

**Memorandum**

Date MAY 1 2001
From *Michael Mangano*
Michael F. Mangano
Acting Inspector General

Subject Review of Medicare Managed Care Capitation Payments for Deceased Beneficiaries
(A-07-99-01298)

To Michael McMullan
Acting Principal Deputy Administrator
Health Care Financing Administration

Attached are two copies of our final report entitled, "Review of Medicare Managed Care Capitation Payments for Deceased Beneficiaries." The objective of our audit was to determine if the Health Care Financing Administration (HCFA) stopped payments to managed care organizations (MCO) for deceased enrollees. Under Medicare risk-based contracts, MCOs receive a capitated payment every month for each of their Medicare enrollees. When a Medicare MCO enrollee dies, the disenrollment becomes effective on the first day of the month immediately following death. Thus, HCFA's final payment to the MCO should be for the month in which the beneficiary died.

We found that HCFA paid \$4.1 million in capitated payments to MCOs after beneficiaries died in the four States of Arizona, California, Colorado, and Florida--States which represented about 43 percent of all Medicare risk-based enrollees. Although HCFA recouped about \$833,000 of the improper payments, over \$3.2 million remained outstanding due to both HCFA not being aware of all the deaths and its lack of action to collect some identified overpayments. We determined that the beneficiaries died from 1991 through 1999 and the improper payments continued through at least October 2000. In addition, HCFA continues to pay at least \$700,000 per year to MCOs for the deceased beneficiaries identified in this review. We recommended that HCFA recover over \$3.2 million erroneously paid and make immediate system corrections to prevent overpayments of \$700,000 per year being made to MCOs for the identified deceased beneficiaries.

Previously, we issued a final report on payments to MCOs for deceased beneficiaries when HCFA's Group Health Plan (GHP) database showed a date of death and no disenrollment¹. The findings identified in this final report relate to a separate group of beneficiaries who had a date of death on HCFA's Enrollment Database, but not the GHP.

In response to our draft report, HCFA concurred with our recommendations. The HCFA stated it is pursuing collection of all overpayments and continues to monitor its data in the

¹ *Review of Payments to Medicare Managed Care Risk Plans for Deceased Beneficiaries* (A-07-99-01283) issued February 10, 2000.

Page 2 - Michael McMullan

GHP database to identify payments for deceased beneficiaries. As such, HCFA is currently developing software that will better enable it to compare databases, and to recoup funds dating back to the date improper payments to MCOs were made.

We would appreciate your views and the status of any further action taken or contemplated on our recommendations within the next 60 days. If you have any questions, please contact me or have your staff contact George M. Reeb, Assistant Inspector General for Health Care Financing Audits, at (410) 786-7104.

To facilitate identification, please refer to Common Identification Number A-07-99-01298 in all correspondence relating to this report.

Attachment

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**REVIEW OF MEDICARE
MANAGED CARE CAPITATION
PAYMENTS FOR DECEASED
BENEFICIARIES**



**MAY 2001
A-07-99-01298**



Memorandum

Date MAY 1 2001
From *Michael Mangano*
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Acting Inspector General

Subject Review of Medicare Managed Care Capitation Payments for Deceased Beneficiaries
(A-07-99-01298)

To Michael McMullan
Acting Principal Deputy Administrator
Health Care Financing Administration

This final report provides you with the results of our second review of payments to Medicare managed care organizations (MCO) for deceased beneficiaries. We found that the Health Care Financing Administration (HCFA) paid MCOs over \$4.1 million for deceased beneficiaries in the four States of Arizona, California, Colorado, and Florida--States which represented about 43 percent of all Medicare risk-based MCO enrollees. Although HCFA recouped about \$833,000 of the improper payments, over \$3.2 million remained outstanding. We determined that the beneficiaries died from 1991 through 1999 and the improper payments continued through at least October 2000. For the beneficiaries identified in this review, HCFA continues to pay MCOs at least \$700,000 per year. We recommended that HCFA recover over \$3.2 million erroneously paid and continue its efforts to strengthen procedures to prevent and detect payments to MCOs for deceased beneficiaries.

Previously, we issued a final report on payments to MCOs for deceased beneficiaries when HCFA's Group Health Plan (GHP) database showed a date of death and no disenrollment¹. The findings identified in this final report relate to a separate group of beneficiaries who had a date of death on HCFA's Enrollment Database (EDB), but not the GHP. We have been working with HCFA staff in identifying the list of deceased beneficiaries where payments continued to be made to the MCOs. Through discussions and in its response to our previous report, HCFA made considerable efforts to identify and correct the problem, including a reconciliation of the EDB and GHP data systems.

