

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**WISCONSIN MEDICAID MANAGED  
CARE ORGANIZATIONS RECEIVED  
CAPITATION PAYMENTS AFTER  
BENEFICIARIES' DEATHS**

*Inquiries about this report may be addressed to the Office of Public Affairs at  
[Public.Affairs@oig.hhs.gov](mailto:Public.Affairs@oig.hhs.gov).*



Gloria L. Jarmon  
Deputy Inspector General  
for Audit Services

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A-05-17-00006

# *Office of Inspector General*

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## Report in Brief

Date: September 2018  
Report No. A-05-17-00006

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



### Why OIG Did This Review

Previous OIG reviews found that State Medicaid agencies had improperly paid Medicaid Managed Care Organizations (MCOs) capitation payments on behalf of deceased beneficiaries. We conducted a similar review of the Wisconsin Department of Health Services (State agency), which administers the Medicaid program.

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

### How OIG Did This Review

Our audit covered 1,731 capitation payments, totaling \$604,491, made during the period July 1, 2010, through June 30, 2015 (audit period), on behalf of beneficiaries reported as deceased. To identify our population of deceased beneficiaries, we matched the Medicaid Management Information System data to the Social Security Death Master File using the beneficiaries' social security numbers, names, and dates of birth. We identified all capitation payments that occurred at least 1 month after the beneficiaries' dates of death (DODs). We then reviewed all capitation payments over \$50.

We confirmed the status of the beneficiaries for 1,731 capitation payments and determined that payments were made on behalf of deceased beneficiaries for 1,654 capitation payments.

## Wisconsin Medicaid Managed Care Organizations Received Capitation Payments After Beneficiaries' Deaths

### What OIG Found

The State agency made 1,654 capitation payments totaling \$589,478 (\$347,822 Federal share) on behalf of deceased beneficiaries. We confirmed that all beneficiaries associated with these capitation payments were deceased.

The State agency did not always identify and process Medicaid beneficiaries' death information. Although the State agency's eligibility system regularly interfaced with Federal data exchanges that identify dates of death, caseworkers did not always receive notification that beneficiaries had died or did not correctly input the DODs in the system.

### What OIG Recommends and Wisconsin Comments

We recommend that the State agency (1) recover unallowable payments totaling \$589,478 from MCOs and refund \$347,822 to the Federal Government; (2) identify and recover capitation payments made on behalf of deceased beneficiaries before and after our audit period, and repay the Federal share of amounts recovered; and (3) strengthen its policies and procedures for identifying deceased beneficiaries and correctly entering DODs in the Client Assistance for Reemployment and Economic Support system to ensure that DODs are recorded in a timely manner to prevent unallowable payments.

Wisconsin concurred with our findings and described actions that it plans to take to address our recommendations.

## TABLE OF CONTENTS

INTRODUCTION.....	1
Why We Did This Review .....	1
Objective .....	1
Background .....	1
The Medicaid Program.....	1
Social Security Administration: Date of Death Information .....	1
Federal and State Requirements .....	2
Wisconsin’s Medicaid Managed Care Program .....	2
How We Conducted This Review .....	3
FINDINGS.....	3
The State Agency Made Unallowable Payments to Medicaid Managed Care Organizations .....	4
The State Agency Did Not Always Identify and Process Death Information .....	5
Unallowable Capitation Payments.....	5
RECOMMENDATIONS .....	5
STATE AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE .....	6
APPENDICES	
A: Audit Scope and Methodology .....	7
B: Related Office of Inspector General Reports.....	9
C: Federal and State Requirements .....	10
D: State Agency Comments .....	11

## INTRODUCTION

### WHY WE DID THIS REVIEW

The Wisconsin Department of Health Services (State agency) pays managed care organizations (MCOs) to provide covered health care services in return for a monthly fixed payment for each enrolled beneficiary (capitation payment). Previous Office of Inspector General (OIG) reviews<sup>1</sup> found that State Medicaid agencies had improperly paid capitation payments on behalf of deceased beneficiaries. We conducted a similar review of the State agency, which administers the Medicaid program.

### OBJECTIVE

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

### BACKGROUND

#### The Medicaid Program

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

The Medicaid managed care programs are intended to increase access to and improve the quality of health care for Medicaid beneficiaries. States contract with an MCO to provide specific services to enrolled Medicaid beneficiaries in return for capitation payments. States report capitation payments claimed by Medicaid MCOs on the States' Quarterly Medicaid Statement of Expenditures for the Medical Assistance Program. 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 Wisconsin ranged from 58.27 to 60.53 percent.

