

# Arizona Health Care Cost Containment System Member Disenrollment Processes

AHCCCS terminated health insurance coverage for some Native American children contrary to regulations and failed to timely disenroll members from healthcare coverage who were no longer eligible, resulting in unnecessary spending

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A Report to the Arizona Legislature

Lindsey A. Perry  
Auditor General





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May 11, 2022

Members of the Arizona Legislature

The Honorable Doug Ducey, Governor

Ms. Jami Snyder, Director  
Arizona Health Care Cost Containment System

Mr. Michael Wisehart, Director  
Arizona Department of Economic Security

Transmitted herewith is the Auditor General's report, *Arizona Health Care Cost Containment System—Member Disenrollment Processes*. This report is in response to a September 19, 2018, resolution of the Joint Legislative Audit Committee. The performance audit was conducted as part of the sunset review process prescribed in Arizona Revised Statutes §41-2951 et seq. I am also transmitting within this report a copy of the Report Highlights to provide a quick summary for your convenience.

As outlined in their responses, the Arizona Health Care Cost Containment System and the Arizona Department of Economic Security each agree with the findings directed to them and plan to implement all their respective recommendations. My Office will follow up with both State agencies in 6 months to assess their progress in implementing the recommendations.

My staff and I will be pleased to discuss or clarify items in the report.

Sincerely,

*Lindsey A. Perry*

Lindsey A. Perry, CPA, CFE  
Auditor General

## Arizona Health Care Cost Containment System Member Disenrollment Processes

**AHCCCS terminated health insurance coverage for some Native American children contrary to regulations and failed to timely disenroll members from healthcare coverage who were no longer eligible, resulting in unnecessary spending**

### Audit purpose

To determine whether AHCCCS complied with State and federal regulations and AHCCCS policies when disenrolling members from Medicaid and children's health insurance coverage.

### Key findings

- AHCCCS administers Arizona's Medicaid and Children's Health Insurance Programs, which provide healthcare coverage for eligible low-income individuals, children, and families living in Arizona and as of April 2022, approximately 2.3 million Arizonans were enrolled in AHCCCS, 38 percent of whom were children.
- AHCCCS improperly disenrolled 50 Native American children from and did not reinstate their health insurance coverage, contrary to regulations; and disenrolled another 108 Native American children without consistently requesting or providing opportunity to submit required documentation needed to maintain their enrolled status.
- AHCCCS and ADES did not timely disenroll some members, resulting in unnecessary spending of at least \$324,000 in public monies for the period we reviewed. Specifically, AHCCCS:
  - Did not timely disenroll 769 members who requested to withdraw from healthcare coverage between April 2020 and March 2021, resulting in an estimated \$260,400 in unnecessary spending.
  - Did not consistently submit Medicaid enrollment data to the federal government in fiscal year 2021 to identify members who were improperly enrolled in Medicaid in more than 1 state, resulting in at least an estimated \$21,000 in unnecessary spending in fiscal year 2021.
  - Did not timely disenroll some members who moved out of State, resulting in an estimated \$42,850 in unnecessary spending.
- AHCCCS did not have sufficient processes for ensuring it complied with State and federal regulations and its policies for properly disenrolling members from Medicaid coverage and did not always follow the processes it had established.

### Key recommendations

AHCCCS should:

- Comply with State and federal regulations and its policies when disenrolling members from health insurance coverage, including Native American children.
- Work with the Centers for Medicare and Medicaid Services to determine whether and how it should reinstate Native American children it disenrolled contrary to regulations.
- Develop and implement monitoring and review processes to ensure it properly disenrolls members and submits data to the federal government as required by State and federal regulations and its policies.
- Continue to correct programming errors in its data system to help ensure members who request to withdraw from healthcare coverage are disenrolled within the specified time frames.



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The Arizona Auditor General has released the first in a series of 3 audit reports of the Arizona Health Care Cost Containment System (AHCCCS) as part of AHCCCS' sunset review. This performance audit determined whether AHCCCS complied with State and federal regulations and AHCCCS policies when disenrolling members from Medicaid and children's health insurance coverage. The second performance audit will review AHCCCS' administration of behavioral health services, and the final audit report will provide responses to the statutory sunset factors.

## AHCCCS provides healthcare coverage to low-income individuals and families who meet eligibility requirements

AHCCCS administers Arizona's Medicaid and Children's Health Insurance Programs, which provide healthcare coverage for eligible low-income individuals, children, and families living in Arizona.<sup>1</sup> According to the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services (CMS), Medicaid is the largest source of healthcare coverage in the country, and together with the Children's Health Insurance Program, provides healthcare coverage for low-income Americans, including children, pregnant women, adults, seniors, and individuals with disabilities.<sup>2</sup> As of April 2022, approximately 2.3 million Arizonans were enrolled in AHCCCS, 38 percent of whom were children.

To receive Medicaid or children's health insurance coverage through AHCCCS, an individual must apply to AHCCCS and provide proof of meeting specific eligibility requirements. State and federal regulations establish various eligibility requirements. For example, every AHCCCS applicant must meet the following eligibility requirements:

- Be an Arizona resident.<sup>3</sup>
- Be a United States citizen or qualified noncitizen.<sup>4,5</sup>
- Furnish a valid social security number.<sup>6,7</sup>

AHCCCS has multiple programs designed to provide healthcare coverage to specific populations, and each program has specific eligibility requirements such as being a certain age, gender, and/or having a household income at or below a specific percentage of the federally established poverty guidelines (see textbox, page 2, for information on some of these programs).<sup>8</sup> Additionally, AHCCCS charges premiums for certain programs based

<sup>1</sup> Medicaid is a healthcare coverage program administered and operated by states within broad federal guidelines. The federal government pays most Medicaid programs' costs.

<sup>2</sup> CMS is the federal agency that administers Medicare, Medicaid, and the Children's Health Insurance Program.

<sup>3</sup> 42 Code of Federal Regulations (CFR) §435.403(a), Arizona Revised Statutes (A.R.S.) §36-2983(E), and Arizona Administrative Code (AAC) R9-22-305(3).

<sup>4</sup> 42 CFR §435.406, A.R.S. §36-2983(E), and AAC R9-22-305(4)(5).

<sup>5</sup> Qualified noncitizens include permanent residents who have stayed in the United States for more than 5 years, refugees, and asylum seekers.

<sup>6</sup> Federal regulations establish exceptions to providing a social security number, such as for individuals who are not eligible to receive a social security number.

<sup>7</sup> 42 CFR § 435.910, A.R.S. §36-2983(D), and AAC R9-22-305(4).

<sup>8</sup> Household income thresholds vary depending on household size and the Medicaid or children's health insurance coverage program for which the applicant is qualified.

on the individual's income and specific program providing Medicaid or children's health insurance coverage. For example, children may qualify for different healthcare coverage programs that may or may not charge premiums, depending on their age and families' income.

### Examples of AHCCCS programs

**Freedom to Work**—Provides Medicaid coverage to low-income individuals with disabilities who work. Members enrolled in this program are required to pay a monthly premium up to \$35 per month, depending on income.

**KidsCare**—Provides health insurance coverage to low-income children under age 19 who do not have other health insurance and whose families do not qualify for other Medicaid coverage because of their household income. Families enrolled in this program are required to pay a monthly premium that ranges from \$10 to \$70 per month, depending on household size and income.

**Pregnant Women**—Provides Medicaid coverage to low-income pregnant women. Members enrolled in this program are not required to pay a monthly premium.

Source: Auditor General staff review of State regulations and AHCCCS documentation.

