

## HUMAN SERVICES

SUB

HOUSE

DATE 2/22/83

SPONSOR \_\_\_\_\_

[illegible]

IF YOU CARE TO WRITE COMMENTS, ASK SECRETARY FOR LONGER FORM.

WHEN TESTIFYING PLEASE LEAVE PREPARED STATEMENT WITH SECRETARY.

MINUTES OF THE MEETING OF THE JOINT APPROPRIATIONS SUBCOMMITTEE  
ON HUMAN SERVICES  
February 22, 1983

The meeting was called to order at 7:00 a.m. by Chairman John Shontz. All subcommittee members were present.

Also present were: John LaFaver, Ben Johns, Ron Brown, and Pat Godbout from the Department of SRS; Ron Weiss from the Office of Budget and Planning; Mike Wolf and Earl Vermillion from the Veterans Affairs Division; Peggy Williams, Larry Finch and Mason Niblack from the Legislative Fiscal Analyst's Office, Capt. Cottrill and others who were not registered.

Begin Tape 45 Side 2

VETERANS AFFAIRS

Mr. LaFaver introduced Mr. Michael Wolf, Administrator of the Veterans Affairs Division to the committee. Mr. Wolf told the committee that since the 1981 legislative session an entirely new method of recording statistics has been instituted which uses the computer capabilities of SRS. It is now possible to exhibit the number of unduplicated contacts for each office for the state, county and by war period. He distributed a form used for the monthly activity report. (see exhibit 1)

During calendar 1982, the division had 31,598 contacts, of which 15,636 were unduplicated. Two thousand nine hundred thirty-four claims for benefits were submitted to the veterans administration. Awards by the administration totaled \$4,498,711. These dollars coming to the state represent a ratio of \$11.73 for each dollar expended by the state. As of December 1, 1982, 51,098 powers of attorney were held by the division for veterans and their dependents.

In daily efforts to assist veterans and their dependents, the division service officers are in contact with county officials, senior citizen centers, nursing homes, hospitals, veterans centers, discharge and correction centers, lawyers, doctors, vo-techs, colleges and others interested in the affairs of veterans. As the need arises, referrals are made to other agencies for the certification of food stamps, housing, social security administration, medicaid, medicare, narcotics or alcohol centers, vocational rehab. counseling and mental health and health centers.

Mr. Wolf noted that it is often asked why it is necessary for an office outside of the federal government to do service work for veterans. He explained the laws under which the veterans administration operates, particularly those which

prohibit it from developing, presenting and prosecuting claims against itself. It is also prohibited from obtaining statements from doctors, birth certificates, death certificates, etc. and the VA will proceed to adjudicate a claim without this necessary information. No veterans benefits are granted automatically. Every benefit must be applied for individually.

Peggy Williams then presented the LFA analysis. She referred the committee to a handout she had prepared for this division. (see exhibit 2) There is a difference of 2 FTE between executive and current level because the LFA deleted 2 positions which were vacant most of FY82. In operating expenses, the LFA and the executive generated proposals from a slightly different base. After initial budgets were submitted in September, the department requested that the Veterans Affairs Division be moved to Military Affairs. The LFA did not receive documentation of this until two weeks ago so this was considered by the department when they drew their budgets, while the LFA did not consider this. The major difference between the two budgets is the reduction of rent due to the Veterans Affairs moving into armories, given the approval for this structural move. The program is entirely generally funded.

Peggy explained that one issue arises out of the Governor's Council on Management recommendation that the Veterans Affairs program be abolished. The Sunset Audit, conducted in 1980, indicates that many services are not provided elsewhere.

Sen. Regan asked how the division was going to use the SRS computer if they moved offices to the armories. Earl Vermillion replied that the assumption was that, even if the move were made, the SRS computer would continue to be used on a contract basis, although he had been told by Capt. Cottrill that computer services are available that are compatible with those at the armory. Capt. Cottrill, Administrator of Centralized Services, responded that the plan was that computer services be contracted to SRS, has there have been no formal meetings or negotiations with SRS to date.

Hearings on Veterans Affairs budget closed.

#### ADMINISTRATION AND SUPPORT

Mr. LaFaver introduced Mr. Ron Brown, Administrator of Central Services, to make the presentation. Mr. LaFaver added that the SRS had worked very closely with the LFA on this area of the budget and the LFA has convinced the depart-

ment that their figures are correct. He believed there will probably be no major issues regarding this budget.

Mr. Brown told the committee that centralized services mission is to provide those services for program divisions which would be uneconomical for them to provide for themselves such as finance, accounting, data processing, statistical analysis, and general services. Their program has not expanded, in fact has remained virtually unchanged over the last biennium. In their meeting with fiscal analysts, they have found they are substantially in agreement with the figures that the LFA has developed and there are no major differences.

Peggy Williams, LFA, then explained the differences in this program. The LFA included 2.38 more positions than the executive did, since the executive had added a .5 position and transferred 2.88 FTE's. There is a difference under contracted services based on different estimates of how much administrative rules would cost to be filed. The LFA has increased the base in two areas; in communications, the LFA was above the executive because they had included \$12,000 for mailing turnaround documents for food stamps. In travel, the LFA was above the executive by \$7,000. The executive included \$20,900 in travel in FY84 and the LFA included \$28,000 in FY84.

In equipment, the LFA is under the executive in FY84 because the executive included a word processor. The executive is under the LFA in FY84 because the LFA included office equipment and a car. Peggy referred the committee to the final sheet of exhibit 3 which breaks down the 15 sources of funds which support this division.

Sen. Regan asked why LFA gave the division the car and the age of the present car. She was told it was a 1975 Dodge with 116,000 miles. Sen. Regan also asked about the word processor. Mr. Johns explained the word processor would be used primarily by the legal staff. At the present time, they have a mag card typewriter which is getting out of date.

Sen. Aklestad asked about the increase in contracted services. Mr. Johns explained this was for the cost of the legislative audit.

AUDIT AND PROGRAM COMPLIANCE DIVISION

Mr. LaFaver introduced Pat Godbout, Administrator, to the committee. He pointed out that last legislature, this program was one area of SRS the committee felt needed polishing. From his viewpoint, and looking at the quality of the audits being produced, he would give this division the "most improved" award. He does not feel it is the same operation that it was in 1981.

Pat Godbout began by discussing eligibility error rates. She showed a chart (exhibit 4) explaining the error rates for food stamps, medicaid, and AFDC. The federal government mandates that they review the decisions made by eligibility technicians concerning medicaid, AFDC, and food stamps. They have set certain target levels which they must meet. If these are not met, financial sanctions may be imposed upon the state. The target rates for AFDC and medicaid are 3% as of March 30, 1983. The food stamp error rate, because it is more complex and more open to fraud, has a higher target rate. It is 9% for 1983, 7% for 1984, and 5% for 1985.

Errors are identified by the State Quality Control group which is in her division. The federal government insures that they properly identify errors by rereviewing their work and penalizing them whenever they disagree. The state is also penalized when the control group doesn't complete the required number of cases. While it is often thought the best way to get out of the error rates is just not to find them, those that have tried this are in a great deal of trouble now according to Ms. Godbout. She feels the quality control staff is probably the best in the country.

Congress has also provided for waivers on penalties for good faith effort. The state has managed to obtain these waivers for the period September 1980 and March 1981, while out of compliance in medicaid and in food stamps. The waiver was obtained by demonstrating what is being done to reduce the error rates. The AFDC rate is not one of the lowest in the country.

