IMPROPER PAYMENTS FOR DECEASED MEDICAID RECIPIENTS

LOUISIANA DEPARTMENT OF HEALTH

MEDICAID AUDIT UNIT
ISSUED NOVEMBER 29, 2017

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

November 29, 2017

The Honorable John A. Alario, Jr.,
President of the Senate
The Honorable Taylor F. Barras,
Speaker of the House of Representatives

Dear Senator Alario and Representative Barras:

This report provides the results of our analysis of improper Medicaid payments by the Louisiana Department of Health (LDH) for deceased recipients. During this review, we identified $637,745 in improper payments made by LDH for per-member per-month fees to Managed Care Organizations (MCOs), and $80,075 in Fee-For-Service payments made directly to providers. In addition, we identified $42,602 in payments by the MCOs to providers who submitted claims for services provided to deceased Medicaid recipients. Considering rising state health care costs and limited budgets, it is important that LDH ensure that Medicaid dollars are spent appropriately.

The report contains our findings, conclusions, and recommendations. Appendix A contains the LDH's response to this report. I hope this report will benefit you in your legislative decision-making process.

We would like to express our appreciation to the management and staff of LDH for their assistance during this audit.

Sincerely,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DGP/aa

LDH 2017 FOLLOW-UP

Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE

Improper Payments for Deceased Medicaid Recipients
Louisiana Department of Health

November 2017

Audit Control #80170008

Introduction

The Louisiana Department of Health (LDH) administers the Medicaid program in the state of Louisiana to provide health and medical services for uninsured and medically-indigent citizens. In 2012, LDH began moving from a fee-for-service (FFS) model, where LDH paid all claims submitted by Medicaid providers for each service performed, to Healthy Louisiana, a full-risk prepaid managed care model.[1] Under LDH's current full-risk prepaid managed care model, it pays a fixed per-member per-month (PMPM) fee, essentially an insurance premium, to the Managed Care Organization (MCO) for the administration of health benefits. LDH contracted with five[2] MCOs to operate the *Healthy Louisiana* Medicaid program through January 31, 2018. In addition, LDH contracts with Managed Care of North America to operate as an MCO for dental benefits, and Magellan Health Services to administer behavioral health services for the Coordinated System of Care. However, LDH is responsible for determining participant eligibility and enrolling participants into Medicaid programs.

This audit is in follow-up to a report issued by our office in October 2013 titled *Medicaid Participant Fees Paid for Deceased Individuals in the Louisiana Behavioral Health Partnership and Bayou Health Programs – Department of Health and Hospitals*. In that report we found that LDH paid approximately $1.85 million in PMPMs for 1,727 deceased individuals in MCOs between February 1, 2012, and June 30, 2013. The purpose of our follow-up analysis was:

To determine if there were improper payments for deceased Medicaid recipients between July 2013 and August 2017.

Appendix A contains LDH's response to this report, Appendix B details our scope and methodology, and Appendix F contains a list of previous MAU reports.

[1] Healthy Louisiana was previously called Bayou Health. A managed care model is an arrangement for health care in which an organization, such as an MCO, acts as a gatekeeper or intermediary between the person seeking care and the physician. MCOs function similar to a private insurance company. FFS still covers some Medicaid recipients who are not eligible for managed care.

[2] LDH contracted with AmeriHealth Caritas Louisiana, Inc.; Aetna Better Health, Inc.; Healthy Blue; Louisiana Healthcare Connections, Inc.; and UnitedHealthcare Community Plan of Louisiana, Inc. on February 1, 2015. AmeriHealth Caritas, Healthy Blue, and Louisiana Healthcare Connections originally contracted with LDH on February 1, 2012.

Improper Payments for Deceased Medicaid Recipients

Overall, we found that, while LDH has improved its processes for identifying deceased Medicaid recipients, it needs to further strengthen this process as we identified $717,820 in improper payments for 712[3] deceased Medicaid recipients in MCO plans and FFS. In addition, we found that the MCOs paid $42,602 for encounters[4] that occurred after the date of death for 181 Medicaid recipients.

We obtained Medicaid data from LDH and compared it to the listing of deceased individuals obtained from LDH's Center of State Registrar & Vital Records (Vital Records) to determine if LDH paid PMPMs to MCOs, or made FFS payments directly to providers after a Medicaid recipient's date of death. We also tested to see if the MCOs directly reimbursed providers for services given after the recipients' dates of death. Information in the Vital Records database is self-reported, often by family members. As stated previously, LDH is responsible for determining participant eligibility and enrolling participants in the *Healthy Louisiana*, *Louisiana Behavioral Health Partnership*, and Dental programs. In addition, LDH is required to identify deceased Medicaid recipients and recoup any payments made since the recipient's death.

