Department of Health and Human Services
Office of Inspector General
Office of Audit Services

September 2026 | OAS-25-02-074

New York Made Unallowable Managed Care Capitation Payments on Behalf of Incarcerated Medicaid Enrollees

REPORT HIGHLIGHTS

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Why OIG Did This Audit

- New York pays managed care organizations to make services available to eligible Medicaid enrollees in return for a monthly fixed payment (capitation payment) for each enrollee.
- Previous audits found that State Medicaid agencies made unallowable capitation payments on behalf of incarcerated Medicaid enrollees.
- We conducted this audit to determine whether New York made unallowable capitation payments on behalf of incarcerated Medicaid enrollees and to identify the dollar amount of any unallowable capitation payments that were not recovered. We reviewed capitation payments the State agency made to MCOs on behalf of 1,375 incarcerated enrollees.

What OIG Found

- New York made unallowable capitation payments totaling $7,551,670 ($6,164,734 Federal share) on behalf of all 1,375 incarcerated Medicaid managed care enrollees in our audit.

What OIG Recommends

We made two recommendations to New York: that it refund $6,164,734 (Federal share) for unallowable capitation payments on behalf of incarcerated enrollees and that it strengthen its policies and procedures to identify incarcerated individuals enrolled in Medicaid managed care. The full recommendations are in the report.

New York did not indicate concurrence or nonconcurrence with our recommendations but detailed steps it has taken and plans to take in response to our recommendations.

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INTRODUCTION

WHY WE DID THIS AUDIT

The New York State Department of Health (State agency) pays managed care organizations (MCOs) a monthly fixed payment (capitation payment) for each eligible Medicaid enrollee to make Medicaid services available.[1] Previous audits found that State Medicaid agencies made unallowable managed care capitation payments on behalf of incarcerated Medicaid enrollees.[2] It was determined that these States did not always suspend or terminate managed care enrollment for Medicaid enrollees while they were incarcerated, permitting the unallowable capitation payments to occur. OIG is conducting a series of audits of unallowable managed care capitation payments on behalf of incarcerated Medicaid enrollees.[3] We are concerned that issues similar to those identified in previous audits could continue to negatively impact New York's Medicaid program.

OBJECTIVE

Our objective was to determine whether the State agency made unallowable capitation payments to Medicaid MCOs on behalf of individuals incarcerated in State prisons and to identify the dollar amount of any unallowable capitation payments made on behalf of incarcerated enrollees that were not recovered.

BACKGROUND

The Medicaid Program

The Medicaid program provides medical assistance to certain 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 each State has considerable flexibility in designing and operating its Medicaid program, it must comply with applicable Federal requirements.

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

[2] Ohio Auditor of State, *Ohio Department of Medicaid Improper Capitation Payments*, Dec. 28, 2021. OIG, *Illinois Made Unallowable Managed Care Capitation Payments on Behalf of Incarcerated Medicaid Enrollees*, (A-05-24-00019), issued Dec. 18, 2025.

[3] OIG Audit Series: *Medicaid Managed Care Capitation Payments on Behalf of Incarcerated Enrollees*, announced July 15, 2024.

States may offer Medicaid benefits on a fee-for-service (FFS) basis, through managed care plans, or both.[4] Under the FFS model, the State pays providers directly for each covered service received by a Medicaid enrollee. Under managed care, the State pays a fee to an MCO for each person enrolled in the plan. State Medicaid managed care programs are intended to increase access to and improve the quality of health care for Medicaid enrollees.

States contract with MCOs to make services available to Medicaid enrollees, usually in return for a monthly capitation payment. In turn, the MCO pays providers for all the Medicaid services an enrollee may require that are included in the MCO's contract with the State. States make the capitation payments regardless of whether the enrollees receive services during the period covered by the payment. If an enrollee's enrollment is not suspended or terminated, capitation payments may continue automatically. States report these capitation payments 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 under Medicaid based on the rate of Federal Financial Participation (FFP), which is reflected by the Federal medical assistance percentage (FMAP) and varies depending on the State's relative per capita income as calculated by a defined formula (42 CFR § 433.10).