While there hasn't been a dramatic decline in food stamps or in medicaid, both rates have gone down and food stamps is no longer in a sanction situation. Currently under review are efforts to reduce the error rate and the sanction on medicaid could be as much as \$5.8 million for the year beginning April 1. In conversations with federal officials, Pat has expressed her desire to reduce the error rate to at least 3%. They have adopted a new medicaid manual and they believe the quality assurance program which began this month

will reduce the error rate in medicaid. Error rates in medicaid are usually directly related to individuals in nursing homes.

The department sees the reason for the high error rate in medicaid as the high case load. Average caseload in AFDC is 103 cases per FTE while average caseload in medicaid is 424 recipients per FTE. Therefore, any reduction in eligibility staff is either going to lead to a higher error rate in medicaid or a higher error rate in AFDC.

Sen. Regan asked how many FTE the last legislature approved. Pat replied they did not get any more positions in the audit division, but economic assistance did. As Ms. Godbout understood it, there was a recommendation to reduce eligibility technicians this time, and she is concerned how they will be able to accomplish the 3% rate in medicaid and 4% in food stamps with a reduction in staff.

Sen. Regan wanted a clarification on who hires technicians. Mr. LaFaver stated they are state employees, but are hired by county commissioners from lists provided from the merit system, but to whom they report is not always clear. Sen. Regan also asked if the bill currently before the legislature providing the 12 mill levy would help SRS any in any way in which they hire people and have more control of the system. Mr. LaFaver said that it would and that the department was strongly in favor of this.

Pat Godbout continued with her budget presentation, explaining there were four major areas where the department differs from LFA. These are: number of FTE's, travel expenditures, contract expenditures, and funding sources. (see exhibit 5)

The LFA has recommended 36 FTE. There are currently 40 FTE's in the division and another 10 have been requested.

The LFA ignored a position transferred from centralized services division. They deleted position 1546 and also deleted positions 1548 and 1251 because they were vacant in FY82. They believe it would be in the best interest of the state to retain all four positions.

End of Tape 45 Side 2 Begin Tape 46 Side 1

On the issue of travel, there is a \$20,000 difference. Heavy travel costs are associated with audits and with quality control review. Pat referred the committee to a graph in the appendix of the handout showing travel expenditures.

The issue regarding contracted services is medical consultation on medicaid fraud investigations. The LFA used this year's contract amount of \$9,000. The department reviewed the number of cases pending and firmly believe that at least \$11,200 will be needed for medical consultation. If they run out of funds, cases will "just have to sit there" and, by the end of the biennium, there may be cases the division would have to dump because they will be past the statute of limitations.

The last issue between the LFA and the division is funding sources. The executive budget did not fund the audit bureau with social services block grant funds, funds from the commission on aging, or funds from vocational rehabilitation. (The omission of funding from LIEAP was an oversight. The division agrees there should be at least \$55,000 of LIEAP funds to pay for all the audit costs.) The reason the executive did not use other programs as funding sources is because they did not want the funding source to dictate the type of audits conducted. As proposed by the LFA, \$11,000 funding from Vocational Rehabilitation, will have to complete voc. rehab. audits even if not needed.

Sen. Regan asked what the department is proposing the legislature do in terms of funding sources. Ms. Godbout believes the audit bureau should be 100% general fund as the executive budget is requesting. Sen. Regan stated that since we are very short on general funds, she felt the different programs should pay for their own audits. Ms. Godbout replied that if one examines the budget, there is not enough social service block grant to pay for all the services that are offered at the department and that they have always used general fund sources for this.

Mr. LaFaver added that he did not think the way the executive budget has laid this out means more general fund, it simply means where limited amounts of **general funds** are going to be allocated and they recommend the general funds be given to audit so that it has the flexibility to audit the high-priority areas. He explained the way the LFA's figures would work would not affect the overall general fund appropriations at all. The department would want to work with the subcommittee to insure that there is no increase in general fund appropriation as a result of this funding arrangement.

Ms. Godbout stated that the division is asking for 10 new positions, five in audit bureau and 5 in the program integrity bureau. If, for example, they have a staff of 4 in third party liability unit, they will continue to generate the \$5 million a year they currently bring in plus an additional \$200,000. Medicaid budget funds can be reduced by \$200,000 if the level of this unit is at 4. They have asked for 2 additional FTE in the quality assurance unit to bring down

the error rates in medicaid. The last modification was in the Survey Utilization Review Unit which is responsible for medicaid fraud and abuse. They are asking for one additional position in this unit.


Peggy Williams then presented the LFA case. The LFA did delete 3 positions which were vacant most of the year. The position Pat Godbout referred to with the third party liability was filled only 17% of the year, and the LFA felt this position was not really effective. The LFA states that the executive added 11 positions, 10 modified positions, plus the transfer. There was \$20,000 in increased travel because the LFA came off current level, FY82 expenses. Therefore, the executive is higher. The LFA used the original funding mix requested by the department. The department then revised their funding mix resulting in a higher percentage of general fund. The original funding mix holds the general fund at about 43% of the total funding while the revised funding mix puts the general fund at 64%. In FY82, the general fund accounted for 47% of the funding. In FY83, it is scheduled to account for 42%.

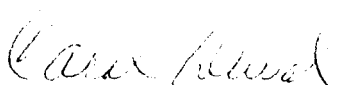
Concerning the increased number of FTE's, the audit bureau told the 1981 legislature that 12 FTE could handle 101 audits. In actuality 8.3 FTE handled 55 audits. The department estimates that 67.5 audits need to be conducted in 1984 and 82 in FY85. Statistically, 9 FTE should be able to handle these audits.

Program integrity had also asked for more FTE's to reduce error rates. Both the 1979 and the 1981 legislatures gave the program more people so error rates could be reduced. The 1981 legislature also appropriated \$325,000 in FY82 for training. \$188,000 of this was spent and both the executive and the LFA have included money for training in another division.

Error rates have declined and that is one of the reasons the LFA has not added any additional FTE's. The division has shown a good faith effort to reduce error rates to acceptable levels. A new specs manual was drawn up in 1982. Determinations for program participation have been simplified, and the training program has begun. For these reasons, LFA feels the error rates will continue to decline without additional FTE.

The meeting was adjourned at 9 a.m.  
End of Tape 46 Side 1

  
John Shontz, Chairman

  
Carol Duval, Secretary



SRS-VA01  
(New 3/81)

# VETERAN AFFAIRS DIVISION MONTHLY ACTIVITY REPORT

exhibit 1  
2/22/83

DATE: \_\_\_\_\_

VETERAN NAME: \_\_\_\_\_

CLAIMANT NAME: \_\_\_\_\_

1. SERVICE OFFICE
- |               |                  |
|---------------|------------------|
| 01 = Helena   | 06 = Kalispell   |
| 02 = Butte    | 07 = Miles City  |
| 03 = Bozeman  | 08 = Wolf Point  |
| 04 = Billings | 09 = Great Falls |
| 05 = Missoula |                  |

2. CLAIM, SERVICE OR S.S. NO.

3. DATE OF CONTACT  
(MM, DD, YY)

4. COUNTY OF RESIDENCE  
(County license No. 01 - 56)

5. WAR PERIOD
- |            |                |
|------------|----------------|
| 1 = WW I   | 4 = Vietnam    |
| 2 = WW II  | 5 = Peace time |
| 3 = Korean |                |

6. CONTACT (CLAIMANT)
- |             |              |
|-------------|--------------|
| 1 = Veteran | 4 = Widow/er |
| 2 = Spouse  | 5 = Parent   |
| 3 = Child   | 6 = Other    |

