OFFICE OF INSPECTOR GENERAL

OHIO 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.

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Deputy Inspector General for Audit Services

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OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.
Why OIG Did This Review
Previous OIG reviews found that States had improperly paid Medicaid Managed Care Organizations (MCOs) capitation payments on behalf of deceased beneficiaries. We conducted a similar review of the Ohio Department of Medicaid, which administers the Medicaid program.

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

How OIG Did This Review
Our audit covered 81,941 capitation payments, totaling $90.5 million, made during the period July 1, 2014, through June 30, 2016 (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 then identified all capitation payments that occurred at least 1 month after the beneficiaries’ dates of death (DODs).

We selected a stratified random sample of 100 capitation payments totaling $195,233 ($127,048 Federal share) to confirm the status of the beneficiaries and to confirm whether payments were made on behalf of the deceased beneficiaries.

Ohio Medicaid Managed Care Organizations Received Capitation Payments After Beneficiaries’ Deaths

What OIG Found
Ohio made capitation payments totaling $90.5 million on behalf of deceased beneficiaries. We confirmed that all beneficiaries associated with the 100 capitation payments in our stratified random sample were deceased. Ohio properly recovered 37 of these capitation payments. However, Ohio did not recover the remaining 63 capitation payments totaling $74,495 ($51,431 Federal share). On the basis of our sample results, we estimated that Ohio did not recover unallowable payments to MCOs totaling at least $51.3 million ($38 million Federal share) during our audit period.

Ohio did not always identify and process Medicaid beneficiaries’ death information. Although Ohio’s eligibility systems regularly interfaced with Federal data exchanges that identify dates of death, county caseworkers did not always receive notification that beneficiaries had died.

What OIG Recommends and State Agency Comments
We recommend that Ohio (1) refund $38 million to the Federal Government; (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 $51.3 million; (3) identify capitation payments made on behalf of deceased beneficiaries before and after our audit period and repay the Federal share of amounts recovered; and (4) ensure that the eligibility system Ohio Benefits alerts county case workers of the beneficiaries’ DODs and that DODs are recorded in a timely manner to prevent unallowable payments.

Ohio did not say whether it agreed or disagreed with our recommendations. However, Ohio outlined improvements that enhance the identification and change in the status of deceased beneficiaries. It also provided information to clarify its eligibility process for the Client Registry Information System–Enhanced (CRIS-E) database. Regarding our recommendation to recover $51.3 million, the State agency asked that the impact of deceased beneficiaries on the capitated rates be considered in any final determinations.

We revised the report to address the State agency’s comments on the CRIS-E eligibility process. However, the composition of capitation rates was not within the scope of our audit. Therefore, we have not made any changes to our recommendation and defer to CMS to determine any necessary adjustments.

The full report can be found at https://oig.hhs.gov/oas/reports/region5/51700008.asp.
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INTRODUCTION

WHY WE DID THIS REVIEW

The Ohio Department of Medicaid (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\(^1\) 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 Ohio ranged from 62.47 to 63.02 percent.\(^2\)

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\(^1\) See Appendix B for related OIG reports.

\(^2\) Because of the Patient Protection and Affordable Care Act’s Medicaid expansion, payments for “newly eligible” adults were reimbursed at a 100-percent FMAP during calendar years 2014 through 2016.
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 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. SSA records the resulting death information in its Numerical Identification System (the Numident). SSA then uses information from the Numident to create a national record of death information called the Death Master File (DMF).

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).

Ohio must recover from the MCO any premium paid for retroactive membership termination occurring as a result of a beneficiary’s death (Ohio Administrative Code 5101:3-26-02.1(C)(6)).

Ohio’s Medicaid Managed Care Program

Ohio’s current State-wide, risk-based, comprehensive Medicaid Managed Care Program was introduced in 2005 and has been phased in over time by region. The program covers all services in the Medicaid State plan, including acute, primary, and specialty services.

During our audit period, approximately 86 percent of Ohio’s Medicaid population received benefits through six private MCOs under contract with the State agency. 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 $26.8 billion to Medicaid MCOs during our audit period.

3 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.