During most of the period from January 1, 2021, through December 31, 2024 (audit period), the base FMAP in New York was 56.2 percent, which includes the 6.2-percentage-point increase provided under the Families First Coronavirus Response Act (FFCRA).[5] Because of the Patient Protection and Affordable Care Act's Medicaid expansion, payments for "newly eligible" adults were reimbursed at a 100-percent FMAP beginning 2014 through 2016, gradually declining to 90 percent by 2020 and continuing at 90 percent thereafter (the Act § 1905(y)).

Transformed Medicaid Statistical Information System

CMS maintains the Transformed Medicaid Statistical Information System (T-MSIS). Its primary purpose is to be an accurate, current, and comprehensive database of standardized enrollment, eligibility, and paid claim data about Medicaid enrollees that is used for administering Medicaid federally and assisting in detecting fraud, waste, and abuse in Medicaid.

T-MSIS contains enhanced information about enrollee eligibility, enrollee and provider enrollment data, service utilization data, claim and managed care data, and expenditure data. Timeliness issues prompted CMS to move toward a streamlined data submission process, along with an enhanced data repository. The T-MSIS data help to further CMS's goals with improved timeliness, reliability, and robustness, as well as an increase in the amount of data requested. States submit their T-MSIS data to CMS monthly. OIG has full access to T-MSIS data for all States.

[4] We limited our audit to managed care capitation payments.

[5] During fiscal years 2021 through 2023, the base FMAP in New York was 56.2 percent. However, in fiscal year 2024, the percentage decreased to 50 percent due to the end of the COVID-19 Public Health Emergency.

Federal Requirements

Federal regulations define an inmate of a public institution as "a person who is living in a public institution" and define a public institution as "an institution that is the responsibility of a governmental unit or over which a governmental unit exercises administrative control." A public institution includes a correctional institution. Medical institutions, along with several other settings, are excluded from the definition of a public institution.[6]

CMS considers an individual of any age to be an inmate if the individual is in custody and held involuntarily in a public institution through operation of law enforcement authorities. Correctional institutions include State or Federal prisons, local jails, detention facilities, or other penal settings (e.g., boot camps, wilderness camps). While correctional institutions may provide medical and related services, they are organized for the primary purpose of involuntary confinement and are not considered medical institutions. Inmates of a public institution who are held involuntarily may be enrolled in Medicaid, but States may not receive FFP for Medicaid covered services unless the inmate is an inpatient in a medical institution.[7, 8]

In guidance issued before our audit period, CMS noted that States should consider placing the eligibility of a Medicaid-enrolled inmate in a suspended status upon incarceration and/or setting up claim processing markers and edits to ensure that FFP for inmates is claimed only for Medicaid covered inpatient services delivered to inmates in a medical institution. Suspension of Medicaid benefits stops Medicaid coverage for enrollees who become incarcerated, in compliance with the inmate FFP exclusion.[9] The suspension is lifted once the individual is released from the correctional facility.

For States to receive the FFP increase during the COVID-19 Public Health Emergency (PHE), they were required by section 6008(b)(3) of the FFCRA, as amended by the Consolidated Appropriations Act, 2023, to provide continuous coverage to most Medicaid enrollees who were enrolled on or after March 18, 2020, through March 31, 2023. However, the FFCRA did

[6] 42 CFR § 435.1010.

[7] Vikki Wachino, Director, Center for Medicaid & CHIP Services, CMS, (SHO) letter 16-007: To Facilitate successful reentry for individuals transitioning from incarceration to their communities, letter to State health officials (Apr. 28, 2016). Accessed on June 11, 2026.

[8] 42 CFR §§ 435.1009, 435.1010, and section 1905(a)(30)(A) of the Act. During our audit period, this provision was renumbered and is currently found at section 1905(a)(32)(A) of the Act. Further, effective Jan. 1, 2025 (which was after our audit period), the Consolidated Appropriations Act, 2023 removed the inmate FFP exclusion for certain services provided to eligible incarcerated juveniles who are within 30 days of their release and for the full range of Medicaid covered services provided to eligible incarcerated juveniles while pending disposition of charges.

