Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

DELAWARE MADE CAPITATION PAYMENTS TO MEDICAID MANAGED CARE ORGANIZATIONS AFTER ENROLLEES' DEATHS

Inquiries about this report may be addressed to the Office of Public Affairs at Public.Affairs@oig.hhs.gov.

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Office of Inspector General

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Report in Brief
Date: March 2024
Report No. A-03-22-00205

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

Delaware Made Capitation Payments to Medicaid Managed Care Organizations After Enrollees' Deaths

Why OIG Did This Audit

Delaware pays Medicaid managed care organizations (MCOs) to make services available to Medicaid enrollees in return for a monthly fixed payment for each enrollee (capitation payment). Previous OIG audits found that State Medicaid agencies had improperly paid capitation payments on behalf of deceased enrollees. We conducted a similar audit of Delaware.

Our objective was to determine whether Delaware made capitation payments to MCOs on behalf of deceased Medicaid enrollees.

How OIG Did This Audit

Our audit covered 7,122 capitation payments totaling $8.6 million that Delaware made to MCOs and claimed for Federal reimbursement during calendar years 2019 through 2021 (audit period) on behalf of 409 enrollees whose dates of death, as recorded in one or more of the data sources we consulted, preceded the monthly service periods covered by the capitation payments.

We selected and reviewed a stratified random sample of 100 capitation payments totaling $345,093 ($224,940 Federal share) from those 7,122 capitation payments.

What OIG Found

Delaware made unallowable capitation payments after enrollees' deaths. For 53 of the 100 capitation payments in our sample, Delaware made unallowable capitation payments totaling $102,867 ($71,751 Federal share). For 44 of the remaining capitation payments in our sample, the capitation payments were allowable, but Delaware erroneously linked the enrollees' Medicaid records to deceased enrollees. We could not fully confirm that the remaining 3 enrollees associated with 3 of the 100 capitation payments were deceased.

Based on our sample results, we estimated that Delaware made unallowable capitation payments totaling at least $4.2 million (over $3.4 million Federal share) to MCOs on behalf of the 409 deceased enrollees during our audit period. Additionally, linking living enrollees to deceased individuals' Social Security Numbers (SSNs) could have led to enrollees being mistakenly disenrolled, which would have caused a delay or denial of services.

Delaware made unallowable capitation payments on behalf of deceased enrollees because it did not have adequate processes in place to enable it to identify deceased enrollees. Further, Delaware incorrectly aligned the SSNs of deceased individuals with living enrollees due to data entry errors and inadequate supervisory oversight of the data entry process.

What OIG Recommends

We recommend that Delaware: (1) refund the Federal share (over $3.4 million) to the Federal Government; (2) identify and recover unallowable capitation payments, which we estimate to be at least $4.2 million, made to MCOs during our audit period on behalf of deceased enrollees; and (3) identify and recover unallowable capitation payments made on behalf of deceased enrollees in 2022 and 2023 (the years after our audit period), and repay the Federal share of amounts recovered. We also recommended that Delaware develop and implement quality assurance steps. The full recommendations are in the report.

In written comments to our draft report, Delaware did not agree to refund the estimated Federal share but did agree to identify and recover all capitation payments made on behalf of deceased members. It also agreed to develop and implement quality control measures, including creating a quality assurance unit and developing additional training.

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INTRODUCTION

WHY WE DID THIS AUDIT

The Delaware Division of Medicaid and Medical Assistance (State agency) pays Medicaid managed care organizations (MCOs) to make services available to Medicaid enrollees in return for a monthly fixed payment for each enrollee (capitation payment). Previous Office of Inspector General (OIG) audits found that State Medicaid agencies had improperly paid capitation payments on behalf of deceased enrollees.[1] We conducted a similar audit of the State agency, which administers the Medicaid program.

OBJECTIVE

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

BACKGROUND

Medicaid Program

The Medicaid program provides medical assistance to low-income individuals and individuals with disabilities (Title XIX of the Social Security 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 each 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 enrollees. States contract with MCOs to make services available to individuals enrolled with Medicaid MCOs, usually 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 (Form CMS-64). 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). For calendar years 2019 through 2021 (audit period), the FMAP in Delaware ranged from 58 to 93 percent.[2]

[1] See Appendix B for related OIG reports.