#### Social Security Administration: Date of Death Information

The Social Security Administration (SSA) maintains death record information by obtaining death

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<sup>1</sup> See Appendix B for related OIG reports.

information from relatives of deceased beneficiaries, funeral directors, financial institutions, and postal authorities. SSA processes death notifications through its Death Alert, Control, and Update System, which matches the information received from external sources against the Master Beneficiary Record and the Supplemental Security Income Record.<sup>2</sup> SSA records the resulting death information in its Numerical Identification System (the Numident).<sup>3</sup> SSA then uses information from the Numident to create a national record of death information called the Death Master File (DMF).<sup>4, 5</sup>

## **Federal and State 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).

Wisconsin will recoup MCO capitation payments made to a member’s MCO when the member’s status has changed before the first day of a month for which a capitation payment has been made, e.g., the member has died (Section VI.G.1.c. of the Wisconsin BadgerCare Plus and Medicaid SSI contracts).

## **Wisconsin’s Medicaid Managed Care Program**

In 1986, Wisconsin began using managed care to provide Medicaid (BadgerCare) acute, primary, and behavioral health services to parents and children. In 2008, the program, now called BadgerCare Plus, merged Medicaid with the Children’s Health Insurance Program and extended eligibility to childless adults with up to 200 percent of the Federal poverty level (FPL) under a Federal demonstration waiver. In 2014, additional populations became eligible for BadgerCare Plus.<sup>6</sup>

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<sup>2</sup> 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 Income Record is an electronic record of all Title XVI (of the Act) beneficiaries.

<sup>3</sup> The Numident contains personally identifiable information for each individual issued a Social Security number (SSN).

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

<sup>5</sup> SSA maintains death data—including names, SSNs, dates of birth (DOBs), and dates of death (DODs)—in the DMF for approximately 98 million deceased individuals.

<sup>6</sup> These populations are parents and caretaker relatives with incomes at or below 100 percent of the FPL; pregnant women with incomes at or below 300 percent of the FPL; children (ages 17 and younger) with household incomes at or below 300 percent of the FPL; childless adults (adults ages 19 to 64 without dependent children living in the household) with incomes at or below 100 percent of the FPL; transitional medical assistance individuals, also known as members on extensions, with incomes over 100 percent of the FPL.

During July 1, 2010, through June 30, 2015 (audit period)<sup>7</sup> the State agency contracted with 31 Medicaid MCOs (18 BadgerCare Plus and 13 long-term-care). The contracts with the MCOs covered health care services to eligible Medicaid beneficiaries in exchange for a fixed per-member, per-month capitation payment. The State agency made payments of approximately \$12.8 billion to Medicaid MCOs during our audit period.

State Medicaid agencies use the Medicaid Management Information System (MMIS) to process payments and maintain beneficiary eligibility and enrollment information. In Wisconsin, the InterChange system processes MMIS payments and interacts with the State agency's eligibility system. During our audit period, the State agency used the Client Assistance for Reemployment and Economic Support (CARES) system to maintain and process Medicaid beneficiaries' eligibility information.

## **HOW WE CONDUCTED THIS REVIEW**

Our audit covered 1,731 monthly capitation payments, totaling \$604,491, made during the audit period, on behalf of beneficiaries reported as deceased. To identify our population of deceased beneficiaries, we matched the MMIS data to the DMF using the beneficiaries' SSNs, names, and DOBs. We identified all capitation payments that occurred at least 1 month after the beneficiaries' DODs. We then reviewed all capitation payments over \$50.

We confirmed the status of the beneficiaries for 1,731 monthly capitation payments and determined that payments were made on behalf of deceased beneficiaries for 1,654 monthly capitation payments.

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, and Appendix C contains the Federal and State requirements.

## **FINDINGS**

The State agency made 1,654 capitation payments totaling \$589,478 (\$347,822 Federal share) on behalf of deceased beneficiaries. We confirmed that all beneficiaries associated with these capitation payments were deceased.

The State agency did not always identify and process Medicaid beneficiaries' death information. Although the State agency's eligibility system regularly interfaced with Federal data exchanges

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<sup>7</sup> The audit period encompassed the most current data available at the time we initiated our review.



that identify dates of death, caseworkers did not always receive notification that beneficiaries had died or did not correctly input the DODs in the system.