[9] Effective Jan. 1, 2026, the Consolidated Appropriations Act, 2024 prohibits States from terminating an individual's Medicaid eligibility because the individual is an inmate of a public institution but allows States to suspend coverage during the period the individual is an inmate. This prohibition was in place before the audit period for eligible incarcerated juveniles under the Substance Use-Disorder Prevention that Promotes Opioid Recovery and Treatment for Patients and Communities Act.

not supersede the limitation on FFP for inmates of a public institution, and FFP for inmates continued to be limited to covered inpatient services.[10]

State Requirements

New York State requirements indicate that individuals may not receive medical assistance if they are residents of a public institution, unless the public institution is: (1) an emergency shelter for the homeless, (2) a home for adults operated by a local social services district, or (3) a residential care center for adults operated by or certified by New York's Office of Mental Health.[11]

Additionally, the State requires that when a local social services district receives an application on behalf of a prison inmate who meets the conditions for medical parole, the social services district must determine the inmate's eligibility prior to the inmate's release. However, the inmate will not be eligible to receive medical assistance until after his or her release from prison.[12]

New York Medicaid Managed Care Program

The State agency is the single State Medicaid agency responsible for administering Medicaid in New York. The State agency provides individuals in New York access to health care, including, but not limited to, medical, dental, mental health, and substance use treatment services. During our audit period, approximately 76 percent of New York's Medicaid population received benefits through MCOs under contract with the State agency.

According to New York's Medicaid managed care contracts, the State agency shall disenroll individuals from managed care coverage when it is made aware that an enrollee is incarcerated in a New York State Department of Corrections and Community Supervision (DOCCS) facility. Disenrollment shall take effect on the first day of the first full month in which the enrollee was incarcerated. Capitation payments to MCOs will be adjusted for retroactive disenrollment of enrollees.

New York State Department of Corrections Prison Data Match and Medicaid Managed Care Enrollment Suspension

DOCCS is responsible for providing medical care to incarcerated individuals at State correctional facilities. The State agency may seek FFP, to the extent allowable and with the cooperation of DOCCS for the costs of those services.

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[10] CMS, *COVID-19 Frequently Asked Questions (FAQs) for State Medicaid and Children's Health Insurance Program (CHIP) Agencies*, Jan. 6, 2021. Accessed on June 11, 2026.

[11] Title 18, § 360-3.4(a)(1) of the New York Compilation of Codes, Rules and Regulations (NYCRR).

[12] 18 NYCRR § 360-3.4(c).

In addition, DOCCS works collaboratively with the State agency in administering Medicaid enrollment during a period of incarceration. The collaboration includes managing Medicaid eligibility processing and sharing information to inform the State agency that a Medicaid enrollee has been detained or incarcerated. The State agency resumes responsibility for providing medical assistance upon release of the inmate to the community.[13]

The State agency used an automated process to identify incarcerated individuals who are receiving Medicaid. During this process, the New York State Office of Temporary and Disability Assistance, on behalf of the State agency, received monthly electronic notifications of incarcerations from DOCCS. These files are then matched monthly against the Welfare Management System (WMS) to identify active Medicaid recipients who became incarcerated in a DOCCS facility. Individuals who are identified as incarcerated and still receiving Medicaid benefits are assigned a specific coverage code to maintain Medicaid eligibility that limits Medicaid payments to inpatient hospital services provided off the grounds of the correctional facility.

As part of the State agency's automated process with DOCCS, a data match was done to identify individuals who are either currently incarcerated, who are 30 days from being released from prison, and when an individual is released from prison. The State agency used multiple combinations of an individual's demographic information to identify matches that included individuals':

- First name
- Last name
- Social Security number (SSN)
- Date of birth
- Gender
- Medicaid identification number

Managed care suspension and reinstatement of coverage is a shared responsibility between the State agency and its local departments of social services. As part of the State agency's internal processes to ensure that incarcerated individuals enrolled in Medicaid managed care are identified and properly disenrolled, New York's Office of Medicaid Inspector General (OMIG) regularly conducts audits to identify any Medicaid overpayments.