[2] FMAP rates varied based on both the quarter in which the capitation payment was paid as well as the program in which the enrollee participated.

Social Security Administration and Death Record Information

The Social Security Administration (SSA) maintains death record information, including the date of death. SSA obtains death information from many sources, such as relatives of deceased enrollees, physicians, lawyers, accountants, and other Federal or State agencies, and processes death notifications through its Death Information Processing System when it receives reports of death.[3] SSA records the resulting death information in its Numerical Identification System (the Numident).[4] SSA then uses information from the Numident to create a national record of death information called the Death Master File (DMF).[5]

Federal and State Requirements

A capitation payment is "a payment the State [agency] makes periodically to [an MCO] on behalf of each beneficiary enrolled under a contract . . . for the provision of 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).

Contractual agreements between the State agency and MCOs provide for the recovery of capitation payments made after enrollees' deaths. The State agency makes a full monthly payment to the MCO for the month in which the enrollee's enrollment is terminated (MCO Master Service Agreement § 4.4.1). The managed care contracts list death as a reason for disenrollment, and the MCOs only retain capitation payments for Medicaid-eligible enrollees (MCO Master Service Agreement §§ 3.2.8.2 and 4.1.2). The State agency has the discretion to recoup State agency payments found to be in error by withholding that amount from the next capitation payment or successive capitation payments or to request direct repayment from the MCO (MCO Master Service Agreement § 4.4.2).

Federal regulations at 42 CFR section 435.912(e)(2) provide an exception in meeting timeliness standards for processing Medicaid renewals and changes in circumstances during an emergency beyond the agency's control, such as the public health emergency (PHE).

During the PHE, the State agency made changes to its eligibility and enrollment operations to comply with the continuous enrollment condition under section 6008(b)(3) of the Families First Coronavirus Response Act (FFCRA), which was in effect from March 18, 2020, through the end of our audit period.[6] As a result, the State agency was "instructed to not terminate Medicaid coverage for any individuals unless the individual requested a voluntary termination of

[3] SSA, *Program Operations Manual System*, GN 02602.050 (Oct. 30, 2017).

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

[5] Data maintained in the DMF include names, SSNs, dates of birth, and dates of death.

[6] Under the Consolidated Appropriations Act, 2023, the continuous enrollment condition ended on March 31, 2023, and was no longer linked to the end of the PHE.

eligibility, died, or was no longer considered to be a resident of the state through which coverage was provided."[7] The State agency confirmed that it continued to disenroll for death during the PHE.

According to section 1903(r)(1)(C) of the Social Security Act, to receive payments for the use of automated data systems in administration of the State plan, a State agency must have mechanized claims processing and information retrieval systems that are capable of providing accurate and timely data.

Delaware's Medicaid Managed Care Program

The State agency is part of the Delaware Department of Health and Social Services and manages Delaware's Medicaid program. Since 1996, under a CMS waiver, Delaware's Medicaid program has covered childless adults living at or below 100 percent of the official poverty level. During that same year, Delaware also adopted a mandatory managed care health program, the Delaware Diamond State Health Plan, under a Section 1115 waiver.

Prior to Medicaid expansion under the Affordable Care Act (ACA), Delaware had already expanded coverage for individuals not originally eligible for Medicaid. Delaware built upon its initial expanded services with additional expansion into coverage for family planning services leading up to its participation in Medicaid expansion under the ACA in 2014.

Delaware's Medicaid Management Information System (MMIS) captures and maintains enrollee data to determine and track eligibility and benefits. Enrollee data is collected through in-person and internet-based application processes. Within the State agency, the Division of Social Services is responsible for entering enrollee demographic information into the State agency's MMIS system. The system then uses this data to determine an enrollee's eligibility for various State programs, including Medicaid.

The State agency uses the Delaware Medicaid Enterprise System (DMES) to capture and maintain data for Delaware's Medicaid enrollees for the purpose of paying for health care services rendered under the program. It also uses this data for the purpose of tracking and monitoring the activity of Medicaid enrollees throughout Delaware. DMES uses a monthly reconciliation process to reconcile its enrollee data to the MMIS eligibility data and ensure that the two systems are synchronized. The State agency uses enrollees' eligibility and enrollment information to disenroll them from MCOs due to the enrollee's death.

