

**Full Performance Evaluation**

---

**Department of Health  
and Human Resources**

---

**The Office Of Pharmacy Services Collects  
98% of Prescription Drug Rebates; Needs  
Updated Policies And Procedures Manual**

**DHHR's RAPIDS Is Able to Crossmatch and  
Identify Welfare Recipients Who Are Also  
Receiving Workers' Compensation; However,  
the Process to Adjust Welfare Benefits Could  
Be More Effective**



**JOINT COMMITTEE ON GOVERNMENT OPERATIONS**

**Senate**

**Edwin J. Bowman**  
*Chair*

**Billy Wayne Bailey, Jr.**  
*Vice Chair*

**Walt Helmick**

**Joseph M. Minard**

**Sarah M. Minear**

**House Of Delegates**

**J.D. Beane**  
*Chair*

**Timothy R. Ennis**  
*Vice Chair*

**Joe Talbott**

**Craig P. Blair**

**Otis Leggett**

**Scott G. Varner, Ex  
Officio Non-Voting  
Member**

**Citizen Members**

**Dwight Calhoun**

**John Canfield**

**James Willison**

**W. Joseph McCoy**

*(Vacancy)*



---

**OFFICE OF THE LEGISLATIVE AUDITOR**

**Aaron Allred**  
*Legislative Auditor*

**John Sylvia**  
*Director*

**Brian Armentrout**  
*Research Manager*

**Noah Browning**  
*Research Analyst*

**Edward Cox**  
*Research Analyst*

**Performance Evaluation and Research Division**

*Building 1, Room W-314*

*State Capitol Complex*

*Charleston, West Virginia 25305*

*(304) 347-4890*

---

**WEST VIRGINIA LEGISLATURE**  
*Performance Evaluation and Research Division*

Building 1, Room W-314  
1900 Kanawha Boulevard, East  
Charleston, West Virginia 25305-0610  
(304) 347-4890  
(304) 347-4939 FAX



John Sylvia  
Director

January 9, 2005

The Honorable Edwin J. Bowman  
State Senate  
129 West Circle Drive  
Weirton, West Virginia 26062

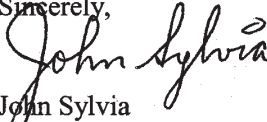
The Honorable J.D. Beane  
House of Delegates  
Building 1, Room E-213  
1900 Kanawha Boulevard, East  
Charleston, West Virginia 25305-0470

Dear Chairs:

Pursuant to the West Virginia Sunset Law, we are transmitting a Full Performance Evaluation of the *Department of Health and Human Resources*, which will be presented to the Joint Committee on Government Operations on Sunday, January 9, 2005. The issues covered herein are "The Office Of Pharmacy Services Collects 98% of Prescription Drug Rebates; Needs Updated Policies And Procedures Manual" and "DHHR's RAPIDS Is Able to Crossmatch and Identify Welfare Recipients Who Are Also Receiving Workers' Compensation, However; the Process to Adjust Welfare Benefits Could Be More Effective."

We transmitted a draft copy of the report to the Department of Health and Human Resources on December 22, 2004. We held an Exit Conference with the Department of Health and Human Resources on December 28, 2004. We received the agency response for Issue 1 on January 5, 2005 and Issue 2 on December 29, 2004.

Let me know if you have any questions.

Sincerely,  
  
John Sylvia

JS/tlc

---

*Joint Committee on Government and Finance*



# Contents

---

<b>Executive Summary</b> .....	5
<b>Review Objective, Scope and Methodology</b> .....	7
<b>Issue 1:</b> The Office Of Pharmacy Services Collects 98% of Prescription Drug Rebates; Needs Updated Policies And Procedures Manual.....	9
<b>Issue 2:</b> DHHR’s RAPIDS Is Able to Crossmatch and Identify Welfare Recipients Who Are Also Receiving Workers’ Compensation, However; the Process to Adjust Welfare Benefits Could Be More Effective.....	17
<b>List Of Tables</b>	
<b>Table 1:</b> Outstanding Rebate Balances Since 1999, by Disputed and Not Disputed Amounts.....	13
<b>Table 2:</b> Federal Rebate Collection Comparison Against Bordering States.....	15
<b>Table 3:</b> RAPIDS Data Exchanges.....	19
<b>Table 4:</b> Survey of DHHR County Offices on Database Cross Match Effectiveness.....	21
<b>List Of Appendices</b>	
<b>Appendix A:</b> Transmittal Letter to Agency.....	25
<b>Appendix B:</b> RAPIDS Data Exchange Rates.....	27
<b>Appendix C:</b> Agency Responses from Department of Health and Human Resources Issue 1.....	29
Department of Health and Human Resources Issue 2.....	31



# Executive Summary

---

## **Issue 1: The Office Of Pharmacy Services Collects 98% of Prescription Drug Rebates; Needs Updated Policies And Procedures Manual.**

*The Office of Pharmacy Services has collected over \$400 million in rebates since the program began.*

The Office of Pharmacy Services (OPS) within the Bureau for Medical Services is responsible for the state level administration of the Medicaid Drug Rebate Program. The drug rebate program is an arrangement whereby states are reimbursed a certain amount of money by a prescription drug manufacturer based upon the Medicaid population's usage of their drug. The Office of Pharmacy Services has collected over \$400 million in rebates since the program began, and since 2000 has averaged a 98% collection rate for federal drug rebates and an 89% collection rate for state supplemental drug rebates. However, the OPS does not have an updated policies and procedure manual. This is due in part to delays in implementing a new computer system. An updated manual would help maintain a high collection rate in the event of employee turnover and changes in administration.

