TEXAS HEALTH AND HUMAN SERVICES COMMISSION

OFFICE OF INSPECTOR GENERAL

DUPLICATE CAPITATION PAYMENTS TO MANAGED CARE

Inspection of Duplicate Capitation and the Texas Medicaid System

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HHSC OIG
TEXAS HEALTH AND HUMAN SERVICES COMMISSION
OFFICE OF INSPECTOR GENERAL

DUPLICATE CAPITATION PAYMENTS TO MANAGED CARE:

Inspection of Duplicate Capitation and the Texas Medicaid System

WHY THE OIG CONDUCTED THIS INSPECTION

An inspection was conducted to determine if Texas Medicaid processes identify or prevent duplicate capitation payments to managed care organizations (MCOs) for clients enrolled in both Medicaid and the Children's Health Insurance Program (CHIP). The inspection objectives were:

- Determine why clients are enrolled in both CHIP and Medicaid.
- Determine processes to reduce incidence of duplicate capitation payments to MCOs.

Medicaid and CHIP have different eligibility requirements. Clients should not be enrolled in both programs at the same time. When individuals apply for health coverage, the application is first screened for Medicaid eligibility. If determined ineligible for Medicaid, the application is then screened for CHIP eligibility.

Adjustments to enrollment information and updates in client eligibility can occur monthly due to income fluctuations and eligibility status changes. When updates are performed, capitation overpayments can be adjusted back to the state for up to 24 months retrospectively from the date the update is performed; otherwise, funds must be recouped through a manual process.

WHAT THE OIG RECOMMENDS

1. Medicaid and CHIP Services (MCS), in their contract oversight role, should require MAXIMUS to resolve the issues on processing VOID transactions lacking a segment ID.
2. HHSC should prioritize resolving the duplicate capitation issues by proactively and regularly monitoring TIERS and MAXeb to identify clients enrolled in both Medicaid and CHIP.

View the report online
For more information, contact:
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WHAT THE OIG FOUND

The inspection found that eligibility and enrollment information exchanged between Texas Integrated Eligibility Redesign System (TIERS) and MAXeb is not processed without errors. The result is duplicate coverage for clients in both Medicaid and Children's Health Insurance Program (CHIP), and duplicate capitation payments paid in error to managed care organizations (MCOs).

During this inspection, data was examined for the period of June 2015 through January 2018, the OIG Inspections Division identified Medicaid and CHIP capitation payments totaling just under $2.7 million made for 2,996 Medicaid ID numbers.

The OIG Inspections Division made the following observations:

- MAXeb will reject the VOID transactions for Medicaid IDs lacking a segment ID.
- TIERS and MAXeb do not query or monitor enrollment data regularly to identify clients enrolled in both Medicaid and CHIP.
- Eleven months of capitation payments have fallen outside the 24-month adjustment period.

MAXeb cannot always process VOID transactions without segment IDs, regardless of the date or time the VOID is sent from TIERS. MAXeb processes all transactions in the order received, however, if TIERS attempts to send a VOID transaction to MAXeb without a segment ID, an error message occurs. When TIERS receives the error message from MAXeb, these transactions must be manually resolved by HHSC and MAXIMUS staff, which results in a delay in the termination of CHIP eligibility. The missing segment ID may result in dual eligibility for clients and duplicate capitation payments made to MCOs.

Information between MAXeb and TIERS is exchanged nightly and each program must process and validate all the information received. Although clients should not be enrolled in both Medicaid and CHIP, TIERS and MAXeb do not prevent this from happening. Since TIERS and MAXeb do not query enrollment data regularly to identify clients enrolled in both Medicaid and CHIP, dual coverage and duplicate capitation payments continue to occur. A workgroup consisting of HHSC Information Technology Social Services Applications and MAXIMUS staff was established to resolve duplicate capitation issues. Currently, the workgroup is addressing duplicate capitations after they occur, rather than working to prevent their occurrence.

As of April 2018, 11 months of capitation payments have fallen outside the 24-month rolling period, totaling $1,268,124.

These concerns led to two OIG recommendations listed to the left. Medicaid and CHIP Services, Social Services Applications, and Access and Eligibility Services agreed with the recommendations.

