

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**TENNESSEE MANAGED CARE
ORGANIZATIONS RECEIVED MEDICAID
CAPITATION PAYMENTS AFTER
BENEFICIARY'S DEATH**

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



Gloria L. Jarmon
Deputy Inspector General
for Audit Services

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Office of Inspector General

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Report in Brief

Date: December 2017

Report No. A-04-15-06190



Why OIG Did This Review

The Tennessee Medicaid Program (TennCare) was established in 1994. TennCare provides health care for approximately 1.3 million Tennesseans and operates with an annual budget of approximately \$11 billion. TennCare enrolls the entire State's Medicaid population in managed care. TennCare pays managed care organizations (MCOs) to provide health care services in return for a monthly fixed payment for each enrolled beneficiary (capitated payment). Previous Office of Inspector General work found that States had made Medicaid fee-for-service and capitation payments for deceased beneficiaries. As a result of these reviews, we conducted a similar review at Tennessee's Division of Health Care Finance and Administration, which administers TennCare.

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

How OIG Did This Review

We reviewed a random sample of 120 capitation payments that Tennessee made to managed care organizations (MCOs) from July 1, 2009, through March 4, 2016, on behalf of deceased beneficiaries. We reviewed supporting documentation to confirm whether the beneficiaries were deceased and the dates on which they had died and limited our review to determining whether MCOs in Tennessee received capitation payments on behalf of beneficiaries whose dates of death (DODs) preceded the payment dates.

Tennessee Managed Care Organizations Received Medicaid Capitation Payments After Beneficiary's Death

What OIG Found

Tennessee did not always stop making capitation payments after a beneficiary's death, despite its efforts to identify and recover any unallowable payments. Of the 120 capitation payments in our random sample selected from payments for beneficiaries whose DODs preceded the payment dates, Tennessee recovered 43 prior to the start of our audit, and 13 were not recoverable. For the remaining 64 payments, Tennessee made unallowable payments totaling \$39,909 (\$27,357 Federal share).

On the basis of our sample results, we estimated that Tennessee made overpayments to MCOs totaling \$2.7 million (\$1.8 million Federal share) during our audit period.

What OIG Recommends and Tennessee Comments

We recommend that Tennessee (1) identify and recover unallowable payments totaling \$2.7 million from MCOs and refund \$1.8 million to the Federal Government, (2) perform monthly reviews of TennCare Medicaid Management Information System (TCMIS) records to ensure that beneficiaries with DODs are removed from TennCare, (3) implement policies and procedures for identifying and correcting inaccurate death information received through its sources of death data, specifically ensuring that differences in the DODs between TCMIS and incoming death records are quickly resolved, and (4) improve its collaborative efforts with State and Federal agencies to identify and resolve inconsistencies in recipient information such as DOD and Social Security Number.

In written comments on our draft report, Tennessee generally concurred with all four of our findings and recommendations and described corrective action plans that it had implemented.

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INTRODUCTION

WHY WE DID THIS REVIEW

The Tennessee Medicaid Program (TennCare) was established in 1994. TennCare provides health care for approximately 1.5 million Tennesseans and operates with an annual budget of approximately \$11 billion. TennCare enrolls the State's entire Medicaid population in managed care. Previous OIG reviews¹ identified internal control weaknesses and lack of documented policies and procedures that contributed to Medicaid state agencies improperly paying for capitation payments on behalf of deceased beneficiaries. As a result of these reviews, we conducted a similar review at Tennessee's Division of Health Care Finance and Administration (State agency), which administers TennCare.

OBJECTIVE

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

BACKGROUND

The Medicaid Program: Administration and Federal Reimbursement

The Medicaid program provides medical assistance to certain low-income beneficiaries and beneficiaries 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.

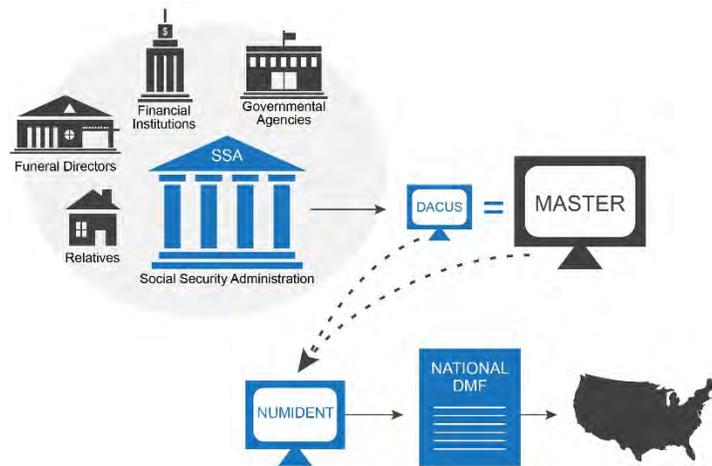
The Medicaid managed care programs are intended to increase access to and improve quality of health care for Medicaid beneficiaries. States contract with managed care entities to provide specific services to enrolled Medicaid beneficiaries in return for a capitation payment. States report capitation payments claimed by Medicaid managed care organizations (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 Tennessee ranged from 64.28 to 76.45 percent.

¹ *Florida MCOs Received Medicaid Capitation Payments After Beneficiary's Death (A-04-15-06182) and Medicaid Payments for Deceased Beneficiaries in Tennessee (A-04-02-07020).*

Social Security Administration: Date of Death Information

The Social Security Administration (SSA) maintains death record information by obtaining death information from relatives of deceased beneficiaries, funeral directors, financial institutions, and governmental agencies (local, State and Federal). SSA processes death notifications through its Death Alert, Control, and Update System (DACUS), which matches the information received from external sources against the Master Beneficiary and Supplemental Security Records.² SSA records the resulting death information in its Numerical Identification System (NUMIDENT).³ SSA then uses information from NUMIDENT to create a national record of death information called the Death Master File (DMF).^{4,5} Reported deaths of people who have SSNs are routinely added to the DMF. SSA can provide a full DMF file to States via a data exchange agreement (Figure 1).