## **Issue 2: DHHR's RAPIDS Is Able to Crossmatch and Identify Welfare Recipients Who Are Also Receiving Workers' Compensation, However; the Process to Adjust Welfare Benefits Could Be More Effective.**

*The Legislative Auditor was able to determine that approximately \$1 million a year is spent on overpayments to individuals that are not reporting workers' compensation as income.*

The Department of Health and Human Resources is responsible for administering West Virginia's social welfare programs. Part of this responsibility is ensuring that individuals receive the correct amount of welfare benefits. RAPIDS is DHHR's computer system that determines if individuals are receiving unreported income. An area of concern is individuals who are receiving welfare and workers' compensation. RAPIDS is able to crossmatch and identify individuals receiving both types of income. However, the system does not send out specific case alerts, but rather sends messages alerting case workers that data exchanges are updated. The case worker must then check the data exchanges response list to determine if any cases are his/hers, and if any changes to welfare benefits need to be made. The Legislative Auditor was able to determine that approximately \$1 million a year is spent on overpayments to individuals who are not reporting workers' compensation as income. A specific case alert would allow case workers to know of potential overpayment situations sooner, allow for quicker benefit corrections, and reduce overpayments.

---

## Recommendations

1. *The Legislative Auditor recommends that the Bureau for Medical Services update the policies and procedures manual.*
2. *The Legislative Auditor recommends that the Bureau for Medical Services hire additional staff as necessary.*
3. *The Legislative Auditor recommends that the Bureau for Medical Services continue its efforts to collect the outstanding rebates and report to the Legislature's Joint Committee on Government Operations on a quarterly basis, its progress in collecting the undisputed \$13 million the state is owed until the \$13 million is reduced to less than \$1 million.*
4. *The Legislative Auditor recommends the Department of Health and Human Resources consider enhancing RAPIDS to allow for specific case alerts for cases where welfare recipients are also receiving workers' compensation to be sent to the assigned worker.*



# Review Objective, Scope and Methodology

---

## Objective

The objective of this report was to determine if the Department of Health and Human Resources had a mechanism for identifying individuals receiving both welfare and workers' compensation, and if that mechanism was effective. In addition, the objective was to determine if the Department of Health and Human Resources was collecting drug rebates in an efficient manner.

## Scope

The scope of this report was September 2004 for the crossmatch section, and fiscal years 1999-2004 for the rebate section.

## Methodology

The Legislative Auditor sampled cases from September 2004 for the crossmatch portion of this report. In addition, a survey was conducted of county DHHR offices to determine if the crossmatch is effective. For the rebate portion of this report, the Legislative Auditor calculated the correction rate by dividing the value of collected rebates by the value of invoiced rebates. Every aspect of this evaluation complied with Generally Accepted Government Auditing Standards (GAGAS).



# Issue 1

---

## **The Office Of Pharmacy Services Collects 98% of Prescription Drug Rebates; Needs Updated Policies And Procedures Manual.**

### **Issue Summary**

---

*Rebate collections averaged 98% for federal rebates since 2000 and 89% of supplemental rebates have been collected since 2003.*

---

Prescription drug rebate collection is a vital source of revenue for West Virginia's Medicaid Program, bringing in over \$50 million in FY 2003, and over \$400 million during the last 13 years. Rebate collections averaged 98% for federal rebates since 2000, which is comparable with some surrounding states and 89% of supplemental rebates have been collected since 2003. The Legislative Auditor commends the Bureau for Medical Services for the 98% collection rate, however, the remaining outstanding amount for the federal, supplemental and J-code rebate programs does represent \$19 million. The Rebate Coordinator reported that of this \$19 million, approximately \$6 million is disputed. However, that amount is only an estimate.

The Office of Pharmacy Services has been in the process of undergoing many changes in the past few years. Those changes have ranged from a restructuring of the staff to the current implementation of a new computer system. However, the Office of Pharmacy Services has not updated the policies and procedures manual to reflect the changes. A current policy and procedures manual is vital to ensure that changes in administrations or employee turnover will not disrupt the current collection rate of rebates. According to the federal Department of Health and Human Services' Office of the Inspector General, a benefit of a current policies and procedures manual is that it "would provide guidance to current staff as well as make the transition of a new employee easier while maintaining continuity in the program." In addition, when the federal Office of the Inspector General addressed this in an audit, the Inspector General pointed out that the manual has not been updated since 1994. The Inspector General recommended that the manual be updated. However, the Office of Pharmacy Services has not updated the manual.

---

<sup>1</sup>According to the Bureau for Medical Services, as of 9/30/04, the total outstanding rebate balance has been reduced to \$13 million. However, given the time frame for collections, the Bureau cannot provide a break down of disputed and non-disputed amounts at this time.

---

## Background of the Rebate Program

The Medicaid Drug Rebate program was created by the federal Omnibus Budget Reconciliation Act of 1990. It requires a manufacturer to have a national rebate agreement with the federal government in order for a state to receive federal funding for outpatient drugs. The Medicaid Drug Rebate program was modified by the federal Veterans Health Care Act of 1992, which then created the federal 340B Drug Pricing Program. There are approximately 520 manufacturers participating nationwide, and, according to the Office of Pharmacy Services, “*West Virginia Medicaid routinely invoices around 375 labelers per quarter.*” Since the Medicaid Rebate Program began in 1991, the Bureau for Medical Services has collected over \$400 million.

---

*West Virginia Medicaid routinely invoices around 375 labelers per quarter.*

---

While actual rebate values are a closely guarded secret, the formula is not. Each manufacturer that participates gives the Centers for Medicare and Medicaid Services (CMS) their Average Manufacturer’s Price (AMP) and their Best Price. CMS then calculates the Rebate Per Unit amount and forwards that information to the states. Once the state is in receipt of the CMS tape, the Rebate Per Unit is combined with state utilization data to arrive at the amount due from each manufacturer. Once the amount due is calculated, an invoice is generated and sent to the manufacturer. If an invoice is not paid within 38 days from the date the state mailed it, then the rebate amount accrues interest. The interest is based on 90-Day Treasury Bill rates issued by the federal government.

