



**MEDICAID PAYMENTS MADE ON BEHALF OF
DECEASED PARTICIPANTS**

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EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS

March 25, 2003

Marcia R. Morgan, Secretary
Cabinet for Health Services
275 East Main Street, 5th Floor
Frankfort, Kentucky 40621

RE: Auditors' Report on Medicaid Payments Made on Behalf of Deceased Participants

Dear Secretary Morgan:

We have performed an examination of selected transactions within the Medicaid program administered by the Cabinet for Health Services, Department for Medicaid Services (DMS). Our objective was to determine whether Medicaid benefits were paid on behalf of deceased former participants.

We cross-referenced more than 30 million payments from fiscal year 2002 (Examination Period) totaling in excess of \$3 billion to the records of deceased persons maintained by Kentucky's Public Health Office of Vital Statistics and to the records contained in the Social Security Death Index (SSDI). We identified more than 7,000 payments for post-death services to some 300 providers totaling more than \$360,000 during the Examination Period. Adding the DMS estimated \$1.5 million in erroneous payments from years before our Examination Period, total erroneous Medicaid payments exceed \$1.8 million. We determined that most of the Exception payments were made to Passport Health Plan (Passport). Over 700 premium payments totaling \$285,150 were made to Passport on behalf of over 300 deceased former Medicaid participants. These premiums were paid to Passport in some cases up to eight years after the former participants died.



Secretary Morgan
March 25, 2003
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The findings noted during our examination are presented and explained in the attached report. We thank DMS and Vital Statistics personnel for the cooperation extended to us during the course of our work.

Very truly yours,

A handwritten signature in black ink, appearing to read "Ed Hatchett". The signature is fluid and cursive, with a long horizontal stroke at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

EBHJr:kct

Findings and Recommendations

The Department for Medicaid Services paid 361 providers over \$360,000 in fiscal year 2002 for claims involving services occurring after former Medicaid participants died.

We compared death certificate records maintained by Kentucky's Public Health Office of Vital Statistics (Vital Statistics) and records available through the Social Security Death Index (SSDI) with over 30 million Medicaid payments totaling more than \$3 billion that were processed during Fiscal Year 2002 (Examination Period). This comparison identified 7,601 payments to 361 providers totaling \$363,243, in which the first date of service occurred after the former Medicaid participants died (Exception Payments).

One provider, Passport Health Plan (Passport), received \$285,150 of the Exception Payments on behalf of 364 deceased former participants. The remaining 360 providers received an average of \$216.93 each, with none receiving more than \$7,897.

Passport is a managed care plan established in 1997 by University of Louisville Hospital, Jewish Hospital, Norton Healthcare, and the Louisville/Jefferson County Primary Care Association. Passport serves a population of approximately 120,000 Medicaid participants in an area including Jefferson and 15 surrounding counties.

Provider Distribution of Exception Payments

Passport	\$285,150	78%
All others	<u>78,093</u>	22%
Total	<u>\$363,243</u>	

The entire \$285,150 paid to Passport was composed of monthly premiums. DMS pays these premiums to Passport for each qualified enrolled participant at a negotiated rate. These premiums, which vary according to participant circumstances, represent Passport's compensation for accepting the risk and responsibility to provide all covered healthcare services needed by participants. Passport is then responsible for compensating individual healthcare providers for services actually provided to participants. This system limits the maximum cost to DMS to serve each participant.

DMS continued to pay premiums to Passport for up to eight years after the former participants died.

These premiums were paid to Passport up to eight years after the former participants died (see Table 1). In 349 cases, premiums ceased prior to the end of the Examination Period, suggesting that the error was corrected. In the other 15 cases the premiums were still being paid at the end of the Examination Period, suggesting that the error was not yet corrected as of that time.

Table 1

Amount of Time that DOD¹ Occurred Prior to First DOS²:	Number of Payments	Total Amount of Payments
1 - 90 Days	529	\$195,182
91 - 364 Days	164	60,560
1 to 4 Years	43	16,322
More than 4 Years	24	13,086
TOTAL	760	285,150

DMS paid Passport over \$13,000 in premiums for two former Medicaid participants that died prior to the time Passport was established.

We noted two instances in which DMS paid Passport premiums for two former Medicaid participants, one of whom died in 1995 and the other in 1993, well before Passport was established. These premiums, totaling \$13,086, were paid throughout the Examination Period. DMS, not Passport, maintains the Medicaid participant listing in the Medicaid Management Information System (MMIS).

DMS estimates that up to \$1.5 million in erroneous premiums have been paid to Passport on behalf of deceased former Medicaid participants prior to Fiscal year 2002.

While sharing our preliminary findings with DMS, we learned that in February 2002 DMS began analyzing Medicaid payments made on behalf of deceased former participants for fiscal years 1997 through 2001. This analysis period excluded the Examination Period and therefore DMS findings do not overlap our findings detailed in this report. DMS identified up to \$1.5 million in erroneous premiums paid to Passport prior to fiscal year 2002 for such participants.

¹ Date of Death

² Date of Service

DMS efforts to recoup erroneous premiums paid to Passport have not been effective.

DMS has a process in place to identify and recoup erroneous premiums paid to Passport. Each month of premium payments is reviewed six months after it occurs. The eligibility data from MMIS as of the time the review takes place is reconciled to the historical payment records to identify erroneous premium payments made on behalf of ineligible Medicaid participants.

The erroneous premium payments identified are then recouped by DMS through an offset to eligible premium payments to Passport. However, if date of death information has not been discovered and entered into MMIS prior to the time the reconciliation is performed, the erroneous premium payments will never be identified.

