Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

KANSAS MADE CAPITATION PAYMENTS TO MANAGED CARE ORGANIZATIONS AFTER BENEFICIARIES' DEATHS

Inquiries about this report may be addressed to the Office of Public Affairs at Public.Affairs@oig.hhs.gov.

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September 2021
A-07-20-05125

Office of Inspector General

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Report in Brief
Date: September 2021
Report No. A-07-20-05125

U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL

Kansas Made Capitation Payments to Managed Care Organizations After Beneficiaries' Deaths

Why OIG Did This Audit

Kansas pays Medicaid managed care organizations (MCOs) to make services available to enrolled Medicaid beneficiaries in return for a monthly fixed payment for each enrolled beneficiary (capitation payment). Previous OIG audits found that State Medicaid agencies had improperly paid capitation payments on behalf of deceased beneficiaries.

Our objective was to determine whether Kansas made capitation payments to MCOs on behalf of deceased beneficiaries.

How OIG Did This Audit

Our audit covered 12,277 capitation payments totaling over $18.2 million that Kansas made to MCOs and claimed for Federal reimbursement during 2017 through 2019 (audit period) on behalf of beneficiaries whose dates of death, as recorded in one or more of the data sources we consulted, preceded the service periods covered by the monthly capitation payments.

We identified 1,383 capitation payments made on behalf of beneficiaries who had a date of death recorded in Kansas's eligibility system that did not always agree with information in the Social Security Administration's (SSA's) Death Master File (DMF). We also selected a stratified random sample of 100 capitation payments (out of 10,894) made on behalf of beneficiaries who had a date of death recorded in SSA's DMF but who did not have a date of death recorded in Kansas's system.

What OIG Found

During our audit period, Kansas made unallowable capitation payments to MCOs on behalf of deceased beneficiaries. Kansas made at least $17.3 million in unallowable capitation payments to MCOs on behalf of beneficiaries whose dates of death preceded the service period covered by the monthly capitation payment, for which it claimed at least $9.7 million in unallowable Federal reimbursement. Specifically, 1,383 capitation payments totaling $2.7 million ($1.5 million Federal share), made on behalf of deceased beneficiaries who had a date of death in Kansas's eligibility system that did not always agree with the information in the DMF, were unallowable. Further, 100 capitation payments in our stratified random sample, totaling $192,991 ($108,657 Federal share), made on behalf of beneficiaries who had a date of death recorded in the DMF but who did not have a date of death in Kansas's system, were unallowable. On the basis of our sample results, we estimated that Kansas made unallowable capitation payments totaling at least $14.6 million (at least $8.2 million Federal share). In addition, Kansas had previously overreported capitation payments totaling over $2 million ($1.2 million Federal share) that were related to prior-period adjustments.

What OIG Recommends and Kansas Comments

We recommend that Kansas: (1) refund at least $10.9 million to the Federal Government; (2) recover unallowable capitation payments totaling almost $2.7 million that were made to MCOs on behalf of deceased beneficiaries who did have a date of death recorded in Kansas's system; (3) identify and recover unallowable capitation payments made to MCOs on behalf of deceased beneficiaries who did not have a date of death recorded in Kansas's system, which we estimate to be at least $14.6 million; and (4) identify and recover unallowable capitation payments made on behalf of deceased beneficiaries before and after our audit period and repay the Federal share of any amounts recovered. We make additional procedural recommendations for the strengthening of internal controls and policies and procedures regarding accurate and timely updates to Kansas's eligibility system and the accurate reporting of all Medicaid expenditures, to include prior-period adjustments.

Kansas did not directly address our recommendations but stated that our analysis resulted in legitimate findings of incorrect capitation payments. Kansas also described corrective actions it had taken or planned to take, to include reviewing and reconciling data and performing automated and manual refunds, creating a task force to address our recommendations, and implementing monitoring and senior leadership oversight activities.

The full report can be found at https://oig.hhs.gov/oas/reports/region7/72005125.asp.

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INTRODUCTION

WHY WE DID THIS AUDIT

The Kansas Department of Health and Environment (State agency) pays Medicaid managed care organizations (MCOs) to make services available to enrolled Medicaid beneficiaries in return for a monthly fixed payment for each enrolled beneficiary (capitation payment). Previous Office of Inspector General (OIG) audits found that State Medicaid agencies had improperly paid capitation payments on behalf of deceased beneficiaries (Appendix B). We conducted a similar audit of the State agency, which administers the Medicaid program in Kansas.

OBJECTIVE

Our objective was to determine whether the State agency made capitation payments to MCOs on behalf of deceased beneficiaries.

