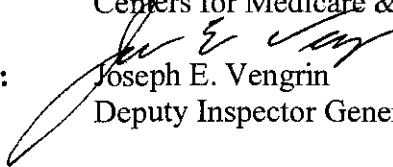




JUL 27 2005

TO: Dennis G. Smith
Director, Center for Medicaid and State Operations
Centers for Medicare & Medicaid Services

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

SUBJECT: Audit of Medicaid Payments for Deceased Beneficiaries in Florida
(A-04-03-07029)

Attached is an advance copy of our final report on Medicaid payments for deceased beneficiaries in Florida. We will issue this report to Florida within 5 business days.

Our objective was to identify any Medicaid overpayments resulting from payments to providers for medical services claimed to have been rendered after the month in which a beneficiary died.

The State made Medicaid payments for medical services claimed to have been rendered after the month of a beneficiary's death. Specifically, for a sample of 200 Medicaid payments made on behalf of eligible beneficiaries who died during our audit period, the State made 48 payments after the beneficiaries' deaths that amounted to \$15,765 (\$8,811 Federal share). Based on our sample, we estimated that Medicaid claims paid in Florida for services after death totaled \$11.6 million (\$6.5 million Federal share) during the audit period (October 1, 1998, to September 30, 2001).

The State paid for services claimed to have been performed after death and did not recover some of these overpayments because it did not have adequate payment controls for the prevention, identification, and recovery of payments after a beneficiary's death.

We recommend that the State:

- review our sampling universe to identify and recover, where appropriate, overpayments estimated at \$11.6 million (\$6.5 million Federal share) made on behalf of deceased beneficiaries and
- improve its procedures for identifying deceased beneficiaries to prevent overpayments in the future.

In response to our draft report, the State Medicaid agency agreed to implement the recommendations.

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 Lori S. Pilcher, Regional Inspector General for Audit Services, Region IV, at (404) 562-7750. Please refer to report number A-04-03-07029 in all correspondence.

Attachment



DEPARTMENT OF HEALTH AND HUMAN SERVICES

Office of Inspector General
Office of Audit Services

REGION IV

61 Forsyth Street, S.W., Suite 3T41
Atlanta, Georgia 30303

JUL 28 2005

Report Number: A-04-03-07029

Mr. Alan Levine
Secretary for Medicaid
Agency for Health Care Administration
2727 Mahan Drive, Mail Stop 8
Tallahassee, Florida 32308

Dear Mr. Levine:

Enclosed are two copies of the Department of Health and Human Services (HHS), Office of Inspector General (OIG) final report entitled "Audit of Medicaid Payments for Deceased Beneficiaries in Florida." A copy of this report will be forwarded to the HHS action official noted below for review and any action deemed necessary.

The HHS action official will make final determination as to actions taken on all matters reported. 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), OIG reports issued to the Department's grantees and contractors are made available to members of the press and general public to the extent the information is not subject to exemptions in the Act that the Department chooses to exercise (see 45 CFR part 5).

Please refer to report number A-04-03-07029 in all correspondence.

Sincerely,

A handwritten signature in black ink, appearing to read "Lori S. Pilcher", is written over a horizontal line. The signature is stylized with a large, sweeping "L" and "P".

Lori S. Pilcher
Regional Inspector General
for Audit Services, Region IV

Enclosures

Direct Reply to HHS Action Official:

Renard Murray, Associate Regional Administrator
Division of Medicaid and Children's Health
Centers for Medicare & Medicaid Services
61 Forsyth Street, SW., Suite 4T20
Atlanta, Georgia 30303-8909

Department of Health and Human Services

**OFFICE OF
INSPECTOR GENERAL**

**AUDIT OF MEDICAID PAYMENTS FOR
DECEASED BENEFICIARIES
IN FLORIDA**



**Daniel R. Levinson
Inspector General**

**JULY 2005
A-04-03-07029**

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:

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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 HHS.

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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 the information 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 HHS divisions will make final determination on these matters.



EXECUTIVE SUMMARY

BACKGROUND

Medicaid is a jointly funded Federal-State health program for eligible low-income and needy individuals. The Centers for Medicare & Medicaid Services provides Federal oversight of the Medicaid program. In Florida, the Agency for Health Care Administration (the State Medicaid agency) administers the program.

To administer its programs, the Social Security Administration (SSA) maintains comprehensive death record information by purchasing death certificate information from State governments and obtaining death notifications from funeral homes and from friends and family of the deceased. All reported deaths of people who have Social Security numbers are routinely added to SSA's Death Master File. This information is available to State and Federal agencies as a way to prevent payments for services claimed to have been rendered after a beneficiary's death.

In calendar years 1997, 1998, and 1999, the Florida State Auditor issued a series of reports identifying \$7.2 million in Medicaid overpayments for services shown as provided after a beneficiary's death. The State Medicaid agency recovered \$5 million, leaving an outstanding balance of \$2.2 million.

