Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

TENNESSEE MADE UNALLOWABLE CAPITATION PAYMENTS FOR BENEFICIARIES ASSIGNED MULTIPLE MEDICAID IDENTIFICATION NUMBERS

Inquiries about this report may be addressed to the Office of Public Affairs at Public.Affairs@oig.hhs.gov.

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Deputy Inspector General
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October 2019
A-04-18-07079

Office of Inspector General

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

Report in Brief
Date: October 2019
Report No. A-04-18-07079

U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL

Tennessee Made Unallowable Capitation Payments for Beneficiaries Assigned Multiple Medicaid Identification Numbers

Why OIG Did This Review

Previous Office of Inspector General reviews identified Federal Medicaid reimbursement for managed care payments that were not claimed in compliance with Federal requirements. Specifically, some beneficiaries enrolled in Medicaid managed care had more than one Medicaid identification (ID) number. As a result, Medicaid managed care organizations (MCOs) received unallowable monthly Medicaid payments for these beneficiaries.

Our objective was to determine whether the Division of TennCare (Tennessee) made unallowable capitation payments on behalf of beneficiaries who were assigned multiple Medicaid ID numbers.

How OIG Did This Review

Our audit covered approximately $17.5 billion in capitation payments made to MCOs on behalf of Medicaid beneficiaries in Tennessee for the period January 1, 2015, through December 31, 2017. From the 1,383 beneficiary matches that we identified as being associated with payments totaling approximately $15.6 million ($10.1 million Federal share) for which Tennessee claimed Federal reimbursement, we selected and reviewed a stratified random sample of 100.

What OIG Found

Tennessee made unallowable capitation payments on behalf of beneficiaries who were assigned multiple Medicaid ID numbers. Of the 100 beneficiary matches in our sample, Tennessee correctly claimed capitation payments on behalf of 87. However, Tennessee incorrectly claimed capitation payments that totaled $75,738 ($49,260 Federal share) on behalf of the remaining 13. The improper payments made on behalf of these beneficiaries occurred because Tennessee needed a significantly more complex matching algorithm than the one that it already had in place to identify beneficiary matches that existed in its system. Furthermore, it stated that, during the period of our review, the process to recoup duplicate capitation payments after linking duplicate recipient records was limited to 9 months and did not include the recoupment of payments beyond that 9-month period.

On the basis of our sample results, we estimated that Tennessee made unallowable capitation payments totaling at least $581,422 ($378,137 Federal share) on behalf of beneficiaries with multiple Medicaid ID numbers during our audit period.

What OIG Recommends and Tennessee Comments

We recommend that Tennessee: (1) refund to the Federal Government $378,137 (Federal share) in overpayments, (2) review capitation payments that fell outside of our audit period and refund any overpayments, and (3) enhance or establish new controls to ensure that no beneficiary is issued multiple Medicaid ID numbers.

Tennessee agreed with our findings and recommendations and outlined the corrective actions that it was taking.

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INTRODUCTION

WHY WE DID THIS REVIEW

Previous Office of Inspector General (OIG) reviews[1] identified Federal Medicaid reimbursement for managed care payments that were not claimed in compliance with Federal requirements. Specifically, some beneficiaries enrolled in Medicaid managed care had more than one Medicaid identification (ID) number. As a result, Medicaid managed care organizations (MCOs) received unallowable monthly Medicaid payments for these beneficiaries.

OBJECTIVE

Our objective was to determine whether the Division of TennCare (TennCare) made unallowable capitation payments on behalf of beneficiaries who were assigned multiple Medicaid ID numbers.

BACKGROUND

The Medicaid Program

The Medicaid program provides medical assistance to certain low-income individuals and individuals with disabilities (Title XIX of the Social Security Act (the Act)). The Federal and State Governments jointly fund and administer the Medicaid program. At the Federal level, the Centers for Medicare & Medicaid Services (CMS) administers the program. Each State administers its Medicaid program in accordance with a CMS-approved State plan. The State plan establishes which services the Medicaid program will cover. Although a State has considerable flexibility in designing and operating its Medicaid program, it must comply with Federal requirements.