4 The Numident contains personally identifiable information for each individual issued a Social Security number (SSN).


6 SSA maintains death data—including names, SSNs, dates of birth (DOB), and States of death—in the DMF for approximately 98 million deceased individuals.
State Medicaid agencies use the Medicaid Management Information System (MMIS) to process payments and maintain beneficiary eligibility and enrollment information. In Ohio, the Medicaid Information Technology System (MITS) processes MMIS payments and interacts with the State agency’s eligibility databases. During our audit period, the State agency used the Client Registry Information System–Enhanced (CRIS-E) and Ohio Benefits databases to maintain and process Medicaid beneficiaries’ eligibility and to interface with the MMIS.

HOW WE CONDUCTED THIS REVIEW

Our audit covered 81,941 net monthly capitation payments, totaling $90,535,588, made during the period July 1, 2014, through June 30, 2016 (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 then identified all capitation payments that occurred at least 1 month after the beneficiaries’ date of death (DOD).

We selected a stratified random sample of 100 capitation payments totaling $195,233 ($127,048 Federal share) to confirm the status of the beneficiaries and to determine whether payments were made on behalf of the deceased beneficiaries. Using the results of our sample, we estimated the total value and Federal share of unallowable capitation payments that the State agency did not recover.

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

FINDINGS

The State agency made capitation payments totaling $90,535,588 on behalf of deceased beneficiaries. We confirmed that all beneficiaries associated with the 100 capitation payments in our stratified random sample were deceased. The State agency properly recovered 37 of these sampled capitation payments made on behalf of deceased beneficiaries. However, the State agency did not recover the remaining 63 capitation payments totaling $74,495 ($51,431 Federal share). On the basis of our sample results, we estimated that the State agency did not

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7 Because of payment adjustments, some beneficiaries had more than one capitation payment per month. Therefore, we netted all capitation payments that occurred for the same beneficiary in the same month into a single capitation payment.
The State agency did not always identify and process Medicaid beneficiaries’ death information. Although the State agency’s eligibility systems regularly interfaced with Federal data exchanges that identify dates of death, county caseworkers did not always receive notification that beneficiaries had died.

THE STATE AGENCY MADE UNALLOWABLE PAYMENTS TO MEDICAID MANAGED CARE ORGANIZATIONS

The State agency must recover from an MCO any capitation payments made after a beneficiary’s death. 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 outline the MCOs’ responsibility to report beneficiaries’ deaths on membership reconciliation reports. The contracts also state that the State agency will always accept recoveries based on DOD, regardless of how much time has elapsed between the actual DODs and the reporting of them.

The State agency made capitation payments totaling $90,535,588 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 100 capitation payments in our stratified random sample were deceased.

Of the 100 capitation payments in our sample:

- The State agency did not recover 63 capitation payments totaling $74,495 ($51,431 Federal share). The State agency made 61 of these capitation payments to MCOs on behalf of beneficiaries who did not have a DOD in the MMIS. Of the remaining two capitation payments, one was made on behalf of a beneficiary who had a DOD in the MMIS, and one was made on behalf of a beneficiary who had an incorrect DOD in the MMIS.

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8 Ohio Administrative Code 5101:3-26-02.1(C)(6).

9 Ohio Managed Care Provider Agreements from July 1, 2014, through June 30, 2016, Appendix C, paragraph 31(b).

10 We confirmed the beneficiaries’ DOD using national investigative databases, death certificates, or obituaries.
After our audit period, the State agency recovered 37 capitation payments totaling $113,405 ($74,027 Federal share). The State agency made 22 of these capitation payments on behalf of beneficiaries who had a DOD in the MMIS and 15 on behalf of beneficiaries who did not have a DOD in the MMIS.

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 the CRIS-E and Ohio Benefits. When death information was properly identified and processed, MITS used that information to automatically terminate the beneficiary’s eligibility, remove him or her from the Managed Care program using a DOD reason code, and initiate the recovery process for capitation payments made after the beneficiary’s DOD.

