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Details: Letter Report: SeniorCare Eligibility Determinations

(FORM UPDATED: 08/11/2010)

# WISCONSIN STATE LEGISLATURE ... PUBLIC HEARING - COMMITTEE RECORDS

## 2005-06

(session year)

## Joint

(Assembly, Senate or Joint)

## Committee on Audit...

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  - (**ab** = Assembly Bill)                      (**ar** = Assembly Resolution)                      (**ajr** = Assembly Joint Resolution)
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Letter Report

**SeniorCare Eligibility  
Determinations**

*January 2005*



**Legislative Audit Bureau**

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STATE OF WISCONSIN

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Janice Mueller  
State Auditor

January 27, 2005

Senator Carol A. Roessler and  
Representative Suzanne Jeskewitz, Co-chairpersons  
Joint Legislative Audit Committee  
State Capitol  
Madison, Wisconsin 53702

Dear Senator Roessler and Representative Jeskewitz:

As requested by the Joint Legislative Audit Committee, we have completed an evaluation of the process by which the Department of Health and Family Services (DHFS) determines eligibility for the SeniorCare program, which provides subsidized prescription drug benefits to individuals who are 65 or older. A similar review of eligibility determinations for the Medical Assistance and BadgerCare programs was provided in report 04-11, released in September 2004.

SeniorCare operates under the terms of a federal waiver, which allows states to receive federal Medical Assistance matching funds to provide program services. Only four states operate programs under this waiver, and Wisconsin's is the most comprehensive, both in terms of program eligibility and in benefits provided. In fiscal year (FY) 2004-05, the SeniorCare budget is \$117.4 million, including \$40.1 million in general purpose revenue. In June 2004, a total of 90,211 individuals were enrolled in the program.

Individuals apply for SeniorCare by mail. The application form requests an estimate of their income over the next 12-month period; no income verification is required. To determine the degree to which income is accurately reported, we reviewed a randomly selected sample of 1,000 applications approved in 2003. Participants were placed in the correct benefit level in 82.5 percent of the cases we reviewed. However, underestimated or under-reported income led to cost-sharing requirements that were lower than appropriate in 11.9 percent of cases. The opposite was true in 2.3 percent of cases. We were unable to determine actual income in 3.3 percent of the cases. Had placements been made in accordance with participants' actual income, we estimate annual net program savings of \$6.9 million, which includes \$3.0 million in general purpose revenue.

Given the under-reporting of income in our sample, we recommend DHFS increase its efforts to prevent, identify, and correct participant errors in income reporting. In addition, we recommend DHFS establish procedures for recovering SeniorCare benefits paid in error, as it is required to do under administrative rule.

We appreciate the courtesy and cooperation extended to us by DHFS staff in conducting this review.

Sincerely,

*Janice Mueller*

Janice Mueller  
State Auditor

JM/PS/ss

*3.3% unable to determine actual income*

*1,000 random selected apps approved in 03*

*82.5% placed in correct benefit level*

*underest. or underreported income led to cost-sharing requ. lower than app. in 11.9% cases*

*1 of 4 states op prog under waiver  
\$117.4m budget  
\$40.1m GPR*

## **SENIORCARE ELIGIBILITY DETERMINATIONS**

The SeniorCare program was created by 2001 Wisconsin Act 16, the 2001-03 Biennial Budget Act, to provide prescription drug assistance to individuals 65 years of age or older. The program, which is administered by the Department of Health and Family Services (DHFS), began in September 2002. SeniorCare enables recipients to receive subsidized prescription drugs at participating pharmacies throughout Wisconsin. Pharmacies are reimbursed by the State for each prescription filled, based on reimbursement rates established under the Medical Assistance program. SeniorCare operates under the federal "Pharmacy Plus" waiver initiative, which allows states to receive federal Medical Assistance matching funds to provide prescription-only coverage to low- and moderate-income seniors who do not receive other Medical Assistance benefits. Its fiscal year (FY) 2004-05 budget of \$117.4 million includes \$40.1 million in general purpose revenue (GPR). As of June 2004, enrollment was 90,211.

In response to concerns about the accuracy of eligibility determinations and the State's ability to meet future funding needs, and at the direction of the Joint Legislative Audit Committee, we analyzed:

- program enrollment and expenditures;
- eligibility criteria, verification requirements, and eligibility determination policies and practices;
- the accuracy of eligibility determinations that were made from August through November 2003; and
- strategies for improving future eligibility determinations.

In completing this evaluation, we reviewed SeniorCare caseloads and expenditures from the program's inception in FY 2002-03 through FY 2003-04. We interviewed officials and staff of DHFS, and we reviewed a sample of 1,000 eligibility determinations made by DHFS staff for SeniorCare applicants. Our sample size was large enough to allow us to make projections onto the entire SeniorCare population with statistical accuracy.

### **Eligibility Requirements and Benefit Levels**

Recipients of SeniorCare benefits must:

- be at least 65 years of age;
- be residents of Wisconsin;
- be United States citizens or have qualifying alien status;
- have a Social Security number; and

- pay a \$30 annual enrollment fee.

Individuals or married couples apply for SeniorCare using a two-page mail-in application form that asks them to estimate their future income over the next 12-month period, but does not require verifying documentation. The application form is shown in Appendix 1. Participants remain eligible for SeniorCare for 12 months even if their incomes change, and they are not required to report changes in their incomes during this time.

For assistance in completing the application form, individuals can contact the SeniorCare Customer Service Hotline, a toll-free information service, or their local aging office, Senior Center, or aging resource center. In a survey conducted by DHFS, 48 percent of respondents reported receiving assistance in completing the application.

There is neither an asset test nor an income limit for SeniorCare eligibility; however, participants with incomes above 240 percent of the federal poverty level do not receive benefits until their prescription drug expenditures equal the difference between their incomes and 240 percent of the federal poverty level. As shown in Table 1, the SeniorCare program has four benefit levels, and cost-sharing requirements are highest for those with the highest incomes. All participants are responsible for co-payments of \$5 for each generic and \$15 for each brand-name prescription drug purchased. Annual deductibles of either \$500 or \$850 per person are required in all levels except Level 1.

Table 1

**SeniorCare Benefit Levels**

| Benefit Level | Income Requirements <sup>1</sup>   | Deductible and Spenddown Requirements                                   |
|---------------|--|---|
| Level 1       | At or below 160 percent of poverty (below \$14,897 per individual and \$19,985 per couple)   | No spenddown requirement or deductible                                  |
| Level 2a      | Above 160 percent and not more than 200 percent of the federal poverty level (\$14,897 to \$18,620 per individual and \$19,985 to \$24,980 per couple) | No spenddown requirement; \$500 annual deductible per person            |
| Level 2b      | Above 200 percent and no more than 240 percent of federal poverty level (\$18,621 to \$22,344 per individual and \$24,981 to \$29,976 per couple)      | No spenddown requirement; \$850 annual deductible per person            |
| Level 3       | Above 240 percent of the federal poverty level (More than \$22,344 per individual or \$29,976 per couple)  | Spenddown requirement <sup>2</sup> ; \$850 annual deductible per person |

<sup>1</sup> Based on 2004 federal poverty levels, which are adjusted annually.

<sup>2</sup> Prescription drug expenditures must equal the difference between the participant's income and 240 percent of the federal poverty level.