## AHCCCS has established processes to disenroll members who no longer meet eligibility requirements

State and federal regulations require AHCCCS to annually reassess members' eligibility for its various Medicaid and children's health insurance programs and either renew coverage for members who remain eligible or disenroll members who no longer meet the eligibility requirements.<sup>9</sup> Additionally, on an ongoing basis, AHCCCS identifies and disenrolls members who have requested to withdraw from Medicaid or children's health insurance coverage, moved out of State, or died (see Findings 1 and 2, pages 4 through 12, for issues we identified with AHCCCS' processes for disenrolling members). Specifically, AHCCCS:

- **Disenrolls members who request to withdraw from healthcare coverage**—State regulations and AHCCCS' policy allow AHCCCS members to withdraw from Medicaid or children's health insurance coverage at any time by submitting a request to AHCCCS online or by mail, fax, or telephone.<sup>10</sup> Once it receives the member's request to withdraw from Medicaid or children's health insurance coverage, AHCCCS is required to disenroll the member no later than the end of the month.
- **Submits enrollment data to the federal government to identify and disenroll members who move out of State**—States can submit enrollment data each quarter to the federal government to identify individuals improperly enrolled in Medicaid, the Supplemental Nutritional Assistance Program (SNAP), and/or the Temporary Assistance for Needy Families (TANF) program in more than 1 state.<sup>11,12</sup> In Arizona, AHCCCS and the Arizona Department of Economic Security (ADES) submit enrollment data for individuals enrolled in Medicaid coverage, SNAP, and/or TANF to the federal government to identify individuals simultaneously enrolled in any of these 3 programs in Arizona and another state (see Figure 1, page 3, for more information on this process).<sup>13</sup> After the federal government performs its analysis, it provides a report to ADES identifying

<sup>9</sup> 42 CFR §435.916; AAC R9-22-306(A)(18)(c) and R9-31-308(C).

<sup>10</sup> AAC R9-22-314.

<sup>11</sup> Two federal agencies are responsible for compiling, analyzing, reporting, and providing guidance to states as part of the Public Assistance Reporting Information System (PARIS) analysis: the U.S. Department of Health and Human Services, Administration for Children and Families and the U.S. Department of Defense, Defense Manpower Data Center.

<sup>12</sup> 42 CFR §435.945(d) requires state Medicaid agencies, including AHCCCS, to submit Medicaid enrollment data to the federal government for analysis. States are also encouraged, but not required, to send SNAP and TANF enrollment data to the federal government to help states save additional public monies by identifying and disenrolling members who are receiving SNAP and TANF benefits in more than 1 state.

<sup>13</sup> The data submitted and analyzed is point-in-time data and does not represent all members enrolled for the quarter.

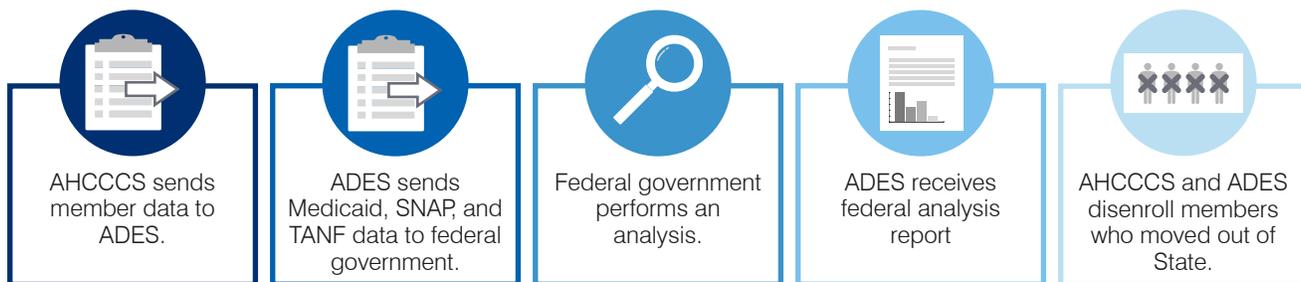
any AHCCCS and ADES members enrolled in Medicaid, SNAP, and/or TANF in another state for review and to disenroll those members who have moved out of Arizona.<sup>14</sup>

- **Checks State and federal data sources to identify and disenroll deceased members**—AHCCCS compares members' data against Arizona Vital Records data and federal databases during the annual membership eligibility renewal process to identify and disenroll deceased members. In addition, on an ongoing basis, AHCCCS disenrolls members who have died when it receives information from a deceased member's family, caretaker, or other entity. AHCCCS reported that it has established a process for recovering any State or federal monies paid on behalf of deceased members.

### Figure 1

#### Process for submitting enrollment data to the federal government and reviewing analysis report

(Unaudited)



Source: Auditor General staff analysis of AHCCCS procedures.

## During COVID-19 public health emergency, AHCCCS must continue to provide healthcare coverage to members

On January 27, 2020, the U.S. Department of Health & Human Services declared a COVID-19 public health emergency in response to the COVID-19 pandemic. During this declared public health emergency, the federal government temporarily increased the federal share of Medicaid funding provided to states.<sup>15</sup> To receive this increase in federal Medicaid funding, state Medicaid agencies, including AHCCCS, must continue to provide healthcare coverage to members and are allowed to disenroll members only if the member has died, moved out of state, or requested to withdraw from healthcare coverage.<sup>16</sup> This change to require continued coverage for enrolled members who may otherwise have been disenrolled has contributed to AHCCCS' membership increasing from approximately 1.9 million members in January 2020 to more than 2.3 members as of January 2022.

<sup>14</sup> AHCCCS and ADES determine if a member has moved to Arizona from another state or moved out of Arizona based on when he/she started receiving Medicaid coverage in Arizona and the other state. In cases where a member moved to Arizona from another state, the other state is required to remove the member from its state's Medicaid coverage.

<sup>15</sup> In response to the COVID-19 pandemic, Congress passed the Families First Coronavirus Response Act, which provided a temporary 6.2 percent increase in federal spending available to state Medicaid agencies. The federal spending increase and corresponding state responsibility to provide continuous coverage remains in place through the end of the month when the public health emergency declaration ends. As of April 2022, the public health emergency had been extended through July 2022.

<sup>16</sup> Federal regulations prohibit states from using federal Medicaid monies to pay for incarcerated individuals' Medicaid coverage. As such, AHCCCS is required to suspend Medicaid coverage for enrolled members who become incarcerated during the COVID-19 public health emergency.



## **AHCCCS terminated health insurance coverage for some Native American children contrary to regulations, resulting in these children likely losing healthcare coverage**

### **State and federal regulations exempt Native Americans from paying premiums for children’s health insurance coverage**

State and federal regulations exempt Native Americans from paying premiums for children’s health insurance coverage—also known as KidsCare (see Introduction, pages 1 and 2, for more information on premiums).<sup>17</sup> To qualify for a premium exemption, Native Americans are required to provide AHCCCS the child’s Certificate of Degree of Indian Blood or proof of tribal membership from a federally recognized tribe.

### **AHCCCS improperly disenrolled 50 Native American children and did not reinstate their KidsCare coverage as required; and disenrolled another 108 Native American children without consistently requesting or providing opportunity to submit required documentation**

AHCCCS improperly disenrolled 50 Native American children from KidsCare between July 1, 2018 and March 31, 2021, for failure to pay premiums, contrary to State and federal regulations.<sup>18</sup> Specifically, AHCCCS had a Certificate of Degree of Indian Blood or proof of tribal membership on file for each of these children at the time it improperly disenrolled them (see textbox, page 5, for a case example).

In addition, State rules and CMS guidance require AHCCCS to reinstate a member’s Medicaid coverage if it disenrolled the member because of an administrative error.<sup>19</sup> AHCCCS acknowledged that these 50 children should not have been disenrolled, and as of April 2022, reported that it would work with CMS to determine whether and how to reinstate these children’s KidsCare coverage. CMS, which is responsible for setting policy and guidelines for state Medicaid agencies, could help AHCCCS determine whether and how to reinstate the children who were improperly disenrolled.

Further, based on our review of AHCCCS data, AHCCCS also disenrolled another 108 Native American children between July 1, 2018 and March 31, 2021, for failure to pay premiums. Although 90 of the children were self-reported as being Native American on their application and this information was recorded in AHCCCS’ data system, and the remaining 18 members were also reflected as Native American in AHCCCS’ data system,

<sup>17</sup> Pursuant to 42 CFR §457.535, states may not impose premiums, deductibles, copayments, or any other cost-sharing charges on Native American children, and AAC R9-31-1402(H) specifically exempts Native Americans from paying KidsCare premiums.

<sup>18</sup> We reviewed the case files for 158 children who AHCCCS data indicated were Native American and were disenrolled for failure to pay premiums between July 1, 2018 and March 31, 2021 (see Appendix A, pages a-1 through a-3, for more information).

<sup>19</sup> ACC R9-22-308.

