



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

SEP 26 2006

Washington, D.C. 20201

**TO:** Mark B. McClellan, M.D., Ph.D.  
Administrator  
Centers for Medicare & Medicaid Services

**FROM:** Joseph E. Vengrin  
Deputy Inspector General for Audit Services

**SUBJECT:** Audit of Selected States' Medicaid Payments for Services Claimed To Have Been Provided to Deceased Beneficiaries (A-05-05-00030)

The attached final report summarizes the results of our audits of 10 States' Medicaid payments for services claimed to have been provided to deceased beneficiaries.

Federal regulations (42 CFR § 433.304) state that an overpayment is the amount paid by a State Medicaid agency to a provider in excess of the allowable amount for furnished services. Because medically necessary services cannot be provided after a beneficiary's death, no medical services are allowable after a beneficiary's death. Accordingly, payments for medical services claimed to have been provided after a Medicaid beneficiary's death are overpayments.

Our objectives were to (1) consolidate the results of the 10 State audits of unrecovered overpayments for medical services claimed to have been provided to deceased Medicaid beneficiaries and (2) determine why the States did not identify and recover the overpayments.

In 8 of the 10 States audited, providers received an estimated total of \$27.3 million (\$15.1 million Federal share) in Medicaid overpayments, which the States never recovered, for services claimed to have been provided after beneficiaries' deaths. All 10 States had procedures and some form of prepayment screening to identify and recover Medicaid overpayments. However, prepayment screening by some States did not successfully identify the overpayments for deceased beneficiaries because the States did not use all available death information and because their payment systems had data entry, matching, and processing problems. Furthermore, although 9 of the 10 States had some form of postpayment screening, the screening did not identify all overpayments associated with deceased beneficiaries.

We recommend that the Centers for Medicare & Medicaid Services (CMS):

- work with States to ensure that they use all available data sources to identify deceased beneficiaries, match those data against paid claims files, and recover identified overpayments and

- encourage States to establish postpayment reviews, similar to the one we used in our 10 State-specific audits, to mitigate the effect of delays in receiving data regarding beneficiaries' dates of death.

In its comments on the draft report, CMS concurred with our recommendations.

Please send us your final management decision, including any action plan, as appropriate, within 60 days. If you have any questions or comments about this report, please do not hesitate to call me, or your staff may contact George M. Reeb, Assistant Inspector General for the Centers for Medicare & Medicaid Audits, at (410) 786-7104 or through e-mail at [George.Reeb@oig.hhs.gov](mailto:George.Reeb@oig.hhs.gov). Please refer to report number A-05-05-00030 in all correspondence.

Attachment

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**AUDIT OF  
SELECTED STATES'  
MEDICAID PAYMENTS FOR  
SERVICES CLAIMED  
TO HAVE BEEN PROVIDED TO  
DECEASED BENEFICIARIES**



Daniel R. Levinson  
Inspector General

September 2006  
A-05-05-00030

# ***Office of Inspector General***

<http://oig.hhs.gov>

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## **EXECUTIVE SUMMARY**

### **BACKGROUND**

#### **Medicaid Payments for Deceased Beneficiaries**

Pursuant to Title XIX of the Social Security Act, the Federal Government and States share (1) the costs of medical assistance payments to providers that furnish care and services to Medicaid beneficiaries and (2) the responsibility for ensuring that Medicaid payments are for allowable services. Federal regulations (42 CFR § 433.304) state that an overpayment is the amount paid by a State Medicaid agency to a provider in excess of the allowable amount for furnished services. Because medically necessary services cannot be provided after a beneficiary's death, no medical services are allowable after a beneficiary's death. Accordingly, payments for medical services claimed to have been provided after a Medicaid beneficiary's death are overpayments.

As detailed in a May 2000 Office of Inspector General report, the Ohio Office of the Auditor found that Ohio Medicaid providers had received significant overpayments for services claimed on behalf of deceased beneficiaries.<sup>1</sup> In light of the finding in Ohio, we initiated audits of 10 States (Arizona, Florida, Maryland, Massachusetts, Michigan, Minnesota, Missouri, New York, Pennsylvania, and Tennessee) to identify similar unrecovered Medicaid overpayments.

#### **Social Security Administration Death Information**

To administer the Social Security program, the Social Security Administration (SSA) maintains a comprehensive file of death information by purchasing death certificate information from State governments and by obtaining death notifications from funeral homes and friends and family of the deceased. For a fee, this file is available to State and Federal agencies as a way to prevent payments for services claimed to have been provided after beneficiaries' deaths. We used SSA's death file to enhance the screening for deceased beneficiaries in the 10 selected States.