BACKGROUND

Medicaid Program

The Medicaid program provides medical assistance to low-income individuals and individuals with disabilities (Title XIX of the Social Security Act (the Act)). The Federal and State Governments jointly fund and administer the Medicaid program. At the Federal level, the Centers for Medicare & Medicaid Services (CMS) administers the program. Each State administers its Medicaid program in accordance with a CMS-approved State plan. Although the State has considerable flexibility in designing and operating its Medicaid program, it must comply with applicable Federal requirements.

The Medicaid managed care programs are intended to increase access to and improve quality of health care for Medicaid beneficiaries. States contract with MCOs to make services available to enrolled Medicaid beneficiaries, usually in return for capitation payments. States report capitation payments claimed by Medicaid MCOs on the States' Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program (Form CMS-64). The Federal Government pays its share of a State's medical assistance expenditures (Federal share) under Medicaid based on the Federal medical assistance percentage (FMAP), which varies depending on the State's relative per capita income as calculated by a defined formula (42 CFR § 433.10). During our audit period, the FMAP in Kansas ranged from 54.74 to 69.35 percent.

Social Security Administration: Date-of-Death Information

The Social Security Administration (SSA) maintains death record information, including date of death, by obtaining death information from many sources, such as relatives of deceased beneficiaries, physicians, lawyers, accountants, and other Federal or State agencies. SSA processes death notifications through its Death Information Processing System when it receives

reports of death.[1] SSA records the resulting death information in its Numerical Identification System (the Numident).[2] SSA then uses information from the Numident to create a national record of death information called the Death Master File (DMF).[3]

Federal and State Requirements

A capitation payment is "a payment the State [agency] makes periodically to [an MCO] on behalf of each beneficiary enrolled under a contract . . . for the provision of services under the State plan. The State [agency] makes the payment regardless of whether the particular beneficiary receives services during the period covered by the payment" (42 CFR § 438.2).

The State agency's contracts with the MCOs provide for the recovery of capitation payments and specify that the State agency has sole authority and discretion for disenrolling beneficiaries from managed care plans under certain conditions, including beneficiaries' deaths.

Kansas's Managed Care Program

The State of Kansas, through the State agency and the Kansas Department for Aging and Disability Services, launched a Medicaid managed care program called KanCare in 2013. KanCare is responsible for delivering whole-person, integrated care to more than 415,000 people across the State. The State agency maintains financial management and contract oversight of the KanCare program. Individuals enrolled in KanCare receive all the same services provided under the previous Medicaid delivery system, plus additional services. The State agency maintains beneficiary eligibility data in the Kansas Eligibility Enforcement System (KEES).

Each Medicaid beneficiary is assigned to one of the KanCare health plans offered by MCOs that have been contracted by the State agency. The State agency initially contracted with Amerigroup Kansas, Inc. (Amerigroup); Sunflower State Health Plans (Sunflower); and UnitedHealthcare Community Plan of Kansas (United Healthcare) to provide managed care services from 2015 through 2018. Subsequently, the State renewed its Medicaid managed care program and the State agency renewed the contracts for Sunflower and United Healthcare and replaced Amerigroup with Aetna for 2019 through 2023.[4]

Additionally, the State agency contracted with DXC Technologies (DXC) to act as the State's fiscal agent. As the fiscal agent, DXC was responsible for managing the State's Medicaid

[1] SSA, *Programs Operations Manual System*, GN 02602.050 (Oct. 30, 2017).

[2] The Numident contains personally identifiable information for each individual issued a Social Security number (SSN).

[3] Data maintained in the DMF include names, SSNs, dates of birth, and dates of death.

[4] Medicaid managed care contract language quoted in this report did not vary substantively from one MCO to the next.

Management Information System (MMIS), making payments to the MCOs, and providing data and reports to the State agency so that it could complete the Forms CMS-64 and submit them to CMS.[5]

HOW WE CONDUCTED THIS AUDIT

Our audit covered 12,277 capitation payments totaling $18,256,108 that the State agency made to MCOs and claimed for Federal reimbursement during 2017 through 2019 (audit period) on behalf of beneficiaries whose dates of death, as recorded in one or more of the data sources we consulted, preceded the service periods covered by the monthly capitation payments.[6] We performed the following actions with respect to the 12,277 capitation payments:

- We identified 1,383 capitation payments totaling $2,667,316 ($1,496,725 Federal share) that were made on behalf of beneficiaries who had a date of death recorded in the DMF that preceded the service period covered by the monthly capitation payment and who had a date of death recorded in the KEES that did not always agree with the information in the DMF.

- We identified 10,894 capitation payments totaling $15,588,792 that were made on behalf of beneficiaries who had a date of death recorded in the DMF that preceded the service period covered by the monthly capitation payment but who did not have a date of death recorded in the KEES.