AHCCCS did not have these children's Certificate of Degree of Indian Blood or proof of tribal membership in its data system. AHCCCS policy requires that a request for a child's missing Certificate of Degree of Indian Blood or proof of tribal membership be sent at the time of application and again at eligibility approval. However, although AHCCCS requested the missing Certificate of Degree of Indian Blood or proof of tribal membership for the 108 children at eligibility approval, it lacked documentation that it requested this documentation for at least 25 of these children at the time of application. Finally, although not required by AHCCCS policy, AHCCCS did not inform the 108 children's parents or guardians in the letter notifying them of their child's disenrollment that they could submit the required documentation to have the premium requirement waived and maintain their child's enrolled status.

### Case example

July 19, 2018—AHCCCS notified parent that her child was being enrolled in KidsCare and that she must either pay a \$40 monthly premium or provide a Certificate of Degree of Indian Blood or proof of tribal membership for her child to be exempt from paying premiums.

August 1, 2018—Child started receiving KidsCare.

August 2, 2018—AHCCCS received proof of the child's tribal membership.

September 10, 2018—AHCCCS correctly notified parent that she would not have to pay a premium because of her child's Native American tribal membership.

September 16, 2018—AHCCCS erroneously notified the parent that her child would be disenrolled from KidsCare because she failed to pay the monthly premium, even though it had previously notified the parent that she would not have to pay a premium.

September 30, 2018—AHCCCS improperly disenrolled the child from KidsCare.

October 1, 2018-February 3, 2022—Child has not been reenrolled in KidsCare or any other Medicaid coverage program.

Source: Auditor General staff review of AHCCCS documentation.

## Improperly disenrolled children may experience reduced healthcare access leading to poor health and other negative outcomes

State and federal regulations restrict KidsCare eligibility to children who are not covered by other healthcare or health insurance.<sup>20</sup> Therefore, when AHCCCS disenrolled these Native American children from KidsCare, the children likely experienced a gap in health insurance coverage. Further, as of October 2021, 44 of the 50 children we confirmed were improperly disenrolled contrary to State and federal regulations were not enrolled in KidsCare or any other AHCCCS Medicaid coverage program. Therefore, as of October 2021 these 44 children may or may not have had healthcare coverage.

Further, the lack of healthcare coverage may have reduced healthcare access for these children, which can lead to poor health and other negative outcomes. For example, uninsured children receive fewer preventative care services, such as wellness checks, blood pressure checks, immunizations, and dental care, compared to children from insured households.<sup>21</sup> Uninsured children may also lack access to eye exams, glasses, hearing exams, mental health services, and physical, occupational, and speech and language therapies.<sup>22</sup> The Kaiser Family Foundation reported that in 2019, 20 percent of uninsured children had not seen a doctor in the last year

<sup>20</sup> 42 CFR 457.310 (2) and AAC R9-31-303(6).

<sup>21</sup> Tolbert, J., Orgera, K., & Damico, A. (2020). *Key facts about the uninsured population*. San Francisco, CA: Kaiser Family Foundation. Retrieved 4/1/21 from [Key Facts about the Uninsured Population | KFF](#); and Kenney G.M., & Coyer C. (2012). *National findings on access to health care and services use for children enrolled in Medicaid or CHIP*. Washington, DC: The Urban Institute. Retrieved on 1/21/2022 from [National Findings on Access to Health Care and Service Use for Children Enrolled in Medicaid or CHIP \(macpac.gov\)](#).

<sup>22</sup> Paradise, J. (2014). *The impact of the Children's Health Insurance Program (CHIP): What does the research tell us?* San Francisco, CA: Kaiser Family Foundation. Retrieved 1/5/2022 from [The Impact of the Children's Health Insurance Program \(CHIP\): What Does the Research Tell Us? | KFF](#).

compared to 3.5 percent of insured children.<sup>23</sup> Additionally, when uninsured children need emergency services, families must pay for the full cost of the emergency services.<sup>24</sup> In contrast, according to the Kaiser Family Foundation, having healthcare coverage contributes to long-term positive outcomes for children's health, school performance, educational attainment, and economic success.<sup>25</sup>

## AHCCCS lacks processes to help prevent Native American children from being improperly disenrolled for failure to pay premiums

AHCCCS' data system is programmed to automatically disenroll children from KidsCare if their families do not pay the monthly KidsCare premium unless an AHCCCS caseworker makes a notation in this data system that the child's family has provided documentation that they are Native American and thus exempt from paying premiums. However, AHCCCS' data system improperly disenrolled the 50 children we identified because of data entry errors. Specifically:

- 28 of the 50 children were improperly disenrolled because AHCCCS caseworkers either did not review the child's documentation or failed to make the proper notation in the data system. For example, we found an instance where the caseworker incorrectly classified the child's documentation as "citizenship" instead of "tribal membership" in the case file.
- 22 of the 50 children were improperly disenrolled because their documentation and corresponding notation by the caseworker had not been migrated from AHCCCS' legacy data system to its new data system.

Further, AHCCCS also lacks review and verification processes to identify and correct data errors that could lead to additional Native American children being improperly disenrolled. For example, AHCCCS officials could not explain why required notifications requesting documentation were not sent. As a result, AHCCCS was unaware that Native American children were being improperly disenrolled for failure to pay premiums or that required requests for documentation were not being sent until we informed it.

Additionally, AHCCCS does not review previously submitted documentation to ensure it does not already have a Certificate of Degree of Indian Blood or proof of tribal membership nor does it request this information from members identified in its data system as Native American prior to disenrolling them for failure to pay premiums. For example, if AHCCCS would have reviewed previously submitted documentation before disenrolling the 50 Native American children for failure to pay premiums, it would have found that these children had information on file that would have exempted them from paying premiums. Finally, as previously discussed, the notice that AHCCCS sends Native American children's parents or guardians informing them that their child is being disenrolled for failure to pay premiums does not include information that they may be exempt from paying premiums if the child's Certificate of Degree of Indian Blood or proof of tribal membership is submitted to AHCCCS.

### Recommendations

AHCCCS should:

1. Comply with State and federal regulations when disenrolling Native American children from KidsCare coverage.
2. Develop and implement monitoring processes, such as a supervisory review process, to help ensure caseworkers review Certificates of Degree of Indian Blood or proof of tribal membership and accurately classify Native American children's Certificate of Degree of Indian Blood or proof of tribal membership in its data system.

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<sup>23</sup> Tolbert, Orgera & Damico, 2020.

<sup>24</sup> Tolbert, Orgera & Damico, 2020.

<sup>25</sup> Paradise, 2014.

3. Develop and implement policies and procedures for performing risk-based reviews of Native American disenrollments, such as reviewing Native American members disenrolled for failure to pay premiums, to verify that these members were disenrolled for reasons that comply with State and federal regulations.
4. Consistent with its policy, request a Certificate of Degree of Indian Blood or proof of tribal membership for members identified in its data system as Native Americans at the time of application and if necessary, prior to disenrolling them for failure to pay premiums and ensure any documentation received is accurately classified in its data system.
5. Work with CMS to determine whether and how it should reinstate the Native American children it disenrolled contrary to State and federal regulations.

**AHCCCS response:** As outlined in its [response](#), AHCCCS agrees with the finding and will implement the recommendations.

## AHCCCS and ADES did not timely disenroll some AHCCCS members, resulting in AHCCCS unnecessarily spending at least \$324,000 in public monies for the period we reviewed

State and federal regulations and AHCCCS' policies require it to disenroll both members who request to be disenrolled and those who no longer meet Medicaid coverage eligibility requirements in a timely manner. For example, State regulations permit AHCCCS members to request to withdraw from healthcare coverage at any time, and AHCCCS policies require that these members be disenrolled no later than the end of the month after AHCCCS receives the member's request. Additionally, federal regulations require states to act promptly when they receive information that an individual may no longer be eligible for that state's Medicaid program, including if the individual has moved to a different state. However, we identified 3 separate but similar issues with AHCCCS' processes for identifying and disenrolling members pursuant to these requirements in a timely manner. As a result, AHCCCS made at least an estimated \$324,000 in unnecessary payments for individuals who were no longer eligible for AHCCCS or no longer needed healthcare coverage.<sup>26</sup>

### Issue 1: AHCCCS untimely disenrolled 769 AHCCCS members who requested to withdraw from healthcare coverage between April 2020 and March 2021, resulting in an estimated \$260,400 in unnecessary spending

AHCCCS policies require it to disenroll a member who requests to withdraw from healthcare coverage no later than the end of the month after AHCCCS receives the member's request.<sup>27</sup> However, contrary to its policies, AHCCCS did not disenroll 769, or more than 6 percent, of the 12,248 members in a timely manner who requested to withdraw from healthcare coverage between April 1, 2020 and March 31, 2021.<sup>28</sup> AHCCCS did not disenroll 744 of the 769 members until 1 to 3 months later, and as a result, it unnecessarily paid an estimated \$260,400 in State and federal monies for these members' healthcare coverage.<sup>29,30</sup>

<sup>26</sup> The Arizona Joint Legislative Budget Committee estimated that for fiscal year 2022, approximately 76 percent of monies paid monthly on behalf of AHCCCS members for Medicaid coverage are federal monies, and the remaining portion, approximately 24 percent, are State monies.

