



DEPARTMENT OF HEALTH AND HUMAN SERVICES
OFFICE OF AUDIT SERVICES
233 NORTH MICHIGAN AVENUE
CHICAGO, ILLINOIS 60601

REGION V
OFFICE OF
INSPECTOR GENERAL

Report Number A-05-01-00103

October 22, 2003

Ms. Janet Olszewski, Director
Michigan Department of Community Health
Lewis Cass Building
300 South Walnut Street
Lansing, Michigan 48913

Dear Ms. Olszewski:

Enclosed are two copies of the U.S. Department of Health and Human Services (HHS), Office of Inspector General's final report titled "Audit of Payments for Medicaid Services to Deceased Recipients" for the period October 1, 1998 through September 30, 2000. A copy of this report will be forwarded to the action official noted below for his/her review and any action deemed necessary.

Final determination as to actions taken on all matters will be made by the HHS action official named below. We request that you respond to the HHS action official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination.

In accordance with the principles of the Freedom of Information Act, 5 U.S.C. 552, as amended by Public Law 104-231, Office of Inspector General reports are made available to members of the public to the extent information contained therein is not subject to exemptions in the Act. (See 45 CFR Part 5.)

To facilitate identification, please refer to report number A-05-01-00103 in all correspondence relating to this report.

Sincerely,

A handwritten signature in black ink that reads "Paul Swanson".

Paul Swanson
Regional Inspector General
for Audit Services

Enclosures – as stated

Direct Reply to HHS Action Official:
Associate Regional Administrator
Centers for Medicare & Medicaid Services, Region V
Division of Medicaid and State Operations
233 North Michigan Ave., Suite 600
Chicago, Illinois 60601

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**AUDIT OF PAYMENTS FOR
MEDICAID SERVICES TO
DECEASED RECIPIENTS**

**OCTOBER 1, 1998 THROUGH
SEPTEMBER 30, 2000**

**MICHIGAN DEPARTMENT OF
COMMUNITY HEALTH**



October 2003
A-05-01-00103

Office of Inspector General

<http://oig.hhs.gov/>

The mission of the Office of Inspector General (OIG), as mandated by Public Law 95-452, as amended, is to protect the integrity of the Department of Health and Human Services (HHS) programs, as well as the health and welfare of beneficiaries served by those programs. This statutory mission is carried out through a nationwide network of audits, investigations, and inspections conducted by the following operating components:

Office of Audit Services

The OIG's Office of Audit Services (OAS) provides all auditing services for HHS, either by conducting audits with its own audit resources or by overseeing audit work done by others. Audits examine the performance of HHS programs and/or its grantees and contractors in carrying out their respective responsibilities and are intended to provide independent assessments of HHS programs and operations in order to reduce waste, abuse, and mismanagement and to promote economy and efficiency throughout the Department.

Office of Evaluation and Inspections

The OIG's Office of Evaluation and Inspections (OEI) conducts short-term management and program evaluations (called inspections) that focus on issues of concern to the Department, the Congress, and the public. The findings and recommendations contained in the inspections reports generate rapid, accurate, and up-to-date information on the efficiency, vulnerability, and effectiveness of departmental programs.

Office of Investigations

The OIG's Office of Investigations (OI) conducts criminal, civil, and administrative investigations of allegations of wrongdoing in HHS programs or to HHS beneficiaries and of unjust enrichment by providers. The investigative efforts of OI lead to criminal convictions, administrative sanctions, or civil monetary penalties. The OI also oversees State Medicaid fraud control units, which investigate and prosecute fraud and patient abuse in the Medicaid program.

Office of Counsel to the Inspector General

The Office of Counsel to the Inspector General (OCIG) provides general legal services to OIG, rendering advice and opinions on HHS programs and operations and providing all legal support in OIG's internal operations. The OCIG imposes program exclusions and civil monetary penalties on health care providers and litigates those actions within the Department. The OCIG also represents OIG in the global settlement of cases arising under the Civil False Claims Act, develops and monitors corporate integrity agreements, develops model compliance plans, renders advisory opinions on OIG sanctions to the health care community, and issues fraud alerts and other industry guidance.

Notices

**THIS REPORT IS AVAILABLE TO THE PUBLIC
at <http://oig.hhs.gov/>**

In accordance with the principles of the Freedom of Information Act, 5 U.S.C. 552, as amended by Public Law 104-231, Office of Inspector General, Office of Audit Services, reports are made available to members of the public to the extent information contained therein is not subject to exemptions in the Act. (See 45 CFR Part 5.)

