Department of Human Services
Division of Medical Assistance and Health Services
Managed Care Identification Cards

July 1, 2008 to December 31, 2009

Stephen M. Eells
State Auditor
The Honorable Chris Christie  
Governor of New Jersey

The Honorable Stephen M. Sweeney  
President of the Senate

The Honorable Sheila Y. Oliver  
Speaker of the General Assembly

Mr. Albert Porroni  
Executive Director  
Office of Legislative Services

Enclosed is our report on the audit of the Department of Human Services, Division of Medical Assistance and Health Services, Managed Care Identification Cards for the period of July 1, 2008 to December 31, 2009. If you would like a personal briefing, please call me at (609) 292-3700.

John J. Termyna  
Assistant State Auditor  
June 30, 2010
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Department of Human Services  
Division of Medical Assistance and Health Services  
Managed Care Identification Cards

**Scope**  
We have completed an audit of the Department of Human Services, Division of Medical Assistance and Health Services, Managed Care Identification Cards for the period July 1, 2008 to December 31, 2009. For the year ended December 31, 2009 New Jersey spent $2.5 billion on managed care for approximately 1.1 million beneficiaries. This audit was performed in conjunction with our overall review of the Managed Care program. Several audit reports have been issued on selected topics relating to the Managed Care program.

**Objective**  
The objective of our audit was to determine whether the division has adequate controls in place to monitor undeliverable managed care ID cards.

This audit was conducted pursuant to the State Auditor's responsibilities as set forth in Article VII, Section I, Paragraph 6 of the State Constitution and Title 52 of the New Jersey Statutes.

**Methodology**  
Our audit was conducted in accordance with Government Auditing Standards, issued by the Comptroller General of the United States.

In preparation for our audit, we studied legislation, the State Medicaid Plan, administrative code, the managed care contract, and policies of the agency. Provisions that we considered significant were documented and compliance with those requirements was verified by interview, observation, and through our analysis of data files. We also interviewed division and managed care organization personnel to obtain an understanding of the program and the internal controls.

**Background**  
The Division of Medical Assistance and Health Services administers the state’s Medicaid and NJ FamilyCare programs, which provide medical assistance to needy or uninsured individuals.
Medicaid pays providers by one of two methods: the fee-for-service method, in which a provider is paid for every Medicaid eligible service rendered to the beneficiary; or the capitation method, in which a Managed Care Organization (MCO) receives a monthly payment for each Medicaid beneficiary enrolled in the plan and in return is responsible for ensuring enrollees have access to quality health care and needed medical services. During our audit period there were five MCOs participating in the state’s Managed Care program which is intended to provide quality health care in a cost-effective manner. Beneficiaries are given an opportunity to select their MCO but are auto-enrolled in one of the five MCOs if they do not choose one.

Each beneficiary is issued an identification card by their MCO as well as a Health Benefits Identification (HBID) card by the state. The MCO identification card is presented by the beneficiary to obtain services covered by an MCO such as doctor visits, pharmacy, or hospital services. The HBID card is used to obtain services not covered by the MCO such as behavioral health services, certain transportation services, and methadone maintenance for substance abuse treatment. The MCO is notified of the enrolled recipients and their addresses by the state. The managed care contract states that the MCO shall issue an identification card to all new enrollees no later than seven calendar days after their effective date of enrollment. The HBID and MCO cards do not expire and can be used to obtain services for as long as the recipients are enrolled in the program and MCO plan. Replacement cards are only sent out if requested by the beneficiary.

**Conclusion**

We found that undeliverable managed care identification cards are not being monitored by the division.
**Undeliverable ID Cards**

The state’s contracted Medicaid fiscal agent receives daily eligibility files from the state and mails Health Benefits Identification (HBID) cards to beneficiaries prior to their effective eligibility date. HBID cards that are not returned to the fiscal agent are assumed to have been received by the beneficiary while any cards returned as undeliverable without a forwarding address are held for thirty days and then destroyed if unclaimed. A monthly report of undeliverable HBID cards is sent to the appropriate eligibility determination agency for investigation. As of February 2009, the division had a file of 11,700 returned HBID for which a correct address could not be determined. There are 4,325 beneficiaries who have been on this file for more than two years.

