

Report in Brief

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



Why OIG Did This Review

The California Department of Health Care Services (California) pays managed care organizations (MCOs) to provide covered health care services in return for a monthly fixed payment for each enrolled beneficiary (capitation payments). The California Medicaid Program (Medi-Cal) is the largest Medicaid program in the Nation. Medi-Cal provides health coverage to almost one-third of California's more than 39 million residents. Approximately 80 percent of Medi-Cal's population is enrolled in managed care. Previous Office of Inspector General reviews found that State Medicaid agencies had improperly made capitation payments on behalf of deceased beneficiaries. We conducted this review of California, which administers Medi-Cal, to determine whether the issue we identified in other States also exists in California.

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

How OIG Did This Review

Our audit covered 112,289 Medicaid capitation payments, totaling almost \$74 million (\$56.4 million Federal share) made on behalf of beneficiaries whose dates of death preceded the payment dates. We reviewed capitation payments that California made from July 1, 2014, through December 31, 2017. We selected a stratified random sample of 184 capitation payments totaling \$528,769 (\$387,751 Federal share) for review. Using the results of our sample, we estimated the total value and Federal share of the unallowable capitation payments.

California Medicaid Managed Care Organizations Received Capitation Payments After Beneficiaries' Deaths

What OIG Found

California made capitation payments after beneficiaries' deaths. Of the 184 capitation payments in our random sample, 6 payments were correct. For the remaining 178 payments, California made unallowable payments totaling \$433,948 (\$302,755 Federal share). Despite California's efforts to identify and recover unallowable payments, some (29 percent) of these unallowable payments occurred more than 1 year after the beneficiaries' deaths, but the remaining (71 percent) unallowable payments occurred during the first year after the beneficiaries' dates of death.

The unallowable payments occurred because California did not: (1) disenroll beneficiaries after their dates of death were identified during data interface between the eligibility system and the California Death Master file; (2) collaborate with the California Department of Public Health to identify inconsistencies between dates of death and other data (like Social Security Numbers); or (3) regularly use additional sources or alternative procedures to identify, verify or determine dates of death.

On the basis of our sample results, we estimated that California made unallowable payments totaling \$70.9 million (\$53.4 million Federal share) to MCOs during our audit period.

What OIG Recommends and California Comments

We recommend that California: (1) refund the \$53.4 million to the Federal Government and (2) identify and recover unallowable payments made to MCOs during our audit period on behalf of deceased beneficiaries, which we estimate to be at least \$70.9 million. We also made other procedural and administrative recommendations.

California generally concurred with our findings and described actions that it plans to take to address our recommendations. Regarding our first recommendation, the California will conduct a detailed analysis and provide a refund to the Federal Government after it confirms the dollar amount. California fully concurred with all other recommendations.