<sup>27</sup> AHCCCS policies outline 2 different time frames for disenrolling members who request to withdraw from healthcare coverage—immediately or by the end of the month after AHCCCS receives the request.

<sup>28</sup> Based on our review of AHCCCS data for the 65,581 members AHCCCS disenrolled between April 1, 2020 and March 31, 2021, AHCCCS disenrolled 12,248 of these members at the members' request. We then determined how long AHCCCS took to disenroll the 12,248 members after receiving their requests to withdraw compared to the time frames established in its policy (see Appendix A, pages a-1 through a-3, for more information).

<sup>29</sup> AHCCCS did not disenroll 25 of 769 members immediately, as requested, but did disenroll them before the end of the month. Therefore, it did not pay any additional State or federal monies for these 25 members' healthcare coverage.

<sup>30</sup> To estimate the State and federal monies AHCCCS unnecessarily paid on these members' behalf, we used the published rates that AHCCCS pays contracted healthcare organizations and developed a weighted monthly payment average based on State-wide healthcare organization enrollment data and the members' ages. We multiplied this weighted average by the number of extra months each of the 744 members were enrolled (see Appendix A, pages a-1 through a-3, for more information).

AHCCCS has automated the process for disenrolling members who request to withdraw from healthcare coverage and its data system should disenroll the member immediately or by the end of the month, based on the member's request. However, AHCCCS reported that these 769 members' requests to withdraw from healthcare coverage were not processed in a timely manner because several programming errors caused its data system to default to a disenrollment date later than the date specified by its policies. For example, 1 of these programming errors resulted in members who requested to withdraw immediately not being disenrolled until the end of the following month. As of December 2021, AHCCCS reported that it had corrected 1 programming error and was working to modify its data system to correct other programming errors it identified that caused the untimely disenrollments.

### Recommendation

6. AHCCCS should comply with the time frames required by its policies for disenrolling members who request to withdraw from healthcare coverage by continuing to correct programming errors in its data system that have contributed to members not being disenrolled within the required time frames.

**AHCCCS response:** As outlined in its [response](#), AHCCCS agrees with the finding and will implement the recommendation.

## Issue 2: AHCCCS and ADES did not consistently submit Medicaid enrollment data in fiscal year 2021, resulting in at least an estimated \$21,000 in unnecessary spending in fiscal year 2021

### AHCCCS is required to submit Medicaid enrollment data to the federal government and has delegated this responsibility to ADES

As discussed in the Introduction (see page 2), quarterly, the federal government analyzes state-provided enrollment data to help states identify and disenroll individuals improperly enrolled in Medicaid coverage, SNAP, and/or TANF benefits in more than 1 state. State Medicaid agencies, including AHCCCS, are required to submit Medicaid enrollment data to the federal government at least once per year, and AHCCCS has delegated this responsibility to ADES.<sup>31</sup> According to AHCCCS' procedures, ADES should submit the enrollment data to the federal government on its behalf quarterly in February, May, August, and November each year.

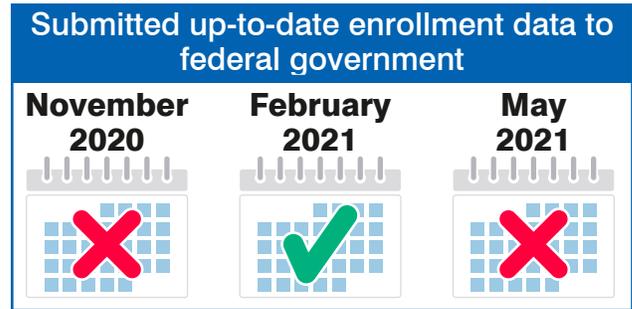
### AHCCCS and ADES did not consistently submit enrollment data in fiscal year 2021

We reviewed enrollment data submissions for 3 quarters in fiscal years 2021—November 2020, February 2021, and May 2021—and found that AHCCCS and ADES:

- **Did not submit enrollment data to the federal government in November 2020**—Although ADES staff reported that AHCCCS provided its data to ADES, ADES did not submit the combined enrollment data to the federal government for review.
- **Submitted enrollment data to the federal government in February 2021**—AHCCCS provided its data to ADES, and ADES submitted enrollment data to the federal government in February 2021.

<sup>31</sup> ADES submits combined enrollment data to the federal government that includes Arizonans enrolled in Medicaid, SNAP, and/or TANF. AHCCCS staff reported that AHCCCS delegated this responsibility to ADES because according to AHCCCS' intergovernmental agreement with ADES, ADES is responsible for making the vast majority of eligibility determinations for Arizonans enrolled in AHCCCS Medicaid coverage, SNAP, and TANF benefits programs.

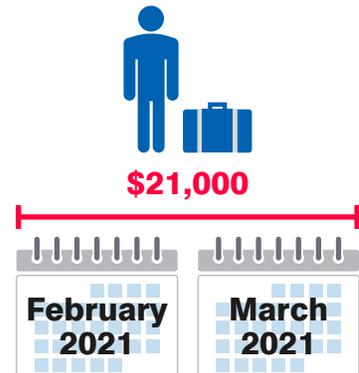
- **Submitted old enrollment data to the federal government in May 2021**—Although AHCCCS reported that it provided enrollment data to ADES in May 2021, ADES erroneously submitted the same combined enrollment data to the federal government that it had previously submitted in February 2021 instead of the more up-to-date May 2021 combined enrollment data. AHCCCS staff reported that they were not aware that the enrollment data submitted to the federal government in May 2021 was the same as the data submitted in February 2021 until we informed them.



## AHCCCS and ADES’ failure to consistently submit enrollment data each quarter resulted in at least \$21,000 in unnecessary spending

States that submit enrollment data to the federal government can avoid making future unnecessary Medicaid, SNAP, and/or TANF payments for months or years for individuals who moved out of state but did not notify the state that they had moved.<sup>32</sup> However, because AHCCCS and ADES either did not submit enrollment data or did not submit up-to-date enrollment data in November 2020 and May 2021 to the federal government for analysis, AHCCCS continued to spend State and federal monies for some of its members who moved out of State. Specifically, based on our review of a sample of 94 of 2,612 AHCCCS members identified on the February 2021 federal report who had moved out of State and were no longer eligible for Medicaid coverage in Arizona, 28 of these members would have been identified earlier had ADES submitted enrollment data 3 months prior to the federal government for review in November 2020.<sup>33</sup> As a result, AHCCCS unnecessarily paid at least an estimated \$21,000 in State and federal monies over 2 months—from February 2021 to March 2021—for these 28 members who moved out of State.<sup>34</sup>

**AHCCCS unnecessarily paid at least \$21,000 in State and federal monies over 2 months for 28 members who moved out of State.**



## AHCCCS lacks monitoring processes to help ensure ADES submits enrollment data quarterly

AHCCCS has not implemented monitoring processes to help ensure ADES submits the correct enrollment data to the federal government each quarter. For example, prior to January 2021, AHCCCS reported that it had not required ADES to confirm that it had submitted the correct enrollment data to the federal government for review as

<sup>32</sup> U.S. General Accounting Office (GAO). (2001). *Public assistance: PARIS project can help states reduce improper benefit payments*. Washington, DC. Retrieved 8/27/2021 from [Public Assistance: PARIS Project Can Help States Reduce Improper Benefit Payments | U.S. GAO](#). The GAO has since changed its name to the U.S. Government Accountability Office; and Altarum Institute. (2008). *Public Assistance Reporting Information System cost benefit analysis: Final report*. Washington, DC. Retrieved 8/27/2021 from [Microsoft Word - PARIS Final Report 01-21-09.doc \(hhs.gov\)](#).