Since the state supplies the MCO with the beneficiary’s address, MCOs encounter the same problem with undeliverable cards. However, MCOs are not contractually required to report undeliverable identification cards to the division. During our visits to the five MCOs, we were told that thousands of MCO cards are returned every month because of incorrect addresses. One MCO stated that 13,625 cards were returned in 2009 and they were able to resend 972 using a corrected address; a second reported that 700 to 900 cards are returned each month; a third estimated that ten percent of their cards come back as undeliverable. In some instances the MCO was able to determine the beneficiary’s correct address by calling a member or contacting providers. If an MCO learns that a beneficiary has a new address, they only encourage the beneficiary to notify the appropriate eligibility determination agency so the address can be officially updated. MCOs do not have the authority to change a beneficiary’s address in the Medicaid Management Information System.
While the division has procedures in place to identify and terminate many ineligible beneficiaries, controls could be strengthened by requiring MCOs to notify the division when they are unable to deliver an identification card to a beneficiary. This added control would improve the division's ability to identify ineligible beneficiaries. Undeliverable cards are a "red flag" that may indicate a primary eligibility component, residency, has changed or is unsubstantiated.

**Recommendation**

MCOs should be required to notify the division when they are unable to deliver an identification card to a beneficiary. Special and immediate attention should be given by the division to redetermine the eligibility of these beneficiaries. The division should also consider developing a more proactive procedure for updating inaccurate addresses that places less reliance on the beneficiary and requires MCOs to provide updated addresses when found.
June 21, 2010

Stephen M. Eells, State Auditor
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Office of the State Auditor
125 South Warren Street
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Dear Mr. Eells:

This is in response to your letter of May 10, 2010 to Commissioner Velez concerning the Office of Legislative Services (OLS) draft audit report entitled “Department of Human Services, Division of Medical Assistance and Health Services, Managed Care Identification Cards”. Your letter provides an opportunity to comment on the draft audit report.

The objective of the audit was to determine whether the division has adequate controls in place to monitor undeliverable managed care ID cards. The auditor concludes that undeliverable managed care identification cards are not being monitored by the division. The auditor’s finding and recommendation and the Division of Medical Assistance and Health Services’ response is provided below:

Finding

Undeliverable Managed Care identification cards are not being monitored by the division.

Recommendation:

MCOs should be required to notify the division when they are unable to deliver an identification card to a beneficiary. Special and immediate attention should be given to redetermine the eligibility of these beneficiaries.

Response:

DMAHS concurs that the MCOs should be required to notify the division when they are unable to deliver an identification card to a beneficiary. Furthermore, DMAHS agrees that the eligibility of these beneficiaries’ should be investigated.
DMAHS will work with the MCOs to institute a procedure whereby the MCOs will notify the division when they are unable to deliver an identification card to a beneficiary. The division will investigate the eligibility of these beneficiaries.

Recommendation:

The division should also consider developing a more proactive procedure for updating inaccurate addresses that places less reliance on the beneficiary and requires MCOs to provide updated addresses when found.

Response:

Maintaining accurate addresses for all of our beneficiaries is difficult due to the fact that this population tends to be transient and in most cases fail to notify us of a change of address. DMAHS continually works to improve our procedures to identify and update inaccurate beneficiaries’ addresses e.g. matches to identify out of state addresses and matches with US Postal Service records. Furthermore, the MCOs presently coordinate with our Health Benefits Coordinator to obtain or provide updated addresses.

DMAHS concurs that when the MCOs identify a new address for their beneficiaries they should be required to provide this information to the division. The division will incorporate this information into our existing procedures for identifying and updating inaccurate beneficiaries’ addresses.

If you have any questions or require additional information, please contact me or Richard Hurd at 609-588-2550.

Sincerely,

[Signature]

John R. Guhl
Director

JRG: H

cc: Jennifer Velez
    Richard Hurd