We reviewed all 1,383 capitation payments totaling $2,667,316 ($1,496,725 Federal share). We verified the dates of death for the 237 beneficiaries associated with the 1,383 capitation payments and determined the total amount and the Federal share of the unallowable capitation payments.

Additionally, we selected a stratified random sample of 100 capitation payments from the sampling frame of 10,894 capitation payments for review, totaling $192,991 ($108,657 Federal share), and used these sample results to estimate the total amount and the Federal share of the unallowable capitation payments.

[5] An MMIS is a system of software and hardware used to process Medicaid claims and manage information about Medicaid beneficiaries and services. This system may be operated by either a State agency or a fiscal agent, which is a private contractor (DXC in this case) hired by the State agency.

[6] We structured our audit period on the basis of calendar years rather than State fiscal years (which run from July 1 of one year to June 30 of the next) because the State agency's contracts with the MCOs operate on a calendar-year basis.

We thus reviewed a combined total of 1,483 capitation payments totaling $2,860,307 ($1,605,383 Federal share).[7]

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

Appendix A contains details of our audit scope and methodology, Appendix C contains our statistical sampling methodology, and Appendix D contains our sample results and estimates.

FINDINGS

During our audit period, the State agency made unallowable capitation payments to MCOs on behalf of deceased beneficiaries. Specifically, we estimated that the State agency made at least $17,315,978 in unallowable capitation payments to MCOs on behalf of deceased beneficiaries, for which it claimed at least $9,761,244 in unallowable Federal reimbursement. All of the 1,483 capitation payments that we reviewed for this audit were unallowable. Specifically, we made the following determinations:

- The 1,383 capitation payments totaling $2,667,316 ($1,496,725 Federal share) made on behalf of deceased beneficiaries who had a date of death recorded in the DMF that preceded the service period covered by the monthly capitation payment, and who had a date of death recorded in the KEES that did not always agree with the information in the DMF, were unallowable.

- The 100 capitation payments in our stratified random sample, totaling $192,991 ($108,657 Federal share), made on behalf of beneficiaries who had a date of death recorded in the DMF that preceded the service period covered by the monthly capitation payment, but who did not have a date of death recorded in the KEES, were unallowable. On the basis of our sample results, we estimated that the State agency made unallowable capitation payments totaling at least $14,648,662 ($8,264,519 Federal share).

The State agency made these unallowable capitation payments on behalf of deceased beneficiaries because it did not have adequate controls, to include adequate policies and procedures, in place. Although the State agency's KEES regularly interfaced with Federal data sources and created tasks to update beneficiary eligibility, it did not always generate a task to update *deceased* beneficiaries' eligibility. Also, State agency employees did not always complete eligibility updates in cases when the KEES had generated a task to do so. Moreover, a

[7] The Federal shares for the 1,383 capitation payments and the 10,894 capitation payments do not add to this total due to rounding.

system update to the KEES that occurred in April 2018 (during our audit period) resulted in miscommunication within the State agency staff as to whether some deceased beneficiaries' eligibility had been updated.

In addition, the State agency overreported Medicaid expenditures to CMS during the audit period. As part of our audit procedures (Appendix A), we requested that the State agency reconcile the capitation payments made to the MCOs (for which it had claimed Federal reimbursement) to the total Medicaid expenditures reported to CMS during the audit period. During this reconciliation process, the State agency determined that it had previously overreported capitation payments totaling $2,060,028 ($1,168,819 Federal share) that were related to prior-period adjustments. These errors occurred because the State agency's policies and procedures were not adequate to ensure that it included all of the information that DXC (its fiscal agent) had provided on Medicaid capitation payments when the State agency calculated prior-period adjustments to report to CMS.

THE STATE AGENCY MADE UNALLOWABLE CAPITATION PAYMENTS TO MEDICAID MANAGED CARE ORGANIZATIONS

The State agency's contracts with the MCOs state: "The State, through its fiscal agent, shall be responsible for any Member enrollments and disenrollments with the managed care plans. The State has sole authority and discretion for disenrolling program Members from managed care plans subject to the conditions specified" in the contract, including "Death of the Member" (MCO contracts, § 2.3.3.3.2). Additionally, "The State may recover Contractor(s) monthly payments when the CONTRACTOR(s) actually provided service, even if the member is subsequently determined to be ineligible for the month in question" (MCO contracts, § 2.3.6.4).

During our audit period, the State agency made unallowable capitation payments to MCOs on behalf of deceased beneficiaries. We estimated that the State agency made at least $17,315,978 in unallowable capitation payments to MCOs on behalf of deceased beneficiaries, for which it claimed at least $9,761,244 in unallowable Federal reimbursement. For this audit, we reviewed 1,483 capitation payments totaling $2,860,307 ($1,605,383 Federal share (footnote 7)) and determined that all 1,483 capitation payments were unallowable.