<sup>33</sup> We reviewed a stratified random sample comprising 70 of the 2,612 AHCCCS members identified in the February 2021 federal report as being enrolled in AHCCCS and at least 1 other state’s Medicaid program and whom AHCCCS and ADES staff were assigned to review to verify Arizona residency. We also reviewed a judgmental sample of 24 of the 2,612 AHCCCS members identified in the February 2021 federal report because on the federal report these 24 members were missing the date that they started receiving Medicaid in another state or the date they started receiving Medicaid in another state was in the future (see Introduction, page 3, for the steps in this process and Appendix A, pages a-1 through a-3, for more information on our sample). Although this sample was not designed to be generalized to the population of all 2,612 members identified in the February 2021 report, the methods we used to select the sample provide reasonable assurance that the problem we identified is not isolated to the sample we reviewed.

<sup>34</sup> See Appendix A, pages a-1 through a-3, for more information about how we estimated this amount.

expected. AHCCCS reported that in January 2021, ADES started notifying AHCCCS via email when it submitted the enrollment data to the federal government. However, ADES still submitted old enrollment data in May 2021 to the federal government and AHCCCS staff reported that they were not aware that ADES did so until we informed them. Additionally, the AHCCCS/ADES intergovernmental agreement does not outline AHCCCS' responsibility for providing its data to ADES. It also does not outline ADES' responsibility for submitting both its and AHCCCS' up-to-date enrollment data quarterly to the federal government and does not require ADES to notify AHCCCS that it has done so. AHCCCS reported in February 2022 that it plans to update its intergovernmental agreement with ADES to include information about the accurate and timely submission of quarterly enrollment data to the federal government.

## Recommendations

AHCCCS should:

7. Ensure that ADES submits up-to-date Medicaid enrollment data to the federal government each quarter by:
  - a. Continuing to develop and implement monitoring processes.
  - b. Modifying its intergovernmental agreement with ADES to specify AHCCCS' responsibility to provide enrollment data to ADES and ADES' responsibility to submit enrollment data to the federal government each quarter.

**AHCCCS response:** As outlined in its [response](#), AHCCCS agrees with the finding and will implement the recommendations.

## Issue 3: AHCCCS and ADES did not timely disenroll some AHCCCS members who moved out of State, resulting in an estimated \$42,850 in unnecessary spending

### AHCCCS and ADES required to disenroll AHCCCS members who move out of State

AHCCCS policies require it to disenroll a member by the end of the month after it receives information that the member is no longer an Arizona resident and thus not eligible for AHCCCS Medicaid coverage. The AHCCCS/ADES intergovernmental agreement delegates responsibility to ADES for disenrolling some AHCCCS members who are no longer eligible because they have moved out of the State, and AHCCCS policies further specify which AHCCCS members ADES is responsible for disenrolling—specifically, individuals from AHCCCS Medicaid coverage who are no longer Arizona residents if they are also enrolled in ADES-administered SNAP and/or TANF benefits programs or meet other criteria.<sup>35</sup> The intergovernmental agreement requires ADES to disenroll these individuals within 30 days of receiving a federal report identifying individuals who are improperly enrolled in Medicaid, SNAP, and/or TANF benefits programs in more than 1 state.

### AHCCCS and ADES did not timely disenroll some AHCCCS members who moved out of State, resulting in AHCCCS unnecessarily spending public monies

Based on our review of a sample of 94 of 2,612 AHCCCS members identified in the February 2021 federal report who had moved out of State and were no longer eligible for Medicaid programs in Arizona, AHCCCS and ADES did not disenroll 18 of these members in a timely manner, as required by AHCCCS policy and the AHCCCS/ADES

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<sup>35</sup> AHCCCS policy specifies AHCCCS' and ADES' responsibilities for disenrolling members in each Medicaid coverage program.

intergovernmental agreement.<sup>36</sup> In fact, 13 of these members were not disenrolled until we notified AHCCCS. Specifically, AHCCCS and ADES did not disenroll these members for between 1 and 38 months after receiving information that the members were enrolled in Medicaid in another state. As a result, AHCCCS unnecessarily paid an estimated \$42,850 in State and federal monies for these members' Medicaid coverage.<sup>37</sup> The majority of this \$42,850 was spent for 5 members for whom AHCCCS took up to 3 years to disenroll.<sup>38,39</sup>

## AHCCCS lacks monitoring processes to help ensure AHCCCS members identified on quarterly federal reports are disenrolled in a timely manner

AHCCCS has not established monitoring processes to help ensure that AHCCCS and ADES staff research and take appropriate action on all AHCCCS members included in the federal report within the time frames established in AHCCCS' policy and the AHCCCS/ADES intergovernmental agreement. For example, AHCCCS reported it does not track whether its staff timely research and make a residency determination for all members identified in the quarterly federal report or monitor how long it takes staff to disenroll members who were verified to have moved out of State to help ensure they are disenrolled within the time frame outlined in AHCCCS policy. In addition, AHCCCS reported that ADES did not track or monitor how long it takes its staff to disenroll members identified on the quarterly federal report until it started doing so in June 2021 in response to our audit. Finally, AHCCCS reported that in 2 instances, its staff did not disenroll the members because they were unsure if they were allowed to do so during the federal public health emergency (see Questions and Answers, page 13, for information on AHCCCS disenrolling members during the federal public health emergency). In June 2021, AHCCCS reported that it determined that it could disenroll these members during the federal public health emergency and subsequently did so.

### Recommendations

AHCCCS should:

8. Disenroll members who have moved out of State in the time frame required by its policy by tracking and monitoring whether its staff conduct the necessary research and then timely disenroll members who have moved out of State.
9. Develop and implement monitoring processes and reporting requirements to help ensure that ADES disenrolls AHCCCS members in compliance with the time frames established in its intergovernmental agreement with ADES.

**AHCCCS response:** As outlined in its [response](#), AHCCCS agrees with the finding and will implement the recommendations.

ADES should:

10. Disenroll AHCCCS members who have moved out of State in the time frame required by its intergovernmental agreement with AHCCCS by tracking and monitoring whether its staff conduct the necessary research and then timely disenroll members who have moved out of State.

**ADES response:** As outlined in its [response](#), ADES agrees with the finding and will implement the recommendation.

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<sup>36</sup> Based on the information in the February 2021 federal report, AHCCCS and ADES should have reviewed and determined these members' Arizona residency and subsequently should have disenrolled these members effective at the end of April 2021.

<sup>37</sup> See Appendix A, pages a-1 through a-3, for more information about how we estimated this amount.

<sup>38</sup> AHCCCS did not disenroll 4 members until November 2021 and 1 member until December 2021, even though it was initially notified that these members were enrolled in another state's Medicaid program between September 2018 and September 2020 and received multiple notifications about these members thereafter.

<sup>39</sup> For 13 of 18 members, AHCCCS was first notified that these members were enrolled in another state's Medicaid program in February 2021, and AHCCCS disenrolled these members between May 2021 and November 2021.

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### Question 1: Did AHCCCS disenroll members between April 1, 2020 and March 31, 2021, in compliance with the federal public health emergency requirements?

As reported in the Introduction (see page 3), during the federally declared COVID-19 public health emergency, state Medicaid agencies that accepted increased federal funding cannot disenroll members unless the member died, moved out of state, or requested to withdraw from healthcare coverage.<sup>40,41</sup> AHCCCS reported that it modified its data system to prevent members from being disenrolled for any reason not allowed during the federal public health emergency. We reviewed a stratified random sample of 74 of the 65,581 members AHCCCS records show it disenrolled between April 1, 2020 and March 31, 2021, consisting of members it disenrolled or transferred to a different AHCCCS program, and found that AHCCCS either disenrolled these 74 members or transferred them to other AHCCCS programs in compliance with federal public health emergency requirements.<sup>42</sup>

### Question 2: Did AHCCCS disenroll children in foster care from Medicaid and children's health insurance coverage between July 1, 2018 and March 31, 2021, in compliance with State and federal regulations?