In 2002, the State Medicaid agency determined that the most cost-effective and efficient method to recover payments made to providers after a beneficiary's reported date of death was to use the services of a third-party liability contractor, Health Management Systems (the contractor). The contractor identified and recovered \$2.9 million in additional overpayments for calendar years 1998 through 2001.

OBJECTIVE

Our objective was to identify any Medicaid overpayments resulting from payments to providers for medical services claimed to have been rendered after the month in which a beneficiary died.

SUMMARY OF FINDINGS

The State made Medicaid payments for medical services claimed to have been rendered after the month of a beneficiary's death. Specifically, for a sample of 200 Medicaid payments made on behalf of eligible beneficiaries who died during our audit period, the State made 48 payments after the beneficiaries' deaths that amounted to \$15,765 (\$8,811 Federal share). Based on our sample, we estimated that Medicaid claims paid in Florida for services after death totaled \$11.6 million (\$6.5 million Federal share) during the audit period (October 1, 1998, to September 30, 2001).

The State paid for services claimed to have been performed after death and did not recover some of these overpayments because it did not have adequate payment controls for the prevention, identification, and recovery of payments after a beneficiary's death.

RECOMMENDATIONS

We recommend that the State:

- review our sampling universe to identify and recover, where appropriate, overpayments estimated at \$11.6 million (\$6.5 million Federal share) made on behalf of deceased beneficiaries and
- improve its procedures for identifying deceased beneficiaries to prevent overpayments in the future.

STATE MEDICAID AGENCY'S COMMENTS

In response to our draft report, the State Medicaid agency agreed to implement the recommendations.

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INTRODUCTION

BACKGROUND

Medicaid (Title XIX of the Social Security Act) is a jointly funded Federal-State health program for eligible low-income and needy individuals. Medicaid covers approximately 41 million individuals, including children; the aged, blind, and/or disabled; and people who meet the criteria to receive federally assisted income maintenance payments. The Centers for Medicare & Medicaid Services provides Federal oversight of the Medicaid program. In Florida, the Agency for Health Care Administration (the State Medicaid agency) administers the program. During the State's fiscal years (FYs) 1998 through 2001, Medicaid medical assistance payments totaled \$29.3 billion (\$16.5 billion Federal share and \$12.8 billion State share).

To administer its programs, the Social Security Administration (SSA) maintains comprehensive death record information by purchasing death certificate information from State governments and obtaining death notifications from funeral homes and from friends and family of the deceased. All reported deaths of people who have Social Security numbers are routinely added to SSA's Death Master File. This information is available to State and Federal agencies as a way to prevent payments for services claimed to have been rendered after a beneficiary's death.

In calendar years 1997, 1998, and 1999, the State Medicaid agency did not have a process in place to identify Medicaid payments for medical services claimed to have been rendered after a beneficiary's death. Medical services included services provided by hospitals, health maintenance organizations, pharmacies, and nursing homes.

During the same 3 years, the State Auditor issued a series of reports identifying \$7.2 million in Medicaid overpayments for services shown as provided after a beneficiary's death for the period February 1997 through December 1999. The State Medicaid agency has recovered \$5 million for claims made during this period, leaving an outstanding balance of \$2.2 million.

In the spring of 2002, the State Medicaid agency determined that the most cost-effective and efficient method to recover payments made to providers after a beneficiary's reported date of death was to use the services of a third-party liability contractor, Health Management Systems (the contractor). The contractor identified and recovered \$2.9 million in additional overpayments from health maintenance organizations, nursing homes, and hospitals for calendar years 1998 through 2001. For its efforts, the State Medicaid agency paid the contractor 4.85 percent of the amount it recovered.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to identify any Medicaid overpayments resulting from payments to providers for medical services claimed to have been rendered after the month in which a beneficiary died.

Scope

Our audit covered the period from October 1, 1998, through September 30, 2001. Our internal control review was limited to obtaining an understanding of the State's process for identifying payments for services claimed to have been rendered after beneficiaries died and recovering any associated overpayments.

We performed fieldwork at State offices in Tallahassee and Tampa, FL.

Methodology

We downloaded a file of all claims for individuals who were eligible to receive Medicaid benefits in Florida between October 1, 1998, and September 30, 2001, from the Medicaid Statistical Information System and matched it with the SSA Death Master File.

The State used the results of our match to develop a listing of 153,101 Florida Medicaid payments that occurred after the Office of Inspector General-determined month in which the beneficiary died. We selected a stratified random sample of 200 Medicaid payments from the universe of 153,101 Florida Medicaid payments. Our population included approximately \$42.6 million paid on behalf of 12,932 eligible beneficiaries who died during our audit period and who had Medicaid-paid services rendered after the month of their death. The stratified random sample included two strata. For details on our sampling methodology, see Appendix A.