The State Agency Made Unallowable Payments on Behalf of Beneficiaries Whose Dates of Death Were Available in the Kansas Eligibility Enforcement System

We determined that 1,383 capitation payments totaling $2,667,316 ($1,496,725 Federal share) made on behalf of 237 deceased beneficiaries who had a date of death recorded in the DMF that preceded the service period covered by the monthly capitation payment, and who had a date of death recorded in the KEES that did not always agree with the information in the DMF, were unallowable. Of the 237 beneficiaries, the dates of death recorded in the DMF and the KEES were the same for 195 beneficiaries; however, the dates of death in the DMF and the KEES were not the same for the other 42 beneficiaries.

We randomly selected 30 of the 195 beneficiaries and confirmed that the identical dates of death recorded in both the DMF and the KEES were supported by at least one additional source.[8] We also reviewed all 42 beneficiaries (for each of whom these two data sources had differing dates of death) and confirmed that the dates of death recorded in the DMF were supported by an additional source (other than the KEES). We used date-of-death information from Accurint, the State agency's Office of Vital Statistics, and obituaries to confirm the dates of death for the 72 beneficiaries.[9]

We then provided our findings on the 1,383 capitation payments to the State agency, along with the results of our analysis of the 72 beneficiaries whose dates of death we verified. The State agency reviewed our results and agreed that the 1,383 capitation payments had been made on behalf of beneficiaries whose dates of death preceded the service periods covered by these monthly capitation payments. As a result of these errors, the State agency made unallowable capitation payments to MCOs totaling $2,667,316 ($1,496,725 Federal share).

The State Agency Made Unallowable Payments on Behalf of Beneficiaries Whose Dates of Death Were Not Available in the Kansas Eligibility Enforcement System but Were Available in the Social Security Administration's Death Master File

We determined that the 100 capitation payments in our stratified random sample, totaling $192,991 ($108,657 Federal share), made on behalf of beneficiaries who had a date of death recorded in the DMF that preceded the service period covered by the monthly capitation payment, but who did not have a date of death recorded in the KEES, were unallowable.

We used date-of-death information from Accurint, the State agency's Office of Vital Statistics, and obituaries to confirm that the dates of death in the DMF were correct for all 100 sampled capitation payments. We also provided the 10,894 capitation payments (from which we drew our sample) to the State agency along with the results of our analysis of the 100 statistically sampled capitation payments. The State agency reviewed our results and agreed that the 100 sampled capitation payments had been made on behalf of beneficiaries whose dates of death preceded the service periods covered by these monthly capitation payments. Therefore, on the basis of our sample results, we estimated that the State agency made unallowable capitation payments totaling at least $14,648,662 ($8,264,519 Federal share).

The State Agency Did Not Have Adequate Controls To Include Adequate Policies and Procedures

Contractual agreements between the State agency and the MCOs provide for the recovery of capitation payments made after the beneficiaries' deaths. However, it is the State agency's

[8] We used OIG, Office of Audit Services (OAS), statistical software to randomly select the beneficiaries.

[9] Accurint is a LexisNexis data depository that contains more than 65 billion records from more than 10,000 data sources. Accurint's identity repository contains death records from multiple sources, including the DMF, State deceased records, and other proprietary sources.

responsibility to ensure that the capitation payments for deceased beneficiaries are not made, and that any capitation payments made for a deceased beneficiary are recovered from the MCO.

The State agency made these unallowable capitation payments on behalf of deceased beneficiaries because it did not have adequate controls, to include adequate policies and procedures, in place. Although the State agency's KEES regularly interfaced with Federal data sources and created tasks to update beneficiary eligibility, the inadequate controls permitted the errors we identified to occur. Specifically, for causes that the State agency said it could not identify: (1) the KEES did not always generate a task to update deceased beneficiaries' eligibility; (2) State agency employees did not always complete eligibility updates in cases when the KEES had generated a task to do so; and (3) a system update to the KEES that occurred in April 2018 (during our audit period) resulted in miscommunication within the State agency staff as to whether some deceased beneficiaries' eligibility had been updated.