As Table 2 illustrates, MMIS contained date of death information for only 102 of the 364 deceased former Medicaid participants for which DMS paid Passport premiums. This indicates that DMS has difficulty determining when Medicaid participants die. Only \$3,689 in erroneous premium payments was recouped for nine of these 102 individuals, which translates into an overall success rate of only 1.3 percent. This indicates that when DMS is able to determine that Medicaid participants have died, it is rarely accomplished in time to allow premiums to be recouped under the current process.

Table 2

Category	Dollars	Payments	Individuals
Total Passport Exception Payments	\$ 285,150	760	364
Passport Exception Payments Where MMIS Contained DOD ¹	49,352	138	102
Passport Exception Payments Recouped	3,689	14	9

¹ Date of Death

Erroneous premiums were only partially recouped for two of the nine individuals.

Erroneous premiums totaling \$4,667 were paid for nine individuals, although only \$3,689 was recouped. The remaining premiums of \$978 were not recouped because of a weakness in the DMS process. When erroneous premiums are identified during the reconciliation process described earlier, DMS does not check for earlier erroneous premium payments that could have gone undetected due to the timing of the date of death entered into MMIS.

Recommendations

We recommend that DMS:

- Complete the verification of suspected erroneous premiums paid to Passport prior to Fiscal year 2002;
- Recoup all erroneous premiums paid to Passport;
- Implement a procedure to check for erroneous premiums or other Medicaid payments whenever DMS is notified that a Medicaid participant has died and seek timely repayment. Consider automating this procedure within MMIS;
- Implement a procedure to compare active Medicaid participants with the Vital Statistics death certificate file on a monthly basis to minimize the amount of erroneous Medicaid payments made on behalf of deceased former participants; and,
- Implement a procedure to check prior payment history for additional exceptions whenever an exception is identified during the six-month reconciliation process.

CABINET FOR HEALTH SERVICES EXAMINATION RESPONSE



The Secretary for Health Services

COMMONWEALTH OF KENTUCKY
275 EAST MAIN STREET
FRANKFORT 40621-0001
(502) 564-7042

PAUL E. PATTON
GOVERNOR

MARCIA R. MORGAN
SECRETARY

March 21, 2003

Brian Lykins, Director
Division of Examination and Information Technology
Office of the Auditor of Public Accounts
2501 Georgetown Road
Frankfort, Kentucky 40601

RE: Response to examination draft report

Dear Mr. Lykins:

Thank you for your recommendations regarding Medicaid payments made on behalf of deceased participants as well as for the opportunity to respond to your draft report.

The attached response details the changes that the Cabinet and the Department for Medicaid Services (DMS) are implementing to our systems and processes that address concerns set forth in your recommendations.

If you have questions regarding this response, please let us know.

Sincerely,

A handwritten signature in blue ink, appearing to read "M. R. Morgan".

Marcia R. Morgan
Secretary

c: Commissioner Robinson

Attachment

"...promoting and safeguarding the health and wellness of all Kentuckians."



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Audit Area	Cabinet Response
<p>Complete the verification of suspected erroneous premiums paid to Passport prior to Fiscal year 2002.</p>	<p>Ad hoc reports from the Medicaid Management Information System (MMIS) have identified erroneous premiums paid to Passport from 2001-02. A revised report is being pursued to verify the number of these errors that are related to recipient date-of-death. Dates for eligibility, first service and death when available will be analyzed and the results forwarded to DMS Division of Finance; results from the revised report are expected April 11.</p>
<p>Recoup all erroneous premiums paid to Passport.</p>	<p>Recoupment of erroneous premiums paid to Passport will be determined following analysis of the report cited above.</p>
<p>Implement a procedure to check for erroneous premiums or other Medicaid payments whenever DMS is notified that a Medicaid participant has died and seek timely repayment. Consider automating this procedure within DMS.</p>	<p>A design change request (DCR) has been researched to automate this procedure. The DCR is being drafted and will be submitted to the fiscal agent in preparation for receipt of date-of-death information from the Vital Statistics Office (see next bulleted item). HealthWatch or its successor (contractor for fraud and abuse) will be responsible for recovering all non-capitated claims identified as paid owing to a date-of-death error over the past twelve months.</p>
<p>Implement a procedure to compare active Medicaid participants with the Vital Statistics death certificate file on a monthly basis to minimize the amount of erroneous payments for Medicaid services made on behalf of deceased former recipients.</p>	<p>DMS Divisions of Program Integrity and Systems and Member Services have outlined a procedure for this function. A HIPAA-compliant memorandum of understanding has been drafted and processed by the Cabinet's legal staff in anticipation of the data transfer. In order to accomplish mainframe-to-mainframe electronic transfer to the MMIS, the death certification data file</p>

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	<p>requires sanitizing. Currently Cabinet and DMS information technology staff members are exploring whether Vital Statistics data being used in a joint CHS/Department for Public Health (DPH) project can be used. Meetings between DMS and CHS staff are planned within the next two weeks.</p>
<p>Implement a procedure to check prior payment history for additional exceptions whenever an exception is identified during the six-month reconciliation process.</p>	<p>Date-of-death information, when available, is part of the current six-month reconciliation process for capitated claims. Improved and regular updates of death certification data to the MMIS as outlined above will enhance our existing procedure. DMS will establish agreements with Passport and the Department for Transportation regarding reconciliation of payments for capitated medical and transportation claims for 2001-02 and quarterly thereafter.</p>