To identify DODs, the State agency relies on several sources of data from SSA: the State On-Line Query (SOLQ), the Beneficiary & Earnings Data Exchange (BENDEX), and the State Data Exchange (SDX). Although the State agency’s CRIS-E and Ohio Benefits systems interfaced with these data sources regularly, county caseworkers did not always receive notification that the beneficiaries had died.

During our audit period, the State agency was in the process of converting its Medicaid eligibility system from the CRIS-E to Ohio Benefits. In the CRIS-E, DOD information was available from the BENDEX, SDX, and SOLQ interfaces, which issued an alert in a beneficiary’s case file when a DOD match occurred. A county caseworker would consider the alert a “lead” and, according to the State agency’s internal policies, would verify the DOD with a secondary source (e.g., obituaries, funeral homes, or family members). If proper verification was received, the caseworker entered the DOD into the CRIS-E, and the case file was closed and eligibility terminated. If a secondary source did not verify the death, two written requests were sent to the beneficiary. If the written requests were not returned, the date of death would not be entered into the CRIS-E and the beneficiary’s Medicaid eligibility would be terminated because the beneficiary failed to verify a reported change. The Ohio Benefits eligibility system also uses the BENDEX, SDX, and SOLQ interfaces. However, no alert is generated for a DOD match. Caseworkers are made aware of a DOD only if they review a beneficiary’s case file. Caseworkers may review case files for various reasons, but eligibility redeterminations are only required annually.

11 The State agency recovered the 37 capitation payments after the end of our audit period but before we provided the State agency our list of sample items.

12 The SOLQ allows States real-time online access to SSA’s SSN verification service and retrieval of data from Title II and Title XVI of the Act. SOLQ enables State social services agencies, some Federal agencies, and other State benefit program personnel to rapidly obtain information they need to qualify individuals for programs.

13 The BENDEX is a batch data exchange that provides Title II and earnings data to the State agencies.

14 The SDX is a batch data exchange that provides Title XVI data to States that administer federally funded income programs or health maintenance programs or both.
In addition, the CRIS-E and Ohio Benefits did not interact or interface with each other, which may have further affected the caseworkers’ ability to properly enter the DODs into the two systems. Ohio’s 88 counties define their own business processes. Some counties used Ohio Benefits and had no access to the CRIS-E, some counties used only the CRIS-E, and some counties had access to both systems. If a beneficiary had benefits open in both systems (e.g., food assistance in the CRIS-E and Medicaid in Ohio Benefits), the caseworker received a DOD alert in the CRIS-E and needed to verify the DOD and terminate eligibility in both systems or notify someone with access to Ohio Benefits of the DOD.

ESTIMATE OF UNALLOWABLE CAPITATION PAYMENTS

On the basis of our sample results, we estimated that the State agency did not recover unallowable payments to MCOs totaling at least $51,294,467 ($37,974,949 Federal share) during our audit period.

RECOMMENDATIONS

We recommend that the State agency:

- refund $37,974,949 to the Federal Government;
- identify and recover unallowable payments made to MCOs during our audit period on behalf of deceased beneficiaries, which we estimate to be at least $51,294,467;
- identify capitation payments made on behalf of deceased beneficiaries before and after our audit period and repay the Federal share of amounts recovered; and
- ensure that Ohio Benefits alerts county case workers of beneficiaries’ DODs and that DODs are recorded in a timely manner to prevent unallowable payments.

STATE AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

STATE AGENCY COMMENTS

In written comments on our draft report, the State agency did not state whether it agreed or disagreed with our recommendations. The State agency said that in 2014, in efforts to implement the Affordable Care Act (ACA), it developed a new Medicaid eligibility system and began migrating Medicaid populations from its previous system. The State agency said that, as part of its implementation of the system, it sought and received approval from CMS to postpone 2014 eligibility renewals for its ACA population until 2015. The State agency said that these conditions significantly contributed to the number of capitated payments made to MCOs for deceased individuals during the audit period.
The State agency provided details of improvements it has made to the eligibility process in both identifying deceased beneficiaries and changing their status. It also provided information to clarify its CRIS-E eligibility process, noting that an individual’s Medicaid eligibility would be terminated for failing to verify a reported change.