## **THE STATE AGENCY MADE UNALLOWABLE PAYMENTS TO MEDICAID MANAGED CARE ORGANIZATIONS**

The State agency will recoup MCO capitation payments made to a member's MCO when that member's status has changed before the first day of the month for which a capitation payment has been made, e.g., the member has died.<sup>8</sup> However, the State agency did not always recover the capitation payments after a beneficiary's death, despite its efforts to identify and recover them. Additionally, the State agency's contractual agreements with the MCOs allow adjustments to previously paid capitation payments. The contracts state that if a member loses BadgerCare Plus or Medicaid SSI eligibility or dies, the member will be disenrolled. The date of disenrollment is the date of BadgerCare Plus or Medicaid SSI eligibility termination or the date after the DOD. No recoupments will be made to the capitation payment to reflect a mid-month disenrollment, but any capitation payment(s) made for months subsequent to the disenrollment month will be recouped.<sup>9</sup>

The State agency made capitation payments totaling \$589,478 on behalf of deceased beneficiaries identified by matching the State agency's MMIS data to the SSA DMF. We confirmed that all beneficiaries associated with the 1,654 capitation payments were deceased.<sup>10</sup>

Of the 1,731 capitation payments that we reviewed:

- The State agency did not recover 1,654 capitation payments totaling \$589,478 (\$347,822 Federal share).
- For 58 of the capitation payments, the Wisconsin Vital Records Office did not have a DOD. We were not able to verify DODs through national investigative databases or online obituaries.
- For 19 of the capitation payments, the Wisconsin Vital Records Office had a different DOD than the SSA DMF. We were not able to verify DODs through national investigative databases or online obituaries.

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<sup>8</sup> Wisconsin BadgerCare Plus and Medicaid SSI contracts, section VI G.1.c.

<sup>9</sup> Wisconsin BadgerCare Plus and Medicaid SSI contracts, section VIII.E.3

<sup>10</sup> We confirmed the beneficiaries' DODs using national investigative databases, obituaries, or information obtained from the Wisconsin Vital Records Office.

## **THE STATE AGENCY DID NOT ALWAYS IDENTIFY AND PROCESS DEATH INFORMATION**

The State agency did not always identify and process Medicaid beneficiaries' death information in CARES. CARES and various other systems, including the SSA's system, update DODs in the MMIS on a daily and weekly basis, depending on the system. When a member's DOD is updated in MMIS, a daily cycle updates the member's eligibility and managed care enrollment end dates to match the member's DOD. Each week, the State agency's MMIS managed care sub-system looks to see if there are changes in eligibility and managed care enrollment, including DOD, for up to 1 calendar year in the past. If there is a change in eligibility or enrollment, then the managed care sub-system recoups the capitation payment that was made for a period after the DOD based on State policy. The State agency pays monthly capitation payments to MCOs; therefore, the State agency recoups capitation payments made for the month(s) after a DOD.

The State agency uses automated eligibility checks when enrolling beneficiaries; however, if an applicant is not deemed automatically eligible, a caseworker must handle the case. Caseworkers are also responsible for manually entering DODs into CARES for beneficiaries who they know have died. In many cases, caseworkers entered an incorrect DOD into the system, which caused capitation payments to continue. In addition, if beneficiary data in two different systems do not match, the State agency may continue to make capitation payments after a beneficiary's DOD. For example, if two systems had differing names, DOBs, or SSNs for a beneficiary, CARES may not pull the DOD. If the DOD is not in the CARES system, capitation payments continue to be made because the beneficiary appears to still be eligible for benefits.

## **UNALLOWABLE CAPITATION PAYMENTS**

The State agency made unallowable payments to MCOs totaling \$589,478 (\$347,822 Federal share) during our audit period.

## **RECOMMENDATIONS**

We recommend that the State agency:

- recover unallowable payments totaling \$589,478 from MCOs and refund \$347,822 (Federal share) to the Federal Government;
- identify and recover capitation payments made on behalf of deceased beneficiaries before and after our audit period, and repay the Federal share of amounts recovered; and
- strengthen its policies and procedures for identifying deceased beneficiaries and correctly entering DODs in CARES to ensure that DODs are recorded in a timely manner to prevent unallowable payments.

## STATE AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In written comments on our draft report, the State agency concurred with our findings and described actions that it plans to take to address our first and third recommendations. The State agency will recover the \$589,478 from the MCOs and refund the \$347,822 Federal share to the Federal Government. In addition, the State agency plans to implement measures to improve the accuracy and timeliness of death determinations to ensure accurate payment for beneficiaries. The State agency did not address our second recommendation. However, we request that the State agency identify and recover capitation payments made on behalf of deceased beneficiaries before and after our audit period and repay the Federal share of amounts recovered. The State agency's comments are included in their entirety as Appendix D.

## APPENDIX A: AUDIT SCOPE AND METHODOLOGY

### SCOPE

Our audit covered 1,731 monthly capitation payments, totaling \$604,491, made on behalf of beneficiaries whose DODs were prior to the month of the capitation month. We reviewed capitation payments that the State agency made during our audit period of July 1, 2010, through June 30, 2015.