---

*Since the Medicaid Rebate Program began in 1991, the Bureau for Medical Services has collected over \$400 million.*

---

## West Virginia’s Current Rebate Unit Status

West Virginia’s Bureau for Medical Services operates the Office of Pharmacy Services, which is responsible for the Medicaid drug rebate programs. The creation of the rebate invoices process is handled by Affiliated Computer Services and mailed out by the staff in the Office of Pharmacy Services. The rebate program has undergone several changes in recent years, and the Bureau for Medical Service has gradually increased the staffing of the rebate personnel in the Office of Pharmacy Services. The staff currently consists of two accountants and one pharmacist. Rebate collections were handled by the Office of Accounting within the Department of Health and Human Resources. At this time, the deposits are still being made by the Office of Accounting but the Office of Pharmacy Services has assumed the accounting functions of allocating deposit information. One accountant performs these duties as well as overseeing the accounting of all three drug rebate programs. The second accountant is responsible for calculating interest amounts, notifying manufacturers of unpaid or late payments, and helping to reconcile rebate

---

payments. Both accountants are in the process of training and loading data on the new rebate computer program. The pharmacist is responsible for the management of the rebate programs, including invoicing, dispute resolution, and the implementation of the new rebate computer program. Recent correspondence indicates that the Bureau for Medical Services will be hiring an additional staff member in order to facilitate the rebate collections process. **The Legislative Auditor agrees, and recommends that the Bureau for Medical Services hire additional staff as needed.**

---

*Over the last ten years, prescription drug expenditures have increased over 255%, while the rebates collected have increased over 245%.*

---

The Rebate Coordinator is responsible for the state-level administration of the three rebate programs in West Virginia. However, the rebate coordinator is only able to devote a maximum of 70% of her time to the rebate programs that she oversees. The three programs are the federal drug rebate program, the J-Code (physician administered drugs) drug rebate program, and the supplemental state drug rebate program. The J-Code program is the most recent program to be undertaken by the Office of Pharmacy Services. After receiving a letter from CMS indicating the potential for additional rebates, the Bureau for Medical Services and Health Watch Technologies (HWT) created a crosswalk<sup>2</sup> so that the state could begin collecting rebates for drugs administered by physicians in their offices or outpatient hospital settings. As of September 2003, the Bureau for Medical Services, along with HWT, began the process of invoicing and collecting rebates that had been billed with J-codes and paid for by Medicaid dating back to first quarter 1999. The supplemental state drug rebate program is the result of negotiations between the state and drug manufacturers that have resulted in benefits for both the state and the manufacturer. The state receives additional rebates on certain drugs, and in return, the manufacturer's drugs are added to the Medicaid Preferred Drug List.

From fiscal year 2000 to fiscal year 2003, the Office of Pharmacy Services of the Bureau for Medical Services collected 98.78% of federal rebates, and for fiscal year 2003, collected 89.97% of supplemental state rebates. The interest on the outstanding rebates for the aforementioned time period is over \$160,000, with another \$20,000 in unpaid interest from previously paid rebates. **Over the last ten years, prescription drug expenditures have increased over 255%, while the rebates collected have increased over 245%.** In West Virginia, for every dollar spent by the Bureau for Medical Services on prescription drugs, BMS receives approximately 18 cents in return in the form of rebates.

---

<sup>2</sup>A crosswalk is a program whereby the J-codes are converted, or "crosswalked," into the correct National Drug Code so that an invoice can be created.

---

The most recent report indicates that there are approximately \$19 million in uncollected rebates since 1999. Of this \$19 million, the Rebate Coordinator estimates that \$6 million is disputed. The reasons behind the disputed amounts vary, ranging from “*billing errors by the pharmacy providers, changes in the rebate amount per unit (RPU), made by the drug manufacturers, [and] billing unit conversion factors.*”

The remaining \$13 million remains in the collection process and is undisputed. Of this \$13 million, \$7 million is under the J-Code rebate category. The J-Code rebates are drugs administered by a physician during an office visit or in an outpatient setting. However, in order to receive rebates on these drugs, the Office of Pharmacy Services needed a “cross-walk,” which allows procedure codes (i.e. J-codes) to be converted from Healthcare Common Procedure Coding System into the corresponding National Drug Code. The lack of a cross-walk until September 2003 caused the J-Code rebates to remain uncollected. Currently, BMS has contracted with Health Watch Technologies (HWT) to perform various services (algorithms). One of the algorithms involves the processes related to J-code rebates, particularly the creation of a crosswalk. According to the Office of Pharmacy Services, “*HWT mailed the first set of single-source drug rebate invoices on September 29, 2003 and included several quarters within the mailing (1Q 99-2Q 03).*” Since the invoices include amounts dating back to 1999, it presents the false impression that the Bureau for Medical Services has failed to collect on undisputed rebates. The remaining \$6 million in undisputed rebates lies mostly within fiscal year 2004. Given that these invoices are newer, and that the outstanding rebate balance has already been reduced to \$13 million, it is likely that this will be collected, given ongoing efforts to further reduce the outstanding amounts, and additional time for manufacturers to pay the most recent invoices.

---

*The most recent report indicates that there are approximately \$19 million in uncollected rebates since 1999. Of this \$19 million, the Rebate Coordinator estimates that \$6 million is disputed.*

---

Year	Disputed	Not Disputed	Total
1999	(\$23,697) <sup>1</sup>	\$106,050	\$82,353
2000	\$507,998	\$1,009,185	\$1,517,183
2001	\$890,100	\$887,886	\$1,777,986
2002	\$826,635	\$1,638,803	\$2,465,438
2003	\$916,212	\$2,615,320	\$3,531,532
2004	\$2,940,846	\$7,359,835	\$10,300,681
<b>Total<sup>2</sup></b>	<b>\$6,058,094</b>	<b>\$13,617,079</b>	<b>\$19,675,173</b>

<sup>1</sup>The negative \$23,697 is the result of the accounting system. An invoice that is sent out with a zero balance that the manufacturer later fills in and pays is recorded as zero minus the rebate amount. The accounting process has been updated and no longer reports negatives in this manner.