OAS FINDINGS AND OPINIONS

The designation of financial or management practices as questionable or a recommendation for the disallowance of costs incurred or claimed as well as other conclusions and recommendations in this report represent the findings and opinions of the HHS/OIG/OAS. Authorized officials of the awarding agency will make final determination on these matters.



EXECUTIVE SUMMARY

OBJECTIVE

The objective of our review was to determine the amount of Medicaid overpayments resulting from payments to providers for medical services provided after the recipients' death.

FINDINGS

The Michigan Department of Community Health (State agency) did not identify all payments to providers for medical services provided after the recipients' death. In a statistical sample of 200 paid claims, we found that 52 payments (26 percent), amounting to \$5,465, were for services provided to Medicaid recipients after their deaths. Based on the results of a statistical sample, we estimate that unrecovered, unallowable payments were approximately \$294,500 (Federal share \$161,000). The State agency was apparently unaware of these deaths and, consequently, made the unallowable payments. The Medicaid recipients were not identified by the State agency as deceased even though the majority of the recipients had death certificates on file at the Michigan Bureau of Vital Statistics.

In addition, the State agency did not credit the Federal Government for payments that it had identified as unallowable. The State agency determined that \$81,425 (Federal share \$45,429) was not processed for adjustment or collection from the providers.

RECOMMENDATIONS

We recommend that the State agency:

- Refund the specifically identified overpayments of \$5,465 (Federal share \$2,972) for Medicaid services provided after the recipients' death.
- Identify and refund additional overpayments estimated to be approximately \$294,500 (Federal share \$161,000) for Medicaid services provided after the recipients' death.
- Refund overpayments of \$81,425 (Federal share \$45,429) to the Medicaid program for State identified unallowable payments that were not credited to the Federal Government.
- Use outside sources of death records, such as the SSA death files, to enhance identification of Medicaid recipients who have died.

In a written response dated October 3, 2003, State agency officials concurred with our recommendations. The response is summarized in the body of this report and is included in its entirety as Appendix B to this report.

TABLE OF CONTENTS

	Page
INTRODUCTION	1
BACKGROUND	1
OBJECTIVE, SCOPE AND METHODOLOGY	1
Objective	1
Scope	1
Methodology	2
FINDINGS AND RECOMMENDATIONS.....	2
CRITERIA	3
FINDINGS.....	3
Claims Paid for Services Provided After Death	3
Adjusted Payments for Services Provided to Deceased Recipients.....	3
Payments for Recipients Not Deceased – Adjustments Not Required	4
ERROR PROJECTION	4
RECOMMENDATIONS.....	4
State Agency Comments.....	5
OTHER MATTERS.....	5
Overpayments Identified by State Agency but Federal Share Not Returned	5
State Agency Comments.....	5
APPENDICES	
SAMPLING METHODOLOGY	A
STATE AGENCY RESPONSE TO DRAFT REPORT	B

INTRODUCTION

BACKGROUND

The Medicaid program is jointly administered by the Federal Government through the Centers for Medicare and Medicaid Services (CMS) and by the states through their designated state agency. During fiscal year 2000, federal and state spending for Medicaid services in Michigan totaled \$6.7 billion.

Each year more than 2 million people die in the United States. All reported deaths are routinely added to SSA's death files. The SSA maintains the most complete death records for the Federal Government. These records contain information on any person with a social security number, whether he is a SSA beneficiary or not. The SSA develops its data file from death certificate information purchased from state governments and from death notifications received from funeral homes, friends, and family and uses the information to stop social security payments to people reported as deceased. This information is available to state and federal agencies to prevent payments for services provided after death.

In Michigan, the State agency requested tapes listing deceased individuals from the Michigan Bureau of Vital Statistics. The tapes were verified for accuracy and used to determine if Medicaid eligible individuals have died. Providers were notified of overpayments associated with deceased individuals. The State did not routinely use the SSA death file information.

OBJECTIVE, SCOPE AND METHODOLOGY

Objective. The objective of our audit was to determine the amount of Medicaid overpayments resulting from payments to providers for medical services provided after the recipients' death.

