibility Determination Performance Audit,
Revised Draft Report dated May 23, 2012**

Dear Ms. Davenport:

Thank you for the opportunity to review and comment on the Arizona Health Care Cost Containment System (AHCCCS) Medicaid Eligibility Determination Performance Audit. We appreciate the professionalism and efforts of the audit team and believe that implementation of the findings will enhance the efficiency and effectiveness of the AHCCCS eligibility process.

The past several years have proven challenging for State government and AHCCCS. Since the beginning of the Great Recession, the AHCCCS Division of Member Services has faced a 39% reduction in staffing. The Department of Economic Security (DES) has experienced a 15% reduction in Family Assistance Administration staff. Despite these reductions, the counter-cyclical nature of the AHCCCS program has resulted in an increased workload. In December 2007, approximately 198,000 determinations for Medicaid benefits were made. As documented in your report, in December 2011 this number rose to 261,854, representing a 32% increase.

Your findings of a 1.11% error rate are commendable under these circumstances, particularly when compared to the 2008 Payment Error Rate Measurement (PERM) national eligibility error rate of 6.7%. The report recommends sound process improvements that should and will be made. However, the fact that both agencies have carried on through these incredibly challenging times with an eligibility error rate of only 1.11%, is a testament to the dedication and professionalism of the staff at AHCCCS and DES.

A recent employee survey of the AHCCCS Division of Member Services employees demonstrates the level of dedication that exists:

- 90% are proud to be an AHCCCS employee
- 90% feel a sense of loyalty and commitment to AHCCCS
- 94% understand clearly what is expected of them at work
- 90% receive the assistance and guidance they need to do their job well

Given all that the agency has been through, it is important to highlight these inspiring results before delving into the details of the report.

Ms. Debra K. Davenport, CPA

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The following responses address the recommendations proposed in the Revised Draft report:

Recommendation #1.1:

AHCCCS should develop a corrective action plan that will help ensure that it and DES correct the types of income and resource verification and calculation errors identified in this audit, and to minimize their frequency going forward. This plan should include:

- a. Additional case worker training, particularly in areas determined to be error-prone;
- b. An assessment of the need to clarify income and resource policies and;
- c. Enhanced supervisory review of income and resource requirements for Medicaid determinations.

Response: The Finding of the Auditor General is agreed to, and the audit recommendation will be implemented. In order to use limited resources most efficiently, (The AHCCCS Division of Member Services has 39% fewer staff now as compared to 2007), these findings and recommendations will be addressed in concert with the 2010 PERM Corrective Action Plan, to be developed and implemented late this year upon receipt of final PERM results.

Recommendation #1.2:

AHCCCS should ensure that it and DES make greater use of the available electronic means for verifying citizenship, such as the AHCCCS Citizenship Verification System.

Response: The Finding of the Auditor General is agreed to, and the audit recommendation will be implemented. As noted in your report, we have been very proactive in implementing electronic verification sources such as The Work Number and the AHCCCS Citizenship Verification System. Also, as stated in the report, the use of additional electronic means, such as SSA citizenship data, is planned for system development in support of the ACA. The AHCCCS Citizenship Verification System is limited to information about individuals who were born in Arizona since 1950. Further, additional information, not currently available in all cases (e.g. mother's maiden name, place of birth), may be necessary to make effective use of this system, particularly when working with applicants who have common names. Although the transient nature of the population seeking benefits is another barrier to effective use of these data, we will explore additional opportunities for eligibility staff to check this system prior to requesting birth certificates or other forms of documentation. We propose to analyze options related to this recommendation as part of the corrective action plan development described in the response to recommendation #1.1.

Again, I would like to thank the Auditor General and staff for their time and effort in evaluating the AHCCCS Medicaid Eligibility Determination program. We appreciate the professional approach of the audit team as well as their cooperative attitude with AHCCCS staff.

Sincerely,

Thomas J. Betlach
Director



DEPARTMENT OF ECONOMIC SECURITY

Your Partner For A Stronger Arizona

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JUN 01 2012

Ms. Debbie Davenport
Auditor General
State of Arizona
2910 North 44th Street, Suite 410
Phoenix, Arizona 85018

Dear Ms. Davenport:

Thank you for the opportunity to review and comment on the revised preliminary report draft of the performance audit of the Arizona Health Care Cost Containment System (AHCCCS)—Medical Eligibility Determination.

We are happy to learn that the partnership between AHCCCS and DES has resulted in a 1.11 percent eligibility error rate, and will continue to work towards improving to an even higher level of accuracy.

Sincerely,

Clarence H. Carter
Director