

# 2021

## Office of the Medicaid Inspector General

Report No. 22-03

Amended September 17, 2021



**KANSAS  
ATTORNEY GENERAL**

**DEREK SCHMIDT**

# Table of Contents

Table of Contents.....	1
Letter from the Inspector General.....	2
Executive Summary.....	3
Background.....	4
Objective, Scope, and Methodology.....	5
Analysis and Observations.....	6
Savings.....	8
Recommendations.....	9

# Letter from the Inspector General

September 17, 2021

TO: Attorney General Derek Schmidt

Kansas Department of Health and Environment, Dr. Lee Norman, Secretary  
Kansas Department of Health and Environment, Sarah Fertig, Medicaid Director

Members of the Robert G. (Bob) Bethell Joint Committee on Home and Community Based  
Services and KanCare Oversight:

Senator Richard Hilderbrand, Chair	Representative Brenda Landwehr, Vice-Chair
Senator Renee Erickson	Representative Barbara Ballard
Senator Beverly Gossage	Representative Will Carpenter
Senator Pat Pettey	Representative Susan Concannon
Senator Mark Steffen	Representative Megan Lynn
	Representative Susan Ruiz

This report contains information about processing Medicaid claims and the related capitation payments after someone dies. Portions of this report were included in testimony provided to the Robert G. (Bob) Bethell Joint Committee on December 9, 2020. This review was completed in accordance with the Association of Inspectors General *Principles and Standards for Offices of Inspector General: Quality Standards for Inspections, Evaluations, and Reviews*, May 2014 Revision. This report was originally completed on August 5, 2021, and has been amended.

We welcome any comments or questions you may have regarding this report or our operations.

Respectfully submitted,



Steven D. Anderson  
Medicaid Inspector General

## Executive Summary

The objective of the review was to determine if the Kansas Department of Health and Environment (KDHE) made capitation payments to Managed Care Organizations (MCOs) for deceased beneficiaries. The scope of review included any capitation payments made to MCOs between February 2015 (eligible in January 2015) and September 2020 for beneficiaries who were identified as no longer enrolled in Medicaid and the capitation payments had not been recouped. It was determined that \$1,313,175.55 in monthly capitation payments were made for the 25 beneficiaries whose dates of death preceded the payment dates and recoupment had not occurred.

We also performed a two-year look back from July 2019 to July 2021 of capitation payments made on behalf of deceased beneficiaries. Any beneficiary with a capitation payment description of “recoupment” and recorded as deceased was captured. From this list of beneficiaries, we kept beneficiaries where the MCOs received three or more months of capitation payments after the month of death. We found 632 cases where MCOs continued to receive capitation payments. The capitation payments totaling \$19,202,562.21 were eventually recouped by KDHE via an offset with each MCO. There were 56 cases within this group where capitation payments continued for five or more years after the beneficiaries’ month of death.

We looked at the length of time these overpaid funds were in the possession of the MCOs and conducted a cost of money analysis. We determined the total cost of money to the State of Kansas to be \$1,534,043.17.

# Background

The Kansas Department of Health and Environment (KDHE) is the single state Medicaid agency that is responsible for administering the Medicaid program (KanCare) in Kansas. KDHE has contracted with three health plans, or MCOs, to coordinate health care for individuals enrolled in KanCare. Under managed care, services are coordinated for each beneficiary by a primary care doctor and a service coordinator. Once eligibility has been established, each beneficiary is assigned to one of the following health plans:

- Aetna Better Health of Kansas (Contract with KDHE started 01/01/19)
- Amerigroup (Contract with KDHE ended 12/31/18)
- Sunflower State Health Plan
- United Healthcare Community Plan of Kansas

Once the beneficiary is enrolled in a health plan, each assigned MCO receives a monthly fixed payment (capitation payment) for providing covered health services. Capitation payment amounts can vary depending for what program the beneficiary qualifies for and is assigned to.

Medicaid eligibility runs on a month-to-month cycle. Capitation payments are paid in arrears. They are made at the beginning of each month for all eligible beneficiaries from the prior month. A beneficiary who gains eligibility in the middle of a month will have coverage effective on the first day of that same month. If a beneficiary is no longer eligible mid-month, their coverage will not terminate until the last day of the month.

- MCOs receive a monthly capitation payment from the state for each eligible beneficiary enrolled, regardless of whether the beneficiary incurs any medical costs during that month.
- Failure to timely discontinue Medicaid coverage when a beneficiary becomes ineligible, can lead to capitation payments being made for ineligible persons.
- Capitation payments that are made after the Medicaid beneficiary dies are eventually recovered from the MCOs via an offset.

## Objective, Scope, and Methodology

The objective of the review was to determine if the Kansas Department of Health and Environment (KDHE) made capitation payments to Managed Care Organizations (MCOs) for deceased beneficiaries. The scope of review included any capitation payments made to MCOs between February 2015 (eligible in January 2015) and September 2020 for beneficiaries who were identified as no longer enrolled in Medicaid and the overpayment of capitation payment had not been recouped. After those cases were processed by KDHE, we looked at cases where the beneficiary was deceased and the capitation status was designated recouped. We also reviewed the amount of funds that would be considered overpayment of capitation payments made to MCOs after a two-month period for closing the case. We considered the cost of money as applied to these overpayments.

