

EXECUTIVE DIGEST

BUREAU OF MEDICAID POLICY AND INFORMATION

INTRODUCTION

This report contains the results of our performance audit of the Bureau of Medicaid Policy and Information, Medical Services Administration (MSA), Department of Social Services, for the period October 1, 1992 through November 30, 1994.

AUDIT PURPOSE

This performance audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Performance audits are conducted on a priority basis related to the potential for improving effectiveness and efficiency.

BACKGROUND

MSA administers the Michigan Medical Assistance (Medicaid) Program created under Title XIX of the Social Security Act. The Medicaid Program provides medical services for indigent persons in the general categories of families with dependent children; the aged, blind, and disabled; and other targeted groups that meet income eligibility standards. Title XIX and related federal regulations and the Medicaid State Plan specify program requirements for federal financial participation. Expenditures for medical

services totaled \$4.1 billion for the fiscal year ended September 30, 1994.

The Bureau of Medicaid Policy and Information is responsible for the development and promulgation of policies for the Medicaid Program and serves as the information link between MSA programs and providers, recipients, news media, and the general public. The Bureau develops the Medicaid State Plan in compliance with federal regulations, responds to recipient inquiries regarding coverages and provider inquiries regarding billing procedures, and supports the subsystems of the Medicaid Management Information System (MMIS). The Bureau also develops and conducts billing seminars for providers, arranges for the distribution of all published materials, and provides evaluative assistance through research, analysis, and development of reimbursement programs.

Bureau administrative expenditures totaled \$15.2 million for fiscal year 1993-94. As of September 30, 1994, the Bureau had 93 full-time employees.

**AUDIT OBJECTIVES,
CONCLUSIONS, AND
NOTEWORTHY
ACCOMPLISHMENTS**

Audit Objective: To assess the effectiveness and efficiency of the Bureau's processes for developing, implementing, and updating policy changes.

Conclusion: We concluded that the Bureau's policy-making process was, overall, reasonably effective and efficient in developing, implementing, and updating policy changes. However, we noted reportable conditions related to the consultation and concurrence process for developing

policy, the monitoring of systems and policy projects, and policy referrals (Findings 1 through 3).

Audit Objective: To assess the effectiveness of the Bureau's rate-setting policies for long-term care and hospital providers and its methodologies for calculating hospital rates.

Conclusion: We concluded that the Bureau's rate-setting policies were effective. However, our review of hospital rate-setting methodologies identified internal control structure weaknesses related to the accuracy of information used in the process (Finding 4).

Audit Objective: To assess the Bureau's internal control structure for awarding and monitoring demonstration project contracts and to assess the effectiveness of the Bureau's evaluation of completed contracts.

Conclusion: We concluded that the Bureau had internal control structure weaknesses related to the awarding and monitoring of project contracts (Finding 5). We also concluded that the Bureau was reasonably effective in evaluating completed contracts.

Audit Objective: To assess the Bureau's effectiveness in providing systems support for MMIS and to assess the adequacy of the Bureau's internal control structure pertaining to MMIS, resubmitted claims, and provider inquiries.

Conclusion: We concluded that the Bureau was reasonably effective in providing systems support for MMIS and maintaining appropriate controls over resubmitted claims and provider inquiries. However, we noted weaknesses related to the MMIS internal control structure and the processing of resubmitted claims (Findings 6 and 7).

Audit Objective: To assess the effectiveness and efficiency of the Bureau's provider appeals process.

Conclusion: We concluded that the Bureau's provider appeals process was reasonably effective and efficient.

Noteworthy Accomplishments: At the conclusion of our fieldwork, MSA informed us that it had initiated, or planned to initiate, actions to implement all of our audit recommendations. Also, MSA recently initiated a consulting contract to review its computer operations, including payment processing and management information needs. MSA stated that this review, combined with MSA's long-range automation plan, will result in significant changes in its systems and greater efficiencies.

**AUDIT SCOPE
AND
METHODOLOGY**

Our audit scope was to examine the program and other records of the Bureau of Medicaid Policy and Information for the period October 1, 1992 through November 30, 1994. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

To accomplish our objectives, we reviewed Medicaid policies and procedures, State statutes and rules, and federal laws and regulations related to the Bureau's responsibilities. We reviewed the Bureau's procedures and examined related documentation. We examined the Bureau's policies for long-term care and hospital rate setting. In addition, we tested the rate-setting methodology and related calculations used to establish reimbursement rates for hospital providers. We examined the internal control structure related to awarding, monitoring, and evaluating demonstration projects and MMIS. We also assessed the Bureau's procedures for implementing policy changes, providing systems support for MMIS, processing resubmitted claims, resolving provider inquiries, and processing provider appeals.

**AGENCY
RESPONSES AND
PRIOR AUDIT
FOLLOW-UP**

Our audit report contains 7 findings and 9 recommendations. The Department agreed with all 9 of our recommendations and stated that it has complied with the 1 repeat recommendation and intends to comply with the other 8 recommendations.

We repeated one recommendation in this report that was cited in our prior audit of the Medicaid Payment Process. In response to that audit, the Department stated that it would comply with the recommendation.