Regarding our recommendation to recover $51,294,467, the State agency said that the deceased beneficiaries were not properly considered for purposes of developing capitated rates and, as a result, the State agency has already remitted a portion of the recommended recovery. The State agency said that the impact of deceased beneficiaries on the capitated rates and the portion already remitted to CMS should be considered in any final determinations of amounts owed to or from CMS.

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

OFFICE OF INSPECTOR GENERAL RESPONSE

We revised the report to address the State agency’s comments on the CRIS-E eligibility process. However, the composition of capitation rates was not within the scope of our audit. Therefore, we have not made any changes to our recommendation and defer to CMS to determine any necessary adjustments.
APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

Our audit covered 81,941 net monthly capitation payments, totaling $90,535,588, made on behalf of beneficiaries whose DODs were prior to the month of the capitation payment. We reviewed capitation payments that the State agency made during our audit period of July 1, 2014, through June 30, 2016. We selected a stratified random sample of 100 capitation payments totaling $195,233 ($127,048 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 Ohio received capitation payments on behalf of beneficiaries whose DODs preceded the capitation payment month.

We conducted our fieldwork from January through December 2017.

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 November 2013 through September 2016 (the State agency file);
- limited use of the State agency file to capitation payments made during our audit period of July 1, 2014, through June 30, 2016, and identified 58,208,842 capitation payments totaling $26,769,841,480 (capitation payment data);
- matched the capitation payment data to the DMF and created a sampling frame containing 81,941 capitation payments totaling $90,535,588 that the State agency made to MCOs on behalf of beneficiaries whose DOD preceded the capitation payment month;
- selected for review a stratified random sample of 100 capitation payments totaling $195,233 ($127,048 Federal share);
• for each sampled capitation payment obtained current documentation from the State agency to support:
  
  o the beneficiaries’ first and last names, SSNs, DOBs (ensuring that the information matched the DMF), and Medicaid identification numbers;
  
  o whether the MMIS identified the beneficiaries’ DODs;
  
  o that a capitation payment occurred for the capitation payment month (ensuring the accuracy of the paid amount); and
  
  o whether any adjustments were made for the sample capitation payments;

• compared the DODs in the MMIS and the DMF for the 100 sample items;

• used Accurint, Ohio’s Bureau of Vital Statistics, and obituaries as alternative information sources to independently confirm the DODs on file with the DMF;

• estimated the total value and Federal share of unallowable capitation payments that the State agency did not recover by using OIG, Office of Audit Services (OAS), statistical software; 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

Table 1: Medicaid Capitation Payments Made After Beneficiaries’ Deaths

<table>
<thead>
<tr>
<th>Report Title</th>
<th>Report Number</th>
<th>Date Issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tennessee Managed Care Organizations Received Medicaid Capitation Payments</td>
<td>A-04-15-06190</td>
<td>12/22/17</td>
</tr>
<tr>
<td>After Beneficiary’s Death</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Texas Managed Care Organizations Received Medicaid Capitation Payments</td>
<td>A-06-16-05004</td>
<td>11/14/17</td>
</tr>
<tr>
<td>After Beneficiary’s Death</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Florida Managed Care Organizations Received Medicaid Capitation Payments</td>
<td>A-04-15-06182</td>
<td>11/30/16</td>
</tr>
<tr>
<td>After Beneficiary’s Death</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
APPENDIX C: STATISTICAL SAMPLING METHODOLOGY

TARGET POPULATION

The population consisted of capitation payments that the State agency made on behalf of deceased beneficiaries during the period July 1, 2014, through June 30, 2016.

SAMPLING FRAME

The State agency provided a file of capitation payments with paid dates during the period November 2013 through September 2016 containing 80,326,569 records. We limited use of the file to capitation payments made during our audit period of July 1, 2014, through June 30, 2016, which resulted in a file containing 58,208,842 capitation payments totaling $26,769,841,480.