Tennessee's Medicaid Managed Care Program

TennCare is Tennessee's Medicaid program. It provides health insurance coverage through managed care. Having begun on January 1, 1994, TennCare is one of the oldest Medicaid managed care programs in the country.

TennCare contracts with MCOs to manage and coordinate care and to maintain a network of health care providers for TennCare members.

[1] See Appendix B for related OIG reports.

Capitation Payments

Under its Medicaid managed care program, TennCare pays MCOs a monthly fee, known as a capitation payment, to ensure that an enrolled beneficiary has access to a comprehensive range of medical services. A capitation payment is "a payment the State agency makes periodically to a contractor on behalf of each beneficiary enrolled under a contract for the provision of medical services under the State plan. The State agency makes the payment regardless of whether the particular beneficiary receives services during the period covered by the payment" (42 CFR § 438.2). TennCare has the discretion to retroactively adjust the capitation payment for any enrollee if TennCare determines that it made an incorrect payment to the MCO (MCO Statewide Contract, § C.3.7.1).

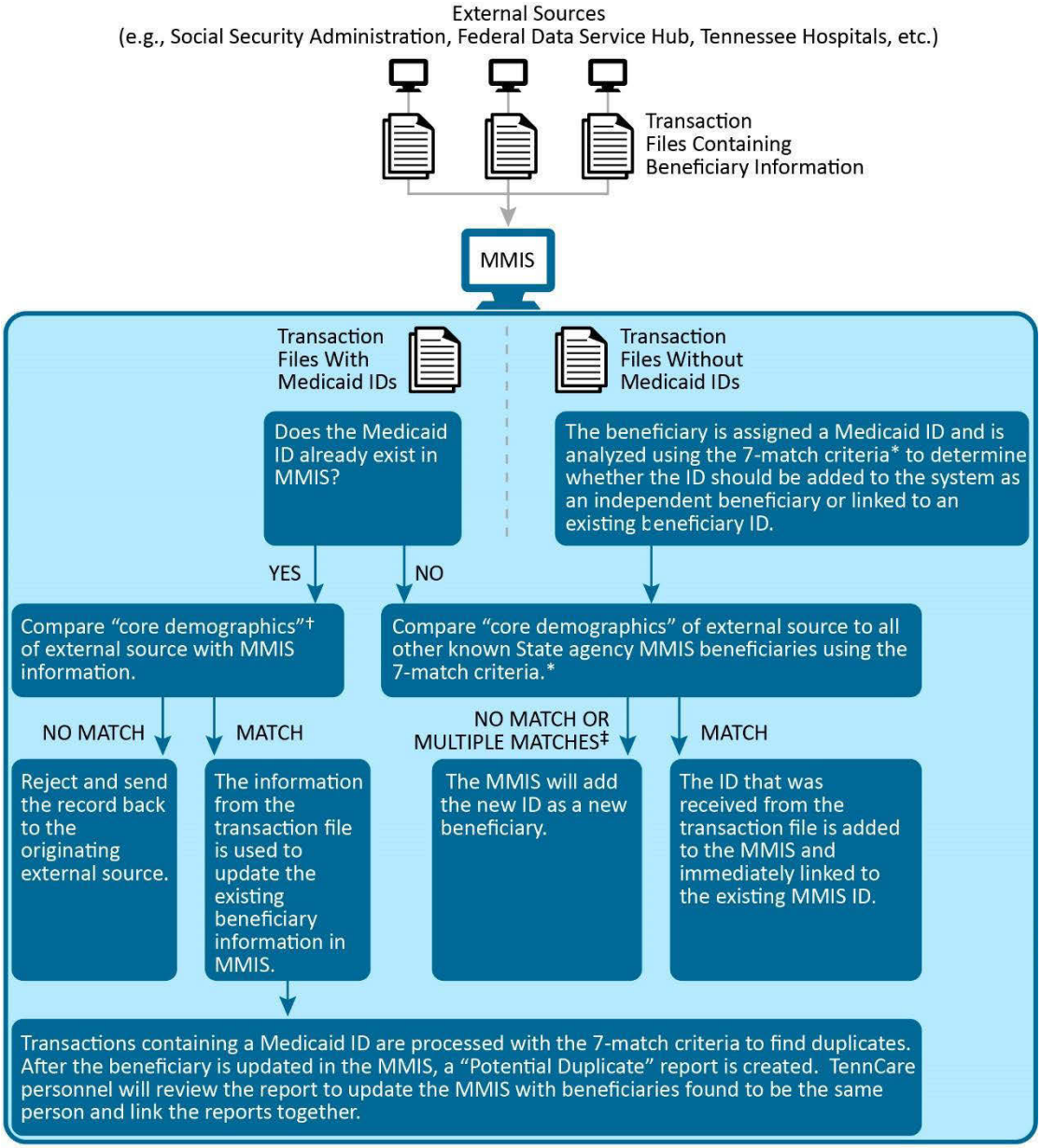
Medicaid Eligibility Information

TennCare maintains Medicaid eligibility information in its Medicaid Management Information System (MMIS). Medicaid eligibility is determined by obtaining information from various external sources (e.g., the Social Security Administration (SSA), Federal Data Service Hub, Tennessee hospitals, etc.) that interact with the MMIS.

Medicaid Identification Numbers

TennCare receives beneficiary information via transaction files from external sources. As those files interface with TennCare's MMIS, the beneficiaries either have an assigned Medicaid ID number, or they do not. If the beneficiaries do not have a Medicaid ID number, then TennCare assigns them a number. Then, the MMIS processes each type of transaction file in a specific way to try to prevent creating multiple Medicaid ID numbers in the system and treating different individuals as if they were the same person (figure).

Figure: Process to Prevent Creating Multiple Medicaid ID Numbers in MMIS and Treating Different Individuals as the Same Person



* The 7-match criteria are 7 combinations of the core demographic data elements that indicate that the beneficiary transaction information is a match to a beneficiary with a different Medicaid ID.