All applications for SeniorCare are processed by DHFS staff in Madison, using the Client Assistance for Re-Employment and Economic Support (CARES) system, a computerized processing system used for a number of public assistance and employment programs. DHFS staff determine whether applicants are eligible for assistance and place them in the appropriate benefit level. DHFS employs 4.0 full-time equivalent (FTE) staff to process applications and make program placements. In addition, between 7 and 10 limited-term employees (LTEs) were employed from July through October of both 2003 and 2004 to handle the large volume of renewal applications. DHFS also contracts with Electronic Data Systems (EDS) to provide application scanning, enrollment fee and claims processing, and the SeniorCare Customer Service Hotline.

## **Expenditures and Enrollment**

SeniorCare benefits are funded with a combination of GPR, federal funds, and program revenue from rebates negotiated between DHFS and drug manufacturers. However, federal matching funds are available only for participants with incomes at or below 200 percent of the federal poverty level, who are those in Level 1 and Level 2a. As a result, federal matching funds were available for 70,876 of the 90,211 individuals, or 78.6 percent, enrolled in SeniorCare in June 2004. The remaining 19,335 participants had incomes above 200 percent of the federal poverty level and received benefits that were funded entirely with GPR and program revenue. In FY 2003-04, approximately \$15.5 million, or 38.0 percent of total GPR benefits expenditures, was spent for participants with incomes above 200 percent of the federal poverty level.

As shown in Table 2, total SeniorCare expenditures are expected to increase from \$114.6 million in FY 2003-04, the first full year of the program, to an anticipated total of \$117.4 million for FY 2004-05, or by 2.4 percent. Of the \$114.6 million spent on SeniorCare in FY 2003-04, program benefits accounted for \$110.9 million, and administrative costs accounted for \$3.7 million. Administrative costs are funded primarily with program revenue from enrollment fees. The State paid EDS \$2.7 million in FY 2003-04 for SeniorCare administrative services included in its Medical Assistance fiscal agent contract.

Table 2

**SeniorCare Expenditures**  
(In Millions)

| Expenditure Type             | FY 2002-03 <sup>1</sup> | FY 2003-04     | FY 2004-05<br>(Budgeted) <sup>4</sup> |
|------------------------------|-------------------------|----------------|---------------------------------------|
| <b>Program Benefits</b>      |                         |                |                                       |
| GPR                          | \$25.4                  | \$ 38.2        | \$ 39.3                               |
| Program Revenue <sup>2</sup> | 6.8                     | 31.2           | 38.1                                  |
| Federal Revenue              | 26.9                    | 41.5           | 36.3                                  |
| <b>Subtotal</b>              | <b>\$59.1</b>           | <b>\$110.9</b> | <b>\$113.7</b>                        |
| <b>Administration</b>        |                         |                |                                       |
| GPR                          | \$ 2.4                  | \$ 0.8         | \$ 0.8                                |
| Program Revenue <sup>3</sup> | 1.7                     | 2.7            | 2.7                                   |
| Federal Revenue              | 0.0                     | 0.2            | 0.2                                   |
| <b>Subtotal</b>              | <b>\$ 4.1</b>           | <b>\$ 3.7</b>  | <b>\$ 3.7</b>                         |
| <b>Total</b>                 | <b>\$63.2</b>           | <b>\$114.6</b> | <b>\$117.4</b>                        |

<sup>1</sup> SeniorCare benefits were first available in September 2002.

<sup>2</sup> Revenue from drug manufacturer rebates.

<sup>3</sup> Revenue from participant enrollment fees.

<sup>4</sup> Administrative costs for FY 2004-05 were estimated by DHFS based on enrollment projections.

The typical SeniorCare enrollee is white, female, and between 70 and 79 years of age, with an income of \$13,691. The average program benefit cost per participant in FY 2003-04 was \$1,250. Table 3 profiles information for those enrolled in SeniorCare in June 2004.

Table 3

**Profile of SeniorCare Participants  
June 2004**

| Gender       | Estimated Number | Percentage of Total |
|--------------|------------------|---------------------|
| Female       | 66,937           | 74.2%               |
| Male         | 23,274           | 25.8                |
| <b>Total</b> | <b>90,211</b>    | <b>100.0%</b>       |

| Group Type              | Estimated Number | Percentage of Total |
|-------------------------|------------------|---------------------|
| Individual <sup>1</sup> | 64,925           | 72.0%               |
| Couple                  | 25,286           | 28.0                |
| <b>Total</b>            | <b>90,211</b>    | <b>100.0%</b>       |

<sup>1</sup> Includes unmarried individuals, widowed spouses, and married couples in which one spouse lives in a nursing home.

| Age          | Estimated Number | Percentage of Total |
|--------------|------------------|---------------------|
| 65-69        | 12,058           | 13.4%               |
| 70-79        | 37,515           | 41.6                |
| 80-89        | 33,345           | 36.9                |
| 90-99        | 7,153            | 7.9                 |
| 100 and over | 140              | 0.2                 |
| <b>Total</b> | <b>90,211</b>    | <b>100.0%</b>       |

| Race / Ethnicity                   | Estimated Number | Percentage of Total |
|------------------------------------|------------------|---------------------|
| African-American                   | 1,349            | 1.5%                |
| American Indian                    | 434              | 0.5                 |
| Asian                              | 158              | 0.2                 |
| Hispanic / Latino                  | 625              | 0.7                 |
| Native Hawaiian / Pacific Islander | 17               | <0.1                |
| White                              | 83,620           | 92.7                |
| Unidentified                       | 4,008            | 4.4                 |
| <b>Total</b>                       | <b>90,211</b>    | <b>100.0%</b>       |

| Benefit Level  | Average Income |               |
|----------------|----------------|---------------|
|                | Individual     | Couple        |
| Level 1        | \$11,260       | \$16,127      |
| Level 2a       | 16,018         | 21,928        |
| Level 2b       | 19,569         | 26,703        |
| Level 3        | 24,219         | 36,645        |
| <b>Average</b> | <b>13,691</b>  | <b>22,357</b> |

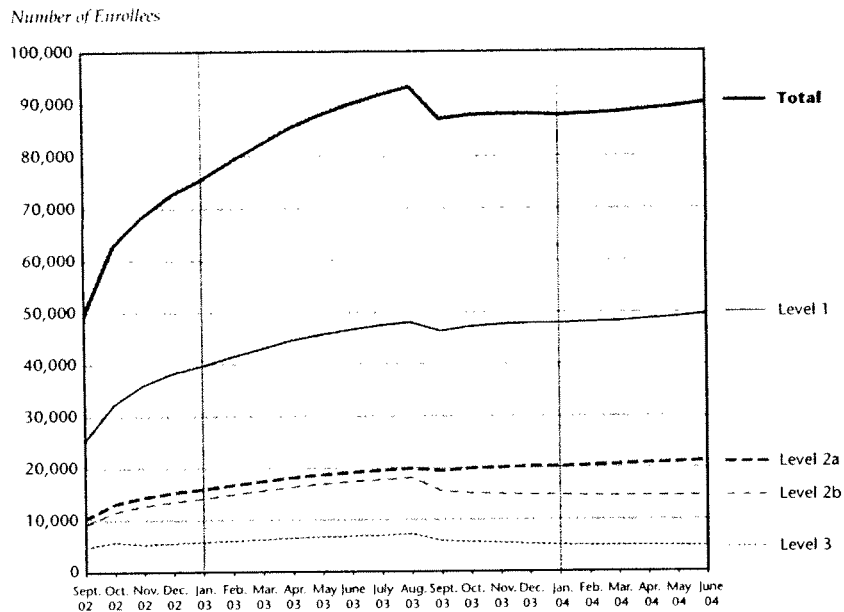
As shown in Figure 1, enrollment increased rapidly during the program's first year. However, it declined between August and September 2003 and then increased again, but at a slower rate. The drop in enrollment in September 2003 occurred because some participants chose not to re-apply for SeniorCare after their first year of participation. We found that 64.9 percent of the



decline occurred among participants in Levels 2b and 3, who were required to meet higher cost-sharing requirements in order to continue receiving benefits.