<sup>2</sup> Each year represents the total amount outstanding as of the end of the state fiscal year, consequently, the more recent years will likely be higher, since there will be future efforts to further reduce these amounts.

Source: Bureau for Medical Services

## **The Rebate Collection Unit Does Not Have a Current Policies and Procedures Manual**

*An updated manual would provide guidance to current staff as well as make the transition of a new employee easier while maintaining continuity in the program.*

The Rebate Collection Unit does not have a current policies and procedures manual in place. An audit by the federal Office of Inspector General from October 2003 also noted the Rebate Unit did not have a current, formal policies and procedures manual, and that the existing policy and procedures draft was created in 1994. In addition, according to the Office of the Inspector General, this manual “*was not reviewed or approved by management*” and has not been updated, despite the many changes that have taken place. Some of the changes that have taken place include staffing changes, a new rebate program (J-Code), and, potentially, a new rebate computer program, Pharmaceutical Rebate Information Management System (PRIMS). According to the Office of Inspector General,

*...an updated manual would provide guidance to current staff as well as make the transition of a new employee easier while maintaining continuity in the program.*

This is a valid concern since changes in administration often bring changes in priorities and methods. In the report, the federal Office of Inspector General recommended that the Bureau for Medical Services update its manual.

---

The Department of Health and Human Resources agreed with the 2003 federal report and indicated that a new manual would be written as soon as the new computer system was in place. However, the Legislative Auditor has found that the policies and procedures manual has still not been formally updated. This is partly a result of the computer system not operating as expected. The staff currently relies upon guidelines provided in the CMS Medicaid Drug Rebate Operational Training Guide. According to the Office of Pharmacy Services, the Medicaid Drug Rebate Operational Training Guide details the rebate processes, including the creation of invoices, mailing of invoices, setting payment due dates, and the calculation of interest. However, the Office of Pharmacy Services has acknowledged that “*there are no federal regulations regarding the Medicaid Drug Rebate Program, so these guidelines are the main source of direction for the state Medicaid program.*”

*The rebate collections are comparable to other states in collection rate, averaging a 98% collection rate over the last four year period, accounting for over \$220 million, with a staff of three.*

In addition, several areas remain that are unique to each state, including the supplemental rebate program, the type of system used for accounting for rebates, individual office policies and procedures, how checks are processed, any reports for management, etc. The Rebate Coordinator reiterated to the Legislative Auditor that a new manual would be created once PRIMS was operational, which was originally scheduled to be finished in February 2004 and has been pushed back several times. Therefore, at this time, no effort has been made to update the policies and procedures manual. The draft that was given to the Performance Evaluation and Research Division was written by a former accountant when the rebate accounting position was located at the State Capitol, and the activities between the Office of Accounting and the Office of Pharmacy Services were not coordinated as they are presently. **The Legislative Auditor recommends that the Office of Pharmacy Services revise and update the policies and procedures manual.**

### **West Virginia’s Program Is Comparable To Other States**

West Virginia’s rebate collection rate is comparable to other states. The Legislative Auditor surveyed the five bordering states. However, due to the confidentiality concerning rebate values, only two states were willing to give information. Of the two that responded, West Virginia’s collection rate was comparable. For example, Kentucky collects 97.51% of amounts invoiced, with Ohio collecting approximately 98%. Table 2 details the collection rate for Kentucky, Ohio, and West Virginia.



State	Percentage of Rebates Collected
Kentucky	98%
Ohio	98%
West Virginia	98%

*Source: The Bureau for Medical Services and a survey of bordering states.*

## Conclusion

*The outstanding rebate balance has been reduced to \$13 million as of the completion of this report. However, at this time it is difficult to report how much is disputed and non-disputed due to the ongoing collection process.*

The Office of Pharmacy Services within the Bureau for Medical Services ensures that the state Medicaid program benefits from the drug rebates, through the invoicing and accounting of rebates. Rebates are a large source of revenue for the Bureau for Medical Services, bringing in over \$50 million in FY 2003. The rebate collections are comparable to other states in collection rate, averaging a 98% collection rate over the last four year period, accounting for over \$220 million, with a staff of three. The Legislative Auditor commends the Bureau for its 98% collection rate; however, the remaining 2% does represent a significant monetary value. However, given the new staffing, and the fact that the policies and procedures has not been rewritten since 1994, nor officially approved, the Bureau for Medical Services should make an updated manual a priority to ensure that future employees continue collecting rebates at the current rate. Furthermore, the Office of Pharmacy Services, as of the June 30, 2004 CMS64.R report, has \$19 million in outstanding rebates. Of this \$19 million, the Bureau for Medical Services estimates that \$6 million is disputed. Furthermore, the Bureau for Medical Services plans to hire one additional staff member in order to facilitate rebate collections. In addition, the Rebate Coordinator reported that the outstanding rebate balance has been reduced to \$13 million as of the completion of this report. However, at this time it is difficult to report how much is disputed and non-disputed due to the ongoing collection process.