† First and last names, middle initial, date of birth, social security number, and gender.

‡ TennCare stated that because of federally mandated application processing timelines and the potential medical needs of the Medicaid enrollee, it does not delay services at this point in the process to allow for manual intervention. Therefore, TennCare creates the new ID until it can verify the record as an actual beneficiary that was assigned multiple Medicaid IDs.

Accordingly, TennCare had implemented internal controls to prevent multiple Medicaid ID numbers from being assigned to an individual beneficiary. For example, TennCare staff used "Potential Duplicate" reports to conduct further research beyond the 7-match criteria[2] to identify beneficiaries that might have been assigned multiple Medicaid ID numbers. The primary method for conducting further research beyond the 7-match criteria was to use the State Online Query system through the SSA. If TennCare staff identified an actual beneficiary that was assigned multiple Medicaid ID numbers, then the staff member would link the two duplicate records in the MMIS and recoup the unallowable capitation payments previously made and refund the Federal payments.

HOW WE CONDUCTED THIS REVIEW

Our audit covered approximately $17.5 billion[3] in Medicaid capitation payments made to MCOs on behalf of Medicaid beneficiaries in Tennessee from January 1, 2015, through December 31, 2017 (audit period). From a detailed list of all capitation payments to MCOs during our audit period, we identified 1,383 instances in which more than one Medicaid ID number could be matched to a single beneficiary.[4] From the 1,383 beneficiary matches that we identified,[5] which were associated with approximately $15.6 million ($10.1 million Federal share) in capitation payments, we selected and reviewed a stratified random sample of 100.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix A contains the details of our audit scope and methodology, Appendix C contains our statistical sampling methodology, Appendix D contains our sample results and estimates, and Appendix E contains the Federal and State requirements.

[2] The 7-match criteria are 7 combinations of the core demographic data elements that indicate that the beneficiary transaction information is a match to a beneficiary with a different Medicaid ID.

[3] Total paid was $17,517,682,083.