Figure 1

**SeniorCare Enrollment**  
September 2002 through June 2004



In June 2004, every county in Wisconsin had at least 75 individuals enrolled in SeniorCare. With 12.4 percent of all participants, Milwaukee County had the largest number of SeniorCare participants. Appendix 2 shows 2004 enrollment for each county.

**Senior Prescription Drug Programs in Other States**

In addition to Wisconsin, three other states—Florida, Illinois, and South Carolina—operate prescription drug assistance programs for seniors under federal Pharmacy Plus waivers. As shown in Table 4 and Table 5, Wisconsin’s program is the most comprehensive in terms of both eligibility and benefits. Wisconsin extends benefits to participants with incomes of up to 240 percent of the federal poverty level, while the second-highest maximum income limit is 200 percent.

None of the four states has an asset test, but their application requirements differ. For example, all states except Wisconsin ask applicants to provide information on prior or current income, rather than to anticipate future income. However, documentation and change reporting requirements are generally similar to those in Wisconsin, except that Florida requires recipients

to report changes in their income within ten days, and Illinois requires documentation of income under some circumstances.

Table 4

**State Pharmacy Plus Waiver Programs: Eligibility Comparison**

| State          | Income Limit as a Percentage of the Federal Poverty Level | Income Used to Determine Eligibility  | Income Documentation Requirements   | Eligibility Period and Reporting Requirements  |
|----------------|---|---|---|--|
| Florida        | 120 percent   | Current monthly income  | None required   | 12 months from date of enrollment unless income exceeds limit; income changes must be reported                               |
| Illinois       | 200 percent <sup>1</sup>                                  | Retrospective income for the previous calendar year; a prospective estimate may be used if income has decreased | None for retrospective income reporting; documentation required for prospective reporting | All participants are eligible for the 12-month period coinciding with the state fiscal year, regardless of changes in income |
| South Carolina | 200 percent   | Current monthly income  | None required   | 12 months from date of enrollment, regardless of changes in income   |
| Wisconsin      | 240 percent <sup>2</sup>                                  | Prospective estimate of income over the next 12 months  | None required   | 12 months from date of enrollment, regardless of changes in income   |

<sup>1</sup> Illinois seniors with incomes between 200 percent and 250 percent of the federal poverty level may receive assistance with prescription drug costs through a state-funded program that covers a limited number of drugs.

<sup>2</sup> Federal funds are available only for Wisconsin seniors with incomes at or below 200 percent of the federal poverty level; those with incomes above 200 percent of the federal poverty level are funded with state funds. Seniors with incomes above 240 percent of the federal poverty level become eligible for assistance when their prescription drug expenditures equal the difference between their estimated incomes and 240 percent of the federal poverty level.

As shown in Table 5, all of the states with Pharmacy Plus programs require participants to make co-payments. Co-payments range from \$1 to \$4 in Illinois to \$10 to \$21 in South Carolina. Wisconsin and South Carolina also have annual deductible requirements. Florida and South Carolina place limits on the benefits a participant can receive, and Illinois imposes an additional co-payment once annual benefits exceed \$1,750. Wisconsin is the only state that does not limit the amount of benefits paid.

Table 5

**State Pharmacy Plus Waiver Programs: Enrollment and Benefits Comparison**

| State          | June 2004 Enrollment | Cost-Sharing Requirements and Benefit Levels  |
|----------------|----------------------|---|
| Florida        | 52,022               | Participants are responsible for co-payments of \$2, \$5, or \$15. The program pays a maximum of \$160 in benefits per month (\$1,920 per year).  |
| Illinois       | 200,830              | Participants with incomes above the federal poverty level are responsible for co-payments of \$1 or \$4, and all participants are responsible for a 20 percent co-payment once benefits paid in a year exceed \$1,750.  |
| South Carolina | 56,177               | Participants are responsible for a \$500 annual deductible and co-payments of \$10, \$15, or \$21. The program pays for a maximum of four covered prescriptions per month, with exclusions for certain conditions (including diabetes, cardiac disease, high blood pressure, and life-threatening illnesses). |
| Wisconsin      | 90,211               | Higher-income participants are responsible for an annual deductible of \$500 or \$850 (based on income), and all participants have co-payments of \$5 or \$15. There are no limits on the amount of benefits paid.  |

**Accuracy of Participant Income Estimates**

DHFS recently completed a federally required quality-control review that analyzed the accuracy of SeniorCare eligibility approvals and denials, as well as the accuracy of benefit level placements. Quality assurance staff reviewed a sample of 615 cases enrolled between September 2002 and July 2003 and found that all participants in their sample met age, citizenship, and enrollment fee requirements. For two cases, there was some indication that the participants may not have been Wisconsin residents; in both cases, the participants failed to cooperate with the quality assurance review and did not apply to renew their SeniorCare eligibility. However, DHFS found that incorrect estimates of future income led to incorrect benefit level placements in approximately 15 percent of eligible cases. DHFS also reviewed a sample of 260 denied applications and found errors in 6 cases, or 2.3 percent.

We did not attempt to duplicate DHFS's quality-control review. Instead, we independently reviewed a statistically significant sample of 1,000 applications approved between August and November 2003 to determine the effect of inaccurate income estimates on program eligibility and costs. We compared the prospective incomes reported by participants, which were used in determining their eligibility, against actual income data from:

- federal and state tax returns for 2003;
- wage data reported to the State by employers;
- income information from the Social Security Administration; and
- income data available in CARES for participants who were receiving other types of public assistance.

Although actual income data were available to us in many instances, comparisons between actual income data and income reported on SeniorCare applications often had limitations. For example, participants are asked to estimate their future income for a 12-month enrollment period, which typically did not directly correspond with the calendar year income reported on tax returns. In addition, tax return information was not available for 401 of the 1,000 cases in our sample, often because individuals with taxable incomes below \$9,000 and couples with taxable incomes below \$18,000 are not required to file Wisconsin tax returns. (Most Social Security income is not taxable.) In cases where income tax records were not available, we relied on the other sources of income information previously mentioned.

Using available data on actual income, we calculated the benefit level for which each sampled case would have been eligible. We then determined the extent to which cases would have been placed in a benefit level different from that in which they were enrolled and, therefore, would have had either higher or lower cost-sharing requirements. We also reviewed actual claims data to estimate the cost of benefits that may have been incorrectly provided, as well as the cost to participants of additional cost-sharing requirements that may have been imposed as a result of inaccurate eligibility determinations.