7. TYPE OF CONTACT
- |            |                  |
|------------|------------------|
| 1 = Office | 4 = Nursing Home |
| 2 = Field  | 5 = Hospital     |
| 3 = Phone  |                  |

8. CONTACT RESULTED FROM
- |                |                    |
|----------------|--------------------|
| 1 = Newspaper  | 5 = Telephone Dir. |
| 2 = Television | 6 = Veteran Organ. |
| 3 = Radio      | 7 = Word of Mouth  |
| 4 = Poster     | 8 = Other          |

9. POWER OF ATTORNEY
- |          |  |
|----------|--|
| 1 = None | 4 = VFW                                    |
| 2 = DAV  | 5 = Other                                  |
| 3 = VAD  | (includes Am. Legion, WW I Am. Vets, Moph) |

10. OTHER FORM EXECUTED  
(Total No.)

1	
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11. CLAIMS FILED (Enter Y in the Appropriate Box(es))

COMPENSATION: (21-526, 21-535, Reopen)

PENSION: (21-526, Reopen)

DEATH PENSION: (21-534, Reopen)

EDUCATION: (22-1990, 22-1990T,  
22-1900, 22-5490, 22-5490W)

INSURANCE: (29-357, 29-4125, 29-8283)

HOSPITALIZATION: (10 - 10)

DENTAL: (10 - 10)

OTHER CLAIMS: (21-601, 21-609,  
21-614, 21-530, 10-583, Other)

12. DOCUMENTS SUBMITTED (Enter exact number of each  
type of document submitted in the appropriate box(es))

MARRIAGE

DEATH

BIRTH

DIVORCE

DD-214

OTHER

MEDICAL STATEMENTS

27
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## PROGRAM: VETERAN'S AFFAIRS

## ADMINISTRATION

	1982 Actual	1983 Approp.	-----1984-----		-----1985-----			
			Executive	Current Level	Difference	Executive	Current Level	Difference
FTE	20.50	20.50	20.50	18.50	(2.00)	20.50	18.50	(2.00)
Personal Services	\$ 365,407	\$ 409,512	\$ 440,137	\$ 396,444	\$ (43,693)	\$ 440,620	\$ 395,960	\$ (44,660)
Operating Expenses								
Contracted Services	\$ 12,089	\$ 13,978	\$ 13,467	\$ 14,283	\$ 816	\$ 14,263	\$ 15,135	\$ 872
Supplies	3,759	1,576	4,224	2,129	(2,095)	4,478	2,255	(2,223)
Communications	10,361	12,925	10,391	9,705	(686)	11,121	11,073	(48)
Travel	28,912	26,653	31,340	30,422	(918)	32,664	31,742	(922)
Rent	23,322	22,489	6,085	26,204	20,119	6,450	27,776	21,326
Repairs	314	129	353	351	(2)	374	372	(2)
Other	1,937	520	2,741	536	(2,205)	2,308	566	(1,742)
Total	\$ 80,694	\$ 78,270	\$ 68,601	\$ 83,630	\$ 15,029	\$ 71,658	\$ 88,919	\$ 17,261
Equipment	400	1,888	-0-	400	400	-0-	400	400
Total Admin.	\$ 437,501	\$ 489,670	\$ 508,738	\$ 480,474	\$ (28,264)	\$ 512,278	\$ 485,279	\$ (26,999)
Funding								
General Fund	\$ 437,501	\$ 489,670	\$ 508,738	\$ 480,474	\$ (28,264)	\$ 512,278	\$ 485,279	\$ (26,999)

 exhibit 2  
 2/22/83

# Exec - LFA Differences Veterans Affairs

## A. FTE

LFA deleted 2 Veterans Service Officer positions which were vacant most of FY82

## B. Operating expenses

The department revised its initial budget request to reflect the proposed move to the Dept of Military Affairs. The LFA did not receive a copy of the revision, prepared Oct. 22, 1982, until Feb. 1983. The revision is incorporated in the exec budget, but not in LFA current level analysis

### 1. Contracted Services

Exec inflated actual FY82 expenditures, then reduced the result by the revision request. LFA deleted \$1,230 from FY82 base for one-time legal costs, added \$1,862 of supplies which should have been coded as contracted services and inflated

### 2. Supplies

LFA removed \$1,862 of expenses which should have been coded as contract services

### 3. Communications

Exec added funds for revised request

### 4. Travel

LFA reduced travel reflecting reductions in FTE

### 5. Rent

Exec used revised rent request

### 6. Other Expenses

Exec inflated FY82 expenditures and adjusted for revised request

LFA removed one-time relocation expense and inflated

## C. Funding (not an issue)

100% general fund

## D. Issue: Should Veterans Affairs Pgm be discontinued

1. Gov. Council on Mgmt recommended that the Veterans Affairs Division be abolished

2. 1980 Sunset Audit said some services are not provided in other ~~sta~~ places.

PROGRAM: ADMINISTRATION AND SUPPORT

	1982		1983	1984		1985	
	Actual	Approp.	Executive	Current Level	Difference	Executive	Current Level
							Difference
FTE	86.38	86.38	83.50	85.88	2.38	83.50	85.88
Personal Service	\$1,674,261	\$1,979,419	\$1,996,740	\$2,053,172	\$ 56,432	\$1,996,546	\$2,050,129
							\$ 53,583
<u>Operating Expenses</u>							
Contract Services	\$ 139,015	\$ 116,453	\$ 306,007	\$ 286,956	\$ (19,051)	\$ 197,166	\$ (20,202)
Supplies	71,355	69,013	79,699	80,777	1,078	84,948	1,134
Communications	223,652	208,177	214,892	227,665	12,773	244,816	14,321
Travel	21,683	26,199	20,922	28,568	7,646	21,868	7,933
Rent	325,915	309,292	275,873	275,870	(3)	292,426	(7)
Repairs	21,457	16,689	24,053	26,011	1,958	25,496	2,072
Other	50,319	29,134	5,146	7,792	2,646	5,455	2,802
Total	\$ 853,396	\$ 774,957	\$ 926,592	\$ 933,639	\$ 7,047	\$ 872,175	\$ 880,228
							\$ 8,053
Equipment	\$ 27,084	\$ 10,185	\$ 40,475	\$ 28,157	\$ (12,318)	\$ 1,500	\$ 10,977
Total Adm.	\$2,554,741	\$2,764,561	\$2,963,807	\$3,014,968	\$ 51,161	\$2,870,221	\$2,941,334
							\$ 71,113
<u>Funding</u>							
General Fund	\$ 429,884	\$ 556,840	\$ 625,362	\$ 640,380	\$ 15,018	\$ 605,616	\$ 624,739
Comm. on Aging	-0-	-0-	-0-	33,165	33,165	-0-	32,355
Voc. Rehab.	-0-	-0-	-0-	349,133	349,133	-0-	340,606
Federal Funds	912,636	944,540	1,260,211	895,445	(364,766)	1,220,418	873,576
Co. Reimbursement	489,862	542,897	584,759	594,853	10,094	566,295	580,325
Soc. Services BG	702,134	677,210	450,499	458,275	7,776	436,274	447,083
Comm. Services BG	793	-0-	1,186	1,206	20	1,148	1,177
LIEAP BG	19,432	43,074	41,790	43,511	721	40,470	41,473
Total	\$2,554,741	\$2,764,561	\$2,963,807	\$3,014,968	\$ 51,161	\$2,870,221	\$2,941,334
							\$ 71,113