Scope. For the period October 1, 1998 through September 30, 2000, we matched the names, social security numbers and birth dates for Medicaid recipients with corresponding data for deceased individuals from the SSA death files. For Medicaid eligible recipients identified as deceased, we determined the amounts paid for services provided in the month after their deaths through January 2002. We identified 10,783 paid claims, totaling \$1.8 million, and reviewed a statistical sample of 200 claims representing medical services payments of approximately \$30,000. We used applicable regulations and death data from SSA and Michigan Bureau of Vital Statistics files to determine whether the paid claims were for deceased recipients and, therefore, unallowable. Details of our sampling methodology are presented in Appendix A.

We did not review the overall internal control structure of the State agency's Medicaid program. Our internal control review was limited to obtaining an understanding of its procedures to identify payments for services to deceased individuals and to recover the overpayments.

Methodology. For each of the 200 claims, we determined whether the State agency had made recoveries. If not, we reviewed the claim to establish that it was a payment for services provided after the death of the recipient. We used the State agency's Medicaid Management Information System (MMIS) data to verify that the individuals listed in the SSA death files were, in fact, the individuals for whom the payments were made. We reviewed death certificates on file at the Bureau of Vital Statistics. We also visited county Family Independence Agency offices to confirm select recipients' Medicaid eligibility status and confirm or deny their death status.

We performed our audit work at the State agency's offices in Lansing, Michigan, and at seven Family Independence Agency county offices. The fieldwork in Lansing was conducted from January 2002 through September 2002, while work at the seven county offices was performed during May 2003.

Our audit was conducted in accordance with generally accepted government auditing standards.

FINDINGS AND RECOMMENDATIONS

The State agency did not identify and adjust payments to providers for all medical services provided after the recipients' death. In a statistical sample of 200 paid claims, we found that 52 payments (26 percent), amounting to \$5,465 (Federal share \$2,972), were for services provided to Medicaid recipients after their deaths. The Medicaid recipients were not identified by the State agency as deceased even though many recipients had death certificates on file at the Michigan Bureau of Vital Statistics.

The following table summarizes the results of our review of 200 claims.

<u>Disposition</u>	<u>Claims #</u>	<u>Results of Review</u>
Not Adjusted - Overpayment	45	Deceased - Death certificate on file
Not Adjusted - Overpayment	7	Deceased - No death certificate on file
Adjusted – No overpayment	78	Deceased - Payment identified by State
Adjustment not required	12	Not deceased - No death certificate on file
Adjustment not required	20	Not deceased - Error in MMIS or SSA data
Adjustment not required	38	Not deceased - Purged from initial match

As indicated above, the State agency appropriately identified and adjusted 78 claims for services provided after the death of the Medicaid recipient. We also determined that no adjustments were needed for the 70 claims associated with recipients that were not deceased. As a result, we estimate that unrecovered, unallowable payments amounted to approximately \$294,500 (Federal share \$161,000). The State agency should identify and refund overpayments for Medicaid services provided after the recipients' death.

We attribute these unadjusted overpayments and false matches to the State agency's sole reliance on the Michigan Bureau of Vital Statistics information to identify deceased Medicaid recipients and to matching problems involving incorrect information in the MMIS and SSA databases. The State agency was not utilizing all available sources of death information to identify the additional deceased Medicaid recipients.

CRITERIA

The Code of Federal Regulations Title 42, Part 433 states that an overpayment is the amount paid by a Medicaid agency to a provider that is in excess of the amount that is allowable for furnished services. The Medicaid agency has 60 days from the date of discovery of an overpayment to a provider to recover or seek to recover the overpayment before the federal share must be refunded to CMS.

FINDINGS

Claims Paid for Services Provided After Death

From the 200 claims selected in our sample, we identified 52 claims, with payments amounting to \$5,465, for services provided after the recipients' date of death. The overpayments were not adjusted. Death certificates or certificate numbers were filed at the Michigan Bureau of Vital Statistics for the 44 recipients associated with 45 of the 52 overpayments. For the claims without a death certificate on file, we performed additional audit work to substantiate the death of the recipient. We visited county Family Independence Agency offices to review Medicaid eligibility case files for ten recipients for whom there were no death certificates. We found that four of the ten recipients' case files were closed due to the death of the individual. One of the four case files contained information verifying the date of death; the other three case files contained no documentation of a date of death. Adjustments were not made on overpayments for 7 claims associated with these four recipients.

Beyond the State agency's sole reliance on the Michigan Bureau of Vital Statistics information, we attribute the failed match between the Vital Statistics tape and MMIS data, in a number of instances, to minor discrepancies between the two data fields.