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 Wisconsin received capitation payments on behalf of beneficiaries whose DODs preceded the capitation payment month.

We conducted our fieldwork from January 2017 through June 2018.

### 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 for the period of our review;
- obtained from the State agency a file of capitation payments made to MCOs on behalf of Medicaid beneficiaries for the period July 1, 2010, through June 30, 2015 (the State agency file), and identified 43,788,371 capitation payments totaling \$12,784,226,799 (capitation payment data);
- matched the capitation payment data to the DMF and created a file of 1,731 capitation payments totaling \$604,491 that the State agency made to MCOs on behalf of beneficiaries whose DODs preceded the capitation payment month;
- used national investigative databases, obituaries, and the Wisconsin Vital Records Office as alternative information sources to independently confirm the DODs on file with the DMF;
- for each of the capitation payments made after the beneficiary's death obtained documentation from the State agency to support whether any adjustments were made for these capitation payments;

- determined the total value and Federal share of unallowable capitation payments made after a beneficiary's death that the State agency did not recover; and
- discussed the results of our review 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: RELATED OFFICE OF INSPECTOR GENERAL REPORTS**

<b>Report Title</b>	<b>Report Number</b>	<b>Date Issued</b>
<i>Tennessee Managed Care Organizations Received Medicaid Capitation Payments After Beneficiary's Death</i>	<a href="#"><u>A-04-15-06190</u></a>	12/22/17
<i>Texas Managed Care Organizations Received Medicaid Capitation Payments After Beneficiary's Death</i>	<a href="#"><u>A-06-16-05004</u></a>	11/14/17
<i>Florida Managed Care Organizations Received Medicaid Capitation Payments After Beneficiary's Death</i>	<a href="#"><u>A-04-15-06182</u></a>	11/30/16

## **APPENDIX C: 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 State agency and MCOs entered into contractual agreements that allow adjustments to funds previously paid. Section VI.G.1.c. of the contracts state that the State agency will recoup MCO capitation payments made to a member's MCO when the member's status has changed before the first day of a month for which a capitation payment has been made, e.g., the member has died. Section VIII.E.3. of the contracts state that if a member loses BadgerCare Plus or Medicaid SSI eligibility or dies, the member will be disenrolled. The date of disenrollment is the date of BadgerCare Plus or Medicaid SSI eligibility termination or the date after the DOD. No recoupments will be made to the capitation payment to reflect a mid-month disenrollment, but any capitation payment(s) made for months subsequent to the disenrollment month will be recouped.

## APPENDIX D: STATE AGENCY COMMENTS



State of Wisconsin  
Department of Health Services

Scott Walker, Governor  
Linda Seemeyer, Secretary

September 6, 2018

Sheri Fulcher  
Regional Inspector General  
Office of Audit Services, Region V  
233 North Michigan Avenue, Suite 1360  
Chicago, IL 60601

Report Number: A-05-17-00006

Dear Ms. Fulcher:

Thank you for your report regarding capitation payments to Managed Care Organizations (MCOs) after a beneficiary's death. The Department of Health Services (DHS), hereby referred to as 'The Department', has reviewed the information provided in the report including the findings and the recommendations from the Office of the Inspector General (OIG).

In the matter of the finding of unallowable capitation payments totaling \$589,478 during the period of the audit, the Department concurs with the finding and will recover those funds from the MCOs and refund the Federal share (\$347,822) to the Federal Government.

In the matter of the finding related to appropriate identification and processing of death information, the Department concurs with the OIG's finding. The Department intends to pursue multiple avenues to improve the accuracy and timeliness of death determinations to ensure accurate payment for beneficiaries. These approaches include: enhancing the existing data exchanges that include death match data from the Federal government, exploring the possibility of establishing a data exchange with our Office of Vital Records for death match information, and providing additional information and education to our income maintenance workers on the appropriate application and processing of death information received from external sources.

If you have any questions on this response or other information about the report, please contact Dale Crapp, [Dale.Crapp@dhs.wisconsin.gov](mailto:Dale.Crapp@dhs.wisconsin.gov) or Rebecca McAtee, [Rebecca.mcatee@dhs.wisconsin.gov](mailto:Rebecca.mcatee@dhs.wisconsin.gov).

Sincerely,

/Linda Seemeyer/

Linda Seemeyer  
Secretary

cc: Dale Crapp, DHS  
Rebecca McAtee, DHS

1 West Wilson Street • Post Office Box 7850 • Madison, WI 53707-7850 • Telephone 608-266-9622 •

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