When we projected the statistically significant results from our random sample of 1,000 cases onto the entire population of SeniorCare cases, our findings were generally consistent with those of DHFS's own review. For example, we estimate that eligibility determinations were consistent with participants' actual incomes in 82.5 percent of all SeniorCare cases, as shown in Table 6.

In the remaining cases, the determination was not consistent with participants' actual incomes, or we were unable to determine if participants were placed in appropriate levels. In 11.9 percent of cases, the enrollees should have been placed in a level with higher cost-sharing requirements, and in 2.3 percent of cases the enrollees should have been placed in a level with lower cost-sharing requirements. In 3.3 percent of cases we were unable to estimate participants' incomes. For cases in which different placements should have been made, approximately 9,500 cases would have been subject to higher cost-sharing requirements, and 1,800 cases would have had lower cost-sharing requirements. Therefore, projecting our findings onto the entire SeniorCare population, we estimate that an additional \$7.5 million in prescription drug costs funded by SeniorCare benefits should have been paid by participants for the 12-month period following eligibility determination, and \$580,000 paid by participants should have been paid by the program. This would have resulted in total net savings to the State of approximately \$6.9 million over 12 months, including approximately \$3.0 million in GPR.

Table 6

**Accuracy of SeniorCare Level Placements<sup>1</sup>**

| Finding   | Estimated Number of Cases Statewide <sup>2</sup> | Estimated Percentage of Cases | Estimated Cost to the State |
|---|--|-------------------------------|-----------------------------|
| Participant's Level Placement Was Correct               | 65,900   | 82.5%                         | \$ 0                        |
| Participant Would Have Higher Cost-Sharing Requirements | 9,500  | 11.9                          | 7,485,000                   |
| Cannot Determine if Level Placement Was Correct         | 2,600  | 3.3                           | Unknown                     |
| Participant Would Have Lower Cost-Sharing Requirements  | 1,800  | 2.3                           | (580,000)                   |
| <b>Total</b>  | <b>79,800</b>                                    | <b>100.0%</b>                 | <b>\$6,905,000</b>          |

<sup>1</sup> Projected based on a statistically significant sample of 1,000 cases for a 12-month period of program eligibility.

<sup>2</sup> A case may consist of a single individual or a married couple.

In cases where income discrepancies were found, we were unable to determine with certainty whether participants' incomes had actually changed or whether they had been misreported. However, of the sampled cases that would have had cost-sharing requirements, 42.9 percent reported income sources on their tax returns that were not reported on their SeniorCare applications, most commonly income from pensions or other retirement accounts. Given the nature of this income, it seems likely that many applicants could have been able to better estimate their retirement income for the 12-month period following application. We also found that many participants under-reported income from one or more sources, although the under-reporting often did not affect program benefits. We were unable to determine the cause of these discrepancies, but possible explanations include unexpected income changes, errors in estimating income, or a misunderstanding of what is counted as income under the program.

**Future Considerations**

Given the under-reporting of income we identified in our sample, we believe DHFS should increase its efforts to prevent, identify, and correct participant errors in income reporting. In addition, the 2004 change in federal law that created a Medicare prescription drug benefit will affect the SeniorCare program, although the ramifications are not fully known at this time.

**Correcting Benefit Payment Errors**

In assessing the accuracy of SeniorCare eligibility determinations, DHFS currently:

- verifies applicants' reported Social Security income using data from the Social Security Administration; and

- instructs eligibility workers to contact applicants if it appears that errors were made on applications, such as reporting monthly income instead of annual income.

However, DHFS does not:

- routinely review available income data from other sources, including tax returns or wage data reported to the State by employers;
- request additional income verification from applicants who may have failed to report income; or
- have any procedures for recovering SeniorCare benefits paid in error, as it is required to do under administrative rule.

Although 82.5 percent of SeniorCare applicants in our sample accurately estimated their future income, the significant number of cases that are not in the correct level based on unreported or under-reported income suggests a need for additional steps to prevent and correct benefit payment errors. However, taking steps to improve the accuracy of income estimates, such as requiring documentation of income or in-person interviews, would increase administrative costs. In addition, requiring applicants to apply in person would require the involvement of county staff and would be a significant change to the current centralized processing system. Advocates are concerned that increased application requirements could make the program less accessible to seniors, and they point to recent decreases in BadgerCare enrollment following increased application requirements. Less-extensive procedural changes, such as better use of data resources and targeted case reviews, could reduce errors.

In an attempt to address some of these deficiencies, DHFS's 2005-07 biennial budget request proposes developing a system for identifying applications that are more likely to contain income estimates that would result in an incorrect eligibility determination, such as those with reported income near a benefit level limit. Under the proposed system, income reported on those applications would be compared to income data available through various other sources, such as income tax returns and the state wage database. If discrepancies were found, participants would be required to submit supporting documentation.

DHFS is requesting a total of \$395,500 in FY 2005-06 and \$191,800 in FY 2006-07 to fund programming modifications to CARES, and an additional 4.0 FTE staff to conduct income reviews and request verification of income. Based on estimated savings from reducing incorrect level placements, DHFS estimates that these proposals would have a net cost of \$105,000 (including \$42,200 GPR) in FY 2005-06, and a net savings of \$388,300 (including \$217,100 GPR) in FY 2006-07.

#### Recommendation

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*We recommend the Department of Health and Family Services report to the Joint Legislative Audit Committee by April 15, 2005, on its progress in developing procedures for preventing, identifying, and correcting errors in SeniorCare benefit payments, including:*

- *how it plans to identify cases in which income is under-reported;*

- *the data sources it plans to use to verify applicants' reported incomes; and*
- *the types of income documentation to be requested of enrollees when discrepancies between reported and actual income are identified.*

DHFS also has not developed procedures for recovering SeniorCare benefits paid in error, although the program has been in operation for more than two years. Benefit recovery procedures are an important component of any public assistance program and are required by state law. Although participants are not required to report changes in income, DHFS is required to recover benefits incorrectly paid to participants who misstate or incorrectly estimate their incomes given the information available at the time of application. Under current rules, benefits may be recoverable even if a participant did not intend to misstate his or her income.

### **☑ Recommendation**

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*We recommend the Department of Health and Family Services report to the Joint Legislative Audit Committee by April 15, 2005, on the procedures it plans to use for recovering benefits paid in error, and its time line for implementing those procedures.*

### **Effects of Changes in Federal Law**

The federal Medicare Prescription Drug, Improvement, and Modernization Act of 2003 created a new Medicare prescription drug benefit beginning in January 2006, with a transitional drug discount card program from June 2004 through December 2005. Under the transitional drug discount card program, seniors may apply for one of a number of discount cards, and seniors with incomes below 135 percent of the federal poverty level can receive a \$600 annual credit toward prescription drug costs. Seniors enrolled in SeniorCare Level 1 are not eligible for the \$600 credit because they already receive full prescription drug coverage through SeniorCare, which is funded, in part, through the federal Medical Assistance program. Those enrolled in SeniorCare levels 2b or 3 can apply for a Medicare-endorsed drug discount card and use it while meeting the spenddown or deductible requirements for SeniorCare.