## Admin. + Support

### A. FTE

Exec added a .5 FTE Data entry operator and transferred 2.88 FTE to other programs

LFA maintained status quo

### B. Contracted Services

Exec increased base by \$21,875 to reflect increased fees for filing administrative rules

LFA increased base \$6,592 based on the amount of the fee raise and the average number of pages printed in 1981+1982

### C. Supplies

LFA increased base by \$970 to reflect SRS operating its own merit system (SRS did not operate its merit system for the first half of FY82)

### D. Communications

LFA increased base by 12,000 for mailing computer generated turnaround documents for food stamps

## E Travel

Exec reduced base by \$2,500 (out-of-state travel)

LFA increased base by \$4,625 for increased training

## F Repairs

Exec reduced base by \$53 (tires, tubes, vehicle damage)

LFA increased base \$1,700 for maintenance contract for typing equipment

## G Other

Exec reduced base by \$2,600 for training

## H. Equipment

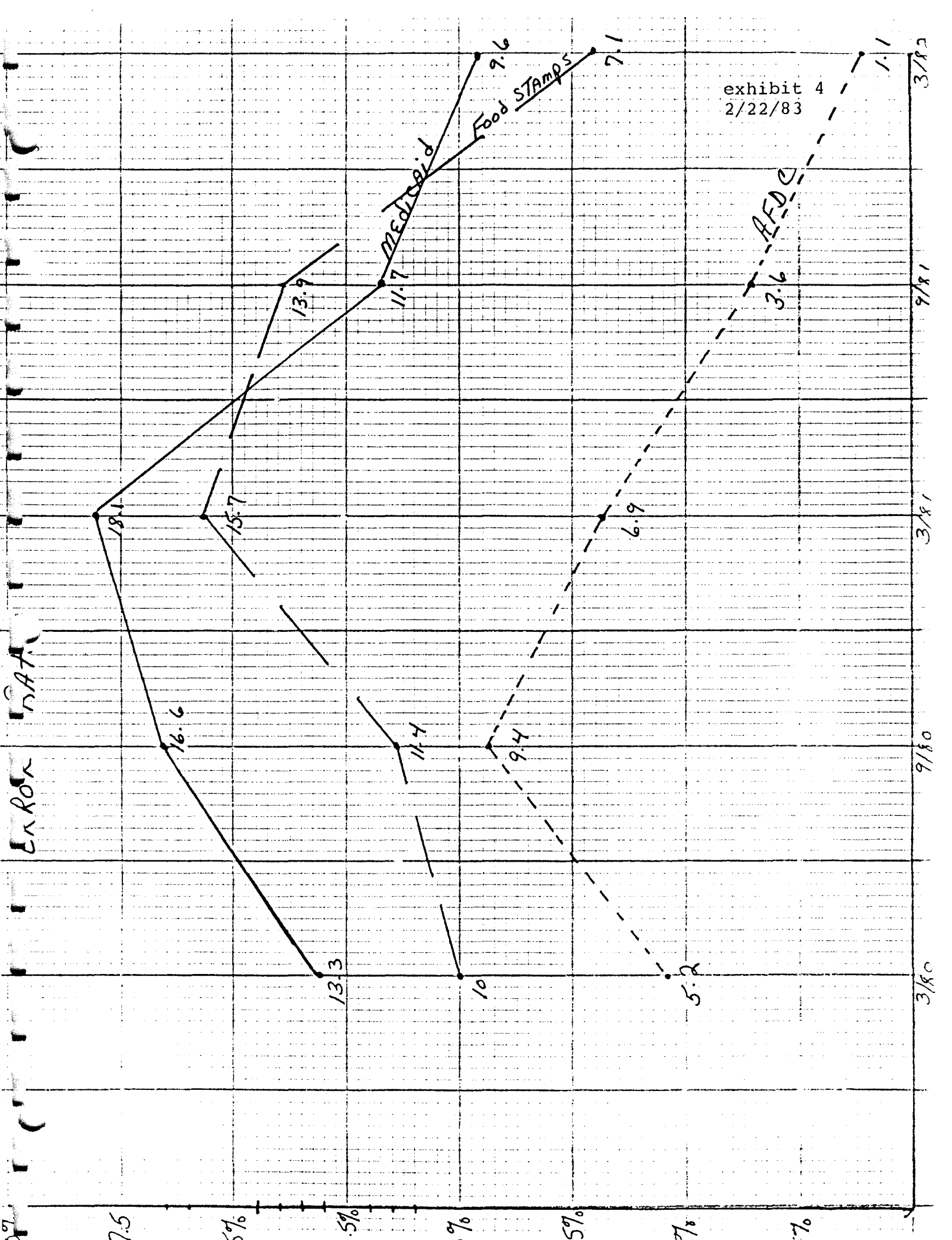
Exec included a word processor in F484

LFA included office equipment and a car.

# FUNDING

Source	Executive	LFA	Difference	Executive	LFA	Difference
Title II-L	\$ 229,399	\$ 233,359	\$ (3,960)	\$ 222,155	\$ 227,659	\$ (5,504)
Farm Grants	129,215	137,556	(2,241)	125,716	128,230	(3,114)
Commodities	22,229	22,612	(383)	21,527	22,060	(533)
Title III	292,417	292,422	(5065)	284,152	291,192	(7,040)
Jan 20 0	246,592	250,544	(4252)	232,515	244,424	(5,909)
Agriculture	32,201	33,165	(564)	31,572	32,355	(783)
Dis. Sec.	96,916	98,569	(1673)	93,256	96,182	(2326)
Title II-F	46,228	47,636	(808)	45,350	46,473	(1122)
Title II-B	152,564	161,301	(2737)	153,557	157,361	(3804)
DD Series Ex.	4,150	0	4150	4,012	0	4015
L.F.A.	41,792	42,511	(721)	40,470	41,173	(1,003)
SSB-CX	450,499	458,075	(7,776)	436,274	447,083	(10,809)
SSB	1,186	1,276	(20)	1,142	1,177	(29)
Dis. Sec.	584,759	594,303	(10,094)	564,225	580,325	(14,030)
General Fund	625,242	640,300	(15,018)	605,616	624,739	(19,123)
Total	\$ 2,237,207	\$ 2,314,260	\$ (51,161)	\$ 2,077,221	\$ 2,041,334	\$ (71,113)





Department of Social and Rehabilitation Services

Audit & Program Compliance

**MAJOR ISSUES**

Current Level

- Number of FTE's
- Travel Expenditures
- Contract Expenditures
- Funding Sources

Program Modifications

- Five Positions in Audit Bureau
- Five Positions in Program Integrity Bureau
  - Survey Utilization Review Unit --- 1 FTE
  - Third Party Liability Unit --- 2 FTE's
  - Quality Assurance Unit --- 2 FTE's

AUDIT AND PROGRAM COMPLIANCE DIVISION  
DEPARTMENT OF SOCIAL AND REHABILITATION SERVICES

CURRENT LEVEL

Personal Services

OBPP = 40 FTE's  
\$922,585

LFA = 36 FTE's  
\$836,367

Reason for difference:

1. LFA ignored the transfer of position number 0070 from the Statistics and Research Bureau to the Program Integrity Bureau.
2. LFA deleted position number 1546. This position is located in the Third Party Liability Section which is responsible for recovering payments made under the medicaid program. The elimination of this position will actually increase overall department costs by \$13,500.
3. LFA deleted positions 1548 and 1251 because they were vacant in fiscal year 1982. These positions are assigned to the audits of the LIEAP, Home Weatherization and CSBG. The positions were naturally left vacant during FY'82 because the audit or 1982 expenditures cannot take place until the close of that fiscal year. For FY'81, the HRDC's contracted with an outside audit firm for this work, the funds for this were included in the 1981 contracts. There were no expenditures for audits in FY-82 by the department. It was determined that two department auditors could perform this work at a lower cost than the cost of contracting with independent firms.