THE STATE AGENCY OVERREPORTED MEDICAID EXPENDITURES TO CMS DURING THE AUDIT PERIOD

The State Agency Determined That It Had Previously Overreported Capitation Payments Related to Prior-Period Adjustments

Section 1902(a)(6) of the Act states that a State plan for medical assistance must "provide that the State agency will make such reports, in such form and containing such information, as the Secretary [of Health and Human Services] may from time to time require, and comply with such provisions as the Secretary may from time to time find necessary to assure the correctness and verification of such reports." CMS requires States to report Medicaid expenditures each quarter on the Form CMS-64, which is "the State's accounting of actual recorded expenditures" and which "may not be reported on the basis of estimates" (42 CFR § 430.30(c)). CMS provides guidance to all State Medicaid agencies to report expenditures for a prior Form CMS-64 as a prior-period adjustment (*State Medicaid Manual*, CMS Pub. 45, §§ 2500(C) and 2500.2(F)).

In addition to the unallowable capitation payments made on behalf of deceased beneficiaries, the State agency overreported Medicaid expenditures to CMS during the audit period. The State agency identified that it had incorrectly reported prior-period adjustments to Medicaid expenditures on previously submitted Forms CMS-64. The State agency identified these overreported capitation payments when, during our audit and at our request (Appendix A), it reconciled the capitation payments made to the MCOs (for which it had claimed Federal reimbursement) to the total Medicaid expenditures reported to CMS during the audit period.

Specifically, during the audit period, the State agency used reports provided by DXC, its fiscal agent, to calculate the Medicaid expenditures to report on the Forms CMS-64. During the audit, we requested that the State agency reconcile all capitation payments made to the MCOs to the reports provided by DXC and to the capitation payments reported to CMS. During this reconciliation, the State agency determined that it was not properly reporting prior-period

adjustments to expenditures because it was not properly using the reports that DXC had provided. After reviewing DXC's reports, conducting the reconciliation that we had requested, and coordinating with us, the State agency determined that it had previously overreported capitation payments totaling $2,060,028 ($1,168,819 Federal share) that were related to prior-period adjustments.

The State Agency's Policies and Procedures Were Not Adequate

These errors occurred because the State agency's policies and procedures were not adequate to ensure that it included all of the information that DXC had provided on Medicaid capitation payments when the State agency calculated prior-period adjustments to report on the Forms CMS-64. The State agency therefore reported prior-period adjustments using incorrect information for multiple reporting quarters, which resulted in the overreporting of $2,060,028 in net positive prior-period adjustments to Medicaid expenditures.

RECOMMENDATIONS

We recommend that the State agency:

- refund $10,930,063 to the Federal Government, consisting of:
    - $1,496,725 (Federal share) of capitation payments made on behalf of deceased beneficiaries who had a date of death recorded in the KEES,
    - $8,264,519 (Federal share) of capitation payments made on behalf of deceased beneficiaries who did not have a date of death recorded in the KEES but who did have a date of death recorded in the DMF, and
    - $1,168,819 (Federal share) in overreported Medicaid expenditures that were related to prior-period adjustments;
- recover unallowable capitation payments totaling $2,667,316 that were made to MCOs during our audit period on behalf of deceased beneficiaries who did have a date of death recorded in the KEES;
- identify and recover unallowable capitation payments made to MCOs during our audit period on behalf of deceased beneficiaries who did not have a date of death recorded in the KEES but who did have a date of death recorded in the DMF, which we estimate to be at least $14,648,662;
- identify and recover unallowable capitation payments made on behalf of deceased beneficiaries before and after our audit period and repay the Federal share of any amounts recovered;

- strengthen internal controls, to include strengthening policies and procedures and enhancing training on the research and application of date-of-death information and other eligibility data, to ensure that the State agency's KEES is accurately updated based on information provided by Federal data sources, that the KEES generates tasks to update eligibility status of deceased beneficiaries, and that all eligibility update tasks are completed in a timely manner by State agency staff; and

- strengthen policies and procedures for the accurate reporting of all Medicaid expenditures, to include prior-period adjustments, to CMS.

STATE AGENCY COMMENTS

In written comments on our draft report, the State agency did not directly address our recommendations but stated that our analysis "resulted in legitimate findings of incorrect capitation payments." The State agency also described corrective actions it had taken or planned to take, to include:

- reviewing MCO memberships for current MCOs, refunding the Federal share of unallowable capitation payments made during our audit period, and conducting manual adjustments for a previous MCO (Amerigroup);

- creating a task force to address our recommendations;

- reviewing capitation payments back to January 1, 2013, reconciling database discrepancies, and performing automated and manual refunds of the Federal share of unallowable capitation payments;

- working with the Kansas Bureau of Vital Statistics to identify potentially deceased beneficiaries by reviewing beneficiaries with lengthy periods of non-utilization of services;

- designing and using a monitoring process to confirm that eligibility and payment systems are interfacing properly; and

- providing for senior leadership oversight, including monthly updates, of all activities.

The State agency's comments appear in their entirety as Appendix E.