We then matched the capitation payment data to the DMF using the beneficiaries’ SSNs, names, and DOBs, and extracted 104,912 monthly capitation payments with a capitation payment month that occurred at least 1 month after the beneficiaries’ month of death. Because of payment adjustments, some beneficiaries had more than one capitation payment per month. Therefore, we netted all monthly capitation payments for a beneficiary that occurred for the same capitation payment month into a single monthly capitation payment (net monthly capitation payment). This resulted in 85,245 net monthly capitation payments. We then removed 3,304 net monthly capitation payments that were less than or equal to $0.

The resulting file consisted of 81,941 net monthly capitation payments totaling $90,535,588, from which we drew our sample.

SAMPLE UNIT

The sample unit was a net monthly capitation payment.

SAMPLE DESIGN AND SAMPLE SIZE

We used the following stratified random sample:
Table 2: Payment Ranges in Sampling Frame

<table>
<thead>
<tr>
<th>Payment Range</th>
<th>Number of Payments in Frame</th>
<th>Amount of Payments in Frame</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>$19.97 through $992.04</td>
<td>49,467</td>
<td>$29,202,315</td>
<td>34</td>
</tr>
<tr>
<td>$994.35 through $2,000.52</td>
<td>25,900</td>
<td>34,982,047</td>
<td>33</td>
</tr>
<tr>
<td>$2,213.18 through $15,821.48</td>
<td>6,574</td>
<td>26,351,226</td>
<td>33</td>
</tr>
<tr>
<td>Total</td>
<td>81,941</td>
<td>$90,535,588</td>
<td>100</td>
</tr>
</tbody>
</table>

SOURCE OF RANDOM NUMBERS

We generated the random numbers using the OIG/OAS statistical software.

METHOD FOR SELECTING SAMPLE UNITS

We consecutively numbered the capitation payments within strata 1 through 3. After generating the random numbers for each stratum, we selected the corresponding capitation payments from the sampling frame.

ESTIMATION METHODOLOGY

We used the OIG/OAS statistical software to estimate the total value and Federal share of unallowable payments made to deceased beneficiaries during our audit period. To be conservative, we recommend recovery of unallowable payments at the lower limit of a two-sided 90-percent confidence interval. Lower limits calculated in this manner will be less than the actual total of unallowable payments in the sampling frame 95 percent of the time.
APPENDIX D: SAMPLE RESULTS AND ESTIMATES

Table 3: Sample Results

<table>
<thead>
<tr>
<th>Stratum</th>
<th>Frame Size</th>
<th>Value of Frame</th>
<th>Sample Size</th>
<th>Total Value of Sample</th>
<th>Incorrectly Billed Sample Items</th>
<th>Value of Overpayments in Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>49,467</td>
<td>$29,202,315</td>
<td>34</td>
<td>$20,391</td>
<td>31</td>
<td>$17,605</td>
</tr>
<tr>
<td>2</td>
<td>25,900</td>
<td>34,982,047</td>
<td>33</td>
<td>44,738</td>
<td>26</td>
<td>35,618</td>
</tr>
<tr>
<td>3</td>
<td>6,574</td>
<td>26,351,226</td>
<td>33</td>
<td>130,104</td>
<td>6</td>
<td>21,271</td>
</tr>
<tr>
<td>Total</td>
<td>81,941</td>
<td>$90,535,588</td>
<td>100</td>
<td>$195,233</td>
<td>63</td>
<td>$74,495$15</td>
</tr>
</tbody>
</table>

ESTIMATES

Table 4: Estimates of Unallowable Payments for the Audit Period
(Limits Calculated for a 90-Percent Confidence Interval)

<table>
<thead>
<tr>
<th></th>
<th>Total Amount</th>
<th>Federal Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Point estimate</td>
<td>$57,806,362</td>
<td>$43,175,773</td>
</tr>
<tr>
<td>Lower limit$^{16}$</td>
<td>51,294,467</td>
<td>37,974,949</td>
</tr>
<tr>
<td>Upper limit</td>
<td>64,318,257</td>
<td>48,376,597</td>
</tr>
</tbody>
</table>

$^{15}$ The stratum amounts do not sum to the total unallowable payment amount due to rounding.