LDH paid $637,745 in improper PMPM payments for 203 deceased Medicaid recipients between July 2013 and August 2017. According to LDH, it receives a nightly file from Vital Records that contains updated death records. LDH recouped $5,107,354 in PMPMs for 12,238 deceased Medicaid recipients from July 2013 through August 2017. However, the 203 deceased Medicaid recipients in this PMPM analysis were not identified through LDH's monthly recoupment process. The primary reason LDH did not identify these recipients is because the nightly Vital Records file received by LDH is not being properly linked to its Medicaid data. Appendix C shows the number of recipients and payments by MCO.

LDH also paid $80,075 in FFS payments directly to providers who submitted claims for services provided to 517 deceased Medicaid recipients. These FFS payments were for services that took place after the date of death of the Medicaid recipient, which could indicate fraud or improper billing. Pharmacy and Durable Medical Equipment providers were paid for $41,762 (52.2%) of these FFS claims. Appendix D contains a list of provider types and their payments for FFS claims. While the deceased Medicaid recipients in this analysis were not identified by LDH through its own internal Vital Records data match, LDH did recoup $144,552 in FFS payments for 109 recipients from July 2013 through August 2017. In addition, during the course of our audit work LDH created an automated monthly recovery process for FFS payments where the date of service is after the Medicaid recipient's date of death. According to LDH, this process will go into effect once the data linkages discussed above are fixed. Exhibit 1 summarizes the total PMPM and FFS payments by number of recipients and payments by fiscal year.

[3] This represents the total unique number of recipients across the full scope of our analysis. Also, the total is less than the sum of Medicaid recipients identified in the PMPM and FFS analyses because some recipients are in both populations due to different coverage over time.

[4] An encounter is a distinct set of healthcare services provided to a Medicaid recipient enrolled with an MCO on the date that the services were delivered. It is a claim paid for by the MCO but submitted to LDH.

Exhibit 1
Total Improper PMPM and FFS Payments by Fiscal Year
Fiscal Year 2014 through 2018

Fiscal Year	PMPMs		FFS	
	Recipients	Payments	Recipients	Payments
2014	58	$37,776	150	$25,256
2015	63	47,530	164	21,684
2016	41	58,293	105	22,936
2017	120	463,662	99	10,199
2018*	74	30,484	0	0
Totals	**203****	**$637,745**	**517****	**$80,075**

*Represents PMPMs and FFS payments through August 2017.
**The totals for each year for FFS and PMPMs do not equal the overall total due to recipients spanning over multiple years. Also, the combined totals from FFS and PMPMs do not equal the overall total identified in the analysis because some recipients are in both populations due to different coverage over time.
Source: Prepared by legislative auditor's staff using LDH Medicaid and Vital Records data.

Of the 712 deceased Medicaid recipients identified in our analysis, 185 (26.0%) were still considered active recipients, which means that PMPMs continue to be paid on them or they remained eligible for FFS. LDH is in the process of updating the dates of death within its eligibility files for these Medicaid recipients and recouping the PMPMs for these deceased Medicaid recipients.

We also identified $42,602 in improper payments by MCOs to providers who submitted claims for services provided to 181 deceased Medicaid recipients. As discussed earlier, MCOs receive a PMPM to manage the care of Medicaid recipients enrolled in their plan. MCOs then reimburse individual providers for services rendered. Billing for services that took place after a Medicaid recipient became deceased could indicate fraud or improper billing by providers. Pharmacy providers were paid for $22,879 (53.7%) of these MCO encounters. Appendix E contains a list of provider types and their payments for FFS claims.

Recommendation 1: LDH should evaluate its current process for identifying deceased individuals in the Medicaid program to ensure all deceased Medicaid recipients are identified.

Summary of Management's Response: LDH agrees with this recommendation and stated it has discovered an issue with the transfer of date of death data from Vital Records to the eligibility system and MMIS. LDH anticipates it will complete its corrective action by June 30, 2018. See Appendix A for LDH's full response.

Recommendation 2: LDH should investigate providers who billed LDH for services that took place after the date of death of the Medicaid recipient to determine if fraud occurred.

Summary of Management's Response: LDH agrees with this recommendation and stated it will refer any suspected fraud to the Medicaid Fraud Control Unit in the Attorney General's office per LDH procedure. See Appendix A for LDH's full response.