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

Our audit covered 12,277 capitation payments totaling $18,256,108 made by the State agency to MCOs on behalf of 1,090 beneficiaries whose dates of death, as recorded in one or more of the data sources we consulted, preceded the monthly service periods of January 1, 2017, through December 31, 2019 (audit period; footnote 6). Of the 12,277 capitation payments, we identified 1,383 capitation payments totaling $2,667,316 that were made on behalf of 237 beneficiaries whose dates of death recorded in the KEES preceded the service periods covered by the monthly capitation payments, and 10,894 capitation payments totaling $15,588,792 that were made on behalf of 853 beneficiaries who did not have a date of death recorded in the KEES but who did have a date of death recorded in the DMF that preceded the service period covered by the monthly capitation payment.

We then reviewed a total of 1,483 capitation payments totaling $2,860,307 ($1,605,383 Federal share (footnote 7)). Specifically, we reviewed:

- all 1,383 capitation payments, totaling $2,667,316 ($1,496,725 Federal share), made on behalf of 237 beneficiaries who had a date of death recorded in the KEES that preceded the service period covered by the monthly capitation payment, and determined the total amount and Federal share of the unallowable capitation payments; and

- a stratified random sample of 100 capitation payments, totaling $192,991 ($108,657 Federal share), selected from the 10,894 capitation payments totaling $15,588,792 made on behalf of 853 beneficiaries who did not have a date of death recorded in the KEES but who did have a date of death recorded in the DMF that preceded the service period covered by the monthly capitation payment; and we used these sample results to estimate the total amount and Federal share of the unallowable capitation payments.

We assessed internal controls and compliance with laws and regulations necessary to satisfy the audit objective. In particular, we assessed the control activities designed and implemented to prevent and detect capitation payments made to MCOs on behalf of deceased beneficiaries. However, because our audit was limited to this internal control component and underlying principles, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit.

We performed our audit work from December 2019 to July 2021.

METHODOLOGY

To accomplish our objective, we:

- reviewed applicable Federal and State laws, regulations, and guidelines;

- gained an understanding of the State agency's internal controls over preventing, identifying, and correcting payments after a beneficiary's death;

- reviewed the State agency's contracts with the MCOs for the audit period;

- obtained from the State agency a file of capitation payments made to MCOs on behalf of Medicaid beneficiaries for the audit period;

- requested that the State agency reconcile: (1) the 17,310,416 capitation payments totaling $9,674,639,715 that it made to MCOs during the audit period to (2) the Forms CMS-64 that the State agency had prepared and submitted to CMS;

- matched the capitation payment data to the DMF and created the following lists of capitation payments that the State agency made to MCOs on behalf of 1,090 beneficiaries whose dates of death preceded the months in which the capitation payments were made:

    - 1,383 capitation payments totaling $2,667,316 ($1,496,725 Federal share) made on behalf of 237 beneficiaries who had a date of death recorded in the DMF that preceded the service period covered by the monthly capitation payment and who had a date of death recorded in the KEES that did not always agree with the information in the DMF, and

    - 10,894 capitation payments totaling $15,588,792 that were made on behalf of 853 beneficiaries who had a date of death recorded in the DMF that preceded the service period covered by the monthly capitation payment but who did not have a date of death recorded in the KEES (Appendix C);

- from the 237 beneficiaries who had a date of death recorded in the KEES that preceded the service period covered by capitation payments during the audit period (described in the previous bullet), identified 195 beneficiaries who had identical dates of death recorded in both the DMF and the KEES, then randomly selected and reviewed 30 of the 195 beneficiaries as well as all 42 beneficiaries whose dates of death in the DMF and the KEES were not the same; then, to assess the reliability of the date-of-death information in the KEES and the DMF, we:

    - confirmed that the dates of death recorded in the DMF were supported by an additional data source (other than the KEES) and

    - used date-of-death information from Accurint, the State agency's Office of Vital Statistics, and obituaries to confirm the dates of death for all 72 of the beneficiaries we reviewed in this portion of our methodology;

- reviewed all 1,383 capitation payments totaling $2,667,316 ($1,496,725 Federal share) made on behalf of 237 beneficiaries whose dates of death recorded in the KEES preceded the service periods covered by the monthly capitation payments;

- from the 10,894 capitation payments totaling $15,588,792 made on behalf of beneficiaries who did not have a date of death recorded in the KEES, selected for review a stratified random sample of 100 capitation payments totaling $192,991 ($108,657 Federal share);

- for each sampled capitation payment, obtained current documentation from the State agency to support:

    - the beneficiaries' first and last names, Social Security numbers (SSNs), dates of birth (ensuring that the information matched the DMF), and Medicaid identification numbers;

    - whether the MMIS identified the beneficiaries' dates of death;