Figure 1: SSA Death Record Information



In comments to a Government Accountability Office (GAO) Medicaid report,⁶ the SSA stated that it has:

data sharing agreements with the States . . . under which we provide death indicators based on our complete (or “full”) death data included with all of our State verifications (i.e., State Verification and Exchange System (SVES),⁷ and

² SSA, *Programs Operations Manual System*, GN 02602.060 (May 13, 2011). The Master Beneficiary Record is an electronic record of all Title II (of the Act) beneficiaries. The Supplemental Security Record is an electronic record of all Title XVI (of the Act) beneficiaries.

³ NUMIDENT contains personally identifiable information for each individual issued a Social Security Number (SSN).

⁴ SSA, *Programs Operations Manual System*, GN 02602.060.B.1 (May 13, 2011).

⁵ SSA maintains death data—including names, SSNs, dates of birth, and States of death—in the DMF for approximately 98 million deceased individuals. The more comprehensive file, referred to as the “full DMF,” is available to certain eligible entities and includes State-reported death data. A subset of the DMF, called the “public DMF,” is available to the public and does not include State-reported death data.

⁶ GAO-15-313, *Additional Actions Needed to Help Improve Provider and Beneficiary Fraud Controls*, May 2015, page 41.

⁷ The SVES is a batch query system that provides States and some Federal agencies with a standardized method of SSN verification and uniform data response. SVES allows States to request information from other SSA exchange systems external to SVES (e.g., BENDEX, (State Data Exchange (SDX)) via the SVES request.

State Online Query (SOLQ)⁸ system). Both SVES and SOLQ systems provide the date of death [(DOD)]. In addition, . . . CMS receives the “full DMF” from us on a weekly basis and could share necessary information with the States to ensure proper payment of Medicaid benefits.

Federal Requirements

A capitation payment is a payment the State agency makes periodically to a contractor on behalf of each beneficiary enrolled under a contract for the provision of medical 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).

Tennessee’s Medicaid Program

TennCare provides health insurance coverage to certain groups of low-income individuals such as pregnant women, children, caretaker relatives of dependent children and older adults, and adults with physical disabilities. TennCare operates with an annual budget of approximately \$11 billion and provides health coverage to approximately 20 percent of the State’s residents and 50 percent of the State’s children. As of 2016, enrollment was approximately 1.5 million Tennesseans.

In Tennessee, the State agency is responsible for administering and maintaining TennCare, which has operated under the section 1115 waiver authority⁹ since July 1, 2002. TennCare provides health insurance coverage through the use of managed care. While many States use some managed care, TennCare enrolls its entire Medicaid population into managed care. The State agency believes that managed care allows for better coordinated, more efficient, and higher quality care.

Capitation Payments

During our audit period (July 1, 2009, through March 4, 2016), the State agency entered into nine Medicaid managed care contracts (contracts) with three MCOs to provide covered health care services to eligible Medicaid beneficiaries in exchange for a fixed per member, per month capitation payment. The contracts that were current during the period of our scope allowed the State to make adjustments to funds previously paid to MCOs if a beneficiary was deceased during the month the capitation payment was made. The contract states that the State agency

⁸ The SOLQ is an online SVES that allows states real-time access to SSA’s SSN verification service and retrieval of Title 2 (Federal Old-Age, Survivors, and Disability Insurance Benefits) and/or Title 16 (Supplemental Security Income for the Aged, Blind, and Disabled) data. It enables state social services and other state benefit program personnel to rapidly obtain information they need to qualify individuals’ for programs.

⁹ Section 1115 of the Act gives the Secretary of Health and Human Services authority to approve experimental, pilot, or demonstration projects that promote the objectives of Medicaid and the Children’s Health Insurance Program. The purpose of these projects, which give States additional flexibility to design and improve their programs, is to demonstrate and evaluate policy approaches such as using innovative service delivery systems that improve care, increase efficiency, and reduce costs.

“shall recoup any and all capitation payments made after the enrollee’s date of death, including any pro-rated share of a capitation payment intended to cover dates of service after the enrollee’s date of death” (State agency contract, section 3.7.1.4.1).

Tennessee: Date of Death Information

The State agency uses the TennCare Medicaid Management Information System (TCMIS) to maintain the database of capitation payments, claims, eligibility, and enrollment information for calculating the capitation payment methodology under TennCare. The State agency also uses TCMIS to ensure that it paid capitation payments for enrolled beneficiaries and to adjust capitation payments as required by the provisions of the MCO contracts. Finally, TCMIS maintains all beneficiary information, such as first and last names, addresses, dates of birth, and DODs.

The State agency puts DODs into TCMIS either automatically or manually. The automatic input occurs monthly through an interface between Tennessee’s Department of Health, Office of Vital Records (OVR) VIT¹⁰ file and TCMIS (Figure 2). The manual process occurs only when a DOD in TCMIS needs to be updated.



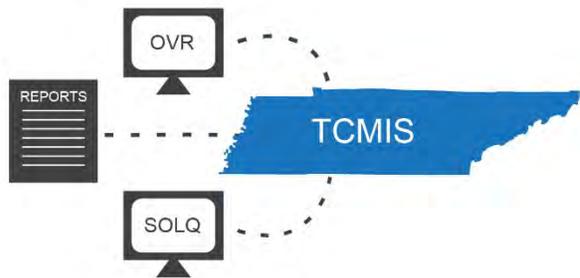
The State agency manually updates DODs when death data in TCMIS is not:

- consistent among its data sources¹¹ due to data entry errors or
- populated because the State agency DOD data sources have not identified the beneficiary as deceased or TCMIS was previously updated incorrectly due to clerical errors.

¹⁰ VIT is the source code for the death file OVR provides to the State agency containing the DOD information.

¹¹ In addition to the mentioned OVR and SOLQ, the State agency uses a number of sources of data to obtain DOD information. For example, the State agency uses the SDX, which is a batch data exchange that SSA created to provide Title XVI data to the States for use in determining entitlement and eligibility for federally funded benefit programs—such as Medicare and Medicaid, subsidized housing, the Supplemental Nutrition Assistance Program, and Temporary Assistance to Needy Families—as well as other federally funded, State-administered benefit programs. The State agency also uses call centers, which family members use to notify it of a family member’s death, and business groups (i.e., nursing homes).

To determine which records need to be manually updated, the State agency uses a number of reports to identify differences between the sources of death data, verify the correct DOD, make corrections, and recover payments made after a beneficiary's DOD. The State agency updates DOD information in TCMIS after verifying the DOD using the OVR or SOLQ (Figure 3).