Between July 1, 2018 and March 31, 2021, AHCCCS disenrolled 506 current or former foster children under the age of 26. We reviewed the stated reasons these 506 members were disenrolled and compared the stated disenrollment reasons to State and federal regulations.<sup>43</sup> We determined that the stated disenrollment reasons for these 506 members complied with State and federal regulations. For example, 187 of these members had moved out of State and were no longer eligible to receive Medicaid or children's health insurance coverage in the State.

<sup>40</sup> As of June 2020, AHCCCS must also disenroll children from its children's health insurance program during the federal public health emergency when these children turn 19 years of age.

<sup>41</sup> AHCCCS is also required to suspend members who become incarcerated during the COVID-19 public health emergency.

<sup>42</sup> Federal public health emergency requirements allow state Medicaid agencies to transfer members between coverage programs as long as the member does not experience a reduction in healthcare services because of the transfer.

<sup>43</sup> We reviewed a judgmental sample of 35 of 506 members to verify that the stated disenrollment reason matched the disenrollment reason AHCCCS sent to the member and found that the stated reasons matched for all 35 members (see Appendix A, pages a-1 through a-3, for more information).

### Question 3: Does AHCCCS have a process for identifying deceased members?

As discussed in the Introduction (see page 2), AHCCCS compares members' data against Arizona Vital Records data and against federal databases during its annual membership eligibility renewal process to identify and disenroll deceased members. In addition, on an ongoing basis, AHCCCS disenrolls members who have died when it receives information from a deceased member's family, caretaker, or other entity. We reviewed a stratified random sample of 50 membership renewals AHCCCS processed between January 1, 2021 and March 31, 2021, to confirm that AHCCCS checked both Arizona Vital Records data and federal databases to identify the potential for deceased members and found that AHCCCS followed its processes for 46 members we reviewed. Of the remaining 4 members, AHCCCS did not check 2 members against the Arizona Vital Records data but did check these members against one of the federal databases. AHCCCS reported that the remaining 2 members were nonqualified aliens on emergency services only and thus did not have a social security number for AHCCCS to check against Arizona Vital Records data and federal databases.<sup>44</sup>

Additionally, we reviewed a random sample of 10 of 15,375 deceased members AHCCCS disenrolled between April 1, 2020 and March 31, 2021, and found that AHCCCS disenrolled the 10 members when it received information that the members were deceased.

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<sup>44</sup> We reviewed a stratified random sample of 50 of 423,432 members AHCCCS reported it renewed between January 1, 2021 and March 31, 2021 (see Appendix A, pages a-1 through a-3, for more information). AHCCCS checks against Arizona Vital Records and federal databases for these 50 members did not identify any deceased members.



# SUMMARY OF RECOMMENDATIONS

## Auditor General makes 9 recommendations to AHCCCS and 1 recommendation to ADES

AHCCCS should:

1. Comply with State and federal regulations when disenrolling Native American children from KidsCare coverage (see Finding 1, pages 4 through 7, for more information).
2. Develop and implement monitoring processes, such as a supervisory review process, to help ensure caseworkers review Certificates of Degree of Indian Blood or proof of tribal membership and accurately classify Native American children's Certificate of Degree of Indian Blood or proof of tribal membership in its data system (see Finding 1, pages 4 through 7, for more information).
3. Develop and implement policies and procedures for performing risk-based reviews of Native American disenrollments, such as reviewing Native American members disenrolled for failure to pay premiums, to verify that these members were disenrolled for reasons that comply with State and federal regulations (see Finding 1, pages 4 through 7, for more information).
4. Consistent with its policy, request a Certificate of Degree of Indian Blood or proof of tribal membership for members identified in its data system as Native Americans at the time of application and if necessary, prior to disenrolling them for failure to pay premiums and ensure any documentation received is accurately classified in its data system (see Finding 1, pages 4 through 7, for more information).
5. Work with CMS to determine whether and how it should reinstate the Native American children it disenrolled contrary to State and federal regulations (see Finding 1, pages 4 through 7, for more information).
6. Comply with the time frames required by its policies for disenrolling members who request to withdraw from healthcare coverage by continuing to correct programming errors in its data system that have contributed to members not being disenrolled within the required time frames (see Finding 2, pages 8 through 9, for more information).
7. Ensure that ADES submits up-to-date Medicaid enrollment data to the federal government each quarter by:
  - a. Continuing to develop and implement monitoring processes.
  - b. Modifying its intergovernmental agreement with ADES to specify AHCCCS' responsibility to provide enrollment data to ADES and ADES' responsibility to submit enrollment data to the federal government each quarter (see Finding 2, pages 9 through 11, for more information).
8. Disenroll members who have moved out of State in the time frame required by its policy by tracking and monitoring whether its staff conduct the necessary research and then timely disenroll members who have moved out of State (see Finding 2, pages 11 through 12, for more information).
9. Develop and implement monitoring processes and reporting requirements to help ensure that ADES disenrolls AHCCCS members in compliance with the time frames established in its intergovernmental agreement with ADES (see Finding 2, pages 11 through 12, for more information).

ADES should:

1. Disenroll members who have moved out of State in the time frame required by its intergovernmental agreement with AHCCCS by tracking and monitoring whether its staff conduct the necessary research and then timely disenroll members who have moved out of State (see Finding 2, pages 11 through 12, for more information).



## Scope and methodology

The Arizona Auditor General has conducted a performance audit of AHCCCS pursuant to a September 19, 2018, resolution of the Joint Legislative Audit Committee. The audit was conducted as part of the sunset review process prescribed in A.R.S. §41-2951 et seq.

We used various methods to address the audit's objectives. These methods included reviewing federal regulations and guidance documents; State regulations; and AHCCCS' policies and procedures, and website. We also interviewed AHCCCS and ADES staff. In addition, we used the following specific methods to meet the audit's objectives:

- To determine whether AHCCCS complied with State and federal regulations when it disenrolled Native American children, we reviewed the stated disenrollment reasons for why AHCCCS disenrolled 32,335 Native American members between July 1, 2018 and March 31, 2021. From this work, we identified 158 Native American children disenrolled for failure to pay premiums. We then reviewed the online case files for these 158 Native American children to (1) confirm that AHCCCS had disenrolled them for failure to pay premiums, (2) determine if they had submitted a Certificate of Degree of Indian Blood or proof of tribal membership that would have exempted them from paying a premium prior to being disenrolled, (3) determine if any had been reenrolled in KidsCare or any other AHCCCS Medicaid program as of October 2021, and (4) whether AHCCCS notified the child's parents and/or guardians that they could submit the child's Certificate of Degree of Indian Blood or proof of tribal membership. Finally, we reviewed reports on the effect of not having health insurance on children's access to preventative and emergency healthcare services.<sup>45</sup>
- To determine whether AHCCCS complied with its policies to disenroll members who requested to withdraw from healthcare coverage in a timely manner, we reviewed AHCCCS data for all 12,706 members who requested to withdraw between April 1, 2020 and March 31, 2021. To estimate unnecessary payments made, we developed a weighted average monthly payment rate based on publicly available data.<sup>46</sup>
- To determine whether Arizona submitted Medicaid enrollment data to the federal government for 3 quarters in fiscal year 2021 and whether it disenrolled members who moved out of State in a timely manner, we requested AHCCCS to provide the federal reports for November 2020, February 2021, and May 2021 identifying members who were receiving Medicaid coverage in another state and reviewed the February and

<sup>45</sup> Tolbert, J., Orgera, K., & Damico, A. (2020). *Key facts about the uninsured population*. San Francisco, CA; Kaiser Family Foundation. Retrieved 4/1/21 from [Key Facts about the Uninsured Population | KFF](#); Kenney G.M. & Coyer C. (2012). *National findings on access to health care and services use for children enrolled in Medicaid or CHIP*. Washington, DC: The Urban Institute. Retrieved on 1/21/2022 from [National Findings on Access to Health Care and Service Use for Children Enrolled in Medicaid or CHIP \(macpac.gov\)](#); and Paradise, J. (2014). *The impact of the Children's Health Insurance Program (CHIP): What does the research tell us?* San Francisco, CA: Kaiser Family Foundation. Retrieved 1/5/2022 from [The Impact of the Children's Health Insurance Program \(CHIP\): What Does the Research Tell Us? | KFF](#).