The new Medicare prescription drug benefit takes effect in January 2006, and it has cost-sharing requirements that vary by income. DHFS has estimated that 94 percent of seniors enrolled in SeniorCare would have lower costs under SeniorCare than under the Medicare drug benefit program. Only the 6 percent whose incomes are below 135 percent of the federal poverty level and who have assets below \$6,000 for individuals and \$9,000 for couples would have lower costs under the Medicare drug benefit program. Federal officials have estimated that the new Medicare benefit will lower prescription drug costs for more than 700,000 elderly and disabled people in Wisconsin who are not currently enrolled in SeniorCare, including disabled individuals who are not eligible for SeniorCare and seniors whose incomes may be too high to receive benefits from SeniorCare. Because of the complexity of the two programs, seniors could benefit from comparative information provided by DHFS to assist them in choosing between the SeniorCare program and the federal Medicare prescription drug benefit.

DHFS officials have been informed that the federal government will continue to provide matching funds for SeniorCare under the current Pharmacy Plus waiver, which is set to expire on July 1, 2007. However, DHFS has not received the written confirmation it requested from the

federal Department of Health and Human Services. If SeniorCare is to be continued beyond July 1, 2007, the State's waiver will need to be extended.

Finally, DHFS is required by s. 49.688(10), Wis. Stats., to report to the Legislature on its analysis of the differences between SeniorCare and the new Medicare prescription drug benefit program, including any recommendations it may have to address possible concerns. There is no statutory deadline for submission of this report, and DHFS has not yet determined the likely date for its completion. However, in its report, it will be important for DHFS to include information on the potential fiscal effects of the Medicare prescription drug benefit on the SeniorCare program.

■ ■ ■ ■



# SENIORCARE

Prescription Drugs for Wisconsin Seniors

## APPLICATION

Select One:  New Application  Add Spouse  Re-Application

STATE OF WISCONSIN  
Section 49.688, Wis. Stats.

Shade Circles Like This → ●  
Not Like This → ○

¿Prefiere las notificaciones en español?  Yes  No

### SECTION I - APPLICANT INFORMATION

Are you requesting SeniorCare?  Yes  No Wisconsin Resident?  Yes  No U.S. Citizen?  Yes  No Gender?  Male  Female

Race/Ethnicity (Optional)  American Indian/Alaskan Native  Hawaiian/Other Pacific Islander  Black/African American  Divorced  
*Choose all that apply*  White  Asian  Hispanic Ethnicity  Widowed  Separated  Single

Last Name: \_\_\_\_\_ Middle Initial: \_\_\_\_\_  
 First Name: \_\_\_\_\_ Middle Initial: \_\_\_\_\_  
 Birth Date: \_\_\_\_\_ / \_\_\_\_\_ / \_\_\_\_\_ Soc. Sec. No. \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_

If Married or Separated, are you  
 Living with Spouse  Not Living with Spouse

### SECTION II - SPOUSE INFORMATION (IF LIVING WITH APPLICANT)

Are you requesting SeniorCare?  Yes  No Wisconsin Resident?  Yes  No U.S. Citizen?  Yes  No Gender?  Male  Female

Race/Ethnicity (Optional)  American Indian/Alaskan Native  Hawaiian/Other Pacific Islander  Black/African American  Divorced  
*Choose all that apply*  White  Asian  Hispanic Ethnicity  Widowed  Separated  Single

Last Name: \_\_\_\_\_ Middle Initial: \_\_\_\_\_  
 First Name: \_\_\_\_\_ Middle Initial: \_\_\_\_\_  
 Birth Date: \_\_\_\_\_ / \_\_\_\_\_ / \_\_\_\_\_ Soc. Sec. No. \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_

### SECTION III - MAILING ADDRESS

Street: \_\_\_\_\_ Apartment: \_\_\_\_\_  
 City: \_\_\_\_\_ State: \_\_\_\_\_ Zip Code: \_\_\_\_\_  
 Telephone: ( \_\_\_\_\_ ) \_\_\_\_\_ - \_\_\_\_\_  
 Address is:  Same as residence  Different than residence  Your Authorized Representative's / Legal Guardian's / Power of Attorney's address



**SECTION IV - EXPECTED ANNUAL INCOME (Required)**

For each item below, enter the total gross (before deductions) expected ANNUAL income for you and your spouse for the next twelve months. **ROUND INCOME TO THE NEAREST DOLLAR -- DO NOT INCLUDE CENTS**

| APPLICANT                              |          | SPOUSE (if Living with Applicant)      |          |
|--|----------|--|----------|
| Gross Social Security                  | \$ _____ | Gross Social Security                  | \$ _____ |
| Gross Wages                            | \$ _____ | Gross Wages                            | \$ _____ |
| Interest, Dividends, and Capital Gains | \$ _____ | Interest, Dividends, and Capital Gains | \$ _____ |
| Net Self-Employment Income             | \$ _____ | Net Self-Employment Income             | \$ _____ |
| Retirement Income                      | \$ _____ | Retirement Income                      | \$ _____ |
| Other Income                           | \$ _____ | Other Income                           | \$ _____ |
| Grand Total                            | \$ _____ | Grand Total                            | \$ _____ |

**SECTION V - SIGNATURE (Required)**

I understand the questions and statements on this application form. I understand the penalties for giving false information or breaking the rules as outlined in the rights and responsibilities section of the SeniorCare application instructions. I certify, under penalty of perjury and false swearing, that all my answers are correct and complete to the best of my knowledge, including information provided about the citizenship or immigration status of my spouse and myself. I understand and agree to provide documents to prove what I have said. I understand that the agency may contact other persons or organizations to obtain the necessary proof of my eligibility and benefits.

**SIGNATURE** - Applicant or Representative

**PRINTED NAME** - Applicant or Representative

Signature of:  Applicant  Authorized Representative  Legal Guardian  Power of Attorney / Durable Power of Attorney

Two witness signatures are required only if you sign with an "X"  
 Witness 1 \_\_\_\_\_  
 Witness 2 \_\_\_\_\_

**SECTION VI - ENROLLMENT FEE (Required)**

**OFFICE USE ONLY**

Enrollment Fee Enclosed  \$30 - One Applicant  
 \$60 - Two Applicants  
 Make check or money order payable to: State of Wisconsin  
 (Include applicant's name and Soc. Sec. No. on payment.)

Return completed application form and fee to:  
 SeniorCare  
 P.O. Box 6710  
 Madison, WI 53716-0710

None  
 Other



HCF 10076 (R 07/03)