HOW WE CONDUCTED THIS AUDIT

Our audit covered 7,122 capitation payments totaling $8.6 million made by the State agency to MCOs and claimed for Federal reimbursement on behalf of 409 enrollees whose dates of death, as recorded in one or more of the data sources we consulted, preceded the monthly service periods (during the audit period) covered by the capitation payments.

[7] Delaware Administrative Notice DMMA-A-06-2021, Mar. 1, 2021.

We selected for review a stratified random sample of 100 capitation payments totaling $345,093 ($224,940 Federal share) from those 7,122 capitation payments. We provided the list of 100 capitation payments to the State agency for its review. We used the results of this review to estimate the total amount and the Federal share of the unallowable 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 details of our audit scope and methodology, Appendix C contains our statistical sampling methodology, and Appendix D contains our sample results and estimates.

FINDINGS

The State agency made unallowable capitation payments after enrollees' deaths. For 53 of the 100 capitation payments in our sample, the State agency made unallowable capitation payments totaling $102,867 ($71,751 Federal share). For 44 of the remaining capitation payments in our sample, the capitation payments were allowable, but the State agency erroneously linked the enrollees' Medicaid records to deceased enrollees included in the DMF. Based on SSA and State agency data available to us, we could not fully confirm that the remaining 3 enrollees associated with 3 of the 100 capitation payments were deceased, and therefore we considered these 3 capitation payments allowable.

Based on our sample results, we estimated that the State agency made unallowable capitation payments totaling at least $4.2 million ($3.4 million Federal share) to MCOs on behalf of the 409 deceased enrollees during our audit period.[8] Additionally, for the living enrollees associated with the 44 capitation payments linked to deceased individuals' Social Security Numbers (SSNs), these errors could have led to the enrollee being mistakenly disenrolled, which would have caused a delay or denial of services.

The State agency made unallowable capitation payments on behalf of deceased enrollees because it did not have adequate processes in place to enable it to identify deceased enrollees. Further, the State agency incorrectly aligned the SSNs of deceased individuals with living enrollees due to data entry errors and inadequate supervisory oversight of the data entry process.

[8] The full estimated amount is at least $4,246,759 ($3,484,904 Federal share).

THE STATE AGENCY MADE UNALLOWABLE MEDICAID CAPITATION PAYMENTS TO MEDICAID MANAGED CARE ORGANIZATIONS ON BEHALF OF DECEASED ENROLLEES

Contractual agreements between the State agency and MCOs state that the State agency may disenroll a member from the program upon the member's death (MCO Master Service Agreement § 3.2.8.2.1.4). Even though the MCO may not request that the member be disenrolled, the MCO must inform the State agency when the MCO knows (or has reason to believe) that an enrolled member may satisfy any of the conditions for disenrollment (including death) (MCO Master Service Agreement § 3.2.8.3). The State agency obtains a list of names of deceased individuals from both the DMF and its own Medicaid enterprise system and checks it to validate information, resolve discrepancies, and take action to stop benefits upon the individual's death. The State agency has procedures in place to delete an individual's enrollment due to death and recoup refunds for any monthly capitation payment paid in error. The State agency also has the discretion to recoup State agency payments found to be in error by withholding that amount from the next capitation payment or successive capitation payments or to request direct repayment from the MCO (MCO Master Service Agreement § 4.4.2).

During our audit period, the State agency made unallowable capitation payments totaling $102,867 ($71,751 Federal share) to MCOs for 53 sampled capitation payments for deceased enrollees.[9]

Based on our sample results, we estimate that the State agency did not identify and recover at least $4.2 million ($3.4 million Federal share) in unallowable capitation payments to certain MCOs on behalf of deceased enrollees.

The State agency made unallowable capitation payments on behalf of deceased enrollees because it did not have access to necessary automated information and, as a result, initiated alternative manual processes. Specifically, the State agency's policies to update enrollee eligibility due to death relied on information from the Limited Access Death Master File (LADMF), which is integrated into the MMIS. Once a deceased enrollee was identified in the LADMF, the State agency would cancel the enrollment. However, the State agency lost access to the LADMF between October 2020 and April 2023 because it did not submit the documentation necessary to maintain access. Because it did not have access to the LADMF, the State agency relied on various external sources to validate enrollees' deaths and implemented a manual process to match, research, and initiate eligibility changes due to an enrollee's death. The use of this manual process and challenges with the external data led to the continuation of capitation payments for deceased enrollees.