<sup>46</sup> To estimate the total payments AHCCCS made on behalf of these members, we developed a weighted average monthly payment rate for each of the following age groups: members up to age 1, members age 1 through 20, and members age 21 or older, because these are the groups for which contractors charge different monthly payment rates. To calculate the weighted average monthly payment rate for each age group, we calculated the State-wide enrollment percentage in each healthcare provider contracted by AHCCCS and then multiplied these percentages by each contractor's effective rate in contract year 2020 and contract year 2021. We then multiplied each age group's weighted monthly payment rate by the number of members in that age group who were not disenrolled in a timely manner and the number of months the member remained on Medicaid.

May 2021 federal reports AHCCCS provided.<sup>47</sup> We then reviewed a stratified random and judgmental sample of 94 of 2,612 members identified on the February 2021 report that had moved out of State and were no longer eligible for Medicaid programs in Arizona to determine if (1) any of these members would have been identified earlier had ADES submitted enrollment data to the federal government for review in November 2020 and (2) if AHCCCS and ADES disenrolled these members in a timely manner.<sup>48</sup> For those members who would have been identified earlier had ADES submitted enrollment data to the federal government and those who were not disenrolled in a timely manner, we calculated an estimate of the amount of unnecessary public dollars AHCCCS paid for these members.<sup>49</sup> We also reviewed the U.S. Department of Health and Human Services, Administration of Children and Families reports, website, and training materials to better understand this federal report. Additionally, we reviewed reports from the U.S. Governmental Accountability Office and a contractor for the U.S. Department of Health and Human Services, Administration of Children and Families.<sup>50</sup> Finally, we reviewed an AHCCCS and ADES intergovernmental agreement to determine each agency's responsibilities.

- To determine whether AHCCCS disenrolled members between April 1, 2020 and March 31, 2021, in compliance with federal public health emergency requirements, we reviewed a stratified random sample of 74 of 65,581 members AHCCCS reported it disenrolled between April 1, 2020 and March 31, 2021.
- To determine whether AHCCCS disenrolled current and former foster care children from Medicaid and children's health insurance coverage in compliance with State and federal regulations, we compared the stated reasons AHCCCS disenrolled 506 current or former foster children under the age of 26 between July 1, 2018 and March 31, 2021, to State and federal regulations.<sup>51</sup>
- To determine whether AHCCCS has a process for identifying deceased members, we reviewed AHCCCS' policies and procedures and a stratified random sample of 50 of 423,432 renewals AHCCCS processed between January 1, 2021 and March 31, 2021. Additionally, we reviewed a random sample of 10 of 15,375 deceased members AHCCCS disenrolled between April 1, 2020 and March 31, 2021, to verify the members were disenrolled when AHCCCS received information that they were deceased.
- To obtain information for the Introduction, we reviewed information from the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services, website.

Our work on internal controls including reviewing AHCCCS' policies and procedures and, where applicable, testing its compliance with these policies and procedures. We reported our conclusions on applicable internal

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<sup>47</sup> AHCCCS could not provide the November 2020 federal report because ADES did not submit enrollment data to the federal government in November 2020 (see Finding 2, pages 8 through 13, for more information).

<sup>48</sup> We reviewed a stratified random sample of 70 of 2,612 members identified on the February 2021 federal report who had moved out of State and were no longer eligible for Medicaid programs in Arizona—50 of 2,022 assigned to ADES staff to research and 20 of 590 assigned to AHCCCS staff to research. We also reviewed a judgmental sample of 24 of the 2,612 members—19 of 2,022 assigned to ADES staff and 5 of 590 assigned to AHCCCS staff. We selected this judgmental sample for review because on the February 2021 federal report, these 24 members were missing the date they started receiving Medicaid in another state or the date they started receiving Medicaid in another state was in the future.

<sup>49</sup> To estimate the total unnecessary payments AHCCCS made on behalf of these members, we reviewed each member's case file to determine the member's age, region of member's residence, and from which healthcare contractor the member receives services. We then used each contractor's published monthly rate for the time period the member was enrolled—these included rates from contract years 2019, 2020, 2021, and 2022—to calculate an estimate of the unnecessary payments AHCCCS made on behalf of these members.

<sup>50</sup> U.S. General Accounting Office. (2001). *Public Assistance: PARIS project can help states reduce improper benefit payments*. Washington, DC. Retrieved 8/27/2021 from [Public Assistance: PARIS Project Can Help States Reduce Improper Benefit Payments | U.S. GAO](#). The GAO has since changed its name to the U.S. Government Accountability Office; and Altarum Institute. (2008). *Public Assistance Reporting Information System cost benefit analysis: Final report*. Washington, DC. Retrieved 8/27/2021 from [Microsoft Word - PARIS Final Report 01-21-09.doc \(hhs.gov\)](#).

<sup>51</sup> Using AHCCCS-provided data, we determined that between July 1, 2018 and March 31, 2021, AHCCCS disenrolled 506 current or former foster children under the age of 26.

controls in Findings 1, 2, and in the questions and answers. We also assessed the reliability of the data AHCCCS provided and found it to be sufficiently reliable for our audit purposes.<sup>52</sup>

We selected our audit samples to provide sufficient evidence to support our findings, conclusions, and recommendations. Unless otherwise noted, the results of our testing using these samples were not intended to be projected to the entire population.

We conducted this performance audit of AHCCCS in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We express our appreciation to AHCCCS' Director and staff for their cooperation and assistance throughout the audit.

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<sup>52</sup>We conducted a data reliability assessment and identified some inaccuracies. For instance, within the February 2020 federal report, we found 24 instances of dates missing or in the future, out of an estimated 2,612 total entries. However, we determined that the data was sufficiently reliable for audit purposes.

# AHCCCS RESPONSE

May 9, 2022

Lindsey A. Perry  
Auditor General  
Office of the Auditor General  
2910 North 44th Street, Suite 410  
Phoenix, Arizona 85018

Re: AHCCCS Member Disenrollment Processes Performance Audit

Dear Ms. Perry:

Thank you for the opportunity to review and comment on the findings contained in the Arizona Health Care Cost Containment System (AHCCCS) Member Disenrollment Processes Performance Audit. We appreciate the professionalism and efforts of the audit team and believe that implementation of the remediation activities detailed in the agency's response will enhance the effectiveness of AHCCCS' eligibility processes.

The last two years have been particularly challenging for state government and AHCCCS. As appropriately noted in the performance audit report, in order to receive increased funding during the federally declared public health emergency (PHE), AHCCCS has been required to provide continuous coverage to individuals enrolled with the program since the beginning of the PHE. As a result, AHCCCS' enrollment has grown by over 27 percent since March 2020. While, as required, AHCCCS has suspended disenrollment during the PHE, the agency has continued to process renewals or redeterminations in order to be prepared to re-initiate standard redetermination protocols when the federal PHE is terminated. Though the state's workload has increased dramatically, its available eligibility workforce has decreased by 2.3 percent over the same period of time.

In light of these challenges, AHCCCS has worked diligently to ensure the efficiency of its eligibility system, Health-e-Arizona Plus (HEAPlus). The agency monitors HEAPlus system "uptime" or the percent of time that the eligibility system is functional and available to users. The system uptime rate is consistently over 99 percent. Furthermore, over 80 percent of all eligibility renewals are processed in an automated manner, requiring no manual eligibility worker intervention, increasing the accuracy and timeliness of annual renewals.

Again, I would like to express my appreciation to the Auditor General's office for its collaborative approach throughout the audit process. Both AHCCCS and the Arizona Department of Economic Security remain committed to ensuring the integrity of the state's Medicaid eligibility processes and, as noted in the agency's response, have already begun to address many of the concerns identified.

Sincerely,



Jami Snyder  
Director

**Finding 1:** AHCCCS terminated health insurance coverage for some Native American children contrary to regulations, resulting in these children likely losing healthcare coverage

**Recommendation 1:** AHCCCS should comply with State and federal regulations when disenrolling Native American children from KidsCare coverage.