    - that a capitation payment occurred for the capitation payment month (ensuring the accuracy of the paid amount); and

    - whether any adjustments were made for the sampled capitation payments;

- for each of the sampled capitation payments, used Accurint, the State agency's Office of Vital Statistics, and obituaries as alternative data sources to independently confirm the dates of death on file with the DMF;

- for each of the sampled capitation payments, determined the Federal share of the unallowable payments made after a beneficiary's death by:

    - obtaining the annual FMAP rates from the Federal Register,

    - obtaining the FMAP rates from the State agency for each beneficiary for whom a payment was sampled and matched the applicable rates to those corresponding capitation payments reviewed using the date each payment was made, and

    - calculating the Federal payment by multiplying the payments by the applicable FMAP rate;

- determined the total amount and Federal share of the 1,383 unallowable capitation payments made on behalf of deceased beneficiaries who had a date of death recorded in the KEES that preceded the service period covered by the monthly capitation payment;

- used OIG, Office of Audit Services (OAS), statistical software to estimate the total amount and Federal share of unallowable capitation payments made on behalf of deceased beneficiaries who did not have a date of death recorded in the KEES but who did have a date of death recorded in the DMF that preceded the service period covered by the monthly capitation payment; and

- provided State agency officials with data supporting the results of our findings, solicited the State agency's input on these findings to determine their causes, and discussed the results of our audit with State agency officials on March 30, 2021.

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

APPENDIX B: RELATED OFFICE OF INSPECTOR GENERAL REPORTS

Report Title	Report Number	Date Issued
North Carolina Made Capitation Payments to Managed Care Entities After Beneficiaries' Deaths	A-04-16-00112	9/25/20
The New York State Medicaid Agency Made Capitation Payments to Managed Care Organizations After Beneficiaries' Deaths	A-04-19-06223	7/27/20
Michigan Made Capitation Payments to Managed Care Entities After Beneficiaries' Deaths	A-05-17-00048	2/14/20
The Indiana State Medicaid Agency Made Capitation Payments to Managed Care Organizations After Beneficiaries' Deaths	A-05-19-00007	1/29/20
The Minnesota State Medicaid Agency Made Capitation Payments to Managed Care Organizations After Beneficiaries' Deaths	A-05-17-00049	10/1/19
Illinois Medicaid Managed Care Organizations Received Capitation Payments After Beneficiaries' Deaths	A-05-18-00026	8/20/19
Georgia Medicaid Managed Care Organizations Received Capitation Payments After Beneficiaries' Deaths	A-04-15-06183	8/9/19
California Medicaid Managed Care Organizations Received Capitation Payments After Beneficiaries' Deaths	A-04-18-06220	5/7/19
Ohio Medicaid Managed Care Organizations Received Capitation Payments After Beneficiaries' Deaths	A-05-17-00008	10/4/18
Wisconsin Medicaid Managed Care Organizations Received Capitation Payments After Beneficiaries' Deaths	A-05-17-00006	9/27/18

Report Title	Report Number	Date Issued
Tennessee Managed Care Organizations Received Medicaid Capitation Payments After Beneficiary's Death	A-04-15-06190	12/22/17
Texas Managed Care Organizations Received Medicaid Capitation Payments After Beneficiary's Death	A-06-16-05004	11/14/17
Florida Managed Care Organizations Received Medicaid Capitation Payments After Beneficiary's Death	A-04-15-06182	11/30/16

APPENDIX C: STATISTICAL SAMPLING METHODOLOGY

SAMPLING FRAME

Our sampling frame consisted of 10,894 net capitation payments totaling $15,588,792 that were made on behalf of beneficiaries who did not have a date of death recorded in the KEES for 2017 through 2019.

SAMPLE UNIT

The sample unit was a net monthly capitation payment.

SAMPLE DESIGN AND SAMPLE SIZE

We used a stratified random sample as depicted in Table 1:

Table 1: Strata Based on Medicaid Capitation Payments Without a Date of Death Recorded in the KEES

	Frame Information			
Stratum	**Payment Range**	**Number of Net Capitation Payments**	**Amount of Payments**	**Sample Size**
1	$92.68 to $1,443.20	4,950	$4,851,348	34
2	$1,449.71 to $1,750.92	5,034	7,697,211	33
3	$1,759.87 to $10,097.34	910	3,040,233	33
	Totals	**10,894**	**$15,588,792**	**100**

SOURCE OF RANDOM NUMBERS

We generated the random numbers using the OIG, OAS, statistical software.

METHOD OF SELECTING SAMPLE UNITS

We consecutively numbered the sample units within strata 1 through 3. After generating the random numbers for each stratum, we selected the corresponding sample units in the sampling frame.