[9] The State agency agreed that the 42 enrollees who comprised the 53 sampled capitation payments were deceased and took action to cancel these individuals' enrollment in the MMIS. The cancellations initiated the recoupment of the capitation payments made to MCOs.

THE STATE AGENCY HAD INSUFFICIENT INTERNAL CONTROLS TO ENSURE THE ACCURACY OF DATA ENTERED INTO THE MEDICAID MANAGEMENT INFORMATION SYSTEM

Federal regulations at 42 CFR section 433.111 define a mechanized claims processing and information retrieval system for Medicaid, which includes a Medicaid Management Information System (MMIS). Delaware uses its MMIS to process claims and manage information about Medicaid enrollees and services. As stated in section 1903(r)(1)(C) of the Social Security Act, the system in place must be capable of providing accurate and timely data.

For 44 of the remaining capitation payments in our sample, the State agency erroneously linked the enrollees' Medicaid records to deceased enrollees included in the DMF during the process of entering demographic information into the MMIS.[10] While the capitation payments were allowable, incorrectly aligning living enrollees with deceased individuals could cause a delay or denial of services for those enrollees.

These errors occurred because State agency staff entered incorrect SSNs into the MMIS system. The State agency provides a full training program to instruct its staff in how to access, navigate, enter data, and review information in the MMIS system. In addition, the State agency's policies and procedures document the responsibilities of the individual charged with data entry. However, neither the training program nor the policies and procedures specify quality assurance steps or require subsequent supervisory review of data entered into the system.

RECOMMENDATIONS

We recommend that the Delaware Division of Medicaid and Medical Assistance:

- refund $3,484,904 to the Federal Government;
- identify and recover unallowable capitation payments, which we estimate to be at least $4,246,759, made to MCOs during our audit period on behalf of deceased enrollees;
- identify and recover unallowable capitation payments made on behalf of deceased enrollees in 2022 and 2023 (the years after our audit period), and repay the Federal share of amounts recovered; and
- develop and implement quality assurance steps, including supervisory review, within its policies and procedures to verify that State agency personnel correctly enter enrollees' information into the MMIS system.

[10] The 44 capitation payments were made on behalf of 24 enrollees.

STATE AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

In written comments on our draft report, the State agency agreed with three of our four recommendations and provided detailed information about its processes for collecting date of death information for enrollees to terminate eligibility and recoup capitation payments.

Although the State agency disagreed with our first recommendation that it refund the estimated Federal share of $3.4 million, the State agency indicated that it would work with the Center for Medicaid and Children's Health Insurance Program Services Audit and Review Branch and would repay any outstanding overpayments that had not been repaid via the MCO recoupment process. The State agency also stated that it had already closed case files for all individuals determined to be deceased and that those initial recoupments would be included beginning with the quarter ended March 31, 2024.[11]

For our second and third recommendations, the State agency agreed to identify and recover all capitation payments made on behalf of deceased members and is working to resolve any open cases and recoup all payments made on behalf of deceased members and expects to complete this process by June 30, 2024.

For our fourth recommendation, the State agency agreed to develop and implement quality control measures, stating that it has developed and implemented a plan for identifying operational units responsible for closing cases due to death. This plan includes creating a quality assurance unit and developing additional training.

We maintain that our recommendations are valid and that the State agency should refund the $3.4 million to the Federal Government.

The State agency's comments are included in their entirety as Appendix E.

[11] States include MCO capitation payment recoupments as prior period adjustments on the Form CMS-64, which documents quarterly expenditures.

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

Our audit covered 7,122 capitation payments totaling $8,609,194 made by the State agency to MCOs and claimed for Federal reimbursement on behalf of 409 enrollees whose dates of death, as recorded in one or more of the data sources we consulted, preceded the monthly service periods during January 1, 2019, through December 31, 2021, (audit period) covered by the capitation payments. We selected for review a stratified random sample of 100 capitation payments totaling $345,093 ($224,940 Federal share) from those 7,122 capitation payments.

