Why OIG Did This Audit
Previous OIG audits found that States had improperly paid Medicaid managed care entities capitation payments on behalf of deceased beneficiaries. We conducted a similar audit of the North Carolina Department of Health and Human Services, Division of Health Benefits, which administers the Medicaid program.

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

How OIG Did This Audit
Our audit covered 37,434 capitation payments, totaling $3.5 million, made from July 1, 2009, through June 30, 2014 (audit period), on behalf of beneficiaries identified by North Carolina as possibly deceased. After matching the Medicaid Management Information System (MMIS) data for these payments to the Social Security Administration Death Master File, we eliminated 3,912 payments, totaling $567,252, either paid before the beneficiary’s death or recovered.

For each of the remaining 33,522 payments, totaling $2.9 million, we determined the beneficiary’s month and year of death from at least two corroborating sources. We identified each capitation payment for monthly coverage after the beneficiary’s determined month and year of death, and we summed these to determine total unallowable payments.

North Carolina Made Capitation Payments to Managed Care Entities After Beneficiaries’ Deaths

What OIG Found
North Carolina made unallowable capitation payments to certain managed care entities on behalf of deceased beneficiaries. Of the 37,434 capitation payments reviewed, North Carolina paid 3,912 before the beneficiaries’ deaths or recovered the payments. However, the remaining 33,522 were for monthly coverage after the beneficiaries’ deaths, were unrecovered, and were therefore unallowable. Although North Carolina identified and recovered some unallowable payments, it did not always identify and process death information in its eligibility system and MMIS. As a result, North Carolina made $2.9 million (Federal share $1.9 million) in unallowable payments to certain managed care entities for the audit period.

What OIG Recommends and North Carolina Comments
We recommend that North Carolina refund $1.9 million to the Federal Government, identify capitation payments made to managed care entities on behalf of deceased beneficiaries before and after our audit period and refund the Federal share of amounts recovered, and improve the accuracy of eligibility system date of death information and apply MMIS edits as necessary to identify all deceased beneficiaries, prevent all capitation payments for monthly coverage after death, and recover such unallowable payments.

In written comments on our draft report, North Carolina agreed with our recommendations and described actions that it has taken or plans to take to address them. North Carolina plans to work with the Centers for Medicare & Medicaid Services regional office to determine the amount, method, and timing of the refund in our first recommendation. North Carolina implemented MMIS edits to prevent and recover capitation payments made on behalf of deceased beneficiaries, and its contractors reviewed such payments that may have occurred outside of the audit period. North Carolina also plans to continue contractor reviews, enhance information sources for identifying deceased beneficiaries, and streamline tracking and followup processes to ensure appropriate action is taken timely.

The full report can be found at https://oig.hhs.gov/oas/reports/region4/41600112.asp.