To accomplish the objective, OMIG performed the following tasks:

- Using KDHE's reporting and analytics tools in the Kansas Modular Medicaid System (KMMS), identified beneficiaries who were not Medicaid eligible at the time capitation payments were made between February 1, 2015, and September 30, 2020, and capitation payments had not been recouped.
- Communicated with various staff members from KDHE to gain an understanding of applicable systems and procedures.
- Reviewed KDHE internal policies and procedures related to the handling of deceased beneficiaries.
- Created a sampling frame of 100% of capitation payments made on behalf of twenty-five (25) deceased beneficiaries between February 2015 and September 2020, where capitation payments had not been recouped.
- Accessed the following KDHE systems to independently confirm or perform additional analysis: Medicaid Management Information System (MMIS), Kansas Eligibility Enforcement System (KEES), and ImageNow.
- After testing was complete, used KDHE's reporting and analytics tools in KMMS, to determine if any capitation payments were clawed back.
- We then used KMMS again to look for Medicaid beneficiaries that had died, but their Medicaid case was open for more than two months following their date of death from July 2019 to July 2021, and capitation payments were designated as recouped.

## Analysis and Observations

OMIG identified \$1,313,175.55<sup>1</sup> in monthly capitation payments that were made on behalf of 25 beneficiaries whose dates of death preceded the payment dates and the capitation payments had not been recouped. In some cases, the improper payments continued for as long as five years after the date of death.

OMIG conducted research to see why the improper payments were made. During the research in KEES, MMIS, and ImageNow, it was noted that voter registration letters were mailed to 23 of the 25 beneficiaries that were generated on September 16, 2020. The majority of voter registration letters were sent back to the clearinghouse as returned mail. Tasks were created in KEES, which allowed workers to conduct research to determine why the letters were returned. Once workers were able to confirm that the beneficiary was deceased, the computer system was updated with the necessary changes.

OMIG was able to confirm that shortly after the necessary changes were made to the beneficiary's files, the improper payments were automatically offset from three MCOs monthly capitation payments. The improper payments made to Amerigroup were not initially offset because their contract ended with KDHE on December 31, 2018. However, on July 13, 2021, payment was received from Amerigroup for the overpayment.

A review of KDHE's current policies and procedures in comparison to OMIG testing results validate that improvements have been made to reduce the risks of improper capitation payments being made for deceased beneficiaries due to the following:

- In 2011, KDHE and DCF began working together with a private vendor to build and maintain a new eligibility determination system called the Kansas Eligibility Enforcement System (KEES). In the original project plan, KEES was estimated to be completed in 2014, however several issues occurred delaying the project significantly. In December 2015, an audit was performed by the Legislative Division of Post Audit due to concerns expressed by Legislators about the progress of KEES.<sup>2</sup>
- As noted in KDHE Policy No: 2018-10-02, changes to the Medical Assistance programs were implemented with the KEES release on October 21, 2018.<sup>3</sup> One of the changes established was a new process that receives date of death information from Vital Statistics. This process automatically imports date of death information from the interface to KEES. Staff must then verify the date of death using a reliable source. In addition, the policy mentions that KDHE has multiple interfaces that provide death information.

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<sup>1</sup> Attachment A

<sup>2</sup> <https://www.kslpa.org/wp-content/uploads/2019/07/r-15-019.pdf>

<sup>3</sup> [PM2018-10-02](#)

- The sample population identified a total of 25 beneficiaries whose dates of death preceded the payment dates. OMIG believes the issues identified, appear to align with the criteria used for the review.
  - ✓ Between 2015 and 2018, KDHE experienced issues with the implementation of KEES.
  - ✓ The Medical Assistance programs were not implemented until the KEES release on October 21, 2018.
  - ✓ When a beneficiary passes away, there are a number of administrative duties that KDHE has to perform. These tasks can take up to a year or more, therefore the beneficiaries who passed away in 2019 and 2020, could potentially have capitation payments sent in error. OMIG believes KDHE would eventually offset the improper payments automatically from each MCO’s monthly payment if any are made in error.

<b>Year of Death</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>Total</b>
<b>Number of Beneficiaries</b>	5	6	4	2	2	6	25

After considering the foregoing, OMIG performed a two-year look back from July 2019 to July 2021 of capitation payments made on behalf of deceased beneficiaries. Any beneficiary with a capitation payment description of “recoupment” and recorded as deceased was captured. From this list of beneficiaries, we kept beneficiaries where the MCOs received three or more months of capitations payments after the month of death.

We found 632 cases where MCOs continued to receive capitation payments. This group includes the 25 beneficiaries referenced earlier in this report. The capitation payments totaling \$19,202,562.21 were eventually recouped by KDHE via an offset with each MCO. There were 56 cases within this group where capitation payments continued for five or more years after the beneficiary’s month of death.