We assessed internal controls and compliance with laws and regulations necessary to satisfy the audit objective. In particular, we assessed the control activities designed and implemented to prevent and detect capitation payments made to MCOs on behalf of deceased enrollees. However, because our audit was limited to this internal control component and underlying principles, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit.

We performed our audit work from June 2022 through September 2023.

METHODOLOGY

To accomplish our objective, we:

- reviewed applicable Federal and State laws, regulations, and guidelines;
- gained an understanding of the State agency's internal controls over preventing, identifying, and correcting payments after an enrollee's death;
- reviewed the State agency's contracts with the MCOs during the audit period;
- obtained from the State agency a file of capitation payments made to MCOs on behalf of Medicaid enrollees for the audit period;
- requested that the State agency reconcile the 8,174,883 capitation payments totaling $6,415,333,637 that it made to MCOs during the audit period to the Forms CMS-64 that the State agency had prepared and submitted to CMS;
- used both Medicaid claims data from the Transformed Medicaid Statistical Information System and capitation payment data provided by the State agency and matched that data to the SSA DMF to confirm the list of deceased enrollees;
- created a sampling frame consisting of 7,122 capitation payments totaling $8,609,194 claimed for Federal reimbursement and made on behalf of enrollees who had dates of death preceding the capitation service dates;

- selected for review a stratified random sample of 100 capitation payments totaling $345,093 ($224,940 Federal share) on behalf of deceased enrollees;

- obtained, for each sampled capitation payment, current documentation from the State agency to determine:

    - whether the enrollees' first and last names, SSNs, dates of birth (ensuring that the information matched the DMF), and Medicaid identification numbers were correct,

    - whether the MMIS identified the enrollees' dates of death,

    - whether a capitation payment occurred for the service month (ensuring the accuracy of the paid amount), and

    - whether any adjustments were made for the sampled capitation payments;

- determined, for each of the sampled capitation payments, the Federal share of the unallowable payments made after an enrollee's death by:

    - obtaining the annual FMAP rates from the Federal Register,

    - obtaining the FMAP rates from the State agency for each enrollee for whom a payment was sampled and matched the applicable rates to those corresponding capitation payments reviewed using the date each payment was made, and

    - calculating the Federal payment by multiplying the payments by the applicable FMAP rates;

- used OIG/Office of Audit Services (OAS) statistical software to estimate the total amount and Federal share of unallowable capitation payments made on behalf of deceased enrollees who had a date of death recorded in the DMF that preceded the service month covered by the capitation payments;

- provided State agency officials with data supporting the results of our findings and solicited the State agency's input on these findings to determine their causes; and

- discussed the results of our audit 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 objective.

APPENDIX B: RELATED OFFICE OF INSPECTOR GENERAL REPORTS

Report Title	Report Number	Date Issued
Puerto Rico Claimed Over $7 Million in Federal Reimbursement for Medicaid Capitation Payments Made on Behalf of Enrollees Who Were or May Have Been Deceased	A-02-21-01005	9/08/2023
Virginia Made Capitation Payments to Medicaid Managed Care Organizations After Enrollees' Deaths	A-03-22-00203	7/19/2023
Kansas Made Capitation Payments to Managed Care Organizations After Beneficiaries' Deaths	A-07-20-05125	9/01/2021
North Carolina Made Capitation Payments to Managed Care Entities After Beneficiaries' Deaths	A-04-16-00112	9/25/2020
The New York State Medicaid Agency Made Capitation Payments to Managed Care Organizations After Beneficiaries' Deaths	A-04-19-06223	7/27/2020
Michigan Made Capitation Payments to Managed Care Entities After Beneficiaries' Deaths	A-05-17-00048	2/14/2020
The Indiana State Medicaid Agency Made Capitation Payments to Managed Care Organizations After Beneficiaries' Deaths	A-05-19-00007	1/29/2020
The Minnesota State Medicaid Agency Made Capitation Payments to Managed Care Organizations After Beneficiaries' Deaths	A-05-17-00049	10/1/2019
Illinois Medicaid Managed Care Organizations Received Capitation Payments After Beneficiaries' Deaths	A-05-18-00026	8/20/2019
Georgia Medicaid Managed Care Organizations Received Capitation Payments After Beneficiaries' Deaths	A-04-15-06183	8/9/2019
California Medicaid Managed Care Organizations Received Capitation Payments After Beneficiaries' Deaths	A-04-18-06220	5/7/2019
Ohio Medicaid Managed Care Organizations Received Capitation Payments After Beneficiaries' Deaths	A-05-17-00008	10/4/2018
Wisconsin Medicaid Managed Care Organizations Received Capitation Payments After Beneficiaries' Deaths	A-05-17-00006	9/27/2018
Tennessee Managed Care Organizations Received Medicaid Capitation Payments After Beneficiary's Death	A-04-15-06190	12/22/2017
Texas Managed Care Organizations Received Medicaid Capitation Payments After Beneficiary's Death	A-06-16-05004	11/14/2017
Florida Managed Care Organizations Received Medicaid Capitation Payments After Beneficiary's Death	A-04-15-06182	11/30/2016