Adjusted Payments for Services Provided to Deceased Recipients

The State agency did identify and make adjustments for 78 of the 200 paid claims. The State agency obtains the listings of deceased individuals from the Michigan Bureau of Vital Statistics and matches the individuals on the file to the MMIS records to determine if providers were paid for claims associated with services to deceased Medicaid recipients. Providers were notified of the overpayments and recovery actions were initiated.

Payments for Recipients Not Deceased - Adjustments Not Required

We determined that no adjustments were needed for 70 claims related to recipients who were not deceased. We confirmed that 12 claims, associated with recipients without death certificates on file at the Bureau of Vital Statistics, were for live recipients and were allowable. We determined that 20 claims contained discrepancies between the information contained in the MMIS and the SSA death records and that the recipients were alive. For the remaining 38 claims, a rematch of the SSA death files to the paid claims files determined that recipients for these claims were no longer listed on the death tapes and were, therefore, not considered to be deceased recipients. No adjustments were required for the claims associated with these recipients. In regard to the false matches cited above, consider the following.

Living Recipients. Although we were not able to conclusively determine the reason for the erroneous match of live Medicaid recipients to numbers on the SSA death files, a possible explanation could be that some Medicaid recipients use the social security numbers of deceased relatives. We identified social security numbers in the MMIS that belonged to the person who applied for benefits (parent, guardian, or spouse) and not the recipient that was initially considered to be deceased.

Data Discrepancies. For 20 claims, the data on the SSA or MMIS was incorrect. Eighteen claims had incorrect social security numbers in the MMIS records, while two additional claims had inaccurate dates of death or service. The date of death was misstated by one month in the SSA death records for one recipient, and the date of service was incorrectly entered into the MMIS for another recipient.

Rematch Discrepancies. Since the death files are updated on a weekly basis and include additional deaths, as well as corrections for individuals that were improperly identified as deceased, a rematch initiated during our fieldwork eliminated 38 initial matches. These recipients, previously classified as dead, were appropriately deleted from the SSA death files and are considered alive.

ERROR PROJECTION

Based on our projection of the errors to the universe of paid claims for the period October 1998 to January 2002, the State agency had unrecovered, unallowable Medicaid overpayments totaling approximately \$294,500.

RECOMMENDATIONS

We recommend that the State agency:

- Refund the specifically identified overpayments of \$5,465 (Federal share \$2,972) for Medicaid services provided after the recipients' death.

- Identify and refund additional overpayments of approximately \$294,500 (Federal share \$161,000) for Medicaid services provided after the recipients' death.
- Use outside sources of death records, such as the SSA death files, to enhance identification of Medicaid recipients who have died.

State Agency Comments

State agency officials agreed with the findings and the recommendations.

OTHER MATTERS

Overpayments Identified by State Agency but Federal Share Not Returned

We found that the State agency had not refunded the Federal share of certain overpayments that it had identified as unallowable. The State agency's accounting system did not recover overpayments to health maintenance organizations for services provided to deceased recipients during the period January 1, 2000 to September 30, 2002. Because the computer system rejected the adjustments and State agency personnel did not identify the rejection codes, they did not refund the full Federal share of the amounts that were identified as unallowable payments. The State agency determined that a total of \$81,425 in Medicaid overpayments to health maintenance agencies was not appropriately refunded.

We recommend that the State agency:

- Refund overpayments of \$81,425 (Federal share \$45,429) to the Medicaid program.

State Agency Comments

State agency officials agreed with the finding and recommendation.

APPENDICES

APPENDIX A

SAMPLING METHODOLOGY

POPULATION

Paid claims for the period November 1998 through January 2002 for services provided to Medicaid eligible recipients in the month after death were identified. The universe consisted of 10,783 paid claims totaling \$1,805,392.

SAMPLE DESIGN

A statistical random sample was used for this review. The Random Number Generator through the *OAS Statistical Sampling Software RATS-STATS* was used to select the random sample.

RESULTS OF SAMPLE

The results of our review are as follows:

Number Of Claims	Sample Size	Value of Sample	Number of Errors	Value of Errors
10,783	200	\$29,857	52	\$5,465

The point estimate of the sample was \$294,662 with a lower limit at the 90% confidence interval of \$167,982.



