

# Medicaid for millions in America hinges on Deloitte-run systems plagued by errors

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Deloitte, a global consultancy that reported revenue last year of \$65 billion, pulls in billions of dollars from states and the federal government for supplying technology it says will modernize Medicaid.

The company promotes itself as the industry leader in building sophisticated and [efficient systems](#) for states that, among other things, screen who is eligible for Medicaid. However, a KFF Health News investigation of eligibility systems found widespread problems.

The systems have generated incorrect notices to Medicaid beneficiaries, sent their paperwork to the wrong addresses, and been frozen for hours at a time, according to findings in state audits, allegations and declarations in [court documents](#), and interviews. It can take months to fix problems, according to court documents from a lawsuit in federal court in Tennessee, company documents, and state agencies. Meanwhile, America's poorest residents pay the price.

Deloitte dominates this important slice of government business: Twenty-five states have awarded it eligibility systems contracts—with 53 million Medicaid enrollees in those states as of April 1, 2023, when the unwinding of pandemic protections began, according to the Centers for Medicare & Medicaid Services. Deloitte's contracts are worth at least \$5 billion, according to a KFF Health News review of government contracts, in which Deloitte commits to design, develop, implement, or operate state systems.

State officials work hand in glove with Deloitte behind closed doors to translate policy choices into computer code that forms the backbone of eligibility systems. When things go wrong, it can be difficult to know who's at fault, according to attorneys, consumer advocates, and union workers. Sometimes it takes a lawsuit to pull back the curtain.

Medicaid beneficiaries bear the brunt of system errors, said Steve Catanese, president of Service Employees International Union Local 668 in Pennsylvania. The union chapter represents roughly 19,000 employees—including government caseworkers who troubleshoot problems for recipients of safety-net benefits such as health coverage

and cash assistance for food.

"Are you hungry? Wait. You sick? Wait," he said. "Delays can kill people."

KFF Health News interviewed Medicaid recipients, attorneys, and former caseworkers and government employees, and read thousands of pages from contracts, ongoing lawsuits, company materials, and state audits and documents that show problems with Deloitte-operated systems around the country—including in Arkansas, Colorado, Florida, Georgia, Kentucky, Pennsylvania, Rhode Island, Tennessee, and Texas.

In an interview, Kenneth Smith, a Deloitte executive who leads its national human services division, said Medicaid eligibility technology is state-owned and agencies "direct their operation" and "make decisions about the policies and processes that they implement."

"They're not Deloitte systems," he said, noting Deloitte is one player among many who together administer Medicaid benefits.

Alleging "ongoing and nationwide" errors and "unfair and deceptive trade practices," the National Health Law Program, a nonprofit that advocates for people with low incomes, urged the Federal Trade Commission to investigate Deloitte in a complaint filed in January.

"Systems built by Deloitte have generated numerous errors, resulting in inaccurate Medicaid eligibility determinations and loss of Medicaid coverage for eligible individuals in many states," it argued. "The repetition of the same errors in Deloitte eligibility systems across Texas and other states and over time demonstrates that Deloitte has failed."

FTC spokesperson Juliana Gruenwald Henderson confirmed receipt of the complaint but did not comment further.

Smith called the allegations "without merit."

The system problems are especially concerning as states wade through millions of Medicaid eligibility checks to disenroll people who no longer qualify—a removal process that was paused for three years to protect people from losing insurance during the COVID-19 public health emergency. In that time, nationwide Medicaid enrollment grew by more than 22 million, to roughly 87 million people. At least 22.8 million have been removed as of June 4, according to a KFF analysis of government data.

Advocates worry many lost coverage despite being eligible. A KFF survey of adults disenrolled from Medicaid during the first year of the unwinding found that nearly one in four adults who were removed are now uninsured. Nearly half who were removed were able to re-enroll, the survey showed, suggesting they should not have been dropped in the first place.

"If there is a technology challenge or reason why someone can't access health care that they're eligible for, and we're able to do something," Smith said, "we work tirelessly to do so."

Deloitte's contracts with states regularly cost hundreds of millions of dollars, and the [federal government](#) pays the bulk of the cost.

"States become very dependent on the consultant for operating complex systems of all kinds" to do government business, said Michael Shaub, an accounting professor at Texas A&M University.

Georgia's contract with Deloitte to build and maintain its system for health and social service programs, inked in 2014, as of January 2023 was worth \$528 million. This January, [state officials](#) wrote in an assessment obtained by KFF Health News that its eligibility system

"lacks flexibility and adaptability, limiting Georgia's ability to serve its customers efficiently, improve the customer and worker experience across all programs, ensure data security, reduce benefit errors and fraud, and advance the state's goal of streamlining eligibility."

Deloitte and the Georgia Department of Community Health declined to comment.