HOW WE CONDUCTED THIS AUDIT

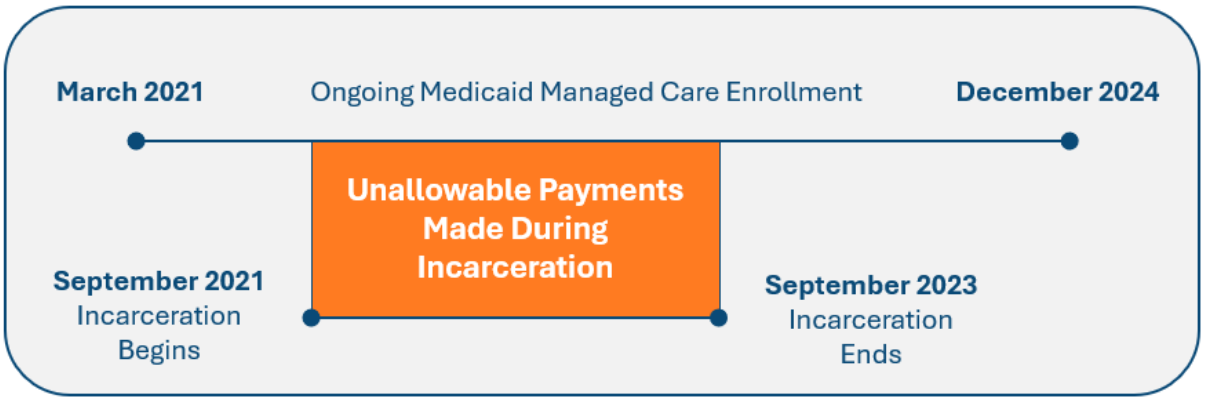
Our audit covered $7.6 million ($6.2 million Federal share) in New York Medicaid managed care capitation payments during our audit period, that the State agency made on behalf of 1,375 incarcerated Medicaid enrollees. To identify our population of capitation payments made by the State agency, we compared DOCCS prison data to New York's T-MSIS data by matching the

[13] New York State Department of Health Administrative Directive, *Maintaining Medicaid Eligibility for Incarcerated Individuals*, Apr. 21, 2008. Accessed on June 11, 2026.

enrollees' SSNs, dates of birth (DOBs), and names. Our match compared the enrollees' Medicaid managed care capitation payment service dates to the enrollees' incarceration beginning and end dates in the DOCCS prison data.

The figure below illustrates an example of a typical match we identified. In this example, the enrollee's managed care enrollment started in March 2021 and was still active as of December 2024. The enrollee's incarceration started in September 2021 and ended in September 2023. This match identified 23 consecutive months of unallowable managed care capitation payments that were made on behalf of the incarcerated Medicaid enrollee.[14]

Figure: Example of an Incarcerated Medicaid Managed Care Enrollment Match



To determine whether the State agency made managed care payments on behalf of incarcerated New York Medicaid enrollees, we reviewed all 1,375 incarcerated Medicaid enrollees with capitation payments totaling $7,551,670 ($6,164,734 Federal share). Using the results of our review, we calculated the total value and Federal share of unallowable capitation payments that the State agency made on behalf of enrollees who were incarcerated.

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 the details of our audit scope and methodology.

[14] A Medicaid enrollee is generally eligible for managed care for an entire month at a time. To account for months with overlapping incarceration and allowable Medicaid managed care enrollment, our data match excluded the capitation payments for the months the enrollee was admitted and released from incarceration. In this example, only the capitation payments during October 2021 through August 2023 were included in our data match.