[4] Throughout this report, we will refer to multiple Medicaid ID numbers assigned to a single individual as "beneficiary matches." We define a beneficiary match as more than one Medicaid ID number associated with a beneficiary that has both (1) the same or similar first and last names or the inverse of the exact or similar first and last names and (2) the same date of birth.

[5] We performed data analytics to identify these 1,383 beneficiary matches.

FINDINGS

TennCare made unallowable capitation payments on behalf of beneficiaries who were assigned multiple Medicaid ID numbers. Of the 100 beneficiary matches in our sample, TennCare correctly claimed capitation payments on behalf of 87. However, TennCare incorrectly claimed capitation payments that totaled $75,738 ($49,260 Federal share) on behalf of the remaining 13.

According to TennCare, the unallowable capitation payments on behalf of beneficiaries who were assigned multiple Medicaid ID numbers occurred because it needed a significantly more complex matching algorithm than the one that it already had in place to identify beneficiary matches that existed in its system. Furthermore, it stated that, during the period of our review, the process to recoup duplicate capitation payments after linking duplicate recipient records was limited to 9 months and did not include the recoupment of payments beyond that 9-month period.

On the basis of our sample results, we estimated that TennCare made unallowable capitation payments totaling at least $581,422 ($378,137 Federal share) on behalf of beneficiaries with multiple Medicaid ID numbers during our audit period.

BENEFICIARIES HAD MULTIPLE MEDICAID IDENTIFICATION NUMBERS

States generally must refund the Federal share of Medicaid overpayments to CMS (§ 1903(d)(2)(A) of the Act; 42 CFR § 433.312). Overpayments are amounts paid in excess of allowable amounts and would include unallowable capitation payments made on behalf of the same beneficiary for the same coverage of services.

Of the 100 beneficiary matches that we sampled, TennCare correctly claimed capitation payments on behalf of 87. However, TennCare improperly claimed Federal Medicaid reimbursement for managed care payments totaling $75,738 ($49,260 Federal share) made on behalf of 13 beneficiaries to whom it had issued multiple Medicaid ID numbers. Specifically, TennCare made multiple managed care payments for each of these 13 beneficiaries under different Medicaid ID numbers for the same capitation month.

TennCare had some controls in place to try to detect and prevent payments on behalf of beneficiaries who were assigned multiple Medicaid ID numbers. For example, as new eligible Medicaid beneficiaries came in through the different external sources, the MMIS screened these individuals to prevent multiple Medicaid ID numbers from being created by searching for matches that already existed in the system. This process involved using 7-match criteria to match the data that were available from each source. Some of the beneficiary information that came from these external sources and that was processed by the MMIS might not always

have included one of the core demographic data elements. As a result, the 7-match criteria would have been modified accordingly. Also, TennCare used "Potential Duplicate" reports to conduct further research beyond the 7-match criteria to identify when there was an actual beneficiary match to a single existing record that the system had not previously identified in the MMIS. However, its controls were not sufficient to detect or prevent multiple Medicaid ID numbers from being assigned to the same beneficiary because it needed a significantly more complex matching algorithm than the one that it already had in place.

ESTIMATE OF CAPITATION OVERPAYMENTS

On the basis of our sample results, we estimated that TennCare made unallowable capitation payments totaling at least $581,422 ($378,137 Federal share) on behalf of beneficiaries with multiple Medicaid ID numbers during our audit period.

RECOMMENDATIONS

We recommend that the Division of TennCare:

- refund to the Federal Government $378,137 (Federal share) in overpayments,
- review capitation payments that fell outside of our audit period and refund any overpayments, and
- enhance or establish new controls to ensure that no beneficiary is issued multiple Medicaid ID numbers.

TENNCARE COMMENTS

In written comments on our draft report, TennCare agreed with our findings and recommendations and outlined the corrective actions that it was taking.

TennCare's comments appear in their entirety as Appendix F.