Travel

OBPP = \$68,938

LFA = \$48,241

Reason for difference:

Refer to Graph I in the appendix. Using FY'82 as a base for setting travel expenditures for the '85 biennium does not recognize the increased effort to conform to federal audit regulations which began in February 1982 nor the absence of LIEAP audits. Furthermore, the FY'82 expenditures do not properly reflect the travel related to the effort to reduce the eligibility error rate.

### Contract Services

OBPP = \$27,662

LFA = \$24,439

#### Issue:

The difference is the amount budgeted for contracts for consultation in medicaid fraud investigation. LFA based their recommendation on the 1983 contract. The department based its budget on a projection of the number of cases requiring investigation.

### Funding Sources

#### Reason for difference:

1. The executive budget included expenditures of \$55,089 (FY-84) and \$54,975 (FY-85) for the cost of LIEAP audits, but did not include LIEAP as a funding source. If the positions 1548 and 1251 are retained in the Audit Bureau and the travel budget allows for increased costs for these audits (\$5,000 per year), then the amount of general fund should be reduced by these amounts with a corresponding increase in LIEAP funding.

#### Executive Budget - Current Level

	PROPOSED		REVISED	
	1984	1985	1984	1985
General				
Fund	\$698,337	\$704,768	\$643,248	\$649,328
LIEAP	0	0	\$ 55,089	\$ 54,975

2. The executive budget does not include the Social Service Block grant, the Commission on Aging, or Vocational Rehabilitation as funding sources. This was done so that the amount and type of federal funding would not dictate the number and type of audits which can be performed. For example, if \$11,474 is included as funding from Vocational Rehabilitation, then enough audits will have to be performed in this area to insure that all funding can be claimed. This will be true even if audits of other programs have a greater priority. The converse is also true, once all appropriated funds from one of these sources is expended, then no further work can be performed regardless of the needs of the program managers.

## PROGRAM MODIFICATIONS

### Audit Bureau

#### Five Audit Positions

1. Audit Supervisor - 1 F.T.E.  
Responsible for grant in aid audits and overall supervision of LIEAP, Home Weatherization and CSBG audits.
2. Auditor IV - 4 F.T.E.'s
  - A. Aging Services (1)
  - B. Developmental Disabilities (2)
  - C. Community Services (1)

The need to expand the size of the audit staff is the result of the following:

#### Audit Requirements

1. The federal government revised the regulations concerning audits. Prior to October 1981, the regulations called for an audit of all federally funded contracts once every three years. Subsequent to that date, these funds, with the exception of the LIEAP block grant, must be audited once every two years. LIEAP funds must be audited annually. This change resulted in a fifty percent increase of the number of audits to be performed.

#### Matching Grant in AID

2. The 1982 special session of the legislature approved the matching grant in aid program for FY'83. Since the audit of 1983 grants cannot take place until FY'84, this action effects the next biennium. It is expected that thirteen audits will be required in 1984. Our projection concerning the expansion of the audit staff is based on the assumption that the matching grant in aid program will be discontinued effective June 30, 1983, therefore no grant in aid audits are anticipated for FY'85.

The number of auditors required to meet audit requirements was based on a review of the expenditures required to be audited each year and the department's present capabilities. The graphs attached herein set forth the major auditing requirements, the expenditures to be audited with the sixteen auditors provided for under the executive budget, the expenditures which could be audited under the current level and the auditing level provided for under the LFA recommendation if vacancy savings is ignored.

The executive budget allows for staff sufficient to audit \$27 million dollars in expenditures during the biennium. This includes \$23 million in expenditures under federal requirements and approximately \$4 million of grant in aid funds. The LFA recommendation would provide staff sufficient to audit only \$14 million dollars and the current staff level is sufficient to audit \$18 million dollars.

It is important to note that federal regulations provide for curtailment of federal grants if audit requirements are not met.

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## PROGRAM MODIFICATIONS

### Program Integrity Bureau

#### Third Party Liability Unit

##### Staff Level

Modification - 2 additional F.T.E.'s

LFA - 1 F.T.E.

Current Level - 2 F.T.E.'s

The department has the right to deny medicaid claims in whole or part when any liable party has been identified prior to payment and to investigate paid claims to determine if the payment can be recovered from another responsible source. The denial of claims, referred to as cost avoidance, depends on the identification of liable parties at the time the recipient applies for medicaid. Medicaid expenditures are reduced by approximately \$5 million dollars annually through cost avoidance. One F.T.E. is required to manage the cost avoidance program since most of the work is handled by eligibility technicians.

The post investigation of paid claims from liable third parties is referred to as pay and chase. This is a fairly new method of reducing medicaid expenditures. However, during the past seven months the department has recovered over \$13,000 from pay and chase.

Based on our experience and the experience of other states, the department has estimated that medicaid costs can be reduced by \$200,000 over the biennium if three F.T.E.'s are assigned to pay and chase. The total cost of these positions would be \$113,800 for a net savings of \$86,200. (Note: one position is currently filled, but has been recommended for deletion by LFA.)

#### Quality Assurance Unit

Modification - 2 additional F.T.E.'s

High eligibility error rates have been a serious problem in the department. Progress has been made in solving this problem, for example the error rate in AFDC has been reduced from 9.4 percent in 1980 to 1.5 percent in 1983. The department has not been as successful in the food stamp program, however we have managed to reduce the error rate in this program from 15.7 percent in 1981 to 8.9 percent in 1983. During FY'82, the quality assurance staff reviewed 5,000 food stamp cases in order to determine what steps must be taken to reduce the error rate to the five percent level acceptable to the federal government. If the quality assurance program has done nothing else, it has shown sufficient good faith effort on the part of the state, that the federal government waived imposition of error rate penalties of over one million dollars in the medicaid and food stamp programs.

Under the program modification, two F.T.E.'s would be assigned full time to the review of medicaid recipients in nursing homes. It is estimated that approximately \$200,000 per year is inappropriately paid from the medicaid program for ineligible nursing home recipients. More importantly, congress has inacted legislation that would impose federal penalties in excess of \$4 million dollars yearly because of the high error rate in medicaid.

### Survey Utilization Review Unit

Modification - 1 additional F.T.E.

Current Level - 3 F.T.E.

LFA - 3 F.T.E.

One of the major administrative costs of the medicaid program is the claims processing system. The cost is in excess of \$1.9 million over the biennium. If the system is certified as meeting all federal requirements, then the states share of that cost is reduced from 50 to 25 percent, a savings of \$480,000 over the biennium. The current claims processing system has received conditional certification. One of the conditions for full certification is the improvement of Surveillance/Utilization Review Subsystem (S/URS). This subsystem is responsible for the detection of abuse of the medicaid program by both providers and recipients.

Three individuals are currently assigned to this unit which began operation in October 1981 and to date has collected approximately \$92,00 from providers who had overcharged the medicaid program. These funds do not constitute a reduction in current year medicaid expenditures, but approximately one third of the recoveries are returned to the general fund.

Federal regulations require the annual investigation of 100 recipients and 150 providers. In addition, the staff is responsible for investigation of complaints from counties, providers and recipients concerning abuse of the medicaid program. The department receives approximately 125 complaints annually. The three person staff has not been able to complete all investigations.