The first stratum included payments made on behalf of Florida Medicaid beneficiaries with a date of service between October 1, 1998, and December 31, 1999. We isolated this stratum because the State Auditor General had identified overpayments and the State had its Date of Death Recovery Project in place during this period. This stratum contained 71,744 payments totaling \$24,722,813.

The second stratum included payments made on behalf of Florida Medicaid beneficiaries with a date of service between January 1, 2000, and September 30, 2001. The payments made during this period had undergone analysis by the contractor. This stratum contained 81,357 payments totaling approximately \$17.9 million.

Our review of the 200 sampled claims included an examination of the State Medicaid agency's detailed source documentation to determine whether the date of death was accurate and whether the sampled claims had been paid. Since the Florida Department of Vital Statistics (Vital Statistics) information was more fully documented than SSA data and was the authority cited by the State Medicaid agency in identifying overpayments, we determined the date of death by using Vital Statistics information when it differed from SSA information. When no Vital Statistics data were available (for example, when the beneficiary died out of State), we used SSA data to determine the date of death.

We considered payments erroneous if the services were claimed to have been rendered after the month in which the beneficiary died. We treated as nonerrors any of the 200 sampled items that the State Medicaid agency or the contractor had recovered. We projected the results of our

stratified random sample of 200 payments to the 153,101 payments that were made for Medicaid beneficiaries with dates of death during our audit period and Medicaid payments for services. For details on the results of our sample and the projection, see Appendix B.

In addition, we reviewed findings of the following State Auditor reports:

- Florida Department of Health, Office of Vital Statistics for the period ended June 26, 2000;
- 6-Month Status Report on Information Technology Review of the Florida Department of Health, Office of Vital Statistics for the period October 4, 1999, to June 26, 2000; and
- State of Florida Federal Awards Programs for the FY ended June 30, 2001.

We conducted our audit in accordance with generally accepted government auditing standards.

FINDINGS AND RECOMMENDATIONS

The State made Medicaid payments for medical services claimed to have been rendered after the months in which beneficiaries died. Specifically, the State inappropriately paid 48 of 200 sampled Medicaid payments related to deceased beneficiaries that amounted to overpayments of \$15,765 (\$8,811 Federal share). Based on our sample of 200 payments, we estimated that Medicaid claims paid in Florida for services after death totaled \$11.6 million (\$6.5 million Federal share).

Federal regulations (42 CFR § 433.304) state 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. Payments for medical services claimed to have been rendered after a Medicaid beneficiary's death are overpayments.

These overpayments occurred because the State Medicaid agency did not have adequate controls over the prevention, identification, and recovery of payments after a beneficiary's death.

OVERPAYMENTS TO PROVIDERS

The State paid 153,101 Medicaid claims totaling \$42,612,823 on behalf of 12,932 eligible beneficiaries who died during our audit period (between October 1, 1998, and September 30, 2001). The overpayments of \$11.6 million (\$6.5 million Federal share) that we estimated based on our sample of 200 payments were in addition to the amounts that the State and the contractor identified and recovered.

Overpayments Not Identified by the Florida Auditor General or Recovered by the State Medicaid Agency

Although an audit by the Florida Auditor General for the period October 1, 1998, to December 31, 1999, identified Medicaid payments made on behalf of beneficiaries after their death, our audit identified additional overpayments that were not recovered. During the same period, the contractor also reviewed the paid claims files for payments made after beneficiaries' deaths. The State Medicaid agency could not explain why overpayments identified in our audit had not been identified and recovered in one of the previous efforts. The overpayments identified through our review of the 100 sampled items in the first stratum were:

No. Payments	No. Beneficiaries	Total Amount	Federal Share
19	18	\$12,253	\$6,824

The errors identified in this stratum ranged from \$3 to \$8,961.

Overpayments Not Identified or Recovered by the Contractor

From January 1, 2000, to September 30, 2001, the State made Medicaid payments on behalf of deceased beneficiaries that the Florida Auditor General did not review. During this period, the State Medicaid agency relied on the contractor to identify and recover such payments. However, we identified payments that the contractor had not identified or recovered during this period. The overpayments identified through our review of the 100 sampled items in the second stratum were:

No. Payments	No. Beneficiaries	Total Amount	Federal Share
29	28	\$3,512	\$1,987

The errors identified in this stratum ranged from \$3 to \$766.

Summary of Overpayments

We identified a total of \$15,765 (\$8,811 Federal share) in overpayments for the two strata. Based on our sample of 200 payments, we estimated that claims paid for services after death totaled \$11.6 million (\$6.5 million Federal share).