**If you have questions, contact SeniorCare**  
 Customer Service Hotline at 1-800-657-2038.

Appendix 2

**2004 SeniorCare Enrollment by County**

| County      | Number Enrolled | County                   | Number Enrolled |
|-------------|-----------------|--------------------------|-----------------|
| Adams       | 388             | Marinette                | 1,431           |
| Ashland     | 504             | Marquette                | 535             |
| Barron      | 1,097           | Menominee                | 75              |
| Bayfield    | 297             | Milwaukee                | 11,545          |
| Brown       | 3,150           | Monroe                   | 826             |
| Buffalo     | 442             | Oconto                   | 1,009           |
| Burnett     | 441             | Oneida                   | 1,039           |
| Calumet     | 652             | Outagamie                | 2,369           |
| Chippewa    | 1,398           | Ozaukee                  | 1,005           |
| Clark       | 1,389           | Pepin                    | 224             |
| Columbia    | 1,285           | Pierce                   | 635             |
| Crawford    | 486             | Polk                     | 1,036           |
| Dane        | 3,203           | Portage                  | 987             |
| Dodge       | 1,898           | Price                    | 653             |
| Door        | 688             | Racine                   | 2,939           |
| Douglas     | 635             | Richland                 | 506             |
| Dunn        | 702             | Rock                     | 2,508           |
| Eau Claire  | 1,288           | Rusk                     | 502             |
| Florence    | 100             | Sauk                     | 1,381           |
| Fond du Lac | 1,982           | Sawyer                   | 386             |
| Forest      | 263             | Shawano                  | 1,064           |
| Grant       | 1,251           | Sheboygan                | 1,994           |
| Green       | 949             | St. Croix                | 702             |
| Green Lake  | 649             | Taylor                   | 675             |
| Iowa        | 510             | Trempealeau              | 995             |
| Iron        | 246             | Vernon                   | 989             |
| Jackson     | 416             | Vilas                    | 623             |
| Jefferson   | 1,388           | Walworth                 | 1,686           |
| Juneau      | 729             | Washburn                 | 440             |
| Kenosha     | 1,692           | Washington               | 1,498           |
| Kewaunee    | 553             | Waukesha                 | 4,153           |
| La Crosse   | 1,983           | Waupaca                  | 1,475           |
| Lafayette   | 516             | Waushara                 | 600             |
| Langlade    | 685             | Winnebago                | 2,267           |
| Lincoln     | 981             | Wood                     | 2,134           |
| Manitowoc   | 2,041           | Unknown                  | 445             |
| Marathon    | 2,602           | <b>Total<sup>1</sup></b> | <b>92,810</b>   |

<sup>1</sup> Total enrollment varies slightly from previously reported enrollment data because county enrollment figures were obtained from a different data system.





State of Wisconsin  
**Department of Health and Family Services**

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Jim Doyle, Governor  
Helene Nelson, Secretary

April 15, 2005

The Honorable Carol Roessler  
Wisconsin Senate  
Joint Legislative Audit Committee  
Room 8 South, State Capitol  
P.O. Box 7882  
Madison, WI 53707-7882

The Honorable Suzanne Jeskewitz  
Wisconsin Assembly  
Joint Legislative Audit Committee  
Room 314 North, State Capitol  
P.O. Box 8952  
Madison, WI 53708-8952

Dear Senator Roessler and Representative Jeskewitz:

The attached report is submitted in response to the recommendations included in the Legislative Audit Bureau's evaluation of SeniorCare Eligibility Determinations (Letter Report, January 2005). The report included recommendations for the Department of Health and Family Services to report to the Legislature regarding its progress in developing procedures for preventing, identifying and correcting errors in SeniorCare benefit payments and procedures for benefit recovery.

The report describes the operational procedures to improve the accuracy of income information used in SeniorCare eligibility determinations currently under review. The options identified presume retention of the prospective estimate of income for a 12-month benefit period. Final decisions will be made when the various options are ranked based on relative cost and effectiveness.

The report also describes the procedures to be implemented for benefit recovery. Lastly, the report outlines a package of Medicaid eligibility program integrity/quality assurance initiatives that will also impact SeniorCare and that are included in the Governor's budget.

If you have any questions about the report or would like additional information, please contact Cheryl McIlquham, Director of the Bureau of Eligibility Management, at (608) 261-6877.

Sincerely,

A handwritten signature in black ink, appearing to read 'Helene Nelson'.

Helene Nelson

Attachment

**Wisconsin.gov**

**REPORT TO THE LEGISLATURE**

**IN RESPONSE TO LEGISLATIVE AUDIT BUREAU  
RECOMMENDATIONS IN LETTER REPORT  
JANUARY 2005**

***SENIORCARE ELIGIBILITY DETERMINATIONS***

**Wisconsin Department of Health and Family Services**

**April 15, 2005**

## **I. Introduction**

In January 2005, the Legislative Audit Bureau (LAB) issued a Letter Report, an evaluation of "SeniorCare Eligibility Determinations." This report includes recommendations for the Department of Health and Family Services (DHFS) to report to the Legislature regarding the following:

- A. The Department's progress in developing procedures for preventing, identifying, and correcting errors in SeniorCare benefit payments; and
- B. Procedures for recovering benefits paid in error and a timeline for implementing the procedures.

This report is in response to the above recommendations.

## **II. Background**

The Department is committed to accurately and efficiently providing benefits to all Wisconsin residents who are entitled to those benefits without undue administrative barriers. We are also committed to improving and maintaining program integrity for public assistance programs. Payment accuracy, timely case processing, customer service, front-end verification, fraud investigations, and benefit recovery are all important components of program integrity.

The SeniorCare Prescription Drug program is administered centrally by Department staff in the Bureau of Eligibility Management, State Customer Operations Section. Administrative costs for operating the program are kept low by using automated system processing of applications through scanning and the automatic population of data into the CARES eligibility determination system. Three Department staff and one supervisor are responsible for all SeniorCare eligibility determinations and ongoing case management of SeniorCare cases. Contract staff are responsible for application scanning and validation, as well as staffing the SeniorCare customer service hotline. Contract staff are also charged with enrollment fee and claims processing. This operational model has proven to be an effective and efficient service delivery model for the approximately 87,000 seniors participating in the SeniorCare program.

As reported by LAB, the Department spends \$3.7 million annually to administer the SeniorCare program. Administrative costs are only 3.1% of total program expenditures. There is no appropriation of GPR to fund program administration – program revenue for the annual application fee provides \$2.7 million, sufficient for only 73% of administrative expenses.

State statutes specify that eligibility for SeniorCare be established for a 12-month benefit period and that the criteria used to determine household income for eligibility purposes be established in administrative rule. When SeniorCare was created, it was determined that the senior's prospective income was a better, more relevant indicator of need than retrospective income. In other words, it takes into account the current economic

circumstances of the individual/couple for the period in which benefits are received. When seniors retire, many experience both a significant decline in income and a loss of prescription drug coverage. Past income is frequently not a good predictor of current or future income. In addition, a prospective income test is consistent with current Medicaid policy for the elderly, blind and disabled persons applying for Medicaid. Therefore, the SeniorCare administrative rules require applicants to provide an estimate of expected income for the coming 12-month period for determining eligibility.

### III. Department Response to Recommendations

#### A. Progress in developing procedures for preventing, identifying, and correcting errors in SeniorCare benefit payments.

**Current Procedures:** Income reporting errors are identified by SeniorCare workers both before and after determining the applicant's SeniorCare eligibility. Before determining eligibility, workers may learn of income errors through client contacts, third party income data sources (e.g., Social Security Administration) and identification of questionable income reporting as the eligibility determination is made.

Currently, many applications are manually reviewed by the worker to make a determination with regard to applicant-reported income. Workers frequently identify the following kinds of reported income errors:

- Reporting monthly instead of annual total income;
- Reporting excess income (often due to misplacement of decimal points in recording dollar amounts on the application or totaling all income sources in the "other income" field);
- Reporting no income;
- Double counting of income due to errors in completing the income fields on the application; and
- Transposing the income reported for the applicant and the spouse (i.e., income for the spouse is reported as the applicant's income and the applicant's income is reported as the spouse's income).

In addition, SeniorCare workers currently verify the accuracy of all applicant-reported Social Security and Railroad Retirement income before determining eligibility. Social Security income information is available to state staff on-line via a data exchange between the Social Security Administration and CARES. To verify Railroad Retirement income, staff make direct contact with the Railroad Retirement Board. The amounts reported by these third-party sources are used in determining eligibility. Thus, any errors in the income reported by seniors for these two income types are being corrected prior to determining eligibility. Further, if the applicant has made an error of \$1,000 or more in reporting their Social Security income, all other reported income is reviewed as well to ensure that other errors were not also made.