We believe that the addition of one F.T.E. to this unit will not only result in the additional recovery of overpayments from providers, but will also allow for expansion of the investigation of recipients who over utilize medicaid. It is expected that \$10,000 annually can be saved by an active recipient monitoring system.



## APPENDIX

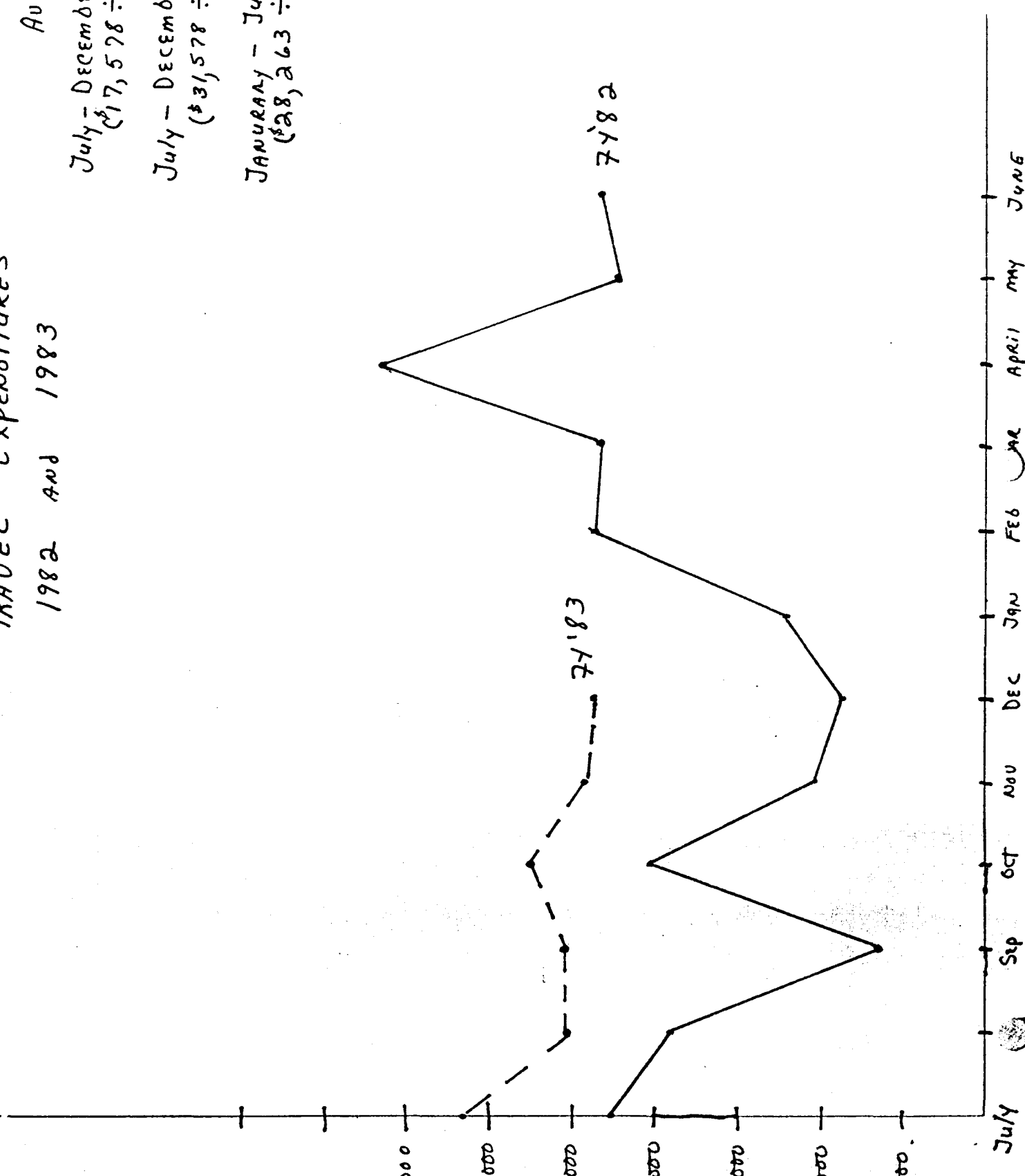
# TRAVEL EXPENDITURES 1982 AND 1983

AVERAGE COST

July - DECEMBER, 1982  
 $(\$17,578 \div 6) = \$2,930$

July - DECEMBER, 1983  
 $(\$31,578 \div 6) = \$5,263$