---

## **Recommendations**

1. *The Legislative Auditor recommends that the Bureau for Medical Services update the policies and procedures manual.*
2. *The Legislative Auditor recommends that the Bureau for Medical Services hire additional staff as necessary.*
3. *The Legislative Auditor recommends that the Bureau for Medical Services continue its efforts to collect the outstanding rebates and report to the Legislature's Joint Committee on Government Operations on a quarterly basis, its progress in collecting the undisputed \$13 million the state is owed until the \$13 million is reduced to less than \$1 million.*

# Issue 2

---

## **DHHR's RAPIDS Is Able to Crossmatch and Identify Welfare Recipients Who Are Also Receiving Workers' Compensation, However; the Process to Adjust Welfare Benefits Could Be More Effective.**

### **Issue Summary**

It is not improper or illegal for one individual to receive both welfare benefits and workers' compensation from the state. However, workers' compensation is considered income and can affect the amount of welfare benefits received. It should be noted that receiving welfare benefits **does not** affect the amount of workers' compensation an individual receives. Still, a recipient of welfare benefits who begins receiving workers' compensation, or any other source of income, is required to notify the Department of Health and Human Resources (DHHR) of the income being received. Unfortunately, not all recipients notify DHHR, either intentionally or unintentionally, when they begin receiving additional income, which can result in overpayment. Overpayment ties down welfare funds in long repayment schedules. A PERD survey shows that this accounts for approximately \$1 million annually where recipients also receive workers' compensation and fail to report it to DHHR. These funds could have been used to pay for the benefits of other welfare recipients.

---

*RAPIDS does not send specific case alerts to the assigned caseworker. This makes it difficult to identify recipients whose welfare benefits need to be adjusted.*

---

This issue focuses primarily on DHHR's data crossmatch with Workers' Compensation in order to prevent recipients from receiving overpayment of welfare benefits after receiving workers' compensation. The Department of Health and Human Services' Recipient Automated Payment Information Data Systems (RAPIDS) computer system routinely does various computer databank crossmatches. The purpose of this is to identify if recipients are receiving income from various sources, that could affect the amount of welfare benefits received. If crossmatch responses are made showing new income for a welfare recipient, RAPIDS sends alerts to the respective caseworker to check that recipient's case to determine if his/her benefits should be reduced. **However, with regard to workers' compensation, RAPIDS does not send specific case alerts to the assigned caseworker.**

Instead, RAPIDS notifies caseworkers when information on the Data Exchange Response List (DXRL), which contains the responses (crossmatches) showing recipients receiving both welfare benefits and workers compensation, has been updated. It is up to the individual caseworker to check to see if any of his/her cases are involved. This work responsibility may sound minor but it is time consuming. When one takes into consideration the high caseloads that

---

most of these caseworkers have, many nearly twice the recommended amount, completing this work responsibility often is done late, if at all. The most prevalent way that caseworkers are able to check a case that falls into this category is if they happen to be working on that case or during periodic case reviews that are done anywhere between three months to two years. The neglect of this work duty can lead to overpayment of welfare benefits to recipients who are receiving workers' compensation. Therefore, it would be beneficial if RAPIDS could modify its system to provide specific case alerts for cases that are receiving workers' compensation. RAPIDS already provides such specific case alerts for numerous items including the recipient becoming employed and lack of food stamp activity. Such enhancements to RAPIDS would entail little cost. This would increase efficiency by allowing the caseworker to know which specific case needs to be reviewed as opposed to the time-consuming process of reviewing a list of cases on the computer to determine if any of that worker's cases need to be reviewed.

*The most prevalent way that caseworkers are able to check a case is if they happen to be working on that case or during periodic case reviews.*

## **How Welfare Benefits Are Affected by Workers Compensation**

There is concern of individuals abusing welfare by receiving benefits from various government sources, either as recipients or providers. This has become more of a concern as of late due to funding shortfalls at the state level.

This issue looks at those recipients who receive welfare benefits, such as food stamps, TANF and Medicaid, and who also receive workers' compensation. To begin, it is not improper or illegal to receive both benefits. However, the amount of workers' compensation a recipient receives can affect the amount of welfare benefits that a recipient receives. Therefore, welfare recipients are required to report any income that they receive so that DHHR can make a determination if welfare benefits need to be adjusted. Unfortunately, not all welfare recipients report workers' compensation, either intentionally or unintentionally. As a result, DHHR must rely on its RAPIDS computer system to identify recipients who are receiving income from various sources through a series of data exchanges with computer systems belonging to other state and federal agencies.

## Data Exchanges Conducted by RAPIDS

*RAPIDS only provides a general broadcast message that lets caseworkers know that certain data exchanges (i.e. workers' compensation) have been updated.*

RAPIDS conducts data exchanges with various computer databases (see Table 1). For some of these data exchanges, RAPIDS provides specific case alerts that lets a individual caseworker know that a case needs to be reviewed to determine if welfare benefits need to be adjusted. For other data exchanges, RAPIDS only provides a general broadcast message that lets caseworkers know that certain data exchanges (i.e. workers' compensation) have been updated and to check the list of case responses (matches) that were generated by the data exchange. It is then up to the individual caseworker to review this list on the computer to determine if any of the cases listed belong to him/her and need to be reviewed. The case(s) is then reviewed to determine if welfare benefits need to be adjusted. **Currently, the data exchange for workers' compensation only results in general broadcast messages, not specific case alerts.**

<b>Table 3 RAPIDS Data Exchanges</b>		
<b>Exchange Type*</b>	<b>Frequency</b>	<b>Providing Agency</b>
Alien 40 Qualifying Quarters	Daily	SSA**
FS Disqualification	Monthly	Food, Nutrition Services
BENDEX	Monthly	SSA
SDX	Daily	SSA
SSN Verification	Daily	SSA
Prisoner Match	Monthly/Daily	SSA
BCSE New Hire	Weekly	DHHR Office of Social Services
FACTS	Monthly	DHHR Office of Social Services
State Wage Match	Quarterly	Bureau of Employment Programs
Unemployment Compensation	Monthly	Bureau of Employment Programs
<b>Workers Compensation</b>	<b>Monthly</b>	<b>Workers Compensation</b>
Source: DHHR, RAPIDS Project. *Definitions of the exchange types listed in this table are listed in Appendix B. **SSA stands for Social Security Administration.		