Recommendation 3: LDH should ensure that the MCOs investigate providers who billed for services that took place after the Medicaid recipient became deceased to determine if fraud occurred.

Summary of Management's Response: LDH agrees with this recommendation and stated it requires each MCO to employ a retroactive eligibility termination process to identify and recover claims payments made for members who are deceased. See Appendix A for LDH's full response.

Recommendation 4: LDH should recoup the improperly paid PMPM and FFS payments identified through this analysis.

Summary of Management's Response: LDH agrees with this recommendation and stated it will recoup any improperly paid PMPM or FFS payments as part of its existing monthly process once the date of death data transfer issue is corrected. See Appendix A for LDH's full response.

APPENDIX A: MANAGEMENT'S RESPONSE

John Bel Edwards
GOVERNOR

Rebekah E. Gee MD, MPH
SECRETARY

State of Louisiana

Louisiana Department of Health
Office of Management and Finance

November 17, 2017

Daryl G. Purpera, CPA, CFE
Legislative Auditor
P.O Box 94397
Baton Rouge, Louisiana 70804-9397

Re: Improper Payments for Deceased Medicaid Recipients

Dear Mr. Purpera,

Thank you for the opportunity to respond to the findings of your Medicaid Audit Unit on payments to deceased Medicaid recipients. The Management of the Bureau of Health Services Financing (BHSF), which is responsible for the Medicaid program in Louisiana, is committed to monitoring claims to ensure that inappropriate claims are identified and follow up action is taken.

A response to each of the LLA's recommendations are below.

Recommendation 1: LDH should evaluate its current process for identifying deceased individuals in the Medicaid program to ensure all deceased Medicaid recipients are identified.

LDH Response: LDH agrees. LDH's current process for identifying deceased individuals includes receiving daily file updates from Vital Records, the Social Security Administration and the Centers for Medicare and Medicaid. In addition, edits are established in the Medicaid Management Information System (MMIS) to deny any claims or encounters submitted with a date of service after the recorded date of death. Upon review of the existing process, we have discovered an issue with the transfer of date of death data from Vital Records to the eligibility system and then to the MMIS. We are in the process of identifying the root cause to initiate corrective action. The corrective action is expected to be completed by June 30, 2018.

Recommendation 2: LDH should investigate providers who billed LDH for services that took place after the date of death of the Medicaid recipient to determine if fraud occurred.

LDH Response: LDH agrees. The Program Integrity section follows LDH's "Date of Death" procedure which requires staff to investigate and recover improper payments made for services provided after the recorded date of death. Any suspected fraud is referred to the Medicaid Fraud Control Unit in the Attorney General's office.

Recommendation 3: LDH should ensure that the MCOs investigate providers who billed for services that took place after the Medicaid recipient became deceased to determine if fraud occurred.

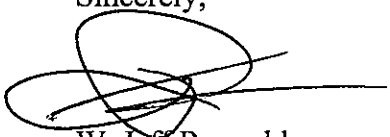
LDH Response: LDH agrees. LDH requires each Managed Care Organization (MCO) to employ a retroactive eligibility termination process to identify and recover claims payments made for members who are deceased. The MCOs use the '834' eligibility file from LDH's enrollment broker and flags members who are deceased as "inactive" to stop future payments. Each MCO has a business unit that is responsible for researching claims history and recovering payments made for inactive members. Program Integrity staff review date of death reports to identify patterns that may indicate possible fraudulent billings. Any irregular billings are followed up with the appropriate MCO representative for investigation.

Recommendation 4: LDH should recoup the improperly paid PMPM and FFS payments identified through this analysis.

LDH Response: LDH agrees. LDH will recoup any improperly paid PMPM or FFS payments as part of its existing monthly process once the date of death data transfer issue is corrected.

You may contact Michael Boutte, Deputy Director, at (225) 342-0327 or via e-mail at Michael.Boutte@la.gov with any questions about this matter.

Sincerely,



W. Jeff Reynolds,
LDH Undersecretary

APPENDIX B: SCOPE AND METHODOLOGY

We conducted this analysis under the provisions of Title 24 of the Louisiana Revised Statutes of 1950, as amended. This analysis focused on Medicaid payments for deceased Medicaid recipients between July 2013 and August 2017. The purpose of this analysis was:

To determine if there were improper payments for deceased Medicaid recipients between July 2013 and August 2017.