HOW WE CONDUCTED THIS REVIEW

Our audit covered \$9,305,143 (\$6,158,905 Federal share) in Medicaid capitation payments to MCOs on behalf of beneficiaries whose DODs preceded the payment dates. We reviewed capitation payments that the State agency made from July 1, 2009, through March 4, 2016 (audit period). We selected a random sample of 120 capitation payments totaling \$177,052 (\$117,542 Federal share) for review.

We then used Accurant;¹² obituaries; OVR; encounter data available in TCMIS; or data from one of the following State offices: Georgia Department of Public Health; State Office of Vital Records; State of Florida Bureau of Vital Statistics; State of Wisconsin Department of Health and Family Services; and Ohio Department of Health, Vital Statistics¹³ as alternative information sources to independently confirm whether beneficiaries were deceased and the dates they died for those sample items in which TCMIS or SOLQ did not identify the beneficiaries' DODs.

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, Appendix B contains the details of our statistical sampling methodology, Appendix C contains our sample results and estimates, Appendix D contains the Federal and State requirements, and Appendix E contains the sample items detail.

¹² Accurant is a LexisNexis data depository that contains more than 20 billion records from more than 10,000 data sources. Accurant's primary source for DODs is the SSA DMF. Accurant also contains death information from obituaries and State death records.

¹³ Using auditor research, we determined the place of death for six beneficiaries. We then contacted the State office of vital records for the State where the beneficiary died to obtain a verification of death.

FINDINGS

The State agency did not always stop making capitation payments after a beneficiary's death, despite its efforts to identify and recover any unallowable payments. Of the 120 capitation payments in our random sample selected from payments to beneficiaries whose DODs preceded the payment dates, the State agency recovered 43 prior to the start of our fieldwork, and 13 were not recoverable.¹⁴ For the remaining 64 payments, the State agency made unallowable payments totaling \$39,909 (\$27,357 Federal share).

- For 11 unallowable payments (17 percent), the State agency did not make appropriate adjustments for enrolled beneficiaries who were identified in TCMIS as deceased. The DOD in TCMIS matched the DOD in the DMF. According to the State agency, these unallowable payments occurred because it did not timely update the DODs in TCMIS, and the beneficiaries' enrollments were not updated after the State agency identified them as deceased. Without updated data, the State agency encountered problems recovering payments in its automatic and manual recoupment processes.
- For 27 unallowable payments (42 percent), the State agency did not identify enrolled beneficiaries who were identified as deceased in either its OVR or the SOLQ and did not follow its policies when it did not properly add the DOD to the beneficiary TCMIS record and enter a note in the comments indicating the DOD validation source (i.e., DOD verified via OVR).
- For 26 unallowable payments (41 percent), the State agency did not identify the beneficiaries as deceased, but either the SOLQ identified them as deceased or the SSN in TCMIS did not match the SSN in the OVR. The State agency did not use additional sources, steps, or alternative procedures similar to those that we used in our audit to determine the DODs of the beneficiaries for the capitation month in question.

In general, the unallowable payments occurred because the State agency did not collaborate with OVR, the SDX, the Department of Human Services (DHS), CHOICES, Tennessee Health Connection (TNHC),¹⁵ MCOs, or others to identify the inconsistencies between the sources of DODs and did not use additional sources or alternative procedures to determine the reason its data were incorrect, inconsistent, or missing.

During our audit, the State agency adjusted 35 of the 64 payments totaling \$23,614.

On the basis of our sample results, we estimated that the State agency made unallowable payments to MCOs totaling \$2,668,953 (\$1,814,761 Federal share) during our audit period.

¹⁴ These 13 capitation payments were not recoverable for the following reasons: the SSA had the incorrect DODs for 10 beneficiaries, we could not verify through a secondary source the DODs for 2 beneficiaries, and 1 beneficiary was still alive.

¹⁵ DHS, CHOICES, and TNHC are responsible for administering numerous Medicaid services throughout Tennessee.

These unallowable payments amount to less than 1 percent of the \$3.8 billion¹⁶ that the State agency paid to MCOs from July 1, 2009, through March 4, 2016.

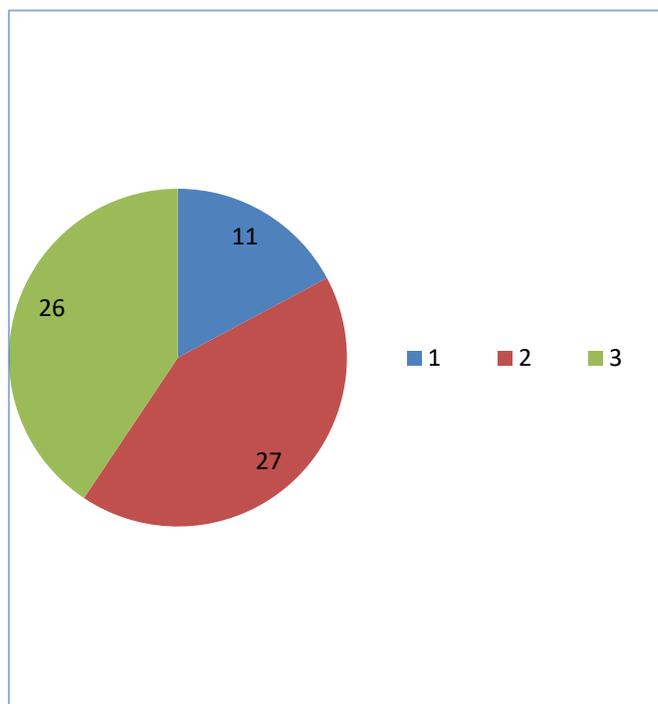
THE STATE AGENCY MADE SOME UNALLOWABLE PAYMENTS TO MEDICAID MANAGED CARE ORGANIZATIONS

The State agency contracts with MCOs allow the State agency to adjust previously paid rates when capitation rate payments have been made for enrollees who are determined not to have been eligible. The State agency, however, did not always stop making payments after a beneficiary's death, despite its efforts to identify and recover any unallowable payments during our audit period. Of the 120 capitation payments in our random sample, the State agency recovered 43 prior to the start of our fieldwork, and 13 were not recoverable. For the remaining 64 payments, the State agency made unallowable payments totaling \$39,909¹⁷ (\$27,357 Federal share). During the course of our audit, the State agency adjusted 35 of the 64 payments totaling \$23,614.