APPENDIX A: AUDIT SCOPE AND METHODOLOGY

SCOPE

Our audit covered a total of $17,517,682,083 in Medicaid capitation payments made to MCOs on behalf of Medicaid beneficiaries in Tennessee from January 1, 2015, through December 31, 2017 (audit period). From the 1,383 beneficiary matches that we identified[6] and that TennCare claimed, with payments totaling $15,569,173 ($10,131,070 Federal share), we selected and reviewed a stratified random sample of 100.

We did not review the overall internal control structure of TennCare's Medicaid program. Rather, we reviewed only those controls related to our objective. We limited our review to determining whether MCOs in Tennessee received capitation payments on behalf of beneficiaries who were assigned multiple Medicaid ID numbers, thus causing unallowable capitation payments.

We conducted fieldwork at TennCare during November 2018.

METHODOLOGY

To accomplish our objective, we:

- reviewed applicable Federal laws and regulations and State guidance,
- met with TennCare officials to gain an understanding of the procedures for assigning Medicaid ID numbers and preventing the assignment of multiple Medicaid identification numbers to the same beneficiary,
- requested TennCare provide a detailed list of all capitation payments to MCOs for calendar years 2015 through 2017,
- performed data analytics on the list of all capitation payments to identify beneficiary matches,
- selected a stratified random sample of 100 beneficiary matches from the sampling frame,
- reviewed computer records for each sample item to determine whether a beneficiary was issued multiple Medicaid ID numbers, and

[6] We performed data analytics to identify these 1,383 beneficiary matches.

- estimated the total amount of unallowable Medicaid capitation payments that TennCare made during our audit period.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

APPENDIX B: RELATED OFFICE OF INSPECTOR GENERAL REPORTS

Report Title	Report Number	Date Issued
Georgia Made Unallowable Capitation Payments for Beneficiaries Assigned Multiple Medicaid Identification Numbers	A-04-16-07061	12/27/2017
Texas Made Unallowable Medicaid Managed Care Payments for Beneficiaries Assigned More Than One Medicaid Identification Number	A-06-15-00024	3/01/2017
New York State Made Unallowable Medicaid Managed Care Payments for Beneficiaries Assigned Multiple Medicaid Identification Numbers	A-02-11-01006	4/15/2013

APPENDIX C: STATISTICAL SAMPLING METHODOLOGY

TARGET POPULATION

The population consisted of Medicaid capitation payments that TennCare made to MCOs from January 1, 2015, through December 31, 2017, for individual beneficiaries who may have been assigned more than one Medicaid ID number.

SAMPLING FRAME

We obtained from TennCare a detailed list of the capitation payments that it made to MCOs on behalf of Tennessee Medicaid beneficiaries from January 1, 2015, through December 31, 2017. We analyzed these payments to identify beneficiary matches. After we identified the beneficiary matches, we created an Excel file containing 187,396 capitation rows[7] totaling $15,569,173 for 1,383 beneficiary matches.

SAMPLE UNIT

The sample unit was a beneficiary match.

SAMPLE DESIGN AND SAMPLE SIZE

We used a stratified random sample. We divided the sampling frame into three strata as shown in Table 1:

Table 1: Details of Sampling Frame

Stratum	Number of Sample Units	Sample Size	Net Payment Amounts	Description of Stratum
1	926	34	$5,460,665	Net Capitation Totals are > $0 and <$11,625
2	401	33	6,576,130	Net Capitation Totals are ≥ $11,625 and <$29,199
3	56	33	3,532,378	Net Capitation Totals are ≥ $29,199
Total	**1,383**	**100**	**$15,569,173**	

[7] These are capitation payments and adjustments (positive and negative) that are associated with the beneficiaries.

SOURCE OF THE RANDOM NUMBERS

We generated the random numbers with the OIG, Office of Audit Services (OAS) statistical software.

METHOD OF SELECTING SAMPLE ITEMS

We consecutively numbered the sample units in each stratum. After generating the random numbers for each stratum, we selected the corresponding frame items for review.

ESTIMATION METHODOLOGY

We used the OIG/OAS statistical software to estimate the total amount of unallowable Medicaid capitation payments that TennCare made during our audit period.