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I. PURPOSE AND OBJECTIVES

The Texas Health and Human Services Commission (HHSC) Office of Inspector General (OIG) Inspections Division conducted an inspection to determine if Texas Medicaid processes identify or prevent duplicate capitation payments to managed care organizations (MCOs) for clients enrolled in both Medicaid and the Children's Health Insurance Program (CHIP). The inspection focused on the following objectives:

- Determine why clients are enrolled in both CHIP and Medicaid.
- Determine processes to reduce incidence of duplicate capitation payments to MCOs.

II. BACKGROUND

During this inspection, data was examined for the period of June 2015 through January 2018, the OIG Inspections Division identified Medicaid and CHIP capitation payments totaling just under $2.7 million made for 2,996 Medicaid identification (ID) numbers.[1] All of these Medicaid IDs contain eligibility in both Medicaid and CHIP, resulting in duplicate capitation payments made to MCOs.

Medical assistance programs, such as Medicaid and CHIP, are available to assist eligible individuals and families with children. Medicaid is available for children up to age 21, if certain criteria are met. CHIP provides health coverage for children under the age of 19 for families whose income exceeds the children's Medicaid income limit and is less than or equal to the applicable income limit for CHIP.

Medicaid and CHIP have different eligibility requirements. Clients should not be enrolled in both programs at the same time. When individuals apply for health coverage for their children, the application is first screened for Medicaid eligibility. If determined ineligible for Medicaid, the application is then screened for CHIP eligibility. Depending on which medical coverage is approved, continuous coverage can be provided for a minimum of six months.

The HHSC Medicaid and CHIP Services (MCS) department is responsible for overseeing the operations and functions of the Medicaid and CHIP programs. Eligibility for Medicaid and CHIP is determined by Texas Works Advisors (TWAs), within the HHSC Access and Eligibility Services (AES) division. TWAs review applications received in person, by mail, fax, or the self-service portal for completeness and accuracy and enters the information into the Texas Integrated

[1] This amount includes correct and erroneous capitation payments paid for IDs. The OIG inspection team could not distinguish capitation payments paid correctly or incorrectly without further research being performed by eligibility staff in TIERS.

Eligibility Redesign System (TIERS) to determine eligibility. TIERS is the system of record for all Texas Medicaid and CHIP clients and contains all records of applications processed, whether approved or denied. When processing the application, TIERS generates a nine-digit client ID number for the applicant, which becomes the Medicaid ID after eligibility is determined. The HHSC Information Technology Social Services Applications division provides technical assistance with the TIERS program, such as editing and reporting data.

Once eligibility for Medicaid and CHIP is determined by the TWA through TIERS, the information is then provided to MAXIMUS Inc. to process enrollment through the MAXeb program.[2,3] MAXeb processes all Medicaid and CHIP client enrollment with MCOs.[4] The TIERS and MAXeb programs exchange updates to client eligibility and enrollment every evening. Client information is then processed and updated in both systems; TIERS sends eligibility information to MAXeb and MAXeb sends enrollment information to TIERS.

The Premiums Payable System (PPS) receives Medicaid enrollment data monthly from TIERS and CHIP enrollment data from MAXeb.[5] This exchange provides summary and premium information for eligible Medicaid and CHIP clients. If TIERS indicates the client is enrolled to receive Medicaid benefits, the enrollment information is sent from TIERS to PPS, which triggers a capitation payment to be sent from PPS to the MCO. If MAXeb indicates the same client is enrolled with CHIP coverage, enrollment information is also sent from MAXeb to PPS, which results in a duplicate capitation payment sent from PPS to the MCO for the same client.

If TIERS indicates the client is eligible for Medicaid or CHIP, the client's eligibility start date is sent to MAXeb for enrollment. MAXeb creates an enrollment transaction that contains a segment ID when the enrollment process is completed. This segment ID is shared with TIERS and is used as a unique identifier to tie eligibility and enrollment together for future transactions between TIERS and MAXeb.