JANUARY - JULY, 1983  
 $(\$28,263 \div 6) = \$4,711$



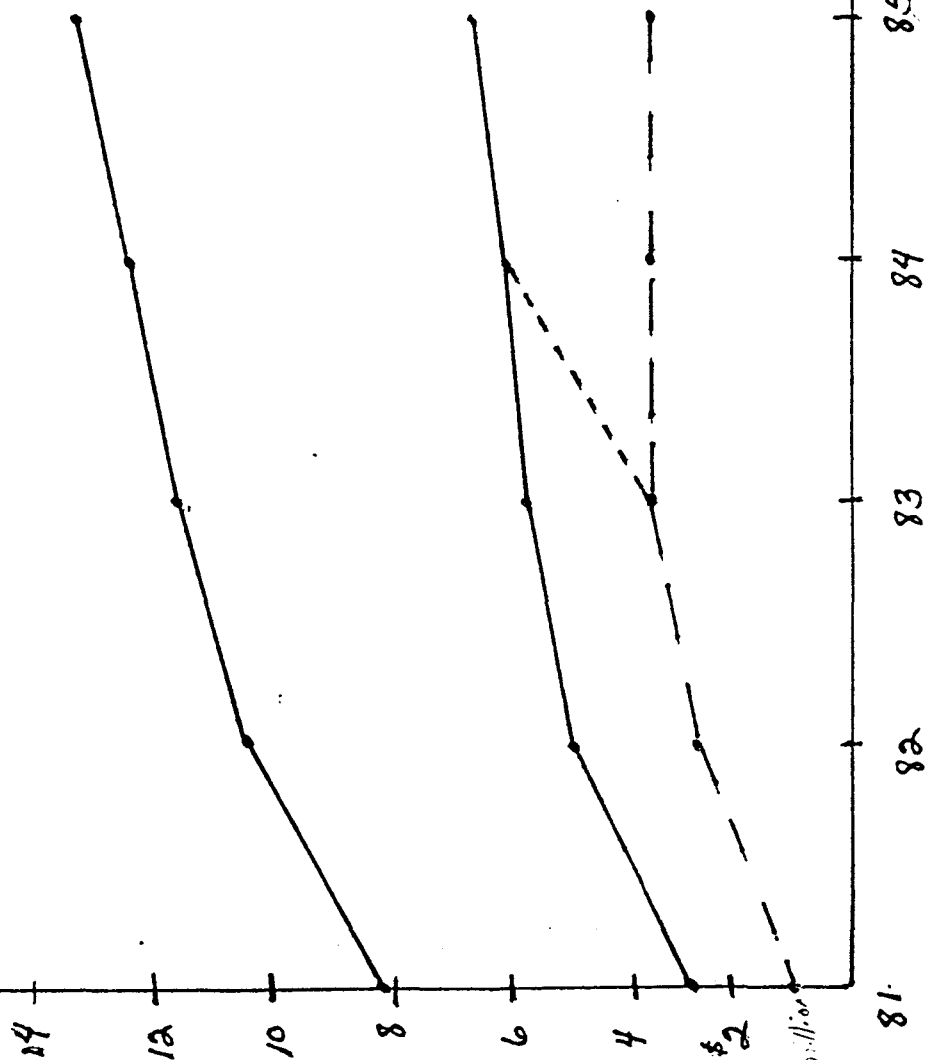
OBPP 5  
CURRENT 3  
LFA 3

# CONTRACTED SERVICES - DEVELOPMENTAL DISABILITIES EXPENDITURES VERSUS AUDITED EXPENDITURES

EXPENDITURES

EXPENDITURES REQUIRED TO BE AUDITED  
AND AUDITED PER PROGRAM MODIFICATION

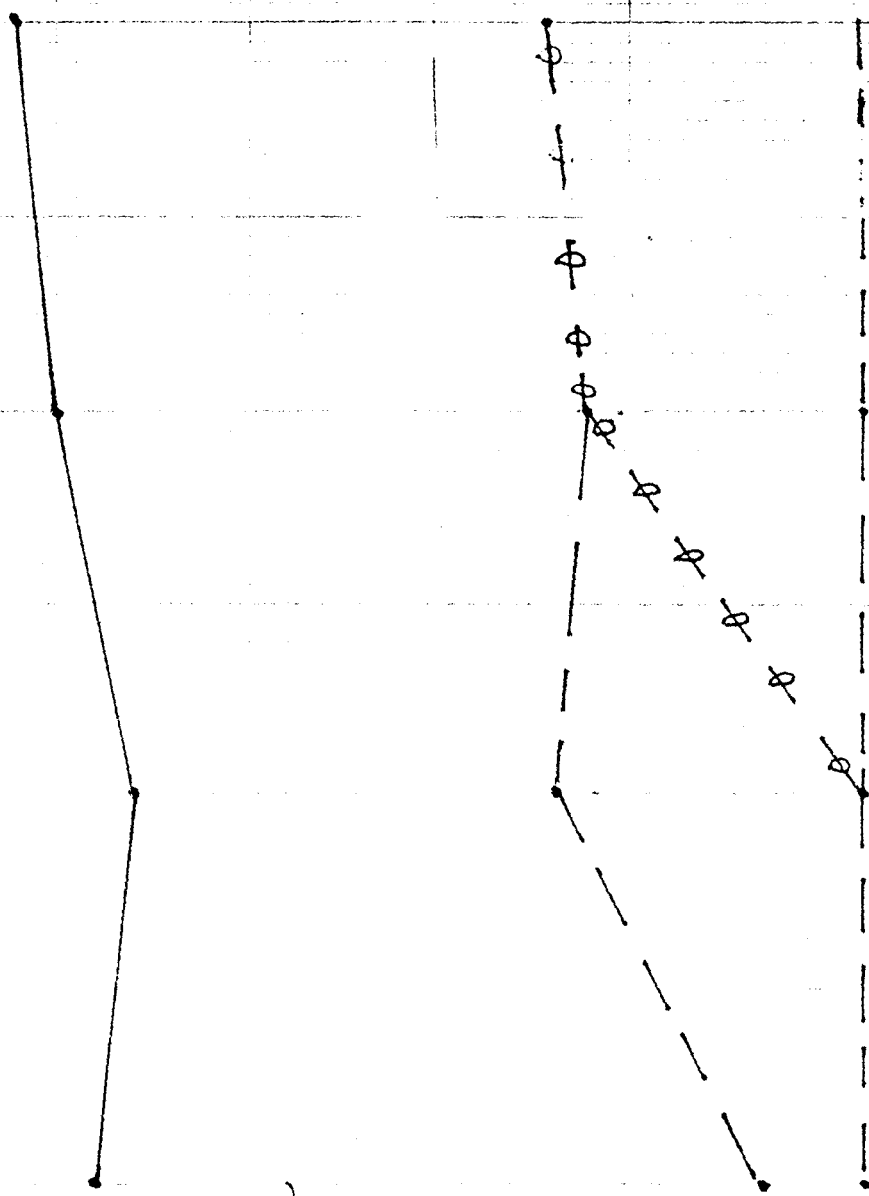
EXPENDITURES AUDITED AT CURRENT LEVEL  
AND LFA RECOMMENDED LEVEL



EXPENDITURES

EXPENDITURES REQUIRED AND AUDITED UNDER EXECUTIVE FUNDING

CURRENT LEVEL (REFLECTS SOME LFA RECOMMENDATION GRANT IN AID)



