Why OIG Did This Audit
Previous OIG audits found that States had improperly paid Medicaid managed care organizations capitation payments on behalf of deceased beneficiaries. We conducted a similar audit of those payments in Michigan.

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

How OIG Did This Audit
Our audit covered 115,053 capitation payments, totaling $43.9 million, with service dates from January 1, 2014, through December 31, 2016 (audit period), made on behalf of beneficiaries reported as deceased.

To identify our population of beneficiaries reported as deceased, we matched the Medicaid Management Information System (MMIS) data with the Social Security Administration’s Death Master File (DMF) using the beneficiaries’ Social Security numbers, names, and dates of birth. We then identified all capitation payments that occurred for months following a beneficiary’s month of death in the DMF.

We selected a stratified random sample of 100 capitation payments, totaling $117,840 ($79,410 Federal share), identified the date of death reported in the DMF, and determined whether payments were made on behalf of the deceased beneficiaries.

Michigan Made Capitation Payments to Managed Care Entities After Beneficiaries’ Deaths

What OIG Found
We estimated that Michigan made unallowable capitation payments totaling at least $39.9 million ($27.5 million Federal share) to managed care entities on behalf of deceased beneficiaries during our audit period. Of the 100 capitation payments in our stratified random sample, Michigan made 99 unallowable payments totaling $117,746 ($79,348 Federal share).

The unallowable payments occurred because Michigan did not always identify and process Medicaid beneficiaries’ death information. Although Michigan’s MMIS and eligibility systems interfaced with State and Federal death files that identify dates of death, Michigan did not always identify those dates of death in its MMIS system, and the MMIS system and eligibility system did not share dates of death information with each other. Michigan also did not recover payments caused by dates of death not promptly identified in its MMIS system.

What OIG Recommends and Michigan Comments
We recommend that Michigan (1) refund $27.5 million to the Federal Government; (2) identify and recover unallowable payments made to managed care entities during our audit period on behalf of deceased beneficiaries, which we estimated to be at least $39.9 million; and (3) identify capitation payments made on behalf of deceased beneficiaries before and after our audit period and repay the Federal share of amounts recovered.

We also made two procedural recommendations.

Michigan did not say whether it agreed or disagreed with our recommendations. Michigan agreed that some capitation payments were made for deceased beneficiaries and not recouped. Michigan said that it would recoup payments made on behalf of beneficiaries with a verified date of death or as the DMF date of death is validated. Michigan also said it would determine whether additional recoupments are necessary outside of the audit period and, if so, return any applicable Federal funding. In addition, Michigan described actions it has taken or plans to take to address our remaining recommendations.

The full report can be found at https://oig.hhs.gov/oas/reports/region5/51700048.asp.