CHIP was implemented and converted into TIERS from MAXIMUS in 2013. Prior to that time, TIERS only processed eligibility for Medicaid. If the potential client was eligible for CHIP, MAXIMUS determined eligibility and enrollment within a single system. TIERS functionality was limited and could not handle all of the

[2] MAXIMUS Inc. is a third-party administrator contracted with HHSC to provide business services for Medicaid and CHIP enrollment.
[3] MAXeb is the computer program utilized by MAXIMUS to administer enrollment processes.
[4] MCOs contract with the state to provide Medicaid healthcare services to clients who have applied for and approved to receive benefits. These MCOs are paid a monthly capitation payment per member, which assumes an average annual amount needed to provide health services to a client.
[5] Capitation payments are triggered when TIERS data on eligible clients, and their respective IDs, are sent to PPS. PPS is responsible for payments directed to MCOs.

transactions to change or end eligibility for CHIP clients. A "VOID" transaction process was introduced during the 2014 redesign to allow MAXeb and TIERS the ability to identify changes in CHIP eligibility and enrollment. The redesign and introduction of the VOID process reduced the number of Medicaid IDs found with duplicate coverage of Medicaid and CHIP from 764 IDs in June 2015 to 121 IDs in January 2018.[6]

Adjustments to enrollment information and updates in client eligibility can occur every month due to income fluctuations and eligibility status changes. When updates are performed on Medicaid IDs, capitation overpayments can be adjusted back to the state through PPS for up to 24 months retrospectively from the date the update is performed; otherwise, funds must be recouped through a manual process.

[6] Data on Medicaid IDs and duplicate capitation coverage for both CHIP and Medicaid, along with month of duplicate capitation, was collected over a 32-month period from OIG Data and Technology.

III. INSPECTION RESULTS

Overall, the OIG Inspections Division found the information exchange between TIERS and MAXeb has improved. The number of Medicaid IDs found with duplicate coverage of Medicaid and CHIP dropped from 764 IDs in June 2015, to 121 IDs in January 2018. However, this still indicates eligibility and enrollment information exchanged between TIERS and MAXeb is not processed without errors. The result is duplicate coverage for clients in both Medicaid and CHIP, and duplicate capitation payments paid in error to MCOs.

Observation 1: MAXeb will reject the VOID transactions for Medicaid IDs lacking a segment ID.

TWAs review and verify applications for medical benefits submitted by clients. Once a client is determined eligible to receive benefits, TIERS generates a Medicaid ID and sends eligibility information to MAXeb. MAXIMUS staff have up to 60 days to enroll the client. During this time, the segment ID remains unpopulated for all transactions between TIERS and MAXeb until enrollment has been completed in MAXeb. Any future transactions without the segment ID will cause errors for that specific Medicaid ID.

Client eligibility can change daily, depending on eligibility verification processes conducted by TIERS staff. Eligibility transactions are sent daily to MAXeb, including changes in client eligibility status from Medicaid to CHIP and vice versa. If TIERS sends a transaction to VOID the initial eligibility inside the 60 day enrollment window, and the client has not yet been enrolled with an MCO, there will not be a segment ID to tie the transaction to that Medicaid ID. MAXeb will then not recognize the VOID transaction and will send an error message back to TIERS. Subsequently, the VOID transaction will be placed in a file to be worked by HHSC staff.

MAXeb cannot always process VOID transactions without segment IDs, regardless of the date or time the VOID is sent from TIERS. MAXeb processes all transactions in the order received, however, if TIERS attempts to send a VOID transaction to MAXeb without a segment ID, an error message occurs. When TIERS receives the error message from MAXeb, these transactions must be manually resolved by HHSC and MAXIMUS staff, which results in a delay in the termination of CHIP eligibility. The missing segment ID may result in dual eligibility for clients and duplicate capitation payments made to MCOs.

Recommendation 1: MCS, in their contract oversight role, should require MAXIMUS to resolve the issues on processing VOID transactions lacking a segment ID.

Management Response:
Management agrees with the recommendation.

HHSC and MAXIMUS are working collaboratively to resolve the web service message issues, including VOIDS, going forward. These meetings are scheduled to start August 2018 with the first priority being the VOIDS message issue.

Responsible Party:
MCS, Social Services Applications, and MAXIMUS

Implementation Plan and Dates:
December 2019

Observation 2: TIERS and MAXeb do not query or monitor enrollment data regularly to identify clients enrolled in both Medicaid and CHIP.