---

## Survey of RAPIDS' Workers' Compensation Data Exchange Effectiveness Reveals Inefficiency

*29% of recipients failed to report receiving workers' compensation. Of the cases where there was a failure to report receiving workers' compensation, 40% required a reduction in their welfare benefits.*

*An estimated \$1 million annually is spent on overpayment of welfare benefits to recipients who receive workers' compensation and failed to report it to DHHR.*

A survey of select DHHR county offices was conducted to determine if the data exchange for workers' compensation was effective in reducing overpayments by DHHR (see Table 2). Thirty-five cases were surveyed in which welfare recipients were also receiving workers' compensation. This represents a 1% sample of a month of cases that receive both welfare benefits and workers' compensation identified through monthly data exchanges with RAPIDS. There are on average approximately 3,500 cases statewide that are identified in RAPIDS monthly that receive both welfare benefits and workers' compensation. Of those cases surveyed, 71% (25 case) of the recipients properly reported receiving workers' compensation to DHHR, while 29% (10 cases) of recipients failed to report receiving workers' compensation. Of the cases where there was a proper reporting for the receipt of workers' compensation, 24% required a reduction to their welfare benefits. Of the cases where there was a failure to report receiving workers' compensation, 40% (4 cases) required a reduction in their welfare benefits. **These results show that welfare recipients who failed to notify DHHR of their receiving of workers' compensation were more likely to have their welfare benefits reduced than those who reported such income to DHHR.**

The four cases from the survey, where receipt of workers' compensation was unreported, resulted in average reduction of benefits of \$218 per case for the month, September 2004, the data was provided. The sample represents 1% of cases where recipients receive both welfare benefits and workers' compensation. One could extrapolate from the survey results that statewide there are approximately 400 cases monthly, where recipients failed to report receipt of workers' compensation that would have resulted in a reduction in the amount of welfare benefits received. A further extrapolation of these results show that this amounts to **approximately \$1 million annually that is spent on overpayment of welfare benefits to recipients who receive workers' compensation and failed to report it to DHHR.** The Legislative Auditor recognizes that this is a small amount of money in comparison to what DHHR spends on welfare benefits each year and the number of cases involved are small in absolute numbers. Yet, quick and efficient identification of these cases could prevent having overpayments tied up in long repayment agreements.

County	Number Reported	Change in Benefits of Number Reported	Number Unreported	Change in Benefits of Number Unreported
Boone	4	0	1	0
Cabell	3	1	2	2
Clay	2	2	3	2
Kanawha	4	0	1	0
Lincoln	4	0	1	0
Putnam	4	0	1	0
Roane	4	3	1	0
Totals	25	6	10	4

\*The survey consisted of 35 cases, five from each county office.

### **Overpayments Take Longer to Recoup**

*Repaying overpayments takes more time than the time it took for the overpayments to accumulate.*

The overpayment of welfare benefits adversely impacts DHHR’s welfare programs, which have been experiencing budget pressure recently. When DHHR identifies an instance of overpayment, welfare recipients are placed on a repayment schedule, which is usually a reduction in future benefits until the full amount of the overpayment has been repaid. Repaying overpayments takes more time than the time it took for the overpayment to accumulate. According to DHHR’s Income Maintenance Manual, repayment is done one of three ways. For cases where the overpayment is the result of an unintentional act of the recipient, the overpayment is repaid through a \$10 or 10% reduction, whichever is greater, in monthly benefits until the overpayment has been fully recouped. For cases where the overpayment is the result of an intentional act of the recipient, the overpayment is repaid through a \$20 or 20% reduction, whichever is greater, in monthly benefits until the overpayment has been fully recouped. For cases that are closed and the recipient no longer receives benefits, the recipient, regardless if the overpayment was unintentional or intentional, must pay back in one lump sum or in monthly installments of at least \$50. Meanwhile, DHHR has money tied up in a long repayment process that could be used to pay for other recipients’ benefits.

---

## **RAPIDS Needs to Provide Specific Case Alerts to Increase Efficiency**

One of the main complaints about the data exchanges where only a general broadcast message is made is that it is time consuming for caseworkers to review the list of responses to see if any of their cases are involved. This complaint was common with all of the county offices surveyed by PERD for this issue. The most prevalent way that caseworkers are able to check a case that falls into this category is if they happen to be working on that case or during periodic case reviews that are done anywhere between three months to two years, depending on the type of case involved. All county offices surveyed agreed that if RAPIDS could be enhanced to send specific case alerts to the caseworker assigned to that case that would notify each caseworker of specific cases to be reviewed, it would increase efficiency by eliminating the time spent by caseworkers to go through lists of data exchange responses. Specific case alerts would also reduce the amount of time that goes by where overpayment is taking place until it is identified. This would reduce the amount that must be repaid, thus freeing up welfare funds from the long repayment process to fund the benefits of other recipients. Such enhancement to RAPIDS would entail little cost, according to the RAPIDS Project's director.

---

*All county offices surveyed agreed that if RAPIDS could be enhanced to send specific case alerts to the caseworker assigned to that case that would notify each caseworker of specific cases to be reviewed, it would increase efficiency by eliminating the time spent by caseworkers to go through lists of data exchange responses.*

---

### **Conclusion**

Trying to identify welfare recipients receiving other sources of income and not reporting it is a constant problem for DHHR. This amounts to approximately \$1 million in overpayments of welfare benefits annually to those who also receive workers' compensation and fail to report it to DHHR. The lost opportunity costs of not being able to use those funds to pay for other recipients' welfare benefits is a drain on DHHR's budget. The current data exchange procedure used by RAPIDS does identify these individuals. However, it can be time consuming in going through the response list that result from these data exchanges. A specific case alert could increase efficiency by identifying which specific cases need to be reviewed and eliminating the need for caseworkers spending time going through data exchange response lists to see if any of their cases are involved. According to the RAPIDS Project's director, additional costs to implement this would be minimal.