Figure 4: Capitation Payments After Beneficiary's Death

Of the 64 unallowable payments the State agency made:

- 11 (17 percent) totaling \$11,528 (\$7,866 Federal share) for deceased beneficiaries whose DODs were identified in TCMIS and matched the DMF DOD;
- 27 (42 percent) totaling \$12,870 (\$8,671 Federal share) for deceased beneficiaries whose DODs were identified in the OVR or SOLQ; and
- 26 (41 percent) totaling \$15,512 (\$10,819 Federal share) for beneficiaries who were not identified as deceased in TCMIS, but the SOLQ identified them as deceased with no DOD or the SSN in TCMIS did not match the SSN in the OVR.



¹⁶ The \$3.8 billion in payments made to MCOs on behalf of deceased Medicaid beneficiaries was the sample population for the audit. It does not represent total payments the State agency made to Medicaid MCOs during this time period.

¹⁷ This number was rounded to the nearest dollar.

THE STATE AGENCY DID NOT HAVE SUFFICIENT SAFEGUARDS TO IDENTIFY AND RECOVER UNALLOWABLE PAYMENTS

The contracts between the State agency and the MCOs that were current during our audit period allowed adjustments to funds previously paid. The contract states, “[i]f an enrollee is deceased, TENNCARE shall recoup any and all capitation payments made after the enrollee’s date of death, including any pro-rated share of a capitation payment intended to cover dates of service after the enrollee’s date of death” (State agency contract, section 3.7.1.4.1).¹⁸

The State Agency Made Unallowable Payments for Sample Items That Had the Date of Death

Eleven sample items (17 percent of the 64 unallowable payments) made on behalf of deceased beneficiaries were associated with beneficiaries who had DODs in TCMIS that matched the DOD in the DMF. Nevertheless, the State agency made unallowable payments totaling \$11,528 (\$7,866 Federal share) on behalf of these deceased beneficiaries.

According to the State agency, these unallowable payments occurred because it did not timely update the DODs in TCMIS, and the beneficiaries’ enrollments were not updated after the State agency identified them as deceased. Without updated data, the State agency encountered problems recovering payments in its automatic and manual recoupment processes.

The State Agency Did Not Always Follow Its Procedures To Update the TennCare Medicaid Management Information System With Verified Death Information

Twenty-seven sample items (42 percent of the 64 unallowable payments) made on behalf of deceased beneficiaries were associated with beneficiaries who had DODs in the OVR or SOLQ. State agency policies provide that if the OVR or SOLQ verified an enrolled beneficiary as deceased and the DOD is provided, it should add the DOD to the beneficiary TCMIS record and enter a note in the comments indicating the DOD validation source (i.e., DOD verified via OVR). For these 27 sample items, the DODs were in either the OVR or SOLQ, but the State agency did not properly update the TCMIS record with the DODs.

As a result, the State agency made unallowable payments totaling \$12,870 (\$8,671 Federal share).

These unallowable payments occurred because the State agency did not properly follow its procedures to update TCMIS with verifiable DOD information.

¹⁸ State agency contract No. FA-07-16936-19, effective on March 15, 2012.

The State Agency Either Did Not Identify Death Information or Had Inconsistent Social Security Numbers

Twenty-six sample items (41 percent of the 64 unallowable payments) made on behalf of deceased beneficiaries were associated with beneficiaries whom the State agency did not identify as deceased, but:

- the SOLQ identified as deceased with no date of death or
- the SSN in TCMIS did not match the SSN in the OVR.

The State agency did not use additional sources, steps, or alternative procedures similar to those that we used in our audit to determine the DODs of the beneficiaries for the capitation month in question. (See Methodology at Appendix A.)

For example:

- For 19 of the 26 sample items, the beneficiaries did not die in Tennessee, and the DOD information was missing from TCMIS and the SOLQ. Because the beneficiaries died out of State, and the OVR only registers in-State deaths, it did not provide the State agency with DODs. The SOLQ, however, did identify the beneficiary as deceased. However, the State agency could have identified the beneficiaries' DODs using available information such as encounter data and obituaries. As a result, TCMIS did not process the disenrollment, and the State agency made unallowable payments totaling \$11,922 (\$8,396 Federal share) on behalf of these beneficiaries.
- For 4 of the 26 sample items, although the beneficiaries died in Tennessee and the SOLQ identified them as deceased, the State agency did not identify them as deceased and had no DOD for these 4 beneficiaries. However, the State agency could have identified the beneficiaries as deceased using the available encounter data and obituaries. As a result, the State agency made unallowable payments totaling \$1,751 (\$1,221 Federal share) on behalf of these beneficiaries.
- For 3 of the 26 sample items the SSN from the TCMIS record did not match the SSN from OVR's death record. For these sample items, OVR had an incorrect digit (or digits) in the beneficiaries' SSNs because of clerical errors. As a result, the State agency made unallowable payments totaling \$1,838 (\$1,202 Federal share) on behalf of these beneficiaries.

As a result, the State agency made unallowable payments totaling \$15,512 (\$10,819 Federal share).

THE STATE AGENCY DID NOT COLLABORATE WITH OR USE ADDITIONAL SOURCES TO DETERMINE DATES OF DEATH

In general, the unallowable payments occurred because the State agency did not collaborate with OVR, the SDX, DHS, CHOICES, TNHC, MCOs, or others and did not use additional sources or alternative procedures to determine the DODs even after its SOLQ identified the beneficiaries as deceased.

ESTIMATE OF UNALLOWABLE CAPITATION PAYMENTS

On the basis of our sample results, we estimated that the State agency made unallowable payments to MCOs totaling \$2,668,953 (\$1,814,761 Federal share) from July 1, 2009, through March 4, 2016.