CONTRACTED SERVICES - Community Services

SOCIAL SERVICE

Block GRANT

FTE

Governor 3

CURRENT 2

LFA 2

EXPENDITURES

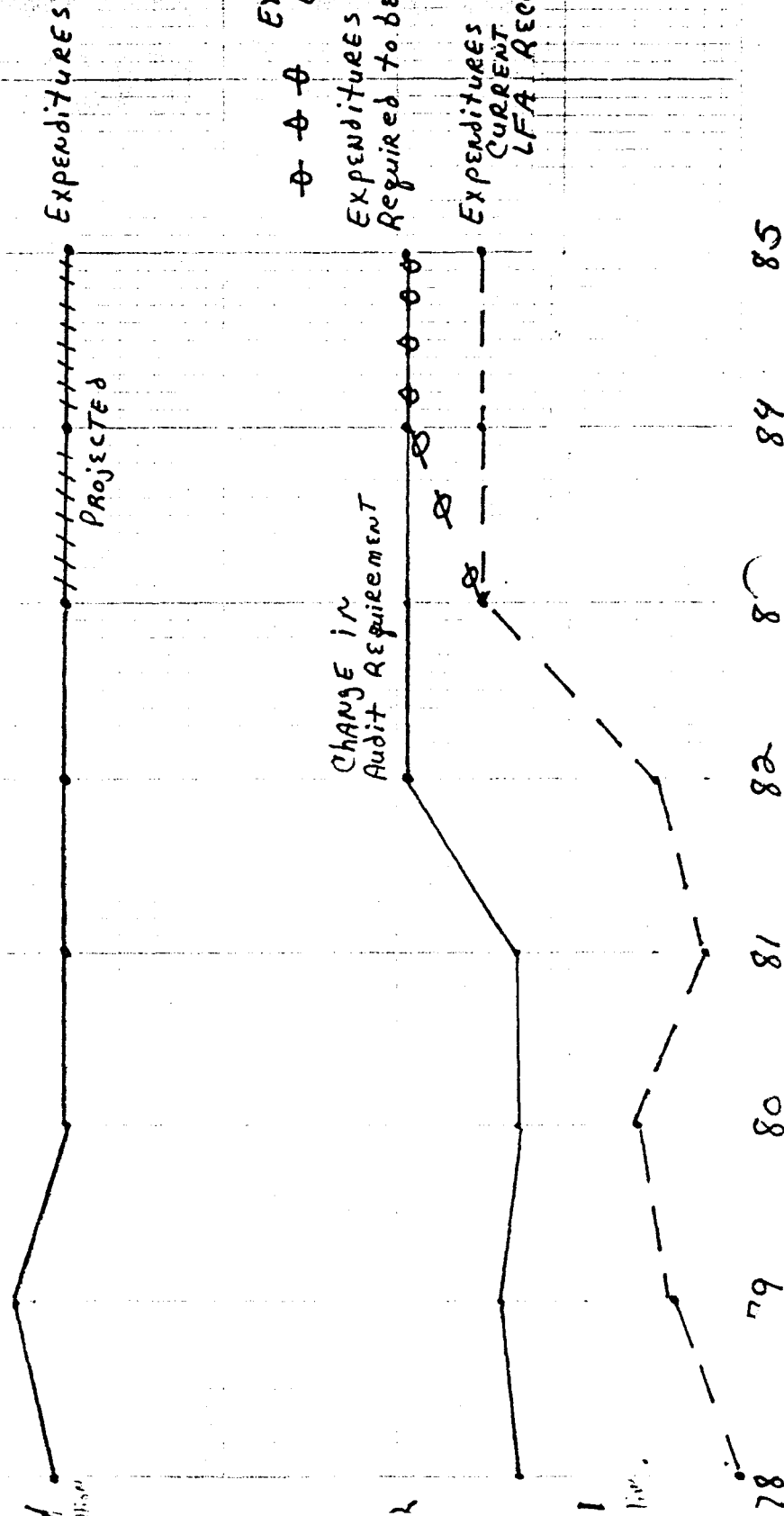
EXPENDITURES REQUIRED AND AUDITED UNDER EXECUTIVE FUNDING

CURRENT LEVEL (REFLECTS SOME LFA RECOMMENDATION GRANT IN AID)

# OLDER AMERICA CONTRACT FUNDS AREA AGENCIES ON AGING

GOVERNOR 4  
 CURRENT 3  
 LFA 3

EXPENDITURES VERSUS AUDITED EXPENDITURES



EXPENDITURES TO BE AUDITED PER GOVERNOR'S RECOMMENDATION  
 EXPENDITURES REQUIRED TO BE AUDITED  
 EXPENDITURES AUDITED AT CURRENT LEVEL LFA RECOMMENDATION

1982  
 CURRENT LFA

BLOCK GRANTS OTHER THAN SOCIAL SERVICES  
 (LIEAP, WEATHERIZATION, COMMUNITY SERVICES)

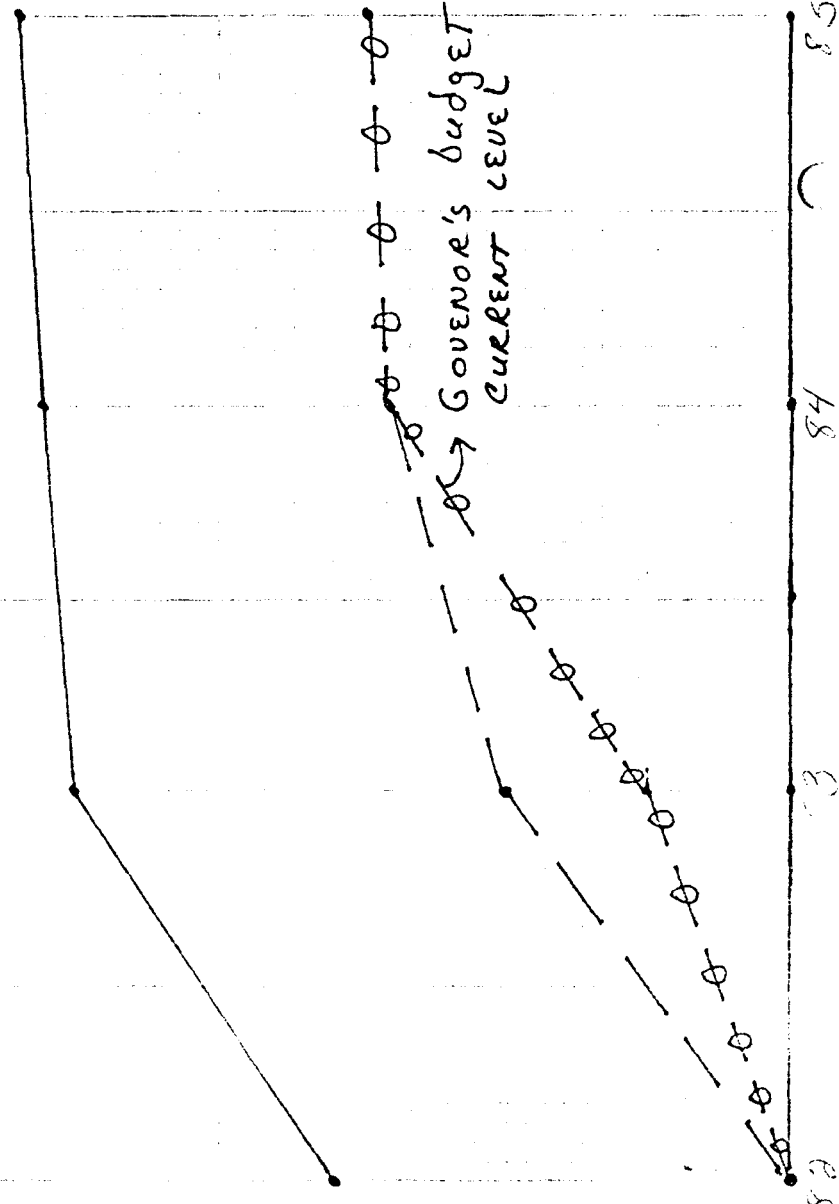
CONTRACT EXPENDITURES VS. AUDITED EXPENDITURES  
 (NOTE: THESE FIGURES DO NOT INCLUDE LIEAP BENEFITS)

EXPENDITURES AS PROJECTED BY SRS

EXPENDITURES REQUIRED TO BE AUDITED

GOVERNOR'S BUDGET CURRENT LEVEL

DELETE FTE  
 PROVIDE NO ALLOCATION FOR FUNDING  
 LFA RECOMMENDATION SEE COMMUNITY SERVICES



PROGRAM: AUDIT & PROGRAM COMPLIANCE

ADMINISTRATION

	-----1984-----		-----1985-----	
	1982 <u>Actual</u>	1983 <u>Approp.</u>	Current <u>Level</u>	Current <u>Level</u>
FTE	39.00	39.00	50.00	36.00
Personal Services	\$ 687,573	\$ 892,199	\$ 922,585	\$ 836,367
Operating Expenses				
Contracted Services	\$ 12,836	\$ 109,915	\$ 27,662	\$ 24,439
Supplies	4,562	6,112	4,666	5,116
Communications	16,392	12,669	21,016	21,306
Travel	45,844	61,256	68,938	48,241
Rent	40,637	51,623	45,659	41,672
Repairs	1,578	1,414	1,774	1,771
Other	2,320	5,074	2,603	2,601
Total	\$ 124,169	\$ 248,093	\$ 172,318	\$ 145,146
Equipment	3,961	1,500	1,560	1,560
Total Admin.	\$ 815,593	\$1,141,762	\$1,096,463	\$ 983,073
Funding	=====	=====	=====	=====
LIEAP	\$ 8,978	\$ 105,503	\$ -0-	\$ -0-
General Fund	409,340	482,156	698,337	451,625
Federal Funding	371,033	512,194	398,126	378,740
Comm. on Aging	-0-	-0-	-0-	55,804
Voc. Rehab.	-0-	-0-	-0-	11,474
Soc. Serv. Bk. Gnt.	26,152	41,909	-0-	86,030
Total	\$ 815,503	\$1,141,762	\$1,096,463	\$ 983,073
DOR Grant	\$ 52,953	\$ -0-	\$ -0-	\$ 60,000
Funding	=====	=====	=====	=====
SS xx BG	\$ 52,953	\$ -0-	\$ -0-	\$ 60,000
SS xx BG	\$ 52,953	\$ -0-	\$ -0-	\$ 60,000
SRS:cm:b17				