The scope of our audit was significantly less than that required by *Government Auditing Standards*. We believe the evidence obtained provides a reasonable basis for our findings and conclusions. To conduct this analysis we performed the following steps:

- Obtained an electronic copy of deceased individuals from LDH's Center of State Registrar & Vital Records (Vital Records).
- Obtained an electronic copy of Medicaid claims and encounters from LDH, which includes the PMPMs paid to the MCOs and FFS claims and MCO encounters submitted by providers.
- Compared the deceased individuals from Vital Records to the PMPMs paid for Medicaid recipients to determine if any payments were made after the Medicaid recipient's date of death. We considered an individual to be deceased if the Vital Records and Medicaid data matched on various criteria, including Social Security number, date of birth, first name, last name, and middle initial. We included in our analysis deaths that LLA received from Vital Records through June 30, 2017, and payments for MCO or FFS coverage through August 2017.
- Obtained death certificates for a targeted selection of Medicaid recipients identified through the data match to confirm their dates of death.
- Discussed and provided the results of our analysis to LDH management.

APPENDIX C: RECIPIENTS AND PMPM PAYMENTS, PER MCO

MCO	Recipients	Total Payments
Aetna	22	$65,739
AmeriHealth Caritas	24	80,104
Community Health Solutions	12	850
Healthy Blue	30	153,691
Louisiana Healthcare Connections	35	165,746
Magellan Health	94	10,768
Managed Care of North America	168	8,474
United Healthcare*	38	152,373
Total	**203****	**$637,745**

*United Healthcare was considered a shared savings plan for the beginning of this analysis, while it is currently a pre-paid MCO.
**Represents the total unique number of recipients in the analysis, so the sum of the totals from each MCO does not equal the overall total.
Source: Prepared by legislative auditor's staff using data from Medicaid and Vital Records.

APPENDIX D: FFS PROVIDER PAYMENTS, BY TYPE

Provider Type	Payment
Pharmacy	$23,139
Durable Medical Equipment	18,623
Hospital	10,989
Physician	5,570
Nursing Facility	5,037
Personal Care Services	4,335
Hospice Services	3,292
Non-Emergency Medical Transportation	3,127
Personal Care Attendant	2,154
Case Management – Infants and Toddlers	1,435
Ambulance Transportation	617
Office of Aging and Adult Services Case Management	577
Personal Emergency Response System	270
Behavior Intervention	250
Permanent Supportive Housing Agent	196
Independent Lab	132
Supervised Independent Living	68
Mobile X-ray/Radiation Therapy	62
Podiatrist	60
Nurse Practitioner	56
Home Delivered Meals	55
Rural Health Clinic	22
Early and Periodic Screening, Diagnostic, and Treatment Health Services	10
Total	**$80,075**

Source: Prepared by legislative auditor's staff using claims data from Medicaid.

APPENDIX E: MCO PROVIDER PAYMENTS, BY TYPE

Provider Type	Payment
Pharmacy	$22,876
Durable Medical Equipment	7,443
Physician	6,534
Hospital	3,126
Non-Emergency Medical Transportation	899
Mental Rehabilitation Agency	288
Independent Lab	282
Certified Registered Nurse Anesthetist	271
Dentist	171
Ambulance Transportation	141
Optometrist	134
Crisis Receiving Center	123
Family Support Organization	90
Home Health Agency	63
Mental Health Clinic	54
Community Mental Health Center/Part Hospital	54
Multi-Systemic Therapy	51
Total	**$42,602**

Source: Prepared by legislative auditor's staff using encounter data from Medicaid.

APPENDIX F: LIST OF PREVIOUS MAU REPORTS

Issue Date	Title
October 26, 2016	*Medicaid Recipient Eligibility – Managed Care and Louisiana Residency*
March 22, 2017	*Program Rule Violations in the Medicaid Dental Program*
March 29, 2017	*Duplicate Payments for Medicaid Recipients with Multiple Identification Numbers*
July 12, 2017	*Prevention, Detection, and Recovery of Improper Medicaid Payments in Home and Community-Based Services*
September 6, 2017	*Improper Payments in the Medicaid Laboratory Program*
October 4, 2017	*Monitoring of Medicaid Claims Using All-Inclusive Code (T1015)*

Source: MAU reports can be found on the LLA's website under "Reports and Data" using the "Audit Reports by Type" button. By selecting the "Medicaid" button, all MAU reports issues by LLA will be displayed. https://www.lla.la.gov/reports-data/audit/audit-type/index.shtml?key=Medicaid