ESTIMATION METHODOLOGY

We used the OIG, OAS, statistical software to estimate the total value and Federal share of unallowable payments in our sampling frame made on behalf of beneficiaries who did not have

a date of death recorded in the KEES. To be conservative, we recommend recovery of overpayments at the lower limit of a two-sided 90-percent confidence interval. Lower limits calculated in this manner are designed to be less than the actual overpayment total 95 percent of the time.

We identified an additional 1,383 unallowable capitation payments (not in our sampling frame), totaling $2,667,316 ($1,496,725 Federal share), made on behalf of 237 beneficiaries whose dates of death recorded in the KEES and in the DMF preceded the service periods covered by the capitation payments. We added the estimated total and Federal share of unallowable capitation payments for the statistical sample to the total and Federal share of the additional 1,383 unallowable capitation payments to obtain the estimated value of unallowable capitation payments (Appendix D).

APPENDIX D: SAMPLE RESULTS AND ESTIMATES

Table 2: Total Sample Results

Stratum	Number of Payments in Frame	Value of Frame	Sample Size	Value of Sample	Number of Unallowable Payments	Value of Unallowable Payments
1	4,950	$4,851,348	34	$32,914	34	$32,914
2	5,034	7,697,211	33	50,167	33	50,167
3	910	3,040,233	33	109,910	33	109,910
Total	**10,894**	**$15,588,792**	**100**	**$192,991**	**100**	**$192,991**

Table 3: Estimated Value of Unallowable Payments

Description	Total Amount			Federal Share		
	Lower Limit	Point Estimate	Upper Limit	Lower Limit	Point Estimate	Upper Limit
Estimated Value of Unallowable Payments in the Sampling Frame (Limits Calculated at the 90-percent Confidence Level)[10]	$14,648,662	$15,475,471	$15,588,792	$8,264,519	$8,733,972	$9,203,424
Value of 1,383 Additional Unallowable Payments Outside Sampling Frame	$2,667,316	$2,667,316	$2,667,316	$1,496,725	$1,496,725	$1,496,725
Total Estimated Unallowable Payments	$17,315,978	$18,142,787	$18,256,108	$9,761,244	$10,230,697	$10,700,149

[10] The upper limit calculated using the OIG, OAS, statistical software for the total overpayment amount was $16,302,281. We adjusted this estimate downward to reflect the known value of the sampling frame.

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Lee A. Norman, M.D., Secretary

Laura Kelly, Governor

August 20, 2021

Audit Number: A-07-20-05125

Christopher L. Holder, CFE
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Good afternoon, Chris. We hope this correspondence finds you well.

All appropriate stakeholders at Kansas Medicaid have had an opportunity to review and comment on HHS/OIG draft A-07-20-05125, which reports findings of your agency's audit of the continuation of capitation payments following members' deaths. Thank you for allowing us time to examine the document. We have no remarks, comments, or requests for change to the report.

The OIG analysis of our eligibility systems, processes, procedures, and quality activities, resulted in legitimate findings of incorrect capitation payments. We are pleased to report to you below, the actions we are taking to correct our shortfalls and to improve accuracy moving forward:

1. Memberships identified during the audit review period have been corrected and federal shares fully refunded for the current MCOs. Amerigroup memberships have been corrected and capitation data sent to our Finance team for manual refunds on the Q3 2021 CMS-64. A report to you of members/dollars to follow this communication.
2. A cross-team task force was created to address OIG recommendations by designing and implementing internal corrective action plans. Members from the Audit, Eligibility Quality, and IT teams meet weekly to discuss accomplishments and next steps.
3. We initiated a lookback project from the original KanCare effective date (Jan. 1, 2013) to current day and identified members with dates of death in our eligibility database but not in our capitation payments database. Mass clean-up has begun. Automated refunds of federal capitation dollars will ensue for our current MCOs and manual refunds will be generated by our Finance team for Amerigroup members, to be reported on the Q3 2021 CMS-64.
4. We will also begin continuing projects to review members with lengthy non-utilization of services as a data research criterion for use in identifying potentially deceased members. We have engaged in partnership with the Kansas Bureau of Vital Statistics to assist in this research.
5. A monitoring process has been designed to confirm our eligibility and payment systems are interfacing properly. Additionally, procedures are in place to conduct post-date of death queries to confirm capitation payments ceased on the appropriate date.
6. Senior leadership oversees all activities. They are formally updated monthly, with additional periodic check-ins to provide guidance and assist with troubleshooting.

We realize the publication of your formal report will bring a close to this audit, but our work will continue. Please reach out any time in the future with questions or for updates. Our thanks to you and Owen for creating a sense of partnership and positivity during this lengthy and comprehensive audit.

Respectfully,

Donna

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