RECOMMENDATIONS

We recommend that the State agency:

- identify and recover unallowable payments totaling \$2,668,953 from MCOs and refund \$1,814,761 (Federal share) to the Federal Government;
- perform monthly reviews of TCMIS records to ensure that beneficiaries with DODs are removed from TennCare;
- implement policies and procedures for identifying and correcting inaccurate death information received through its sources of death data, specifically ensuring that differences in the DODs between TCMIS and incoming death records are quickly resolved; and
- improve its collaborative efforts with SSA, DHS, CHOICES, TNHC, OVR, and MCOs to identify and resolve inconsistencies in recipient information such as DOD and SSN.

STATE AGENCY COMMENTS

In written comments on our draft report, the State agency generally concurred with all four of our findings and recommendations and described corrective actions that it had implemented. We consider TennCare's plan to perform quarterly rather than monthly reviews to be a concurrence with our recommendation.

State agency comments are included in their entirety as Appendix F.

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

Our audit covered Medicaid capitation payments to MCOs totaling \$9,305,143 (\$6,158,905 Federal share) on behalf of beneficiaries whose DODs preceded the payment dates. We reviewed capitation payments that the State agency made from July 1, 2009, through March 4, 2016 (audit period). We selected a random sample of 120 capitation payments totaling \$177,052 (\$117,542 Federal share) for review.

We did not review the overall internal control structure of the State agency or its Medicaid program. Rather, we reviewed only those internal controls related to our objective. We limited our review to determining whether MCOs in Tennessee received capitation payments on behalf of beneficiaries whose DODs preceded the payment dates.

Our review allowed us to establish reasonable assurance of the authenticity and accuracy of the data obtained from TCMIS. Although we performed a completeness test, we do not attest to the completeness of the file.

We conducted our audit fieldwork from May through September 2016.

METHODOLOGY

To accomplish our objective, we:

- reviewed Federal and State laws, regulations, and guidance;
- 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 contracts with the MCOs during the period of our review;
- obtained from the State agency a file of capitation payments made to MCOs on behalf of Medicaid beneficiaries in Tennessee for the audit period (the State agency file);
- matched the State agency file to the SSA DMF and identified 8,479,988 capitation payments totaling \$3,822,663,105 that the State agency made to MCOs from July 1, 2009, through March 4, 2016, on behalf of Medicaid beneficiaries who were deceased;
- eliminated 8,457,025 capitation payments totaling \$3,813,357,962¹⁹ because of various factors (see Appendix B);

¹⁹ This refinement left 22,963 capitation payments totaling \$9,305,143. We netted all capitation payments made to one MCO on behalf of a single beneficiary during a transaction month because for some recipients the State agency paid more than one capitation payment to an MCO for a transaction month. The resulting file consisted of 10,511 net capitation payments totaling \$9,305,143 from which we drew our sample.

- created a sampling frame from the capitation payment data of 10,511 capitation payments totaling \$9,305,143 (\$6,158,905 Federal share) that the State agency made to MCOs on behalf of beneficiaries whose DODs preceded the payment dates;
- selected for review a stratified random sample of 120 capitation payments on behalf of deceased beneficiaries totaling \$177,052 (\$117,542 Federal share);
- obtained access to TCMIS and, for each sample capitation payment, obtained documentation to support:
 - the beneficiaries' first and last names, SSNs, dates of birth (we ensured this information matched the DMF), and Medicaid identification numbers;
 - whether TCMIS identified the beneficiaries' DODs;
 - that a capitation payment occurred for the service month (we verified the accuracy of the paid amount); and
 - an adjustment to the sample capitation payment;
- compared the DODs in TCMIS and the DMF for 120 sample items;
- used Accurint; obituaries; OVR; encounter data available in TCMIS; or one of the following State offices: Georgia Department of Public Health; State Office of Vital Records; State of Florida Bureau of Vital Statistics; State of Wisconsin Department of Health and Family Services; and Ohio Department of Health, Vital Statistics as alternative information sources to independently confirm whether beneficiaries were deceased and the dates on which they had died for those sample items in which TCMIS or SOLQ did not identify the beneficiaries' DODs; and
- estimated the value of payments made after a beneficiary's death by using the Office of Inspector General, Office of Audit Services (OIG/OAS), statistical software.

In addition, to determine the Federal share of the payments after a beneficiary's death, we:

- obtained the annual FMAP rates from the Federal Register;
- matched the FMAP rates to the sample capitation payments using the date originally paid;
- quantified the Federal payment by multiplying the payments by the applicable FMAP rate; and

- estimated the value of payments identified in our sample by using the OIG, OAS, statistical software program.

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: STATISTICAL SAMPLING METHODOLOGY

TARGET POPULATION

The population consisted of Medicaid capitation payments that the State agency made to MCOs from July 1, 2009, through March 4, 2016. The State agency made these payments on behalf of Medicaid beneficiaries who were deceased.

SAMPLING FRAME

From a database of 8,479,988 capitation payments totaling \$3,822,663,105 extracted from TCMIS, we removed 8,457,025 capitation payments totaling \$3,813,357,962 to refine our sampling frame (Table 2).

Table 2: Capitation Payments Removed From the Sampling Frame

Number of Capitation Payments	Capitation Payment Amount	Reason for Removal
8,438,147	\$3,810,392,417	Paid during or prior to month of death—capitation payments were correct.
15,341	2,385,019	DOB in the capitation payment data did not match the SSA DMF DOB—capitation payments potentially correct.
2,276	43,599	Capitation payments less than \$50.
1,261	536,927	Poor beneficiary name match.
8,457,025	\$3,813,357,962	Total

This refinement left 22,963 capitation payments totaling \$9,305,143. We netted all capitation payments made to one MCO on behalf of a single beneficiary during a transaction month because, for some recipients, the State agency paid more than one capitation payment to an MCO for a transaction month. The resulting file consisted of 10,511 net capitation payments totaling \$9,305,143 from which we drew our sample.

SAMPLE UNIT

The sample unit was a capitation payment to an MCO on behalf of a single beneficiary during a service month.

SAMPLE DESIGN

We used a stratified random sample. We divided the sampling frame into four categories as shown in Table 3:

Table 3: Categories of Sampling Frame

Category	Description of Stratum
1	Capitation Payments for Services Months State Fiscal Years (SFYs) 2010 through 2013 and SFY 2015. (Payment totals are >\$50 and <\$648.)
2	Capitation Payments for Services Months SFY 2010 through 2013 and SFY 2015. (Payment totals are ≥\$648 and <\$6,013.)
3	Capitation Payments for Services Months SFYs 2014 and 2016. (Payment totals are >\$58 and <\$1289.)
4	Capitation Payments for Services Months SFYs 2014 and 2016. (Payment totals are ≥\$1,289 and <\$6,222.)