In response to our draft report, HCFA concurred with our recommendations. The HCFA stated it is pursuing collection of all overpayments and continues to monitor its data in the GHP database to identify payments for deceased beneficiaries. As such, HCFA is currently developing software that will better enable it to compare databases, and to recoup funds dating back to the date improper payments to MCOs were made.

¹Review of Payments to Medicare Managed Care Risk Plans for Deceased Beneficiaries (A-07-99-01283) issued February 10, 2000.

BACKGROUND

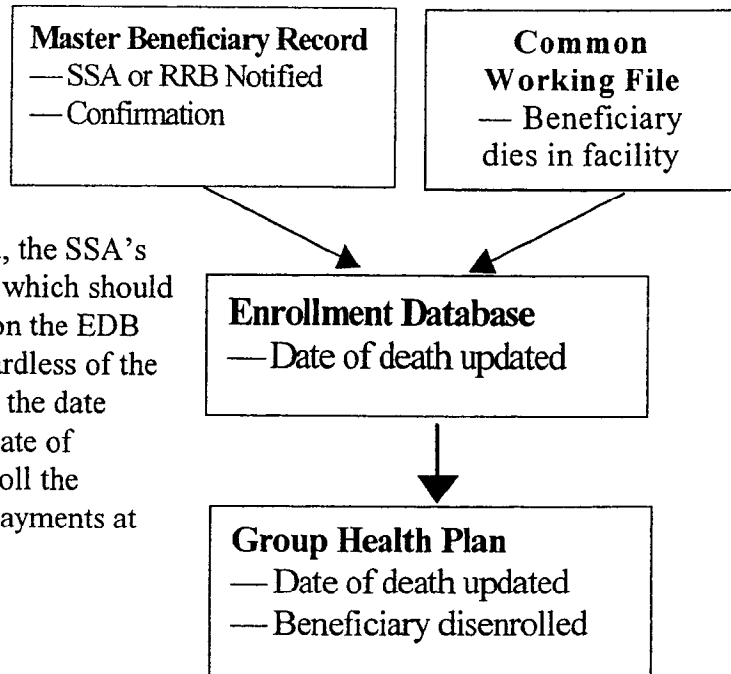
Managed care is defined as a health delivery and payment structure in which the payer organization seeks to control costs and maintain uniform quality of care by exercising specific controls over treatment and fees charged by participating providers. Managed care concepts have helped the private sector contain health care costs and limit excess utilization. The Congress, recognizing the potential cost-control advantages, enacted legislation to incorporate managed care options into the Medicare program. Since 1985, beneficiaries have had the option of enrolling in MCOs.

Enrollment into Medicare MCOs becomes effective on the first day of the month. Under Medicare risk-based contracts, MCOs receive a capitated payment every month for each of their enrollees. When a Medicare enrollee dies, the disenrollment becomes effective at the beginning of the month following death. Thus, HCFA's final payment to the MCO should be for the month the beneficiary died.

To effectively process enrollment and disenrollment activity, HCFA utilizes several computer database systems. These systems interact with the Social Security Administration (SSA) and the Railroad Retirement Board (RRB) to maintain eligibility data for the entire Medicare population. The primary system is the EDB, which contains *"entitlement data for persons who are or have ever been enrolled in Medicare."* The EDB receives most of its information from the SSA Master Beneficiary Record (or from RRB systems) and then shares specific data with other HCFA systems, including the GHP and the Common Working File (CWF). The GHP is HCFA's system which identifies every beneficiary who ever enrolled in Medicare managed care and is also used to help determine the monthly MCO payments. The CWF is a HCFA system used by fiscal intermediaries and carriers to process fee-for-service claims.

Date of death notifications can come from several sources as seen in the accompanying chart. According to HCFA officials, these notifications will be forwarded to either SSA or RRB.

After confirming that the beneficiary died, the SSA's or RRB's system should update the EDB, which should then update the GHP. The date of death on the EDB can also be updated from the CWF. Regardless of the source, the GHP should accurately reflect the date the beneficiary died. After receiving the date of death notification, the GHP should disenroll the deceased beneficiary and stop Medicare payments at the beginning of the next month.



SCOPE

Our objective was to determine if HCFA stopped payments to risk MCOs for deceased beneficiaries. Our review included beneficiaries residing in Arizona, California, Colorado, or Florida as of April 1999. These beneficiaries represented approximately 43 percent of all Medicare risk enrollees. We reviewed HCFA payments to MCOs for beneficiaries who met either of the following conditions:

- the EDB had a date of death, the GHP did not, or
- the GHP had an MCO enrollment date that occurred after the EDB date of death.

To determine the Medicare payments to the MCOs, we used data from the Managed Care Option Information system. From the SSA's Master Beneficiary Record database, we confirmed the date of death for 95 percent of the beneficiaries. We conducted our review in accordance with generally accepted government auditing standards, except that we did not review the internal controls of any of the HCFA payment mechanisms. This review was performed at the Office of Audit Services' regional office in Kansas City, Missouri.

