The Minnesota State Medicaid Agency Made Capitation Payments to Managed Care Organizations After Beneficiaries’ Deaths

What OIG Found
We estimated that Minnesota made unallowable capitation payments totaling at least $3.7 million ($3.2 million Federal share) to MCOs on behalf of deceased beneficiaries during our audit period. Of the 100 capitation payments in our random sample, Minnesota made 95 unallowable payments totaling $62,665 ($55,932 Federal share).

The unallowable payments occurred because Minnesota did not always identify and process Medicaid beneficiaries’ death information. During our audit period, Minnesota was in the process of integrating a new eligibility and enrollment system that did not always properly interface with the MMIS, which Minnesota uses to process payments to MCOs.

What OIG Recommends and Minnesota Comments
We recommend that Minnesota (1) refund $3.2 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 estimated to be at least $3.7 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; (4) ensure Minnesota Medicaid staff are properly trained to process dates of death and eligibility termination in accordance with Minnesota’s internal policies; and (5) utilize additional sources to identify dates of death to help reduce unallowable payments.

In written comments on our draft report, Minnesota did not specifically concur with our recommendations. Minnesota stated that it will review the beneficiary and date of death information received from OIG and return any Federal funds that can be validated as overpayments. In addition, Minnesota described actions it has taken or plans to take to address our remaining recommendations.

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 Minnesota Department of Human Services, which administers the Medicaid program.

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

How OIG Did This Review
Our audit covered 6,318 capitation payments, totaling $4.4 million, with service dates during the period January 1, 2014, through December 31, 2016 (audit period), made on behalf of beneficiaries reported as deceased. To identify 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 simple random sample of 100 capitation payments, totaling $68,265 ($60,311 Federal share), identified the date of death as reported in the DMF, and determined whether payments were made on behalf of the deceased beneficiaries.

The full report can be found at https://oig.hhs.gov/oas/reports/region5/51700049.asp.