AHCCCS response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: AHCCCS will comply with State and federal regulations, prohibiting the discontinuation of Native American children for failure to pay Kids Care premiums.

**Recommendation 2:** AHCCCS should develop and implement monitoring processes, such as a supervisory review process, to help ensure caseworkers review Certificates of Degree of Indian Blood or proof of tribal membership documentation and accurately classify Native American children's Certificate or Degree of Indian Blood or proof of tribal membership in its data system.

AHCCCS response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: 1) AHCCCS has published a reminder to caseworkers about requesting/entering proof of Native American heritage. Ongoing, AHCCCS will send bi-annual reminders to AHCCCS and DES eligibility staff about this issue. 2) AHCCCS piloted a Quality Assurance monitoring project in January and February 2022 to ensure the verifications received were entered into HEAplus correctly. The Quality Assurance team found that the appropriate verification was not entered into HEAplus for 1% (2 of 198) of the members sampled. Based on these results, by no later than October 31, 2022, AHCCCS and DES will add the review of Native American verifications to the routine Quality Assurance reviews completed by both AHCCCS and DES Quality Assurance.

**Recommendation 3:** AHCCCS should develop and implement policies and procedures for performing risk-based reviews of Native American disenrollments, such as reviewing Native American members disenrolled for failure to pay premiums, to verify that these members were disenrolled for reasons that comply with State and federal regulations.

AHCCCS response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: The HEAplus system correctly assesses a zero premium for customers who have stated they are Native American, and the factor has been verified; however, AHCCCS recognizes that incorrect entries into HEAplus can result in a premium being assessed for a Native American member. AHCCCS will implement an ongoing review of all disenrollments due to failure to pay premium no later than October 31, 2022, to ensure Native American members are not erroneously disenrolled.

**Recommendation 4:** AHCCCS should, consistent with its policy, request a Certificate of Degree of Indian Blood or proof of tribal membership for members identified in its data system as Native Americans at the time of application and if necessary, prior to disenrolling them for failure to pay premiums and ensure any documentation received is accurately classified in its data system.

AHCCCS response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: 1) AHCCCS includes information about verifying Native American heritage in its approval letters and Request for Information (RFI) letters. AHCCCS will add a message regarding verification of Native American heritage to premium billing letters to ensure that Native Americans who have not disclosed their heritage know that doing so could eliminate any premiums bills. 2) AHCCCS will add language to a discontinuance letter when the reason for discontinuance is due to failure to pay premiums. 3) The ongoing review of all disenrollments for failure to pay premium solution detailed in response to recommendation #3 will also contribute to the remediation of this item.

**Recommendation 5:** AHCCCS should work with CMS to determine whether and how it should reinstate the Native American children it disenrolled contrary to State and federal regulations.

AHCCCS response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: AHCCCS will contact CMS to determine whether the agency should reinstate the Native American children who were disenrolled contrary to State and federal regulations. If CMS directs AHCCCS to reinstate eligibility for these members, then the agency will discuss how it will reinstate their enrollment. AHCCCS will contact CMS no later than June 30, 2022. AHCCCS will also contact each member and provide the opportunity to apply for medical assistance no later than October 31, 2022.

**Finding 2:** AHCCCS and ADES did not timely disenroll some AHCCCS members, resulting in AHCCCS unnecessarily spending at least \$324,000 in public monies for the period we reviewed.

**Recommendation 6:** AHCCCS should comply with the time frames specified by its policies for disenrolling members who request to withdraw from healthcare coverage by continuing to correct programming errors in its data system that have contributed to members not being disenrolled within the required timeframes.

AHCCCS response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: AHCCCS implemented updates to HEAplus on October 1, 2020, to ensure immediate disenrollment. This change ensures members are correctly disenrolled no later than the end of the month after AHCCCS receives the request for voluntary disenrollment. Additionally, AHCCCS will implement the HEAplus system update prohibiting multiple discontinuance reasons when disenrolling members for voluntary withdrawal by October 31, 2022. This change will ensure members are disenrolled no later than the end of the month after AHCCCS receives the member's request to disenroll.

**Recommendation 7:** AHCCCS should ensure that ADES submits up-to-date Medicaid enrollment data to the federal government each quarter by:

**Recommendation 7a:** Continuing to develop and implement monitoring processes.

AHCCCS response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: AHCCCS sends a reminder to both the vendor and ADES the week prior to the due date for submission. For monitoring purposes, ADES provides a response to AHCCCS when the reports are transmitted to the Department of Defense (DOD). The returned files are then split between AHCCCS and ADES for processing. To further track the process, ADES also confirms via email when the return files from DOD are distributed.

**Recommendation 7b:** Modifying its intergovernmental agreement with ADES to specify AHCCCS' responsibility to provide enrollment data to ADES and ADES' responsibility to submit enrollment data to the federal government each quarter.

AHCCCS response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: AHCCCS and DES are developing an amendment to the intergovernmental agreement between the two agencies. The intergovernmental agreement will be finalized on or before October 1, 2022.

**Recommendation 8:** AHCCCS should disenroll members who have moved out of State in the time frame required by its policy by tracking and monitoring whether its staff conduct the necessary research and then timely disenroll members who have moved out of State.

AHCCCS response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: HEAplus automated the Public Assistance Reporting Information System (PARIS) discontinuance process, which systematically discontinues the majority of individuals who have moved out of state each quarter. For the active cases that must be processed manually by AHCCCS and DES, AHCCCS will monitor the match file by creating an automated report that will be used by the AHCCCS Quality Control team to ensure AHCCCS and DES staff are disenrolling members in a timely manner. AHCCCS will monitor the status of cases appearing on the PARIS match file by reviewing an automated report to ensure AHCCCS and DES are processing cases timely and accurately. For Department of Child Safety (DCS) cases, the AHCCCS Interagency Liaison Team (IALT) is responsible for verifying residency and taking necessary action on these cases. During this review, AHCCCS identified a problem with the email notification process and made necessary corrections to ensure timely and accurate actions ongoing. The email distribution now includes multiple IALT members as opposed to a single recipient.

**Recommendation 9:** AHCCCS should develop and implement monitoring processes and reporting requirements to help ensure that ADES disenrolls AHCCCS members in compliance with the time frames established in its intergovernmental agreement with ADES.

AHCCCS response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: AHCCCS will pursue an automated monitoring and reporting strategy to track the progress of the match file completion by ADES and AHCCCS staff by October 31,

2022. 2) AHCCCS' Quality Control team will monitor the process by refreshing the automated report every two weeks to ensure AHCCCS and DES have disenrolled the remaining members in a timely manner.

# ADES RESPONSE



DEPARTMENT OF ECONOMIC SECURITY

*Your Partner For A Stronger Arizona*

Douglas A. Ducey  
Governor

Michael Wisehart  
Director

May 10, 2022

Lindsey A. Perry  
Auditor General  
Arizona Auditor General  
2910 N 44<sup>th</sup> Street, Suite 410  
Phoenix, Arizona 85018

Dear Ms. Perry:

As requested and in response to the Arizona Auditor General's correspondence dated May 2, 2022, the Arizona Department of Economic Security (DES) is enclosing the final DES response to the revised redacted final report draft for the Arizona Health Care Cost Containment System—Member Disenrollment Processes performance audit.

If you have any questions, please contact Jeffrey Morley, Assistant Director, Division of Benefits and Medical Eligibility, at (602) 542-3577.

Sincerely,

A handwritten signature in black ink, appearing to read 'M. Wisehart', written in a cursive style.

Michael Wisehart  
Director

Enclosure

cc: Katherine Grzybowski, Senior Performance Auditor, Arizona Auditor General

**Finding 2:** ADES did not timely disenroll some AHCCCS members

**Recommendation 10:** ADES should disenroll AHCCCS members who have moved out of State in the time frame required by its intergovernmental agreement with AHCCCS by tracking and monitoring whether its staff conduct the necessary research and then timely disenroll members who have moved out of state.

ADES response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: ADES accepts the responsibility to disenroll AHCCCS Members who have moved out-of-state consistent with the time frames established in its intergovernmental agreement with AHCCCS. ADES has implemented standard work procedures for tracking and monitoring the PARIS out-of-state entries. ADES has also implemented several process enhancements and countermeasures designed to avoid the file handling incidents described in the auditor's report.