Deloitte is looking ahead with its "path to Medicaid in 2040," anticipating sweeping changes that will expand its own business opportunity.

"State Medicaid leaders and policymakers are hungry to know what the future of health care holds," the company said. "Deloitte brings the innovative tools, subject matter expertise, and time-tested experience to help states."

## **Trouble in Tennessee**

When Medicaid eligibility systems fail, beneficiaries suffer the consequences.

DiJuana Davis had chronic anemia that required iron infusions. In 2019, the 39-year-old Nashville resident scheduled separate surgeries to prevent pregnancy and to remove the lining of her uterus, which could alleviate blood loss and ease her anemia.

Then Davis, a mom of five, received a shock: Her family's Medicaid coverage had vanished. The hospital canceled the procedures, according to testimony in federal court in November.

Davis had kept her insurance for years without trouble. This time, Tennessee had just launched a new Deloitte-built eligibility system. It

autofilled an incorrect address, where Davis had never lived, to send paperwork, an error that left her uninsured for nearly two months, according to an ongoing class-action lawsuit Davis and other beneficiaries filed against the state.

The lawsuit, which does not name Deloitte as a defendant, seeks to order Tennessee to restore coverage for those who wrongly lost it. Kimberly Hagan, Tennessee Medicaid's director of member services, said in a court filing defending the state's actions that many issues "reflect some unforeseen flaws or gaps" with the eligibility system and "some design errors."

Hagan's legal declaration in 2020 gave a view of what went wrong: Davis lost coverage because of missteps by both Tennessee and Deloitte during what's known as the "conversion process," when eligibility data was migrated to a new system.

Tennessee's Medicaid agency, known as "TennCare, along with its vendor, Deloitte, designed rules to govern the logic of conversion," Hagan said in the legal declaration. She also cited a "manual, keying error by a worker" made in 2017.

Davis' family was "incorrectly merged with another family during conversion," Hagan said.

Davis regained coverage, but before she could rebook the surgeries, she testified, she became pregnant and a serious complication emerged. In June 2020, Davis rushed to the hospital. A physician told her she had preeclampsia, a leading cause of maternal death. Labor was induced and her son was born prematurely.

"Preeclampsia can kill the mom. It can kill the baby. It can kill both of you," she testified. "That's like a death sentence."

Deloitte's Tennessee contract is worth \$823 million. Deloitte declined to comment on Davis' case or the litigation.

Speaking broadly, Smith said, "data conversion is incredibly challenging and difficult."

Hagan called the problems one-time issues: "None of the Plaintiffs' cases reflect ongoing systemic problems that have not already been addressed or are scheduled to be addressed."

States leverage Deloitte's technology as part of a larger push toward automation, legal aid attorneys and former caseworkers said.

"We all know that big computer projects are fraught," said Gordon Bonnyman, co-founder of the nonprofit Tennessee Justice Center. "But a state that was concerned about inflicting collateral damage when they moved to a different automated system would have a lot of safeguards."

TennCare spokesperson Amy Lawrence called its eligibility system "a transformative tool, streamlining processes and enhancing accessibility."

When enrollees seek help at county offices, "you don't get to sit down across from a real human being," Bonnyman said. "They point you to the kiosk and say, "Good luck with that.'"

## **A backlog of 50,000 cases**

As part of the Affordable Care Act rollout about a decade ago, states invested in technological upgrades to determine who qualifies for public programs. It was a financial boon to Deloitte and such companies as Accenture and Optum, which landed government contracts to build those complex systems.



Problems soon emerged. In Kentucky, a Deloitte-built system that launched in February 2016 erroneously sent at least 25,000 automated letters telling people they would lose benefits, according to local news reports. State officials manually worked through a backlog of 50,000 cases caused by conflicting information from newly merged systems, the reports say.

"We know that the rollout of Benefind has caused frustration and concern for families and for field staff," senior Deloitte executive Deborah Sills said during a March 2016 news conference alongside Gov. Matt Bevin and other senior officials after Kentucky was bombarded with complaints. Within two months, roughly 600 system defects were identified, found a report by the Kentucky state auditor.

In Rhode Island, a botched rollout in September 2016 delayed tens of thousands of Social Security payments, The Providence Journal reported. Advocacy groups filed two class-action lawsuits, one related to Medicaid and the other to food stamp benefits. Both were settled, with Rhode Island officials denying wrongdoing. Neither named Deloitte as a defendant.

In a 2018 statement for a Statehouse hearing, Sills of Deloitte said, "We are very sorry for the impact that our system issues have had on your constituents, on state workers, and on service providers." The state's top human services official resigned.

A 2017 audit by a top Rhode Island official prepared for Gov. Gina Raimondo found that Deloitte "delivered an IT system that is not functioning effectively" and had "significant defects." "Widespread issues," it said, "caused a significant deterioration in the quality of service provided by the State."