APPENDIX D: SAMPLE RESULTS AND ESTIMATES

Table 2: Sample Results

Stratum	Beneficiary Matches in Sample Frame	Value	Sample Size	Value of the Sample	Number of Beneficiary Matches With Overpayments	Value of the Overpayments
1	926	$5,460,665	34	$224,415	4	$8,064
2	401	6,576,130	33	540,042	9	67,674
3	56	3,532,378	33	2,073,516	0	0
Totals	**1,383**	**$15,569,173**	**100**	**$2,837,973**	**13**	**$75,738**

Table 3: Federal Share Amounts

Stratum	Beneficiary Matches in Sample Frame	Value	Sample Size	Value of the Sample	Number of Beneficiary Matches With Overpayments	Value of the Overpayments
1	926	$3,554,755	34	$146,027	4	$5,242
2	401	4,277,839	33	351,339	9	44,018
3	56	2,298,476	33	1,349,223	0	0
Totals	**1,383**	**$10,131,070**	**100**	**$1,846,589**	**13**	**$49,260**

Table 4: Estimate Value of Payments (Limits Calculated for a 90-Percent Confidence Interval)

	Total Amount	Federal Share
Point estimate	$1,041,968	$677,644
Lower limit	581,422	378,137
Upper limit	1,502,513	977,151

APPENDIX E: FEDERAL AND STATE REQUIREMENTS

FEDERAL REQUIREMENTS

Section 1903(d)(2)(A) of the Act requires Federal Medicaid payments to a State to be reduced to make adjustment for prior overpayments.

The Federal Government pays its share of a State's medical assistance expenditures under Medicaid based on the Federal Medical Assistance Percentage, which varies depending on the State's relative per capita income as calculated by a defined formula (42 CFR § 433.10(b)).

The Federal Government reimburses the State for its share (Federal share) of State medical assistance expenditures according to a defined formula (42 CFR § 433.10(a)). States are responsible for refunding the Federal share of overpayments to CMS (42 CFR § 433.312(a)).

In connection with the Medicaid managed care program, providers are defined as "any individual or entity that is engaged in the delivery of health care services and is legally authorized to do so by the State in which it delivers the services" (42 CFR § 400.203).

A capitation payment is "a payment the State agency makes periodically to a contractor on behalf of each beneficiary enrolled under a contract for the provision of medical services under the State plan. The State agency makes the payment regardless of whether the particular beneficiary receives services during the period covered by the payment" (42 CFR § 438.2).

STATE REQUIREMENTS

TennCare has the discretion to retroactively adjust the capitation payment for any enrollee if TennCare determines it made an incorrect payment to the MCO (MCO Statewide Contract, § C.3.7.1).

TN Division of TennCare

September 30, 2019

Lori S. Pilcher
Regional Inspector General for Audit Services
Department of Health and Human Services, Office of Inspector General
Office of Audit Services, Region IV
61 Forsyth Street, SW, Suite 3T41
Atlanta, GA 30303

RE: Report Number A-04-18-07079

Dear Ms. Pilcher,

The Division of TennCare received the U.S. Department of Health and Human Services, Office of Inspector General (OIG) draft audit report number A-04-18-07079, entitled *Tennessee Made Unallowable Capitation Payments for Beneficiaries Assigned Multiple Medicaid Identification Numbers*. We appreciate the opportunity to respond with written comments.

We concur with the finding and the three recommendations provided by the OIG. We will refund to the Federal Government $378,137 (Federal share) in overpayments. Also, since the audit period, we have implemented a master data management tool and other additional new processes to maximize the use of technology and over time help prevent duplicates from entering the system. These new processes will be adjusted, if deemed necessary, as we continue to hone our tools based on our monitoring procedures. These new tools and processes dovetail with our current 5-year lookback period of suspected duplicates, in which our tool initiates, that require manual review, and it allows us the 5-year timeframe to recoup any true duplicates when necessary.

If you have any questions or require additional information, please contact Lauren Davidson, TennCare Audit Director at 615-507-6385 or through email at Lauren.Davidson@tn.gov.

Sincerely,

John G. Roberts
Deputy Commissioner/Director