FINDINGS

The State agency made unallowable managed care capitation payments on behalf of incarcerated Medicaid enrollees during our audit period. Of the 1,375 enrollees in our review, we determined that the State agency made unallowable capitation payments totaling $7,551,670 ($6,164,734 Federal share) on behalf of all 1,375 incarcerated Medicaid enrollees.[15]

We determined that the State agency did not always disenroll individuals from Medicaid managed care after receiving notification that an enrollee was incarcerated. Specifically, the State agency indicated that there were system limitations and overrides for the enrollment status of incarcerated Medicaid enrollees during the PHE that led to unallowable capitation payments. Additionally, if the enrollee's demographic information that the State agency used to compare DOCCS prison data to Medicaid enrollment data in the WMS was not an exact match, the State agency did not always identify enrollees who were incarcerated.

THE STATE AGENCY MADE UNALLOWABLE PAYMENTS TO MANAGED CARE ORGANIZATIONS ON BEHALF OF INCARCERATED MEDICAID ENROLLEES

Inmates of a public institution who are held involuntarily may be enrolled in Medicaid.[16] However, according to Federal requirements, States may not receive FFP for Medicaid covered services unless the inmate is an inpatient in a medical institution.[17]

From our review of 1,375 incarcerated Medicaid enrollees, we found that the State agency made unallowable managed care capitation payments for all 1,375 incarcerated Medicaid enrollees, totaling $7,551,670 ($6,164,734 Federal share).

The State Agency Did Not Always Disenroll Incarcerated Enrollees From Medicaid Managed Care

The State agency did not disenroll all 1,375 incarcerated enrollees from Medicaid managed care.[18] The State agency had written policies and procedures that described how it matches

[15] We confirmed the enrollees' Medicaid managed care enrollment and capitation payments using New York's Medicaid Management Information System (MMIS).

[16] Vikki Wachino, Director, Center for Medicaid & CHIP Services, CMS, (SHO) letter 16-007: To Facilitate successful reentry for individuals transitioning from incarceration to their communities, letter to State health officials (Apr. 28, 2016). Accessed on June 11, 2026.

[17] 42 CFR §§ 435.1009 and 435.1010; and section 1905(a)(30)(A) of the Act. During our audit period, this provision was renumbered and is currently found at section 1905(a)(32)(A) of the Act.

[18] We limited our audit to managed care capitation payments. We did not determine whether any inpatient services were received by these 1,375 Medicaid enrollees who remained enrolled in managed care because these services would have been paid through the State agency's FFS program rather than through managed care capitation payments.

certain enrollee demographic information obtained from DOCCS prison data to Medicaid enrollment data in the WMS to identify incarcerated individuals enrolled in Medicaid managed care. However, we determined that the State agency did not always follow its policies and procedures to identify and disenroll incarcerated enrollees from Medicaid managed care.

The State agency received an increased FMAP during the COVID-19 PHE by continuously enrolling individuals in Medicaid through the end of the month in which the PHE ended (continuous enrollment condition). As a result, the State agency indicated that there were system limitations that caused incarcerated enrollees identified by DOCCS prison data to not be disenrolled from Medicaid managed care. Specifically, the State agency instituted overrides to its systems that accounted for the continuous enrollment condition, which prevented some incarcerated enrollees from being disenrolled from Medicaid managed care. As previously stated, the continuous enrollment condition did not supersede the limitation on FFP for inmates of a public institution.

Additionally, the State agency's internal controls did not always identify incarcerated enrollees before making capitation payments to MCOs on their behalf. Specifically, if the enrollee's demographic information that the State agency used to compare DOCCS prison data to Medicaid enrollment data in WMS was not an exact match, the State agency did not always identify enrollees who were incarcerated. Examples of instances where enrollees' demographic data contained minor differences that led to unidentified incarcerations of Medicaid enrollees include a space in the enrollee's name, a missing suffix, or a typographical error in the enrollee's date of birth.

RECOMMENDATIONS

- We recommend that the State agency refund $6,164,734 (Federal share) for unallowable capitation payments made on behalf of incarcerated Medicaid enrollees.

- We recommend that the State agency strengthen its policies and procedures to: (1) prevent system limitations that may lead to Medicaid capitation payments for incarcerated enrollees and (2) account for minor differences in enrollees' demographic information when matching DOCCS prison data to Medicaid enrollment data in WMS to identify incarcerated individuals enrolled in Medicaid managed care.