RESULTS OF REVIEW

The Medicare program improperly paid MCOs over \$4.1 million for deceased beneficiaries in the four States of Arizona, California, Colorado, and Florida--States that represented about 43 percent of all Medicare risk-based MCO enrollees. Although about \$833,000 was recovered, over \$3.2 million remained outstanding. Unless corrections are made, approximately \$700,000 of annual improper payments will continue to be made for beneficiaries identified in this review.

Medicare Capitation Payments for Deceased Beneficiaries

We found 203 beneficiaries who had a date of death on the EDB, but not the GHP. These beneficiaries had not been disenrolled on the first day of the month immediately following death.

Through October 2000, HCFA paid over \$4.1 million in capitation payments to risk MCOs after the beneficiaries died. (A detailed listing of the number of MCOs by State is included as Attachment A.) Although HCFA identified and recouped about \$833,000 of the improper payments, over \$3.2 million remained outstanding and consisted of the following:

- Overpayments of \$2.5 million related to 103 deceased beneficiaries where the MCOs continued to receive payments through at least October 2000. If corrections are not made, improper payments of approximately \$700,000 per year will continue.

- Overpayments of \$744,000 related to 100 deceased beneficiaries where payments to the MCOs stopped. However, HCFA did not collect all of the outstanding overpayments. Before we issued our previous report on payments on behalf of deceased beneficiaries, HCFA stated its policy was to recoup 36 months of improper payments beginning with the month in which the problem was initially identified. Since then, HCFA agreed to recoup all the monies from the disenrollment date to the time of the corrected record, even if that payment adjustment exceeded 36 months.

The HCFA stated they were aware that payments were being made to MCOs for deceased beneficiaries. Specifically, there were instances where interactions between the EDB and GHP came to an unusual stopping point and were not properly restarted. Because the systems did not fully communicate all of the relevant data, some deceased beneficiaries were not disenrolled.

We provided HCFA with a list of deceased beneficiaries whose payments continued as of June 1999. From this list, HCFA stopped payments for some of the beneficiaries and recovered approximately \$646,000 of overpayments. Prior to providing the list, HCFA recouped about \$187,000 of improper payments. Through discussions with HCFA and in its response to our previous report, HCFA made considerable efforts to identify and correct the problem, including a reconciliation of the EDB and GHP. We look forward to the opportunity of working with HCFA to address these issues as the managed care program grows.

Although we compared the EDB and GHP as of April 1999, the beneficiaries died between 1991 and 1999. Our review was limited to approximately 43 percent of all Medicare risk enrollees. We believe the amount of erroneous payments could be significant when considering the 57 percent of risk enrollees not reviewed. We believe HCFA should take action to identify these additional overpayments.

RECOMMENDATIONS

We recommended that HCFA:

1. Identify and recoup all Medicare payments to MCOs in all States made on behalf of deceased beneficiaries, including over \$3.2 million identified in this report; and
2. Continue to strengthen procedures to prevent overpayments of \$700,000 per year and detect payments to MCOs for all deceased beneficiaries.

HCFA's COMMENTS

The HCFA concurred with our recommendations. In its efforts to monitor and correct data irregularities and to administer Medicare funds appropriately, HCFA is currently developing software that will better enable the comparison of databases and to recoup more funds. The complete text of HCFA's response is presented as Attachment B to this report.

OIG's RESPONSE

We believe HCFA should continue its efforts to monitor and correct data irregularities. We look forward to HCFA's enhancements to its systems and appreciate the opportunity to work with HCFA regarding these issues.

Medicare Payments to HMOs by State
Deceased Beneficiaries Enrolled in Risk HMOs
Payments After Death through October 2000

State-HMO	Medicare Payments Since Death	Amount Recovered	Amount Outstanding
Arizona 1	\$171,552	\$20,626	\$150,926
Arizona 2	89,197	22,894	66,303
Arizona 3	99,310	0	99,310
Arizona 4	12,972	12,972	0
Arizona 5	14,850	568	14,282
California 1	72,854	0	72,854
California 2	144,624	33,210	111,414
California 3	379,937	41,871	338,066
California 4	49,459	11,880	37,579
California 5	716,809	78,565	638,244
California 6	7,132	7,132	0
California 7	58,632	486	58,145
California 8	50,512	0	50,512
California 9	69,187	40,680	28,507
California 10	4,169	603	3,566
California 11	16,003	9,197	6,806
California 12	25,741	0	25,741
California 13	274,875	79,541	195,334
California 14	1,242	320	921
California 15	18,984	0	18,984
California 16	15,778	0	15,778
California 17	330,957	148,617	182,340
Colorado 1	10,239	0	10,239
Colorado 2	8,517	509	8,008
Colorado 3	7,315	300	7,015
Florida 1	50,510	607	49,903
Florida 2	19,863	12,476	7,387