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF COMMUNITY HEALTH

MEDICAL SERVICES ADMINISTRATION
400 S. PINE, LANSING, MI 48933

JANET OLSZEWSKI
DIRECTOR

October 3, 2003

Mr. Paul Swanson
Regional Inspector General for Audit Services
Department of Health and Human Services
Office of Audit Services
233 North Michigan Avenue
Chicago, Illinois 60601

Re: Report Number (A-05-01-00103)

Dear Mr. Swanson:

Enclosed is the Michigan Department of Community Health's response to the draft report entitled "Audit of Payments for Medicaid Services to Deceased Recipients" that covered the period October 1, 1998 through September 30, 2000.

We appreciate the opportunity to review and comment on the report before it is released. If you have any questions regarding this response, please refer them to Jim Hennessey at (517) 335-5323.

Sincerely,

Paul Reinhart, Director
Medical Services Administration

PR:jh/kk

Enclosure

cc: Janet Olszewski
Michael Ezzo
Dave McLaury
Jim Hennessey

Audit of Payments For Medicaid Services to Deceased Recipients**Michigan Department of Community Health****MDCH Response**

Finding Title: Claims Paid for Services Provided after Death

Recommendations:

We recommend the State Agency:

- Refund the specifically identified overpayments of \$5,465 (Federal Share \$2,972) for Medicaid services provided after the recipients' death.
- Identify and refund additional overpayments of approximately \$294,500 (Federal share \$161,000) for Medicaid services provided after the recipient's death.
- Use outside sources of death records, such as SSA death files, to enhance identification of Medicaid recipients who have died.

Response:

MDCH agrees with the findings and all three recommendations. With respect to the first recommendation, MDCH has taken steps to recover the specifically identified overpayment of \$5,465 and the \$2,972 federal share of the overpayment will be refunded once the claim adjustment has been processed. With respect to the second recommendation that projected an additional overpayment of \$294,500, MDCH has reviewed and initiated payment recoveries as necessary for deceased recipients made during the 2001 and 2002 fiscal years. MDCH is currently performing a similar analysis for the period covered by the audit, which is expected to be completed within 60 days. MDCH expects to recover the overpayments from the appropriate providers and the federal share will be returned.

To address this problem in the future, MDCH is in the process of adding the capability to update and store date of death and the death certificate number in the MMIS database. System edits will be implemented to ensure that no claims are processed and approved subsequent to the recipients' date of death. It is expected that these system changes will be in place within 90 days. In addition, on a monthly basis, the system will be queried to identify any services that may have been billed and approved subsequent to the recipients' date of death. This process will identify any payments that may have processed through the system before the death information became available. Recoveries will be pursued for any overpayments that are discovered and the federal share will be returned or credited within 60 days of the date of discovery.

In response to the third recommendation, MDCH is in the process of purchasing quarterly death update files from SSA and will be matching these against MDCH's vital records statistical database. In addition to the quarterly updated death files received from SSA, MDCH will match Michigan's death records from its Vital Records database against the information stored in the MMIS system on a monthly basis to ensure that the

information stored in the MMIS system is up-to-date and correct. The Michigan delayed Death records that are provided on an annual basis will also be matched against the information stored in MMIS. Finally, death information will be updated and entered in the system based on information provided by family members or workers on a call in basis if the death information can be confirmed.

As another preventative measure, MDCH will improve its procedures to ensure that steps are taken to end a beneficiary's eligibility once it is discovered that the recipient is deceased. MDCH has made an arrangement to provide the Social Security Administration with a report of verified deaths for case closure. Prior to initiating this step, the SSA would reactivate a previously closed SSI case if the SSA's records did not yet reflect that the recipient was deceased.

Finding Title: Overpayments Identified by State Agency but Federal Share Not Returned

Recommendation:

We recommend the State Agency:

- Refund overpayments of \$81,425 (Federal Share \$45,429) to the Medicaid program.

Response:

MDCH agrees with the finding and recommendation. Claim adjustments have been processed, MDCH has recovered the \$81,425, and the federal share has been returned or credited. MDCH has improved its controls over this process to ensure that claim adjustments entered into the system are processed and implemented.

ACKNOWLEDGMENTS

This report was prepared under the direction of Paul Swanson, Regional Inspector General for Audit Services. Other Office of Audit Services staff who contributed include:

Leon Siverhus, *Audit Manager*

Mike Barton, *Senior Auditor*

Clarence Hightower, *Auditor*

Mitchell Collier, *Auditor*

Patrick Kelly, *Auditor*

Technical Assistance

John Day, *Advanced Audit Techniques*

Mike Kersting, *Advanced Audit Techniques*

For information or copies of this report, please contact the Office of Inspector General's Public Affairs office at (202) 619-1343.