### **OBJECTIVES**

Our objectives were to (1) consolidate the results of the 10 State audits of unrecovered overpayments for medical services claimed to have been provided to deceased Medicaid beneficiaries and (2) determine why the States did not identify and recover the overpayments.

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<sup>1</sup>“Office of Inspector General Partnership With the State of Ohio, Office of the Auditor's Report on Payments for Medicaid Services to Deceased Recipients” (A-05-00-00045).

## **SUMMARY OF FINDINGS**

In 8 of the 10 States audited, providers received an estimated total of \$27.3 million (\$15.1 million Federal share) in Medicaid overpayments, which the States never recovered, for services claimed to have been provided after beneficiaries' deaths. All 10 States had procedures and some form of prepayment screening to identify and recover Medicaid overpayments. However, prepayment screening by some States did not successfully identify the overpayments for deceased beneficiaries because the States did not use all available death information and because their payment systems had data entry, matching, and processing problems. Furthermore, although 9 of the 10 States had some form of postpayment screening, the screening did not identify all overpayments for services associated with deceased beneficiaries.

## **RECOMMENDATIONS**

We recommend that the Centers for Medicare & Medicaid Services (CMS):

- work with States to ensure that they use all available data sources to identify deceased beneficiaries, match those data against paid claims files, and recover identified overpayments and
- encourage States to establish postpayment reviews, similar to the one we used in our 10 State-specific audits, to mitigate the effect of delays in receiving data regarding beneficiaries' dates of death.

## **CENTERS FOR MEDICARE & MEDICAID SERVICES COMMENTS**

In written comments dated August 24, 2006, CMS concurred with our recommendations. CMS's comments are included as Appendix B.

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## INTRODUCTION

### BACKGROUND

Title XIX of the Social Security Act authorizes Federal grants to States for Medicaid programs that provide medical assistance to needy people. At the Federal level, the Centers for Medicare & Medicaid Services (CMS) administers the Medicaid program. Through a designated State agency, each State administers its Medicaid program in accordance with a State plan approved by CMS.

#### **Medicaid Payments for Deceased Beneficiaries**

The Federal Government and States share (1) the costs of medical assistance payments to providers that furnish care and services to Medicaid beneficiaries and (2) the responsibility for ensuring that payments are for allowable services only. Federal regulations (42 CFR § 433.304) state that an overpayment is the amount paid by a State agency to a provider in excess of the allowable amount for furnished services. Because medically necessary services cannot be provided after a beneficiary's death, no medical services are allowable after a beneficiary's death. Accordingly, payments for medical services claimed to have been provided after a Medicaid beneficiary's death are overpayments.

As detailed in a May 2000 Office of Inspector General report, the Ohio Office of the Auditor performed an audit of Medicaid payments for medical services dated after beneficiaries' deaths.<sup>1</sup> The audit found that during a 5¾-year period, Ohio Medicaid providers received approximately \$82 million for services claimed on behalf of deceased beneficiaries, of which approximately \$14.2 million remained outstanding as of September 30, 1999.

In light of the significant overpayments found in Ohio, we initiated audits of 10 States (Arizona, Florida, Maryland, Massachusetts, Michigan, Minnesota, Missouri, New York, Pennsylvania, and Tennessee) to identify similar unrecovered Medicaid overpayments.

#### **Social Security Administration Death Information**

To administer the Social Security program, the Social Security Administration (SSA) maintains a comprehensive file of death information by purchasing death certificate information from State governments and by obtaining death notifications from funeral homes and friends and family of the deceased. All reported deaths of individuals with Social Security numbers are routinely added to SSA's death file. For a fee, this file is available to State and Federal agencies as a way to prevent payments for services claimed to have been provided after beneficiaries' deaths.

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<sup>1</sup>“Office of Inspector General Partnership With the State of Ohio, Office of the Auditor's Report on Payments for Medicaid Services to Deceased Recipients” (A-05-00-00045).

## **OBJECTIVES, SCOPE, AND METHODOLOGY**

### **Objectives**

Our objectives were to (1) consolidate the results of the 10 State audits of unrecovered overpayments for medical services claimed to have been provided to deceased Medicaid beneficiaries and (2) determine why the States did not identify and recover the overpayments.

### **Scope**

Based on our data analysis of Medicaid claims and eligibility information for the quarters ended December 31, 1999, and March 31, 2000, we selected 10 States for audit. We selected those States with substantial numbers of Medicaid beneficiaries on whose behalf payments were made for services claimed to have been provided in the month after the beneficiary's death or later. Audit periods for all 10 selected States began October 1, 1998. Eight audit periods ended September 30, 2001; one ended December 31, 2001; and one ended September 30, 2000. (See Appendix A for a list of the 10 report numbers and audit periods.)