Medicare Payments to HMOs by State
Deceased Beneficiaries Enrolled in Risk HMOs
Payments After Death through October 2000


State-HMO	Medicare Payments Since Death	Amount Recovered	Amount Outstanding
Florida 3	868	434	434
Florida 4	202,920	57,872	145,048
Florida 5	446,688	59,588	387,100
Florida 6	57,489	30,224	27,265
Florida 7	2,836	466	2,370
Florida 8	15,876	14,754	1,122
Florida 9	72,199	28,947	43,252
Florida 10	47,283	14,318	32,965
Florida 11	61,211	33,338	27,874
Florida 12	17,331	0	17,331
Florida 13	13,746	0	13,746
Florida 14	25,974	0	25,974
Florida 15	75,781	17,546	58,235
Florida 16	38,674	711	37,963
Florida 17	71,709	0	71,709
Florida 18	16,250	0	16,250
Florida 19	15,043	600	14,442
Florida 20	19,538	0	19,538
Florida 21	178,873	34,485	144,388
Nevada 1	16,613	16,613	0
Pennsylvania 1	1,803	451	1,352
Totals	\$4,119,922	\$833,401	\$3,286,522



Deputy Administrator
Washington, D.C. 20201

DATE: FEB 28 200F

TO: Michael F. Mangano
Acting Inspector General

FROM: Michael McMullan 
Acting Deputy Administrator

SUBJECT: Office of Inspector General (OIG) Draft Report, "Review of Medicare Managed Care Capitation Payments for Deceased Beneficiaries," (A-07-99-01298)

The Health Care Financing Administration (HCFA) appreciates the opportunity to comment on the OIG's report regarding payments to managed care organizations (MCOs) for deceased beneficiaries. HCFA appreciates the ongoing efforts of the OIG to help the agency protect, preserve and administer Medicare funds. Since the last report on this matter, HCFA, along with the OIG, identified data problems, initiated corrective action and recovered over \$833,000 in improper payments. This report enables us to further identify concerns with data collation from a number of sources. We are now putting safeguards in place that will allow us to collect data reliably. HCFA is currently developing software that will better enable us to compare databases, and to recoup still more funds, dating back to the date improper payments to Medicare+Choice (M+C) organizations were made. Working closely with the OIG, HCFA continues to monitor and correct data irregularities and to administer Medicare funds appropriately.

There is a daily data exchange between the Enrollment Database (EDB) and the Group Health Plan (GHP) database where beneficiary updates (including date of death) are applied. We have worked with the EDB staff to identify deceased beneficiaries that also appear as current enrollees. This data has been compared with the GHP data to determine if improper payments were made for deceased beneficiaries. HCFA ran a computer match to ensure that all of the information in the EDB, including date of death, is updated on the GHP. This "resynchronization" identified 915 beneficiaries for which the EDB contained dates of death, but for which the GHP contained no dates of deaths. A total of \$3.3 million dollars in adjustments have been processed involving 188 MCOs. These adjustments cover a 36-month retroactive period. About 170 beneficiary dates of death were beyond this 36-month period and additional manipulation of GHP's online system will be required to process these amounts. We are currently developing a regular resynchronization schedule to ensure that we promptly identify these types of overpayments. The most recent monthly run of our utility shows no payments made for deceased beneficiaries.

Each month HCFA makes payments of approximately \$3.3 billion dollars to its M+C organizations for over 6 million actively enrolled members. These payments total about

Page 2

\$37 billion dollars annually. The OIG found 203 inaccurate member records, totalling \$4.2 million over an 8-year period. We do not seek to minimize this problem, and we are taking actions to correct it. However, it must be recognized that this error represents less than 1/100 of 1 percent of the \$296 billion paid over 8 years.

HCFA's specific comments to the OIG's recommendations are:

OIG Recommendation

HCFA should identify and recoup all Medicare payments to MCOs in all States made on behalf of deceased beneficiaries, including the over \$3.2 million identified in this report.

HCFA Response

We concur with this recommendation. HCFA is pursuing collection of all overpayments related to deceased members beyond the 36-month retroactive period from MCOs who continue to participate in Medicare.

OIG Recommendation

HCFA should continue to strengthen procedures to prevent overpayments of \$700,000 per year and detect payments to MCOs for all deceased beneficiaries.

HCFA Response

We concur with this recommendation. We continue to monitor our data in the Group Health Plan (GHP) database to identify payments for deceased beneficiaries. The most recent monthly run of our utility shows no payments made for deceased beneficiaries.