## Savings

We found 632 cases where MCOs continued to receive capitation payments within our two-year time period. The capitation payments totaling \$19,202,562.21 were eventually recouped by KDHE via an offset with each MCO. There were 56 cases within this group where capitation payments continued for five or more years after the beneficiaries' month of death.

We looked at the length of time these overpaid funds were in the possession of the MCOs and conducted a cost of money analysis. We determined the total cost of money to the State of Kansas to be \$1,534,043.17.

## Recommendations

This review identified issues that resulted in capitation payments being made for people that were deceased. We make the following recommendations to address those issues:

1. Review quality control measures and staff training protocols to ensure they are sufficient to confirm staff members know how to effectively and efficiently identify and process cases involving death of a beneficiaries.
2. The failure of KanCare staff to timely and efficiently process cases where Medicaid beneficiaries had died caused a substantial overpayment to the MCOs of \$19,202,562.21. Due to this delay the State of Kansas effectively gave the MCOs a cash loan of \$1,534,043.17. KDHE should review the matter and consider if any actions are feasible to recover these funds.

# Attachment A

AETNA								
ID	Death	2015	2016	2017	2018	2019	2020	Total
1	15-Nov					\$18,221.64	\$14,405.31	\$32,626.95
2	16-Dec					\$18,199.50	\$13,537.53	\$31,737.03
3	16-Dec					\$18,199.50	\$13,537.53	\$31,737.03
4	17-Jan					\$17,876.82	\$14,385.78	\$32,262.60
5	18-Jan					\$19,777.32	\$15,972.39	\$35,749.71
6	20-Mar						\$2,170.98	\$2,170.98
7	20-May						\$20,557.44	\$20,557.44
8	20-Jul						\$2,472.20	\$2,472.20
						\$92,274.78	\$97,039.16	\$189,313.94

AMERIGROUP								
ID	Death	2015	2016	2017	2018	2019	2020	Total
9	15-Nov	\$1,115.92	\$17,420.58	\$17,893.74	\$17,777.76			\$54,208.00
10	16-Dec			\$15,958.98	\$17,862.36			\$33,821.34
11	16-Dec			\$15,958.98	\$17,862.36			\$33,821.34
12	17-Jan			\$15,084.01	\$17,398.86			\$32,482.87
13	18-Jan				\$16,642.16			\$16,642.16
		\$1,115.92	\$17,420.58	\$64,895.71	\$87,543.50			\$170,975.71

SUNFLOWER								
ID	Death	2015	2016	2017	2018	2019	2020	Total
14	15-Aug	\$5,602.88	\$16,368.60	\$16,074.90	\$17,483.82	\$19,708.26	\$14,906.97	\$90,145.43
15	16-Nov		\$1,425.58	\$16,432.68	\$17,483.82	\$19,708.26	\$14,906.97	\$69,957.31
16	17-May			\$10,239.67	\$17,660.94	\$19,301.67	\$15,769.98	\$62,972.26
17	19-Nov					\$1,667.59	\$14,906.97	\$16,574.56
		\$5,602.88	\$17,794.18	\$42,747.25	\$52,628.58	\$60,385.78	\$60,490.89	\$239,649.56

UNITED HEALTH CARE								
ID	Death	2015	2016	2017	2018	2019	2020	Total
18	15-Jan	\$16,180.78	\$18,261.96	\$17,117.52	\$18,954.78	\$20,997.36	\$18,907.04	\$110,419.44
19	15-Aug	\$5,611.56	\$16,863.48	\$16,350.78	\$17,084.40	\$18,417.93	\$14,448.69	\$88,776.84
20	15-Dec		\$16,786.86	\$15,900.78	\$16,742.34	\$17,911.26	\$14,343.21	\$81,684.45
21	16-Mar		\$12,507.30	\$15,900.78	\$16,742.34	\$17,911.26	\$14,343.21	\$77,404.89
22	16-Dec			\$17,117.52	\$18,954.78	\$20,997.36	\$16,771.59	\$73,841.25
23	16-Dec			\$16,350.78	\$17,084.40	\$18,417.93	\$14,448.69	\$66,301.80
24	17-Jan			\$15,019.20	\$17,084.40	\$18,417.93	\$14,448.69	\$64,970.22
25	17-Feb			\$13,303.12	\$16,742.34	\$17,911.26	\$14,343.21	\$62,299.93
26	18-Feb				\$15,795.96	\$20,997.36	\$16,771.59	\$53,564.91
27	19-Aug					\$6,182.52	\$13,870.44	\$20,052.96
28	20-May						\$640.08	\$640.08
29	20-Jun						\$5,345.85	\$5,345.85
30	20-Jul						\$7,930.72	\$7,930.72
		\$21,792.34	\$64,419.60	\$127,060.48	\$155,185.74	\$178,162.17	\$166,613.01	\$713,233.34

	<b>Totals</b>	\$28,511.14	\$99,634.36	\$234,703.44	\$295,357.82	\$330,822.73	\$324,143.06	\$1,313,172.55
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\*Thirty transactions were tested, involving twenty-five (25) beneficiaries. The five (5) beneficiaries highlighted in yellow had payments made by Amerigroup and Aetna.