APPENDIX C: STATISTICAL SAMPLING METHODOLOGY

SAMPLING FRAME

Our sampling frame consisted of 7,122 capitation payments totaling $8,609,194 that were made to MCOs and claimed for Federal reimbursement on behalf of deceased enrollees for service dates during calendar years 2019 through 2021.

SAMPLE UNIT

The sample unit was a monthly capitation payment.

SAMPLE DESIGN AND SAMPLE SIZE

We used a stratified random sample as depicted in Table 1.

Table 1: Strata Based on Medicaid Capitation Payments

Stratum	Payment Range	Number of Capitation Payments	Total Payment Amount	Sample Size
1	$197 to $833	6,079	$4,199,940	40
2	$834 to $3,773	512	992,442	20
3	$3,774 to $6,984	347	1,933,168	20
4	$6,985 to $12,306	184	1,483,645	20
	Totals*	**7,122**	**$8,609,194**	**100**

*Amounts may not add exactly due to rounding.

SOURCE OF RANDOM NUMBERS

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

METHOD OF SELECTING SAMPLE UNITS

We sorted items in each stratum by "Claim Line Paid Amount," "Claim Recipient State Medicaid ID," and "Claim From Date," and then we consecutively numbered the sample units within strata 1 through 4. After generating the random numbers for each stratum, we selected the corresponding sample units in the sampling frame.

ESTIMATION METHODOLOGY

We used the OIG, OAS statistical software to estimate the total dollar value and Federal share of unallowable capitation payments in our sampling frame made to MCOs and claimed for Federal reimbursement on behalf of enrollees whose dates of death preceded the monthly service periods (during the audit period) covered by the capitation payments. To be conservative, we recommend recovery of overpayments at the lower limit of a two-sided 90-percent confidence interval. Lower limits calculated in this manner are designed to be less than the actual overpayment total 95 percent of the time.

APPENDIX D: SAMPLE RESULTS AND ESTIMATES

Table 2: Sample Results

Stratum	Number of Payments in Frame	Total Value of Frame	Sample Size	Total Value of Sample	Number of Unallowable Payments	Total Value of Unallowable Payments	Value of Unallowable Payments (Federal Share)
1	6,079	$4,199,940	40	$28,826	30	$23,189	$20,784
2	512	992,442	20	40,941	16	29,450	18,634
3	347	1,933,168	20	107,787	4	23,662	15,260
4	184	1,483,645	20	167,538	3	26,566	17,073
Totals*	**7,122**	**$8,609,194**	**100**	**$345,093**	**53**	**$102,867**	**$71,751**

*Amounts may not add exactly due rounding.

Table 3: Estimated Value of Unallowable Payments in the Sampling Frame
(Limits Calculated at the 90-Percent Confidence Level)

	Total Amount	Federal Share
Point estimate	$4,932,948	$4,057,553
Lower limit	$4,246,759	$3,484,904
Upper limit	$5,619,137	$4,630,202

APPENDIX E: STATE AGENCY COMMENTS

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DELAWARE HEALTH
AND SOCIAL SERVICES

Division of Medicaid & Medical Assistance OFFICE OF THE DIRECTOR

February 29, 2024

Nicole Freda
Department of Medical Assistance
Regional Inspector General for Audit Services
Department of Health and Human Services
Office of Inspector General
Washington, DC 20201

Report No. A-03-22-00205

Dear Ms. Freda:

On November 13, 2023, the OIG provided the Delaware Department of Medicaid and Medical Assistance (DMMA) an audit report regarding Delaware Medicaid members who were potentially deceased but whose files were not closed in the state's enrollment system. DMMA is currently working to determine the accuracy of the audit findings.