CAUSE OF OVERPAYMENTS

These overpayments occurred because the State Medicaid agency did not have adequate payment controls for the prevention, identification, and recovery of payments after a beneficiary's death. For example, in 11 instances, errors occurred when dates of death in the State Medicaid agency's database did not match either the SSA or Vital Statistics data. In 12 other instances, the State did not have a date of death recorded in its database; however, Vital Statistics and SSA did. It is the State Medicaid agency's policy to use both of these sources in determining the date of death. We also found that the State Medicaid agency relied on the contractor to identify payments after death. However, based on the results of our sample, the contractor neither identified nor

recovered many payments. Therefore, the contractor's recovery efforts may have been inadequate.

RECOMMENDATIONS

We recommend that the State Medicaid agency:

- review our sampling universe to identify and recover, where appropriate, overpayments estimated at \$11.6 million (\$6.5 million Federal share) made on behalf of deceased beneficiaries and
- improve its procedures for identifying deceased beneficiaries to prevent overpayments in the future.

STATE MEDICAID AGENCY'S COMMENTS

In its June 24, 2005, comments on our draft report, the State Medicaid agency agreed to implement the recommendations.

In response to our first recommendation, the State Medicaid agency said that it would review our sampling universe to identify and recover, where appropriate, overpayments made on behalf of deceased beneficiaries. In regard to the second recommendation, the State Medicaid agency said that it would continue to evaluate and refine its procedures for identifying deceased enrollees to prevent overpayments in the future. The full text of the State Medicaid agency's response is contained in Appendix C of this report.

APPENDIXES

SAMPLING METHODOLOGY

POPULATION

The population consisted of 153,101 Medicaid paid claims totaling \$42,612,823 made on behalf of 12,932 beneficiaries who were eligible and died during our audit period (October 1, 1998, through September 30, 2001) and who had Medicaid-paid services rendered after the month of their death.

For sampling purposes, we divided the population into two strata. The first stratum comprised payments made on behalf of Florida Medicaid beneficiaries from October 1, 1998, to December 31, 1999. We isolated this stratum because the State Auditor General had identified overpayments and had its Date of Death Recovery Project in place during this time period. This stratum contained 71,744 payments totaling \$24,722,813.

The second stratum was for a subsequent period and comprised the remaining payments made on behalf of Florida Medicaid beneficiaries from January 1, 2000, to September 30, 2001. The payments made during this period had undergone analysis under the Date of Death Recovery Project but had not been reviewed by the Auditor General. This stratum contained 81,357 payments totaling \$17,890,010.

SAMPLING UNIT

The sampling unit was a paid claim.

SAMPLE DESIGN

The sample design was a stratified design. Stratum 1 consisted of paid claims with a beginning date of service through December 31, 1999, and stratum 2 consisted of paid claims with a beginning date of service of January 1, 2000.

SAMPLE SIZE

We selected 200 sampling units in total with 100 units from each of the 2 strata identified.

ESTIMATION METHODOLOGY

Using the Department of Health and Human Services, Office of Inspector General, Office of Audit Services RAT-STATS Variable Appraisal Program, we estimated the dollar amount of erroneously paid claims for the universe as a whole.

SAMPLE RESULTS AND PROJECTIONS

Sample Results

Stratum	Sample Size	Value of Errors	Number of Errors ¹	Value of Sample
1	100	\$12,253	19	\$51,319
2	100	3,512	29	25,190
Total	200	\$15,765	48	\$76,509

Variable Projections of Claims Paid for Services After Date of Death

Point estimate \$11,648,720

90-percent confidence interval:

Lower Limit \$837,710

Upper Limit \$22,459,730

¹Errors are Medicaid payments for medical services claimed to have been rendered after the beneficiaries' death.



APPENDIX C

JEB BUSH, GOVERNOR

ALAN LEVINE, SECRETARY

June 24, 2005

Ms. Lori S. Pilcher
Office of the Inspector General
Office of Audit Services – Region IV
61 Forsyth Street, Southwest, Suite 3T4
Atlanta, Georgia 30303

RE: Report Number A-04-03-07029

Dear Ms. Pilcher:

Thank you for the opportunity to respond to the draft report and recommendations included in your audit of *Medicaid Payments for Deceased Beneficiaries in Florida* dated May 2005.

We have reviewed the draft report and, as recommended, will review your sampling universe in order to identify and recover, where appropriate, overpayments made on behalf of deceased beneficiaries. In addition, we will continue to evaluate and refine our procedures for identifying deceased enrollees in order to prevent overpayments in the future.

We appreciate the analyses performed by your staff. The Agency continuously looks for opportunities to improve operations and is committed to providing cost-effective and efficient health care services to Floridians.

If you have any questions regarding our response, please contact Michael J. Bennett, Internal Audit Director, at (850) 922-8449.

Sincerely,

Alan Levine
Secretary

AL/mb