---

## **Recommendation**

4. *The Legislative Auditor recommends the Department of Health and Human Resources consider enhancing RAPIDS to allow for specific case alerts for cases where welfare recipients are also receiving workers' compensation to be sent to the assigned worker.*



# Appendix A: Transmittal Letter

---

## WEST VIRGINIA LEGISLATURE *Performance Evaluation and Research Division*

Building 1, Room W-314  
1900 Kanawha Boulevard, East  
Charleston, West Virginia 25305-0610  
(304) 347-4890  
(304) 347-4939 FAX



John Sylvia  
Director

December 22, 2004

Paul Nusbaum, Secretary  
Department of Health and Human Resources  
Building 3, Room 206  
1900 Kanawha Blvd., East  
Charleston, WV 25305

Dear Secretary Nusbaum:

This is to transmit a draft copy of the report on the issues of Pharmaceutical Rebate Collections and RAPIDS/Workers' Compensation Data Exchange, which is part of the Full Performance Evaluation of the Department of Health and Human Resources. This report is scheduled to be presented during the January 9, 2005 interim meeting of the Joint Committee on Government Operations. This meeting will be held in the House Government Organization Committee room, East Wing E-213, from 4:00 pm to 6:00 pm. It is expected that a representative from your agency be present at the meeting to orally respond to the report and answer any questions the committee may have.

We need to schedule an exit conference to discuss any concerns you may have with the report. We would like to have the meeting on December 27, 2004. Please notify us to schedule an exact time. In addition, we need your written response by noon on December 30, 2004 in order for it to be included in the final report. If your agency intends to distribute additional material to committee members at the meeting, please contact the House Government Organization staff at 340-3192 by Thursday, January 6, 2005 to make arrangements.

We request that your personnel not disclose the report to anyone not affiliated with your agency. Thank you for your cooperation.

Sincerely,

Handwritten signature of John Sylvia in cursive script.  
John Sylvia

Enclosure

c.

Nancy Adkins, Commissioner, Bureau for Medical Services  
Debbie Mullins, Director, RAPIDS Project  
Peggy King, Director, Office of Pharmacy Services

---

*Joint Committee on Government and Finance*

---



# Appendix B: RAPIDS Data Exchange Rates

## RAPIDS Data Exchange Rates

<u>Exchange Type</u>	<u>Definition</u>
Alien 40 Qualifying Quarters	Data exchange with SSA to verify aliens qualifying work quarter information which is used in determining alien eligibility for benefits.
FS Disqualification	Once a year USDA Food and Nutrition Services (FNS) provides a master file of all individuals who have committed a food stamp intentional program violation and are to be disqualified from receiving food stamps. Once a month, FNS sends a file of changes to be applied to the master.
BENDEX	Information about Social Security entitlement benefits under grant-in-aid programs. As new data is entered into SSA database WV receives information updates and changes.
SDX	SSA file designed to provide data to states for use in state benefit eligibility analysis. SSI provides benefits for aged, blind and disabled and information on those SSI recipients is automatically sent to DHHR with new and changed information.
SSN Verification	Daily exchange with SSA for SSN verification on applicants and active members with new or changed SSN's or changed demographics.
Prisoner Match	Exchange with SSA to determine whether individuals indicated as being in the household of applicants/recipients are actually incarcerated.
BCSE New Hire	File received from the Bureau of Child Support Enforcement of individuals hired for employment and income from the employment used in the eligibility determination of benefits.
FACTS	Information received from the Family and Children Tracking system of the Bureau for Children and Families of payments issued for services used by staff in eligibility determination for benefits.
State Wage Match	Quarterly for active recipients, exchange routings for the Bureau of Employment Programs (BEP) wage match data are generated and matched against RAPIDS data for use by worker in the eligibility determination for benefits.
Unemployment Compensation	Exchange with BEP of unemployment compensation data to verify income and benefit data and verify eligibility status. Used by DHHR in eligibility determination for benefits.
Workers Compensation	Information received from WC is used to verify income and used in the eligibility determination for benefits.



# Appendix C: Agency Response

---



STATE OF WEST VIRGINIA  
DEPARTMENT OF HEALTH AND HUMAN RESOURCES  
Office of the Secretary

Bob Wise  
Governor

State Capitol Complex, Building 3, Room 206  
Charleston, West Virginia 25305  
Telephone: (304) 558-0684 Fax: (304) 558-1130

Paul L. Nusbaum  
Secretary

January 5, 2005

Mr. John Sylvia  
Performance Evaluation and Research Division  
West Virginia Legislature  
State Capitol Building, Room W-314  
Charleston, West Virginia 25305-0610

R E C E I V E D  
JAN 05 2005

PERFORMANCE EVALUATION AND  
RESEARCH DIVISION

Dear Mr. Sylvia:

I have received the draft copy of the report which is part of the Full Performance Evaluation of the Department of Health and Human Resources. We have taken note of the findings and recommendations that were summarized in the report, and I am responding in writing, as you requested. This response is specific to the issue of Pharmaceutical Rebate Collections.

The West Virginia Medicaid Rebate Program has historically been performed through a manual process using the guidelines set forth by the Centers for Medicare and Medicaid Services (CMS). Presently, West Virginia Medicaid is in the process of changing fiscal agents to the Unisys Corporation and will be utilizing their Pharmaceutical Rebate Information Management System (PRIMS). Data is being loaded into PRIMS and testing on the system should begin by the end of January. We are very excited about this new venture and hope that it will allow us to have more control over our Rebate Program. PRIMS has features that will help our program to become more efficient. Also, once PRIMS is completely loaded and functioning, the rebate payments will be reconciled on the National Drug Code (NDC) level for the first time in West Virginia, instead of only on the manufacturer's labeler code level. We have recently made some staffing changes, as well, to improve the efficiency of the program and to ensure the accuracy of the rebate accounting functions. As you can see, we are making significant modifications that will establish better accountability in the Drug Rebate Program.