DMMA has multiple processes for collecting the date of death (DOD) for members to assure that eligibility is terminated, and capitations are recouped. They are as follows:

1. Death Master File – This file comes from the federal government. This alerts the worker that a member has a DOD. The worker investigates this and if determined to be correct, the worker adds the DOD to the eligibility system, ASSIST Worker Web (AWW). The DOD will pass over to the Delaware Medicaid Enterprise System (DMES), the state's MMIS, and end date the DMES eligibility, recouping capitations automatically. This Death Master File was suspended October 2020 and reinstated as of April 2023.
2. Master Client Index match – The Department of Health and Social Services (DHSS) utilizes a Master Client Index (MCI) system to maintain a single ID for each member and share demographics changes across all systems in the department. When a DOD is added to the MCI system by other DHSS systems it transfers to AWW. For example, if Vital Statistics adds a DOD, this will pass over to AWW, which in turn will send the DOD to DMES, end the DMES eligibility, and recoup the capitations automatically.
3. Vital Stats death match file - This DOD passes over to the AWW system from Vital Statistics. This is the same data that we get from MCI and allows a second check to make sure we get DOD from Public Health. This DOD passes over from the eligibility system to DMES, ends the DMES eligibility, and recoups the capitations automatically.
4. Case worker notification – If a case worker is notified of a members DOD by a family member or other means, the worker attempts to verify the DOD. Once verified, the worker enters the DOD on the

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members record in AWW. The DOD passes over from AWW to DMES, ends the DMES eligibility, and recoups the capitations automatically.

5. The DOD is reported weekly by each managed care organization to the Managed Care Operations team. This information is sent to the appropriate mailbox for either the Customer Relations Unit or Long-Term Care Operations unit for verification and update in AWW. The DOD passes over from AWW to DMES, ends the DMES eligibility, and recoups the capitations automatically.
6. Death investigation alerts from The Department of Safety and Homeland Security, Division of Forensic Science, are received by the Managed Care Operations team and shared with the appropriate operations mailboxes for caseworker verification and update in AWW. The DOD passes over from AWW to DMES, ends the DMES eligibility, and recoups the capitations automatically.

State Response to OIG Recommendations

- DHSS disagrees with the OIG recommendation to refund $3.4 million to the federal government based on the OIG estimate. DHSS will work with the CMCS Audit and Review Branch and will repay any outstanding overpayments that has not been repaid via the MCO recoupment process. DHSS has closed case files for all individuals determined to be deceased and initial recoupments to the federal government will be included beginning with QE 3/31/24.
- DHSS agrees with the OIG recommendations to identify and recover all capitation payments made on behalf of deceased members and is working to resolve any open cases and recoup all payments made on behalf of deceased members and expects to complete this process by June 30, 2024.
- DHSS agrees with the OIG recommendation to develop and implement quality control measures. In April of 2023 Delaware reinstated the linkage with the Limited Access Master Death File after several attempts to recertify the subscription during the pandemic. Delaware has developed and implemented a plan to identify operational units responsible for this process and to address quality control concerns surrounding the process for closing cases due to death. Specifically:
    - A quality assurance unit has been identified to ensure that the Death Master File is reviewed monthly, and the required actions are taken as needed.
    - The unit is responsible for completing the required recertification, attestation, and subscription renewal and will complete the follow-up to ensure that the deceased individuals' cases are closed appropriately.
    - The policy unit will update the administrative notice explaining the purpose and procedures for the Death Master File.
    - Training is being developed for staff to explain the purpose and procedures for the Death Master File process.
    - Leadership will meet with the systems units for AWW and DMES to ensure the process is working correctly.
    - Leadership will receive a report each month from the quality assurance unit on the status of the cases and action taken on them.

Thank you.

Sincerely,

DocuSigned by:
Andrew Wilson
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Andrew Wilson
Director