SAMPLE SIZE

We selected a sample of 120 capitation payments, as follows in Table 4:

Table 4: Sample Strata by Category

Stratum	Category	Sample Size
1	Category 1	30
2	Category 2	30
3	Category 3	30
4	Category 4	30
	Total	120

SOURCE OF RANDOM NUMBERS

We generated the random numbers using the Office of Inspector General, Office of Audit Services (OIG/OAS) statistical software.

METHOD FOR SELECTING SAMPLE UNITS

We consecutively numbered the capitation payments within each stratum. After generating the random numbers for each stratum, we selected the corresponding frame items.

ESTIMATION METHODOLOGY

We used the OIG/OAS statistical software to estimate the amount of the payments after a beneficiary's death.

APPENDIX C: SAMPLE RESULTS AND ESTIMATES

Table 5: Sample Results

Stratum	Number of Capitation Payments	Value	Sample Size	Value of Sample	Number of Incorrect Payments	Value of Incorrect Payments
1	1,993	\$459,455	30	\$8,772	24	\$7,012
2	2,319	2,935,246	30	40,681	25	24,299
3	5,297	2,288,604	30	11,114	14	4,880
4	902	3,621,838	30	116,484	1	3,719
Totals²⁰	10,511	\$9,305,143	120	\$177,052	64	\$39,909

Table 6: Federal Share Amounts

Stratum	Number of Capitation Payments	Value	Sample Size	Value of Sample	Number of Incorrect Payments	Value of Incorrect Payments
1	1,993	\$315,282	30	\$6,092	24	\$4,807
2	2,319	1,992,806	30	28,338	25	16,938
3	5,297	1,490,369	30	7,241	14	3,184
4	902	2,360,448	30	75,872	1	2,428
Totals²¹	10,511	\$6,158,905	120	\$117,542	64	\$27,357

**Table 7: Estimated Value of Payments
(Limits Calculated for a 90-Percent Confidence Interval)**

	Total Amount	Federal Share
Point Estimate	\$3,317,618	\$2,263,887
Lower Limit	2,668,953	1,814,761
Upper Limit	3,966,282	2,713,013

²⁰ The differences in the sums are due to rounding.

²¹ The differences in the sums are due to rounding.

APPENDIX D: FEDERAL AND STATE REQUIREMENTS

FEDERAL REQUIREMENTS

The Federal Government pays its share of a State's medical assistance expenditures under Medicaid based on the FMAP, which varies depending on the State's relative per capita income as calculated by a defined formula (42 CFR § 433.10).

In connection with the Medicaid managed care program, providers are defined as "any individual or entity that is engaged in the delivery of health care services and is legally authorized to do so by the State in which it delivers the services" (42 CFR § 400.203).

A capitation payment is "a payment the State agency makes periodically to a contractor on behalf of each beneficiary enrolled under a contract for the provision of medical 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).

STATE REQUIREMENTS

The Tennessee Health Care Finance and Administration, Policy Manual Number: 005.045 provides that

1. Policy Statement

Eligibility for TennCare Medicaid and CoverKids will be terminated once an enrollee's death has been verified. Advance notice of action is not required if HCFA has factual information confirming the death of a beneficiary.

2. Verification

a. Notification of death from the enrollee's family or representative

If an enrollee's family member or representative reports the death, then verification of the death must be obtained. Verification can either be obtained electronically through Vital Statistics or State On-Line Query (SOLQ), or with a hard copy of the obituary or death certificate.

b. Notification of death through an electronic interface

If the State receives a date of death (DOD) through an electronic interface with the Social Security Administration (SSA), verification of death must be obtained. Verification can either be obtained electronically through Vital Statistics or SOLQ, or with a hard copy of the obituary or death certificate. Any DOD received electronically from Vital Statistics will be applied systematically.

State Agency Contract With Managed Care Organizations

The State agency entered into contractual agreements with the MCOs. The contracts allow adjustments to funds previously paid. For example, the Statewide managed care contract for calendar years 2014 through 2016, states that “[i]f an enrollee is deceased, TENNCARE shall recoup any and all capitation payments made after the enrollee’s date of death, including any pro-rated share of a capitation payment intended to cover dates of service after the enrollee’s date of death” (State agency contract, section 3.7.1.4.1).

APPENDIX E: SAMPLE ITEMS DETAIL

Sample Items	Capitation Month	Date of Death	Net Capitation Payment for Capitation Month	Net Capitation Adjustment for Capitation Month	Sample Item Unallowable Payment Calculation	Federal Share of the Unallowable Payment Calculation
1	2010/05	1/26/2010	\$636.70	N/A	\$636.70	\$479.88
2	2010/01	9/7/2009	523.22	N/A	0.00	0.00
3	2010/04	9/7/2009	85.08	N/A	0.00	0.00
4	2011/10	3/15/2006	126.52	N/A	126.52	83.96
5	2015/02	4/28/2014	348.26	N/A	348.26	226.33
6	2014/09	3/21/2014	449.44	N/A	449.44	293.44
7	2015/05	3/25/2015	184.48	N/A	184.48	119.89
8	2009/07	10/10/2004	636.70	N/A	636.70	472.62
9	2014/12	11/20/2014	604.25	N/A	604.25	392.70
10	2012/10	6/13/2012	550.00	N/A	550.00	363.72
11	2014/10	9/26/2014	117.83	N/A	117.83	76.58
12	2015/02	12/25/2014	204.13	N/A	204.13	132.66
13	2015/04	8/21/2014	306.32	N/A	306.32	199.08
14	2009/08	2/2/2007	64.70	N/A	64.70	48.03
15	2011/08	6/11/2010	126.52	N/A	126.52	83.31
16	2015/05	11/5/2013	103.92	N/A	103.92	67.54
17	2014/11	4/18/2014	234.59	N/A	234.59	152.46
18	2010/01	5/14/2012	93.71	N/A	0.00	0.00
19	2015/05	3/30/2015	129.92	N/A	129.92	84.44
20	2011/03	8/11/2010	251.48	N/A	251.48	183.05
21	2009/07	1/4/2010	570.46	N/A	0.00	0.00
22	2014/10	5/16/2014	358.46	N/A	358.46	232.96
23	2012/09	6/4/2012	165.25	N/A	165.25	109.66
24	2011/02	8/11/2010	251.48	N/A	251.48	183.05
25	2011/10	1/11/2015	399.51	N/A	0.00	0.00
26	2009/08	7/12/2009	91.40	N/A	91.40	67.85
27	2009/08	6/7/2004	636.70	N/A	636.70	472.62
28	2010/01	9/12/2012	88.73	N/A	0.00	0.00
29	2015/06	5/25/2015	204.13	N/A	204.13	132.66
30	2015/03	4/18/2014	228.45	N/A	228.45	148.47