"Deloitte held itself out as the leading vendor with significant experience



in developing integrated eligibility systems for other states," the audit read. "It appears that Deloitte did not sufficiently leverage this experience and expertise." Deloitte declined to comment further about Rhode Island and Kentucky.

Deloitte invokes the phrase "no-touch" to describe its technology—approving benefits "without any tasks performed by the State workers," it wrote in documents vying for an Arkansas contract.

In practice, enrollee advocates and former government caseworkers say, the systems frequently have errors and require manual workarounds.

As it considered hiring Deloitte, Arkansas officials asked the company about problems, particularly in Rhode Island.

In response, the company said in 2017, "We do not believe Deloitte Consulting LLP has had to implement a corrective action plan" for any eligibility system project in the previous five years.

Arkansas awarded Deloitte a \$345 million contract effective in 2019 to develop its system.

"It had a lot of bugs," said Bianca Garcia, a program eligibility specialist for the Arkansas Department of Human Services from August 2022 to October 2023.

Garcia said it could take weeks to fix errors in a family's details and Medicaid enrollees wouldn't receive the state's requests for information because of glitches. They would lose benefits because workers couldn't confirm eligibility, she added.

The enrollees "were doing their part, but the system just failed," Garcia said.

Arkansas Department of Human Services spokesperson Gavin Lesnick said, "With any large-scale system implementation, there occasionally are issues that need to be addressed. We have worked alongside our vendor to minimize these issues and to correct any problems."

Deloitte declined to comment.

## **'Heated' Negotiations**

In late 2020, Colorado officials were bracing for the inevitable unwinding of pandemic-era Medicaid protections.

Colorado was three years into what is now a \$354.4 million contract with Deloitte to operate its eligibility system. A state-commissioned audit that September had uncovered widespread problems, and Kim Bimestefer, the state's top Medicaid official, was in "heated" negotiations with the company.

The audit found 67% of the system notices it sampled contained errors. Notices are federally required to safeguard against eligible people being disenrolled, said MaryBeth Musumeci, an associate teaching professor in public health at George Washington University.

"This is, for many people, what's keeping them from being uninsured," Musumeci said.

The Colorado audit found many enrollee notices contained inaccurate response deadlines. One dated Dec. 19, 2019, requested a beneficiary return information by Sept. 27, 2011—more than eight years earlier.

"We're in intense negotiations with our vendor because we can't turn around to the General Assembly and say, "Can I get money to fix this?"" Bimestefer told lawmakers during the 2020 legislative audit hearing. "I

have to hold the vendor accountable for the tens of millions we've been paying them over the years, and we still have a system like this."

She said officials had increased oversight of Deloitte. Also, dozens of initiatives were created to "improve eligibility accuracy and correspondence," and the state renegotiated Deloitte's contract, said Marc Williams, a state Medicaid agency spokesperson. A contract amendment shows Deloitte credited Colorado with \$5 million to offset payments for additional work.

But Deloitte's performance appeared to get worse. A 2023 state audit found problems in 90% of sampled enrollee notices. Some were violations of state Medicaid rules.

The audit blamed "flaws in system design" for populating notices with incorrect dates.

In September, Danae Davison received a confusing notice at her Arvada home stating that her daughter did not qualify for coverage.

Lydia, 11, who uses a wheelchair and is learning to communicate via a computer, has a seizure disorder that qualifies her for a Medicaid benefit for those with disabilities. The denial threatened access to nursing care, which enables her to live at home instead of in a facility. Nothing had changed with Lydia's condition, Davison said.

"She so clearly has the need," Davison said. "This is a system problem."

Davison appealed. In October, a judge ruled that Lydia qualified for coverage.

The notice generated by the Deloitte-operated system was deemed "legally insufficient" because it omitted the date Lydia's coverage would

end. Her case highlights a known eligibility system problem: Beneficiary notices contain "non-compliant or inconsistent dates" and are "missing required elements and information," according to the 2023 audit.

Deloitte declined to comment on Colorado. Speaking broadly, Smith said, "Incorrect information can come in a lot of forms."

Last spring in Pennsylvania, Deloitte's eligibility role expanded to include the Children's Health Insurance Program and 126,000 enrollees.

Pennsylvania's Department of Human Services said an error occurred when converting to the state's eligibility system, maintained by Deloitte through a \$541 million contract. DHS triaged the errors, but, for "a small window of time," some children who still had coverage "were not able to use it."

These issues affected 9,269 children last June and 2,422 in October, DHS said. A temporary solution was implemented in December and a permanent fix came through in April.

Catanese, the union representative, said it was another in a long history of problems. Among the most prevalent, he said, The system freezes for hours. When asked about that, Smith said "it's hyperbole."

Instead of the efficiency that Deloitte touted, Catanese said, "the system constantly runs into errors that you have to duct tape and patchwork around."

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