We limited our internal control review to obtaining an understanding of each State's process for identifying payments for services claimed to have been provided to deceased beneficiaries and methods for recovering such overpayments.

### **Methodology**

For each audit period, we identified Medicaid-eligible beneficiaries, including their names, Social Security numbers, and dates of birth, from the States' eligibility files and matched those data to information in SSA's death file. The match identified apparently deceased Medicaid beneficiaries. To establish a universe of potential overpayments, we extracted all Medicaid paid claims for services after the month in which each beneficiary died. We obtained Medicaid eligibility and claims data from the federally maintained Medicaid Statistical Information System for eight audits and from the State-maintained Medicaid Management Information System for New York and Pennsylvania.

For eight States, we used Medicaid paid claims as the sampling unit and selected a random sample of 100 to 200 paid claims in each State. For Missouri and Tennessee, we used deceased Medicaid beneficiaries as the sampling unit and reviewed all of the claims for services associated with 200 beneficiaries in each State.

Specifically, in each of the 10 States, we:

- obtained a list of Medicaid beneficiaries with eligibility in at least 1 quarter during the audit period;

- matched identifying information on Medicaid beneficiaries to SSA's death file and extracted individuals with dates of death before the end of the audit period;
- matched identifying information on eligible and deceased beneficiaries to the Medicaid Management Information System or Medicaid Statistical Information System claims files and extracted each beneficiary's paid claims information, including dates of service and amounts paid, for services after the month in which the beneficiary died;
- determined whether the State agency had adjusted sampled paid claims for services dated after the beneficiaries' deaths;
- confirmed the sampled beneficiaries' deaths by comparing the SSA recorded dates of death with information from available death certificates or records from the Medicaid Management Information System, the Medicare Common Working File, or Supplemental Security Income files; and
- determined whether State records supported the sampled Medicaid payments for claimed services associated with deceased beneficiaries.

We reviewed the sampled Medicaid payments to confirm that providers made claims for the specific beneficiaries identified as deceased and that claims were for services after the beneficiaries' deaths. We also confirmed that the beneficiaries' names and dates of birth on State Medicaid Management Information System records matched the information in SSA's death file.

If claims were for services purportedly provided after the month in which the beneficiary died, we considered the payments to be errors. We did not include as errors (1) claims that the State Medicaid agency had fully adjusted or (2) claims that pertained to allowable services provided to an eligible beneficiary who had inappropriately used a deceased beneficiary's Social Security number or who was determined to be alive based on other information. We projected the results of each random sample to the State's universe of paid claims to estimate total Medicaid overpayments.

We conducted the audits in accordance with generally accepted government auditing standards.

## **FINDINGS AND RECOMMENDATIONS**

In 8 of the 10 States audited, providers received an estimated total of \$27.3 million (\$15.1 million Federal share) in unrecovered Medicaid overpayments for services claimed to have been provided after beneficiaries' deaths. The States did not identify and recover these overpayments because they did not use all available death information and because their payment systems had data entry, matching, and processing problems. Arizona, on the other hand, used all available Federal and State data to identify and recover overpayments.

None of Arizona’s sampled claims resulted in unrecovered overpayments. In Minnesota, the sample errors were statistically insignificant, so we did not project an overpayment.

## OVERPAYMENTS TO PROVIDERS BY STATE

We estimated that eight States made overpayments, which the States never recovered, totaling approximately \$27.3 million for services claimed to have been provided after beneficiaries’ deaths. The projected overpayments in each State represent the point estimate based on an extrapolation of the errors found in the sample data. The following table summarizes the sample results and the projected overpayments in each of the 10 States audited.

### Projected Overpayments to Providers

State	Universe		Sample			Projected Overpayments
	Size	Value	Size	Errors	Overpayments	
Florida	153,101	\$42,612,823	200	48	\$15,765	\$11,600,000
New York	122,498	35,898,700	100	29	5,475	6,707,623
Tennessee <sup>2</sup>	66,416	21,797,127	200	186	15,025	4,989,552
Pennsylvania	15,661	3,229,984	200	111	19,154	1,499,881
Massachusetts	10,725	2,071,629	100	52	9,393	1,027,562
Maryland	15,265	6,705,966	100	15	6,199	946,277
Michigan	10,783	1,805,392	200	52	5,465	294,500
Missouri	2,939	10,840,896	200	97	20,242	196,232
Minnesota	44,304	8,410,543	200	2	957	0
Arizona	7,318	11,094,081	100	0	0	0
<b>Total</b>	<b>449,010</b>	<b>\$144,467,141</b>	<b>1,600</b>	<b>592</b>	<b>\$97,675</b>	<b>\$27,261,627</b>

As noted in the table, we did not project overpayments for Minnesota or Arizona. The two sample errors identified in Minnesota were not sufficient to make a statistical projection.<sup>3</sup> Arizona had no sample errors.