STATE AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In written comments on our draft report, the State agency did not indicate concurrence or nonconcurrence with our recommendations but described steps it has taken or plans to take to address them. The State agency detailed its existing oversight activities related to identifying and recovering unallowable capitation payments made on behalf of incarcerated Medicaid enrollees. Additionally, the State agency described how it may develop an enhanced report that identifies mismatches with using lower-probability matching criteria and identifies

individuals with minor demographic discrepancies through manual review. The State agency's comments are included in their entirety as Appendix B.

STATE AGENCY COMMENTS

Regarding our first recommendation, the State agency reported that New York's OMIG is continuing to conduct audits to identify and recover unallowable capitation payments made on behalf of incarcerated Medicaid enrollees. The State agency stated that OMIG is analyzing the capitation payments we identified to confirm the corresponding encounter data and will recover any remaining overpayments. The State agency also indicated that the Federal share of any identified overpayments will be returned via the CMS-64 process and noted that all recoveries remain subject to provider due-process rights.

Regarding our second recommendation, the State agency stated that the system limitations identified during the COVID-19 PHE are no longer expected to occur, as continuous-coverage requirements for certain enrollees have ended. The State agency clarified that it would continue its systematic data-matching process to match DOCCS records with Medicaid enrollment data, but it is exploring development of an enhanced report to identify mismatches using lower-probability matching criteria and identifying individuals with minor demographic discrepancies through manual review.

OFFICE OF INSPECTOR GENERAL RESPONSE

We acknowledge the State agency's actions taken and planned to address our recommendations, including analyzing the unallowable capitation payments we identified to recover overpayments, and exploring the development of an enhanced report that identifies mismatches using lower-probability matching criteria and identifies individuals with minor demographic discrepancies through manual review. While we acknowledge that the State agency already conducts periodic audits to identify and recover unallowable capitation payments, our audit still identified unallowable capitation payments made on behalf of incarcerated enrollees. Therefore, we maintain that our recommendations are valid.

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

Our audit covered $7.6 million in Medicaid managed care capitation payments from January 1, 2021, through December 31, 2024 (audit period), that the State agency made on behalf of 1,375 incarcerated New York Medicaid enrollees. We reviewed all 1,375 incarcerated New York Medicaid enrollees with managed care capitation payments totaling $7,551,670 ($6,164,734 Federal share) to determine whether the State agency made managed care capitation payments on behalf of incarcerated New York Medicaid enrollees during the audit period.

To identify our population of capitation payments the State agency made on behalf of incarcerated Medicaid enrollees, we compared DOCCS prison data to New York's T-MSIS data and matched the enrollees' SSNs, DOBs, and names.

We assessed internal controls and compliance with laws and regulations necessary to satisfy the audit objective. In particular, we assessed the design, implementation, and operating effectiveness of the State agency's internal controls related to control activities and monitoring of capitation payments made on behalf of incarcerated Medicaid enrollees. As part of our internal control review, we reviewed the State agency's policies and procedures for identifying and disenrolling incarcerated enrollees from Medicaid managed care. However, because our review was limited to these aspects of internal control, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit. Any internal control deficiencies we found are discussed in this report.

We conducted our audit work from October 2025 through June 2026.

METHODOLOGY

We took the following steps to accomplish our objective:

- reviewed Federal laws, regulations, and guidance;

- obtained prison data from the DOCCS that contained a list of all incarcerated adults serving a State of New York prison sentence during calendar years 2021 through 2024;

- reviewed the State agency MCO contracts, laws, and policies and procedures that were in effect during the audit period to gain an understanding of the State agency's internal controls over preventing, identifying, and correcting capitation payments that were made on behalf of incarcerated Medicaid enrollees;

- identified sources that the State agency used to identify enrollees who were incarcerated;

- matched the DOCCS prison data to New York's T-MSIS data and identified 1,375 incarcerated Medicaid enrollees with managed care capitation payments, totaling $7,551,670 ($6,164,734 Federal share), in the audit period;