Sample Items	Capitation Month	Date of Death	Net Capitation Payment for Capitation Month	Net Capitation Adjustment for Capitation Month	Sample Item Unallowable Payment Calculation	Federal Share of the Unallowable Payment Calculation
31	2010/03	12/20/2006	739.61	N/A	739.61	557.44
32	2015/01	6/9/2014	919.11	N/A	919.11	597.33
33	2010/01	10/10/2009	796.85	N/A	796.85	600.59
34	2014/10	11/30/2013	1,125.42	N/A	1,125.42	731.41
35	2011/04	2/14/2011	3,865.42	N/A	3,865.42	2,813.64
36	2015/04	3/26/2004	683.81	N/A	683.81	444.41
37	2011/02	1/2/2013	4,281.62	N/A	0.00	0.00
38	2011/02	4/6/2004	814.73	N/A	814.73	593.04
39	2014/09	3/25/2014	859.52	N/A	859.52	561.18
40	2009/07	10/12/2000	668.58	N/A	668.58	496.29
41	2015/04	3/29/2015	919.11	N/A	919.11	597.33
42	2014/10	4/25/2005	894.69	N/A	894.69	581.46
43	2012/02	1/20/2012	754.63	N/A	754.63	499.04
44	2012/09	1/13/2014	3,638.71	N/A	0.00	0.00
45	2009/07	9/30/2004	944.45	N/A	944.45	701.07
46	2010/04	6/19/1999	944.45	N/A	944.45	626.74
47	2012/05	4/17/2010	990.79	N/A	990.79	657.49
48	2015/06	2/9/2015	793.83	N/A	793.83	515.91
49	2009/09	6/17/2004	944.45	N/A	944.45	701.07
50	2010/09	6/17/2004	933.07	N/A	933.07	703.25
51	2009/10	5/4/2009	739.61	N/A	739.61	557.44
52	2011/07	9/12/2012	3,867.30	N/A	0.00	0.00
53	2010/03	4/23/2005	739.61	N/A	739.61	557.44
54	2012/01	10/24/2011	754.63	N/A	754.63	500.77
55	2010/08	4/25/2005	776.38	N/A	776.38	585.16
56	2014/09	3/15/2006	936.59	N/A	936.59	611.50
57	2014/09	2/10/2014	1,004.61	N/A	1,004.61	655.91
58	2013/02	1/13/2014	3,638.71	N/A	0.00	0.00
59	2015/04	12/26/2013	755.18	N/A	755.18	490.79
60	2010/09	11/23/2013	955.97	N/A	0.00	0.00
61	2014/06	5/31/2014	153.20	(153.20)	0.00	0.00
62	2016/03	1/2/2016	906.74	(906.74)	0.00	0.00

Sample Items	Capitation Month	Date of Death	Net Capitation Payment for Capitation Month	Net Capitation Adjustment for Capitation Month	Sample Item Unallowable Payment Calculation	Federal Share of the Unallowable Payment Calculation
63	2016/02	1/13/2016	125.36	(125.36)	0.00	0.00
64	2016/01	10/12/2015	125.36	N/A	125.36	81.55
65	2016/02	4/12/2014	335.28	N/A	335.28	218.10
66	2016/03	2/3/2016	151.37	(151.37)	0.00	0.00
67	2016/01	12/19/2014	113.58	N/A	113.58	73.88
68	2016/03	1/3/2016	198.23	(198.23)	0.00	0.00
69	2015/11	12/20/2015	148.30	N/A	0.00	0.00
70	2015/10	5/30/2015	134.39	N/A	134.39	87.42
71	2015/07	6/26/2013	127.23	N/A	127.23	82.69
72	2016/03	1/13/2016	151.37	(151.37)	0.00	0.00
73	2015/12	12/1/2013	341.47	N/A	341.47	222.13
74	2016/03	1/20/2016	906.74	(906.74)	0.00	0.00
75	2016/03	1/22/2016	125.36	(125.36)	0.00	0.00
76	2014/06	5/22/2014	175.84	(175.84)	0.00	0.00
77	2016/03	10/12/2013	284.15	N/A	284.15	184.84
78	2015/09	11/1/2005	683.81	N/A	683.81	444.41
79	2014/06	5/14/2014	194.64	(194.64)	0.00	0.00
80	2016/02	11/26/2015	151.37	N/A	151.37	98.47
81	2015/09	8/25/2015	127.23	N/A	127.23	82.69
82	2014/03	5/23/2013	774.51	N/A	774.51	505.68
83	2015/08	6/10/2015	220.19	N/A	220.19	143.10
84	2016/03	1/14/2016	906.74	(906.74)	0.00	0.00
85	2013/09	6/7/2013	612.93	N/A	612.93	405.33
86	2016/03	1/20/2016	151.37	(151.37)	0.00	0.00
87	2016/02	1/7/2016	125.36	(125.36)	0.00	0.00
88	2016/02	1/2/2016	906.74	(906.74)	0.00	0.00
89	2016/02	12/29/2015	906.74	(906.74)	0.00	0.00
90	2014/06	3/25/2014	848.73	N/A	848.73	554.14
91	2014/06	5/17/2014	3,935.18	(3,935.18)	0.00	0.00
92	2016/02	1/20/2016	4,532.25	(4,532.25)	0.00	0.00
93	2016/02	12/21/2015	4,530.86	(4,530.86)	0.00	0.00
94	2016/03	1/29/2016	4,532.25	(4,532.25)	0.00	0.00

