HHS Office of Inspector General

REPORT HIGHLIGHTS

December 2025 | A-04-23-09010

Medicaid Agencies Made Millions in Unallowable Capitation Payments to Managed Care Organizations on Behalf of Deceased Enrollees

Why OIG Did This Audit

- Since 2016, OIG has conducted 18 audits identifying that Medicaid agencies had improperly made roughly $289 million ($202 million Federal share) in capitation payments on behalf of deceased enrollees.
- The improper payments have drawn the attention of the U.S. Senate Committee on Finance, which has found that States continue to struggle with the issue. Provisions of the recently enacted One Big Beautiful Bill Act (OBBB Act) may help minimize unallowable Medicaid payments made on behalf of deceased enrollees.
- Because of the significant issues identified in our prior audits and ongoing congressional interest, we conducted this audit to estimate the value of Medicaid capitation payments made to managed care organizations (MCOs) on behalf of deceased enrollees.

What OIG Found

- We estimate that Medicaid agencies made $207,501,380 ($138,645,710 Federal share) in unallowable capitation payments to MCOs for enrollees whose date of death, as recorded by the Social Security Administration's Death Master File, occurred before the monthly service periods covered by the capitation payments during our audit period (July 1, 2021, through June 30, 2022).
- This estimate is based on the results of our review of 100 statistically sampled capitation payments. We determined that Medicaid agencies made unallowable capitation payments after enrollees' deaths for 99 of the 100 sample payments. However, for 50 of those unallowable capitation payments, we found that Medicaid agencies recovered the overpayments before we provided them with the sample capitation payments for their review. The remaining 49 capitation payments were either not recovered or recovered after we sent the Medicaid agencies the sample capitation payments for their review. As a result of these unallowable and not previously recovered payments, we estimated $207,501,380 ($138,645,710 Federal share) in unallowable capitation payments for our audit period.

What OIG Recommends

We made two recommendations to CMS: (1) that it provide the Medicaid agencies covered by our audit with our matched T-MSIS data so that those agencies can review the capitation payments and take appropriate action to recover any unallowable payments, and (2) that it explore opportunities to work with Medicaid agencies to ensure that provisions of the OBBB Act are properly implemented. This effort could result in yearly estimated savings of $207,501,380 ($138,645,710 Federal share).

CMS concurred with our first recommendation and did not clearly indicate concurrence or nonconcurrence with our second recommendation. However, CMS described actions that it planned to take to address both recommendations.