- reviewed all 1,375 incarcerated Medicaid managed care enrollees with capitation payments;

- validated the T-MSIS data for each enrollee by:

    - comparing current enrollee data from the State agency to determine whether the enrollees' Medicaid managed care enrollment information was accurate and

    - comparing current capitation payment data from the State agency to determine whether a capitation payment occurred and whether any subsequent adjustments were made;

- reviewed enrollees' MMIS information, DOCCS prison information, and other supporting documentation to determine whether the capitation payments were allowable;

- calculated, based on the results of our review, the total value and Federal share of capitation payments that the State agency made on behalf of incarcerated Medicaid enrollees; and

- discussed the results of our audit with State agency officials.

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: STATE AGENCY COMMENTS

NEW YORK STATE | Department of Health

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August 20, 2026

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Ref. No: OAS-25-02-074

Dear Jennifer Webb:

Enclosed are the New York State Department of Health's comments on the United States Department of Health and Human Services, Office of Inspector General's Draft Audit Report OAS-25-02-074 entitled, "New York Made Unallowable Managed Care Capitation Payments on Behalf of Incarcerated Medicaid Enrollees."

Thank you for the opportunity to comment.

Sincerely,

Johanne E. Morne

Johanne E. Morne, M.S.
Executive Deputy Commissioner

Enclosure

cc: Melissa Fiore
Amir Bassiri
Jacqueline McGovern
Jennifer Danz
James Dematteo
James Cataldo
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New York State Department of Health
Comments on the Department of Health and Human Services Office of Inspector General Draft Audit Report OAS-25-02-074 entitled "New York Made Unallowable Managed Care Capitation Payments on Behalf of Incarcerated Medicaid Enrollees."

The following are the New York State Department of Health's (Department) comments in response to the Department of Health and Human Services, Office of Inspector General (OIG) Draft Audit Report OAS-25-02-074 entitled, "New York Made Unallowable Managed Care Capitation Payments on Behalf of Incarcerated Medicaid Enrollees." Included in the Department's response are the Office of the Medicaid Inspector General's (OMIG) replies to applicable recommendations. OMIG conducts and coordinates the investigation, detection, audit, and review of Medicaid providers and recipients to ensure they are complying with the laws and regulations.

Recommendation #1

We recommend that the State agency refund $6,164,734 (Federal share) for unallowable capitation payments made on behalf of incarcerated Medicaid enrollees.

Response #1

OMIG is continuously performing audits for unallowable capitation payments made on behalf of incarcerated Medicaid enrollees. OMIG continues to perform analysis on the OIG-identified capitation payments to confirm the accuracy of the encounter detail for use in OMIG audit activities. OMIG will recover any identified and remaining overpayments. The federal share of any overpayments identified by OMIG will be refunded to the federal government through the CMS-64 process. Pursuant to State regulations, any identified overpayments OMIG pursues for recovery are subject to the provider's right to due process.

Recommendation #2

We recommend that the State agency strengthen its policies and procedures to (1) prevent system limitations that may lead to Medicaid capitation payments for incarcerated enrollees and (2) account for minor differences in enrollees' demographic information when matching DOCCS prison data to Medicaid enrollment data in WMS to identify incarcerated individuals enrolled in Medicaid managed care.

Response #2

The Department does not anticipate the specific system limitations experienced during the COVID-19 Public Health Emergency (PHE) which were found in this audit to be an issue in the future, as NY has ended the federally mandated rules requiring New York to maintain eligibility during the PHE. In addition, New York no longer has the authority to provide 12 months of continuous coverage for adults who increase their income during their 12-month authorization period. Therefore, New York will no longer be maintaining full coverage for someone who is only enrolled in Medicaid due to continuous coverage provisions.

The Department will continue to systematically match individuals from the Department of Corrections and Community Service (DOCCS) file using last name, first name, Social Security

Number, Client Identification Number (CIN) and date of birth. The Department is exploring the possibility of receiving a report to identify mismatches and lower probability matches between DOCCS and Medicaid enrollment. This report would be manually reviewed data to identify individuals with minor differences in their reported demographic information.

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