In response to your recommendations, we have listed each one along with our comments. They are as follows:

**The Legislative Auditor recommends that the Bureau for Medical Services update the policies and procedures manual.**

Since the Rebate Program is currently undergoing changes in the responsibilities and duties of the staff and a new rebate computer program is being implemented, many of the current procedures will be changing. We acknowledge the need for an updated policies and procedures manual to maintain continuity and the

---

Mr. John Sylvia  
January 5, 2005  
Page 2

effectiveness of the program and will draft a manual once the new rebate system is functioning and procedures are defined. As soon as the manual is completed, it will be presented to management for review and approval. Changes and updates will be made to the manual as required to provide guidance to current staff, as well as to be a transitioning and learning tool for new employees to the Drug Rebate Program.

**The Legislative Auditor recommends that the Bureau for Medical Services hire additional staff as necessary.**

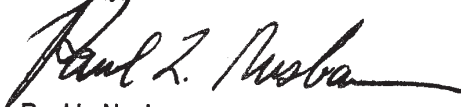
The Bureau for Medical Services agrees and is already in the process of adding an additional staff member to the Rebate Program. The duties and responsibilities have been established for an accounting technician, and we are waiting for the position to be posted. This staff member will be able to aid with certain rebate duties thus allowing the accountants a better opportunity to work on resolving outstanding disputes and unpaid rebate amounts.

**The Legislative Auditor recommends that the Bureau for Medical Services continue its efforts to collect the outstanding rebates and report to the Legislature's Joint Committee on Government Operations on a quarterly basis, its progress in collecting the undisputed \$13 million the state is owed until the \$13 million is reduced to less than \$1 million.**

The Bureau for Medical Services will continue its efforts in the collection of outstanding rebate amounts. We will provide a report to the Legislature's Joint Committee on Government Operations quarterly to show the progress we have made in the collection of the \$13 million for which we had received no payments from the manufacturer as of the June 30, 2004 report referred to in the draft. We will continue to report this information to the Committee until the \$13 million has been reduced to less than \$1 million.

We understand the need for audits in evaluating the performance of the Department of Health and Human Resources and appreciate your recommendations. We are always open to suggestions to improve the effectiveness of our programs and, therefore, agree to comply with your recommendations. If you need additional information regarding the West Virginia Medicaid Drug Rebate Program, please call Gail Goodnight, Rebate Coordinator, Bureau for Medical Services, at (304) 558-5977.

Sincerely,



Paul L. Nusbaum  
Secretary

PLN/sd

cc: Shana Phares  
Danny Franco  
Nancy V. Atkins  
Eric Cole  
Peggy King  
Gail Goodnight





STATE OF WEST VIRGINIA  
DEPARTMENT OF HEALTH AND HUMAN RESOURCES

Bob Wise  
Governor

Office of the Secretary  
State Capitol Complex, Building 3, Room 206  
Charleston, West Virginia 25305  
Telephone: (304) 558-0684 Fax: (304) 558-1130

Paul L. Nusbaum  
Secretary

December 29, 2004

Mr. John Sylvia, Director  
Performance Evaluation and Research Division  
West Virginia Legislature  
State Capitol Building, Room W-314  
Charleston, West Virginia 25305-0610

RECEIVED  
DEC 29 2004

PERFORMANCE EVALUATION AND  
RESEARCH DIVISION

Dear Mr. Sylvia:

I have reviewed with the appropriate staff the RAPIDS/Workers' Compensation Data Exchange draft report. We are in general agreement with the reviewer's findings and the document's content. However, we would like the opportunity to make clarifications to some of the specific findings.

Regarding data exchanges conducted by RAPIDS, it is important to note that RAPIDS provides the ability for the caseworker to query the data system by exchange for his/her own caseload. The worker can also query by an individual for all exchanges relating to that case. Information displayed from a Workers' Compensation match indicates a discrepancy in the amount in RAPIDS and the amount reported by Workers' Compensation for that individual. These exchanges need to be reviewed because of the change and the necessity of a review of information would not be eliminated by creating an individual alert.

Rather than overwhelming staff with individual alerts, a consolidated list of exchanges was developed to allow more flexibility by staff in the maintenance tasks of their job. In the past, RAPIDS has been asked to delete alerts as the already overburdened staff in the counties find it difficult to clear the alerts they already receive. Based on an average of the last four weeks, RAPIDS generates 129,646 alerts per week. The Workers' Compensation data exchange generates an average of 5,083 matches monthly. An average of the outstanding alerts awaiting resolution by workers in each of the seven counties included in this review is as follows: Boone 969; Cabell 5,191; Clay 257; Kanawha 18,807; Lincoln 4,125; Putnam 1,367; and Roane 727.

RAPIDS is a statewide eligibility system. The PERD recommendation for specific case alerts for persons receiving Workers' Compensation is based on a survey of seven counties and may not represent the opinion of county staff in the other 48 counties. The effect of any change to RAPIDS must be evaluated for all staff using the data system.

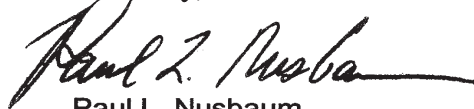
---

Mr. John Sylvia  
December 29, 2004  
Page Two

In conclusion, the reviewers are correct in stating that the cost of creating an additional alert in the system is minimal. However, in view of the large caseloads that the reviewers pointed out to be nearly twice the recommended amount, it is doubtful that an additional alert alone would resolve the issue. Therefore, the Bureau for Children and Families would like the opportunity to review the issue statewide and explore other alternatives to increase the efficiency of caseworkers through administrative procedures, training, and/or the use of technology to prevent overpayment of benefits.

If you have any questions, feel free to call either Kevin Henson, Assistant Commissioner of the Office of Information Technology and Training, at 558-1214 or Debbie Mullins, Director of RAPIDS, at 348-0899.

Sincerely,



Paul L. Nusbaum  
Secretary

PLN:dy

cc: Shana Phares  
Danny Franco  
Margaret Waybright  
John Law  
Kevin Henson  
Debbie Mullins