## CAUSES OF OVERPAYMENTS

All 10 States audited had procedures to identify and recover Medicaid overpayments for services claimed to have been provided after beneficiaries’ deaths. In addition, all 10 States had some form of prepayment screening. However, prepayment screening by some States did not successfully identify overpayments associated with deceased beneficiaries

<sup>2</sup>In Tennessee, we used the dollar value of the claims for the selected beneficiaries to project the universe value.

<sup>3</sup>Our statistical sampling policies and procedures require a minimum of six erroneous claims to make a projection.

because the States did not use all available death information and because the States' Medicaid payment systems had data entry, matching, and processing problems. Furthermore, although 9 of the 10 States had some form of postpayment screening, the screening did not identify all overpayments for services claimed to have been provided after beneficiaries' deaths.

### **States Did Not Use All Available Death Information**

States did not use all available sources of death information, such as SSA's death file and the States' vital statistics and health department death files, to identify payments for services claimed to have been provided after beneficiaries' deaths.

Six of the ten States reviewed (Maryland, Michigan, Minnesota, Missouri, New York, and Tennessee) did not use SSA's death file to update information in their Medicaid Management Information Systems. Thus, these States lacked important information when considering whether to make initial payments or whether the payments were for services after beneficiaries' deaths that should be recovered. Four States (Arizona, Florida, Massachusetts, and Pennsylvania) used SSA's death file, and Massachusetts and Pennsylvania were considering more comprehensive and more frequent matches.

Three of the ten States reviewed (Maryland, Minnesota, and New York) did not use death certificate information maintained by their respective State vital statistics and health departments to identify payments for services claimed to have been provided after beneficiaries' deaths and to initiate recoveries of overpayments. New York, in particular, experienced organizational barriers to data sharing. New York's State and city vital statistics units did not routinely share death information with each other or with the State Medicaid agency. Therefore, the State Medicaid agency relied on information that caseworkers in 47 individual districts manually entered in the Medicaid Management Information System.

### **Payment Systems Had Data Entry, Matching, and Processing Problems**

Data entry, matching, and processing problems in State Medicaid payment systems resulted in unidentified and unrecovered payments made on behalf of deceased beneficiaries. These problems included inaccurate and incomplete information entered into the Medicaid Management Information System, delayed posting of deaths to the Medicaid Management Information System, limited prepayment and postpayment screening procedures, and unexplained system errors. Further, the recording of incorrect Social Security numbers in the Medicaid record during enrollment sometimes hampered data matching.

Some examples of these problems follow:

- Discrepancies between beneficiaries' names and dates of birth as entered in the Medicaid record during enrollment and the information shown in the payment systems prevented an absolute match on the beneficiaries' deaths. In these cases,

States did not recognize the beneficiaries as deceased, and eligibility was not terminated.

- Timelags in obtaining death information and posting deaths to the Medicaid payment systems hampered States' efforts to identify and prevent overpayments on a prepayment basis.
- For unexplained reasons, some States continued to pay claims for beneficiaries even though their Medicaid Management Information Systems indicated that the dates of death preceded the dates of service. Eligibility was not terminated in these cases.

### **ARIZONA'S USE OF ALL AVAILABLE DATA**

Arizona used all available Federal and State data to identify and recover overpayments made on behalf of deceased beneficiaries. The State's death data included information generated by three State departments, which compiled data from nursing homes, SSA, and the State Bureau of Vital Statistics. All three departments entered death information in one master computer file. On a monthly basis, the State Medicaid agency updated the master computer file with additional Vital Statistics death information to ensure accuracy and completeness.

None of the sampled claims in Arizona resulted in unrecovered overpayments. We believe that Arizona offers some "best practice" approaches to eliminate unrecovered overpayments associated with deceased beneficiaries.

### **CONCLUSION**

Until States use all available death information and correct system data entry, matching, and processing problems, inappropriate payments for services claimed to have been provided after beneficiaries' deaths will continue without detection. Furthermore, States will not detect and recover overpayments unless they institute postpayment screening against updated death information. As the Federal administrator of Medicaid, CMS could work with States to ensure the identification of overpayments.