Currently, whenever any of the income discrepancies discussed above cannot be resolved to the satisfaction of the SeniorCare worker through the use of third-party income data sources and/or phone contact with the applicant, a letter is sent to the applicant requesting them to send proof of their income. Proof of income consists of documents such as copies of bank statements, pension statements, tax forms, self-employment records, pay stubs, or award letters.

Income reporting errors are also occasionally discovered by workers after eligibility has been determined. Most often, this occurs when participants later self-report income errors that they made on their application. If the participant reports more than one income error on a new application or at renewal of the 12-month benefit period, SeniorCare staff request written proof of the income in question.

**New procedures being explored:** The Department has identified a number of policy and process changes that would improve the identification of under-reported income by using other current sources of information. As noted in the descriptions below, several of these initiatives require modifications to CARES or pose an additional workload for eligibility staff. The Department is in the process of obtaining cost estimates for the CARES modifications and evaluating the extent of the additional workload. Once the cost estimates and workload analysis are complete, each initiative will be evaluated in the context of cost-effectiveness and feasibility of implementation given appropriated funding.

The enhanced verification initiatives that have been identified and are being evaluated by DHFS include the following:

1. CARES enhancements. DHFS is evaluating several CARES enhancements that would automate work that currently must be completed manually by the SeniorCare eligibility workers related to generation of letters and notices, electronic case files, and address reconciliation. Automation of these functions would improve productivity for the eligibility workers, allowing more time to be allocated to verification functions.
2. Identify cases where income has been reported for other benefit programs. Many SeniorCare participants are also eligible for other public benefit programs, such as FoodShare, or have spouses who are eligible for Medicaid, for instance. Because the same eligibility system (CARES) is used to determine eligibility for each of these programs, income information supplied by the applicant for SeniorCare could be compared to income supplied for other programs for the purpose of identifying potential under-reporting. This income verification activity would be completed prior to confirmation of eligibility. The Department would need to modify CARES to allow automated identification of such cases to allow the worker to compare income reported for other program eligibility to that reported for SeniorCare.

3. Compare applicant reported wage information to information supplied via the State Wage Record Database. The Department is pursuing plans to make state wage data available on-line to state SeniorCare staff during the SeniorCare eligibility determination process. This would allow eligibility workers to verify wages earned during the previous quarter. This income verification activity would be completed prior to confirmation of eligibility.
4. Compare applicant reported income to Wisconsin Department of Revenue (DOR) data. The Department could explore options for utilizing DOR data to compare SeniorCare applicants' reported income to the prior year's Wisconsin income tax information. This income verification activity would be completed prior to confirmation of eligibility. Because DHFS does not have an established data exchange with DOR, this would require further policy and fiscal analysis.
5. Compare applicant reported income to IRS and PARIS data. The Department has recently obtained access to data from the Internal Revenue Service (IRS) and plans to participate in the Public Assistance Reporting Information System (PARIS). Data from the IRS and PARIS will provide information about various income sources for seniors, including private and Veterans Administration pensions, annuities, IRA distributions, interest, dividends, capital gains, wages and self-employment.

The information available from the IRS, however, may not always be useful in determining the accuracy of prospective income estimates for SeniorCare purposes because it reports past income and the senior's circumstances may have changed (or are anticipated to be changing) to warrant a different income estimate for the future. For example, changing hours of part-time employment and varying interest earnings are common and can change the amount of countable income a senior may have from one year to the next. Nonetheless, the Department will determine how to best use this data in validating income for SeniorCare eligibility determinations.

6. Verify income when errors are reported that result in increased benefits. As stated above, the Department currently requests verification of income when more than one income error is reported in a benefit period. The Department will change this policy to request verification whenever an error is reported that results in the participant receiving an increase in benefits. This activity would be completed whenever the error is reported, which could be either before or after confirmation of eligibility.
7. Compare prior SeniorCare income to current SeniorCare income. CARES eligibility processing could be enhanced to allow the eligibility worker to more easily compare income reported at the current review to income

reported at the initial SeniorCare application, or prior review. For example, if an income type was reported in the prior benefit period, but not for the new benefit period, then the worker would follow-up with the applicant. This income verification activity would be completed prior to confirmation of eligibility.

B. Procedures for recovering benefits paid in error and a timeline for implementing the procedures.

**Benefit Recovery Policy:** The Department's policy regarding the recovery of SeniorCare benefits paid in error is defined in Administrative Rule HFS 109.62 and will be implemented as follows:

1. If the incorrect payment of SeniorCare benefits is the result of an error made by the Department, no recovery will be made. However, if the correction results in ineligibility or a change in participation level, future benefits will be stopped or adjusted accordingly.
2. The Department will take action to recover the amount of the incorrect payment, if the incorrect payment is the result of any of the following circumstances. The amount of the recovery may not exceed the amount of the overpayment. Only the following circumstances will result in a recovery action:
  - ◆ An intentional or unintentional misstatement or omission of fact by the person supplying information on an application, a request for a new benefit period, or a review of eligibility for SeniorCare benefits.
  - ◆ A check submitted for the enrollment fee is returned for non-sufficient funds.
  - ◆ A participant fails to inform the department, within 10 calendar days of the change, of changes in circumstances that affect eligibility. SeniorCare participants are required to report only changes in household composition and residency. They are not required to report financial changes during the 12-month benefit period.
  - ◆ A participant appeals a decision of the Department, receives benefits while the appeal is pending, and the Department's decision is upheld.
3. SeniorCare claims payment history for the participant will be used to determine the amount of the overpayment.
4. Participants whose SeniorCare benefits will be recovered must be notified by the Department of the following:
  - ◆ The reason for the recovery action.
  - ◆ The dates of ineligibility.
  - ◆ The amount of the overpayment.

- ◆ The right to appeal the recovery action and/or the amount of the overpayment.
- ◆ The opportunity to arrange a schedule for re-payment.
- ◆ The consequences of non-payment, including referral to a collections agency, to the district attorney, to the county corporation counsel, to the circuit court, or to the Wisconsin Department of Revenue for state tax intercept purposes.

**Benefit Recovery Process:** The SeniorCare benefit recovery process will be modeled after the process used to recover overpayments from Medicaid and BadgerCare recipients.

Upon identification of any of the circumstances warranting a recovery, SeniorCare eligibility staff will determine the period of SeniorCare ineligibility in accordance with Department policy. Eligibility staff will access the participant's SeniorCare claims payment history, using the Medicaid Management Information System (MMIS), to determine the exact amount of the overpayment. Only dates of service that fall within the period of ineligibility will be considered for recovery and no more than the actual benefit amount paid in error for those dates of service will be recovered. In addition, the senior's eligibility status, or participation level, will be modified as appropriate.

DHFS eligibility staff will use the Benefit Recovery Subsystem, which resides within the CARES system, to establish a claim against the liable SeniorCare participant. In addition to storing participant identification information, the Benefit Recovery Subsystem will be used to record information such as the overpayment claim amount and period, any outstanding claim balance, the total amount recovered, and re-payment dates and amounts.