$^{16}$ To be conservative, we recommend recovery at the lower limit of a two-sided 90-percent confidence interval. Lower limits calculated in this manner will be less than the actual overpayment total 95 percent of the time.
APPENDIX E: 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

Ohio Administrative Code 5101:3-26-02.1(C)(6) mandates that the State agency will recover from the MCO any premium paid for retroactive membership termination occurring as a result of a beneficiary’s death.

State Agency Contract With Managed Care Organizations

The State agency and MCOs entered into contractual agreements that allow adjustments to funds previously paid. Appendix C, paragraph 31(b), of the MCO contracts outline the MCOs’ responsibility to report beneficiaries’ deaths on membership reconciliation reports. The contracts also state that the State agency will always accept recoveries based on DOD, regardless of how much time has elapsed between the actual DODs and the reporting of them.
August 3, 2018

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

Dear Ms. Fulcher:

Thank you for the opportunity to respond to the draft report issued by the Office of Inspector General (OIG) regarding its review of Ohio’s payments to managed care plans for deceased beneficiaries.

The Ohio Department of Medicaid (the Department) has reviewed the draft report entitled “Ohio Medicaid Managed Care Organizations Received Capitation Payments After Beneficiary’s Death (A-05-17-00008)” from the Department of Health and Human Services Office of Inspector General.

In review of the audit conducted for the period of July 1, 2014 through June 30, 2016, the Department offers the following comments for consideration.

In January 2014, the Department, in its efforts to implement the Affordable Care Act (ACA), developed a new eligibility system (i.e., Ohio Benefits) and began migrating Medicaid populations from the former system. As part of the implementation, the Department sought and received approval of a waiver under section 1902(e)(14)(A) of the Social Security Act that allowed the Department to postpone its eligibility renewals. The result was eligibility renewals for ACA populations slated for 2014 were delayed until the corresponding month in 2015. These collective conditions significantly contributed to the number of capitated payments made to Managed Care Organizations (MCO) for deceased individuals during the audit period.

Prior to the movement of the eligibility process to the Ohio Benefits system, the eligibility process occurred within the CRIS-E system. This system did generate alerts through the DEDD interface, so caseworkers had the ability to work those leads and update the cases accordingly. The Department would like to clarify that there is a slight inaccuracy within the draft report as it relates to CRIS-E. The report currently states: “If a secondary source did not verify the death, the DOD was not entered into CRIS-E and the beneficiary remained eligible.” In actuality, if the death lead was not verified by a secondary source and the Department sent two written requests to the individual, then the date of death would not be entered into CRIS-E; however, the individual’s Medicaid eligibility would be terminated for failing to verify a reported change.
To improve its eligibility process in the Ohio Benefits system, the Department has created alerts when passive renewals fail due to a date of death indicator from the Social Security Administration and is actively monitoring the working of those alerts by county agencies. In addition, the Department is actively working to implement a National Technical Information Services date of death indicator to further enhance the identification of Medicaid members that may be deceased.

Beyond the changes made to Ohio Benefits, in 2017 the Department implemented a process whereby Medicaid members identified as potentially deceased are transferred from an MCO to the Department’s fee-for-service program. This process allows members to retain their eligibility (as required by federal regulations) while workers are seeking to verify whether the individual is deceased but minimizes the risk of capitation payments being made to MCOs until such time as a member’s status is validated.

The report includes a proposed audit finding approximating $51 million for the Department’s failure to recoup capitation payments made to MCOs after recipients’ dates of death. The Department’s concern is the deceased members were not properly excluded from state data provided to its actuary for purposes of developing capitated rates under the provisions of 42 CFR 438.6, thereby causing capitated rates to be understated. As a result, the Department contends it has previously remitted at least a portion of the proposed audit finding through reduced federal match it has received for calendar years 2014, 2015 and 2016.

To resolve the $51 million audit finding, the Department proposes that it be allowed to consider the impact of deceased members to the capitated rates and recoupments previously returned to CMS in any final determinations of amounts owed to or from CMS.

The Department appreciates the OIG’s review and recommendations. Thank you for the opportunity to examine and provide comments on the draft report. Please let me know if you have questions or need additional information.

Sincerely,

/Barbara R. Sears/

Barbara R. Sears, Director