### **RECOMMENDATIONS**

We recommend that CMS:

- work with States to ensure that they use all available data sources to identify deceased beneficiaries, match those data against paid claims files, and recover identified overpayments and
- encourage States to establish postpayment reviews, similar to the one we used in our 10 State-specific audits, to mitigate the effect of delays in receiving data regarding beneficiaries' dates of death.

## **CENTERS FOR MEDICARE & MEDICAID SERVICES COMMENTS**

In written comments dated August 24, 2006, CMS concurred with our recommendations and stated that it would evaluate Arizona's "best practice" approach to eliminate unrecovered overpayments associated with deceased beneficiaries for possible adaptability in all States. CMS's comments are included as Appendix B.

CMS also provided a technical comment, which we addressed in our final report.

# **APPENDIXES**

## STATE-SPECIFIC AUDIT REPORTS

<b>State</b>	<b>Report Number<sup>1</sup></b>	<b>Audit Period</b>	<b>Date Issued</b>
Arizona	A-05-03-00073	October 1, 1998, to September 30, 2001	October 31, 2003
Florida	A-04-03-07029	October 1, 1998, to September 30, 2001	July 28, 2005
Maryland	A-05-03-00099	October 1, 1998, to September 30, 2001	May 20, 2004
Massachusetts	A-05-04-00030	October 1, 1998, to September 30, 2001	February 22, 2005
Michigan	A-05-01-00103	October 1, 1998, to September 30, 2000	October 22, 2003
Minnesota	A-05-02-00068	October 1, 1998, to September 30, 2001	February 18, 2003
Missouri	A-07-02-00143	October 1, 1998, to December 31, 2001	March 6, 2003
New York	A-05-03-00019	October 1, 1998, to September 30, 2001	October 20, 2004
Pennsylvania	A-05-03-00032	October 1, 1998, to September 30, 2001	March 4, 2004
Tennessee	A-04-02-07020	October 1, 1998, to September 30, 2001	June 2, 2004

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<sup>1</sup>These reports are available at <http://oig.hhs.gov>.



DEPARTMENT OF HEALTH &amp; HUMAN SERVICES

Centers for Medicare &amp; Medicaid Services

*Administrator*  
Washington, DC 20201

**DATE:** AUG 24 2006

**TO:** Daniel R. Levinson  
Inspector General  
Office of Inspector General

**FROM:** Mark B. McClellan, M.D., Ph.D.   
Administrator

**SUBJECT:** Office of Inspector General (OIG) Draft Report: "Audit of Selected States' Medicaid Payments for Services Claimed To Have Been Provided to Deceased Beneficiaries (A-05-05-00030)"

We appreciate the opportunity to review and comment on the above OIG draft report. The report summarizes the results of the OIG audits of 10 States' Medicaid payments for services claimed to have been provided to deceased beneficiaries. The objectives of the report were to (1) consolidate the results of the 10 State audits of un-recovered overpayments for medical services claimed to have been provided to deceased Medicaid beneficiaries and (2) determine why the States did not identify and recover the overpayments.

We take very seriously the objective for States to collect all overpayments for medical services claimed to have been provided after a Medicaid beneficiary's death. As you know, we have been taking many steps to improve the accuracy of Medicaid payments, including steps that will affect this aspect of accurate payment.

**OIG Recommendation:**

The Centers for Medicare & Medicaid Services (CMS) should work with States to ensure that they use all available data sources to identify deceased beneficiaries, match those data against paid claims files, and recover identified overpayments

**CMS Response:**

The CMS concurs with this recommendation and will begin taking steps to work with all States to establish a process to identify and match deceased beneficiaries with submitted claims data, prior to the actual claims payment.

This report indicates that Arizona, one of the 10 States sampled for your audit, currently employs a "best practice" approach to eliminate un-recovered overpayments associated with deceased beneficiaries. The CMS will evaluate this "best practice" approach already employed by Arizona, for possible adaptability to all States.

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**OIG Recommendation:**

CMS should encourage States to establish post payment reviews, similar to the one we used in our 10 State-specific audits, to mitigate the effect of delays in receiving data regarding beneficiaries' dates of death.

**CMS Response:**

The CMS concurs with this recommendation and will begin taking steps to provide guidance to all States for establishing a post payment review process, designed to quickly identify and recover overpayments made on behalf of deceased beneficiaries.

Again, we appreciate the opportunity to comment on the recommendations that you provided in this audit report and your suggestions for eliminating these unrecovered Medicaid overpayments.