Sample Items	Capitation Month	Date of Death	Net Capitation Payment for Capitation Month	Net Capitation Adjustment for Capitation Month	Sample Item Unallowable Payment Calculation	Federal Share of the Unallowable Payment Calculation
95	2016/02	1/12/2016	4,532.25	(4,532.25)	0.00	0.00
96	2016/01	3/15/2015	4,532.25	N/A	0.00	0.00
97	2014/06	4/1/2014	3,935.18	(3,935.18)	0.00	0.00
98	2014/06	5/15/2014	3,935.18	(3,935.18)	0.00	0.00
99	2016/02	1/25/2016	4,481.14	(4,481.14)	0.00	0.00
100	2016/02	1/26/2016	4,481.14	(4,481.14)	0.00	0.00
101	2016/01	12/25/2015	4,481.14	(4,481.14)	0.00	0.00
102	2016/03	1/12/2016	4,481.14	(4,481.14)	0.00	0.00
103	2014/06	4/13/2014	3,855.67	(3,855.67)	0.00	0.00
104	2016/02	1/10/2016	4,530.86	(4,530.86)	0.00	0.00
105	2016/03	1/3/2016	1,432.98	(1,432.98)	0.00	0.00
106	2014/06	4/30/2014	3,718.50	(3,718.50)	0.00	0.00
107	2014/06	5/29/2014	146.04	(146.04)	0.00	0.00
108	2014/05	4/8/2014	3,935.18	(3,935.18)	0.00	0.00
109	2016/02	1/19/2016	4,532.25	(4,532.25)	0.00	0.00
110	2016/03	2/1/2016	4,532.25	(4,532.25)	0.00	0.00
111	2014/05	4/6/2014	1,341.15	(1,341.15)	0.00	0.00
112	2014/06	5/27/2014	3,935.18	(3,935.18)	0.00	0.00
113	2016/03	1/28/2016	4,530.86	(4,530.86)	0.00	0.00
114	2016/02	1/28/2016	4,530.86	(4,530.86)	0.00	0.00
115	2016/03	12/30/2015	4,530.86	(4,530.86)	0.00	0.00
116	2014/05	2/23/2014	3,718.50	N/A	3,718.50	2,427.81
117	2014/06	5/1/2014	3,718.50	(3,718.50)	0.00	0.00
118	2014/06	5/21/2014	1,341.15	(1,341.15)	0.00	0.00
119	2014/06	5/17/2014	3,718.50	(3,718.50)	0.00	0.00
120	2016/02	1/15/2016	6,044.51	(6,044.51)	0.00	0.00

APPENDIX F: STATE AGENCY COMMENTS



TO: Office of Inspector General
Office of Audit Services, Region IV

FR: Dr. Wendy Long, Deputy Commissioner
Division of TennCare

DATE: November 16, 2017

RE: Response to Report Number A-04-15-06190

The State of Tennessee appreciates the opportunity to respond to the recommendations outlined in this audit. We would like to thank the OIG auditors for their assistance throughout this process. We appreciate the opportunity to further strengthen our processes through this work.

Recommendation 1 – Identify and recover unallowable payments totaling \$2,668,983 from MCOs and refund \$1,814,761 (Federal share) to the Federal Government

The State concurs with this recommendation. We have already recouped a significant portion of these dollars through the implementation of a change in our software that enables the State to perform a 60-month review of capitation payments once per quarter to identify any months of capitation payments that need to be recouped because of a Date of Death determination. The remaining portion of these funds will be recouped. For all funds the federal share will be returned.

Recommendation 2 – Perform monthly reviews of TCMIS records to ensure that beneficiaries with DODs are removed from TennCare

The State concurs with the recommendation that reviews be performed regularly and will perform this review quarterly. In 2016, prior to the onsite work of the OIG auditors, the State recognized that the payment system change made to implement a 12-month limit on retroactive enrollment capitation payments to MCOs had created an issue with Date of Death recoupments extending further back than 12 months. TennCare immediately began work on a system change to address this issue; that change has been tested and deployed successfully. As noted in the response to Recommendation 1 above, once each quarter the State performs a 60-month review of capitation payments to identify any months of capitation payments that need to be recouped because of a Date of Death determination.

Recommendation 3 – Implement policies and procedures for identifying and correcting inaccurate death information received through its sources of death data, specifically ensuring that differences in the DODs between TCMIS and incoming death records are quickly resolved

Recommendation 4 – Improve its collaborative efforts with SSA, DHS, CHOICES, TNHC, OVR, and MCOs to identify and resolve inconsistencies in recipient information such as DOD and SSN

The State concurs with these recommendations. For some errors identified by the OIG auditors the State was unable to find corroborating data needed to establish a Date of Death determination. In some instances this

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was due to errors or incomplete data from the State's Vital Records database. In other instances, particularly where a death occurred outside of the state, the State found incomplete or incorrect data via SOLQ that prevented the State from being able to establish a Date of Death determination.

Through this audit process, the State has come to understand that the Death Master File (DMF) data we obtain through the SOLQ system is not the same data that is available to the OIG auditors. There were instances in which the State was unable to duplicate the DMF data provided by the OIG auditors, though the data source should provide identical data. This was the source of many of the cases cited by the auditors in which the State was unable to find corroborating data needed to establish a Date of Death determination.

Given these variances the State is actively working with National Technical Information Services (NTIS) to understand why this is occurring and to make any needed changes so that the State can access a full set of accurate date of death data such as is available to the OIG and others. We will continue this effort in the hopes of being able to access the best available version of this essential data source.

TennCare has also reached out to the Tennessee Department of Health regarding the quality of data provided through the Vital Records database. This is a critical source of date of death data and one of our primary sources for verification. We will continue to improve our collaboration with all data sources to help ensure inconsistencies are addressed and dollars recouped.

TennCare is in the process of launching a new eligibility computer system, the Tennessee Eligibility Determination System (TEDS). This comprehensive system is scheduled to come online in late 2018 and go fully live in early 2019. With TEDS the State will have new tools to manage all eligibility-related processes, including our reviews of Date of Death. We will establish new processes that will support the resolution of inconsistencies around DODs and the timely recoupment of funds.