The CARES Benefit Recovery Subsystem will also be used to generate required client notification, including the notice of overpayment, the request for repayment agreement, repayment summary notices and collection notices on past due balances.

Delinquent cases will be referred by DHFS eligibility staff to the Department of Workforce Development's Public Assistance Collections Unit (PACU) within the Division of Workforce Solutions. PACU staff will have responsibility for all subsequent collection-related activities, including notification of and referral to the Wisconsin Department of Revenue for state tax intercept via the Central Recovery Enhanced System (CRES).

**Benefit Recovery Implementation Timeline:** The CARES system and, potentially, CRES, will require certain modifications before the above process can be implemented. These modifications include the following:

- ◆ Changes to the current CARES notice language used to communicate overpayment- and recovery-related information to Medicaid and

BadgerCare recipients. These notices will require revisions to address SeniorCare overpayments.

- ◆ Changes to the CARES Benefit Recovery Subsystem to allow the establishment and tracking of SeniorCare overpayment claims and to allow delinquent SeniorCare overpayment claims to be referred to DWD PACU for collections.
- ◆ Potential changes to CRES to allow delinquent SeniorCare overpayment claims to be referred to the Wisconsin Department of Revenue for tax intercept.

Further, SeniorCare benefit recovery training of DHFS eligibility and DWD PACU staff must be accomplished prior to implementation.

Cost estimates for the CARES and CRES system changes and training are being developed. If the estimated cost of implementing benefit recovery for SeniorCare is not cost-prohibitive, it would be the Department's goal to implement it in the Fall of 2005.

C. Governor's 2005-07 Biennial Budget Recommendations.

The Governor's 2005-07 biennial budget recommendations include a comprehensive package of program integrity initiatives to be administered at both the state and local levels that is projected to result in net savings in the Medicaid program of \$23.5 million all-funds (\$9.5 million GPR) over the biennium. The following describes the components of the Governor's recommendations related to program integrity targeting Medicaid eligibility determinations, including those for SeniorCare.

1. State Quality Control Reviews. This recommendation would provide the resources needed to comply with the upcoming new federal requirements for PERM. Under this initiative, DHFS would review a statistically significant sample (1,800 – 2,400 cases) of Medicaid, BadgerCare and SeniorCare cases to measure the rate at which eligibility and benefits are being determined accurately, and to gather data and information to determine the causes of errors.

Based on this information, the Department will identify and implement corrective action measures that will reduce or, if possible, eliminate the source or root cause of the errors. The effectiveness of the corrective action initiatives would be monitored and evaluated on an ongoing basis to ensure that eligibility determination errors are being reduced or eradicated.

The Governor's recommendation includes \$864,900 all-funds over the biennium to support approximately 12 contract staff (that are also public

workers) to review cases and 1.0 FTE Supervisor in DHCF to manage the work of the contract staff.

2. Enhanced Verification/Data Exchange. The Governor's budget provides \$318,600 all-funds over the biennium for systems changes and 2.0 contract staff to enhance existing verification and data exchange processes by adding the capacity to process Internal Revenue Service (IRS) and Public Assistance Reporting Information System (PARIS) data exchange information. IRS and PARIS data can assist a trained worker in determining whether an individual has accurately reported income (interest, dividends, etc.) or assets through the report of interest, dividends or rental income.

*IRS Data* -- The Department would assume the duties for IRS matches that had been done by local IM agency workers until 2002, when the state's IRS data sharing agreement was suspended. Under this centralized approach, DHFS can: (a) more effectively target the IRS data exchange on Medicaid and FoodShare cases of the elderly and disabled and SeniorCare, which are the households with the most unearned income and assets; and (b) eliminate costly safeguarding requirements placed on local IM agencies.

Until now, this data has not been available to Department staff. As a result, verification of income types other than Social Security income has been difficult. Use of IRS data will greatly increase the ability to identify under-reported as well as non-reported income.

*PARIS Data* -- The three parts of PARIS are the Veterans Administration match, Department of Defense/Office of Personnel Management match (regarding active or retired military and Federal employees) and the Interstate match (duplicate payments made to the same client in more than one State).

With the age group that is applying for SeniorCare, the potential for non-reported Veteran's benefits will be reduced now that this data is available to Department staff. In addition, with the identification of Veteran's benefits for this population, the Department will have the ability to better coordinate prescription drug benefits with the Veterans Administration.

With the IRS and PARIS data, DHFS would implement a centralized process for all Medicaid, including SeniorCare, to:

- Review targeted matches of eligible cases;
- Send out verification requests to third parties (i.e., employers, to verify the information found from these sources);
- Enter verified information into the CARES system;
- Redetermine program eligibility and benefits;

- Determine the amount of program benefit overpayment; and
- Process overpayments for collection.

3. Statutory Modifications for Verification and Benefit Recovery. The Governor's budget also includes a number of statutory modifications that promote improved program integrity, particularly with regard to verification of information provided for eligibility purposes and benefit recovery. These provisions include the following:

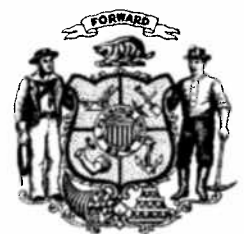
- Policy modifications that allow IM workers to request verification of income by applicants when no third-party data is available.
- Statutory changes that give the Department the authority to require third parties (i.e., employers, banks) to provide information at the request of IM workers.
- Statutory changes to restore the Department's ability to make Medicaid recoveries through the use of tax intercept.
- Statutory changes that allow the Department to recover overpayments that result from a failure to report changes in non-financial eligibility criteria (i.e., household composition, insurance coverage) outside of the application and review period.

The Department remains committed to the highest level of program integrity possible within funding available. We continually seek to identify new ways to improve quality and integrity through business process change, use of automation, and information technology.

We appreciate the Committee's support for this vital program, and share your desire to make sure state and federal funds are used appropriately in all instances.



# WISCONSIN STATE LEGISLATURE







WISCONSIN STATE LEGISLATURE

Joint Legislative Audit Committee

Committee Co-Chairs:  
State Senator Carol Roessler  
State Representative Suzanne Jeskewitz

May 20, 2005

Ms. Helene Nelson, Secretary  
Department of Health and Family Services  
1 West Wilson Street, Room 650  
Madison, Wisconsin 53703

Dear Ms. Nelson:

Thank you for your letter, dated April 15, which describes the steps the Department of Health and Family Services has taken to implement the recommendations contained in the Legislative Audit Bureau's January 2005 evaluation of SeniorCare Eligibility Determinations.

Your letter enumerates seven enhanced verification initiatives the Department may implement in order to prevent, identify, and correct errors in SeniorCare benefit payments. We understand that the Department is currently evaluating the cost-effectiveness and feasibility of each initiative. When this evaluation process is complete, or by October 31, 2005, we request that the Department submit a report to the Joint Legislative Audit Committee describing which of the enhanced verification initiatives will be implemented.

Your letter also references a Fall 2005 goal for implementing changes to the CARES and CRES systems in order to recover SeniorCare benefits paid in error. Please plan to update the Committee on the status of these changes in the October 2005 report.

Thanks you for your cooperation.

Sincerely,

Senator Carol A. Roessler, Co-chair  
Joint Legislative Audit Committee

Representative Suzanne Jeskewitz, Co-chair  
Joint Legislative Audit Committee

cc: Janice Mueller  
State Auditor