Information between MAXeb and TIERS is exchanged nightly and each program must process and validate all the information received. Although clients should not be enrolled in both Medicaid and CHIP, TIERS and MAXeb do not prevent this from happening. Client changes in eligibility can happen in the same day. For example, if the client is deemed eligible for Medicaid and new information that is supplied by the client changes their eligibility status to CHIP, then new eligibility is sent to MAXeb for CHIP, along with a VOID transaction for Medicaid. MAXeb will then process enrollment into the CHIP program without voiding the Medicaid eligibility because of the missing segment ID. This could potentially result in MAXIMUS staff enrolling the client in both programs if there was an error in the VOID transaction for Medicaid. Since TIERS and MAXeb do not query enrollment data regularly to identify clients enrolled in both Medicaid and CHIP, dual coverage and duplicate capitation payments will continue to occur.

A workgroup consisting of Social Services Applications and MAXIMUS staff was established to resolve duplicate capitation issues. Currently, the workgroup is addressing duplicate capitations after they occur, rather than working to prevent their occurrence. A program modification might be necessary to resolve the issues internal to TIERS and between TIERS and MAXeb to reduce future erroneous capitation payments and potential future monetary losses.

Recommendation 2: MCS, Social Services Applications, AES, and MAXIMUS should collaborate to prioritize resolving the duplicate capitation issues by proactively and regularly monitoring TIERS and MAXeb to identify clients enrolled in both Medicaid and CHIP.

Management Response:
Management agrees with the recommendation.

Currently, all areas are working collaboratively by reviewing multiple reports that provide the data to mitigate duplication capitation. In addition, MAXMIUS is developing a report for state staff to catch capitation payment errors before duplicate payments are made to the MCOs. The report development is still in the preliminary phase.

Responsible Party:
MCS, Social Services Applications, AES, and MAXIMUS

Implementation Plan and Dates:
December 2019

Observation 3: Eleven months of capitation payments have fallen outside the 24-month adjustment period.

The data covering the period from June 2015 through January 2018 includes capitation payments totaling:

- $2,695,832[7] for
- 2,996 Medicaid IDs

As of April 2018, the total amount of capitation payments within the 24-month rolling period totaled:

- $1,427,708

As of April 2018, 11 months of capitation payments have fallen outside the 24-month rolling period, totaling:

- $1,268,124

[7] This amount includes correct and erroneous capitation payments paid for IDs. The OIG inspection team could not distinguish capitation payments paid correctly or incorrectly without further research being performed by eligibility staff in TIERS.

IV. CONCLUSION

The OIG Inspections Division completed an inspection to determine if Texas Medicaid processes identify or prevent duplicate capitation payments to managed care organizations for clients enrolled in both Medicaid and CHIP. During this inspection, data was examined for the period of June 2015 through January 2018, the OIG Inspections Division identified capitation payments totaling just under $2.7 million made for 2,996 Medicaid IDs.

The inspection revealed issues in the data transfer process between TIERS and MAXeb. While efforts have been made in recent years to improve the process and prevent the IDs from containing enrollment in both Medicaid and CHIP, duplicate capitation payments continue to occur.

The OIG Inspections Division made the following observations:

- MAXeb will reject the VOID transactions for Medicaid IDs lacking a segment ID.
- TIERS and MAXeb do not query or monitor enrollment data regularly to identify clients enrolled in both Medicaid and CHIP.
- Eleven months of capitation payments have fallen outside the 24-month adjustment period.

The OIG Inspections Division makes the following recommendations:

- MCS, in their contract oversight role, should require MAXIMUS to resolve the issues on processing VOID transactions lacking a segment ID.
- MCS, Social Services Applications, AES, and MAXIMUS should collaborate to prioritize resolving the duplicate capitation issues by proactively and regularly monitoring TIERS and MAXeb to identify clients enrolled in both Medicaid and CHIP.

Implementation of the OIG Inspections Division recommendations will result in reducing the number of duplicate capitation payments made in error to MCOs. The OIG Inspections Division supplied Social Services Applications with the list of Medicaid IDs associated with duplicate capitation payments made.

The OIG Inspections Division thanks HHSC Information Technology Social Services Applications, MAXIMUS, and Premiums Payable System management and staff at the inspected entities for their cooperation and assistance during this inspection.

V. APPENDICES

Appendix A: Detailed Methodology

Determine if Texas Medicaid processes identify or prevent duplicate capitation payments to managed care organizations.

Data Sources

The inspection team reviewed records based on PPS production data provided by OIG Data and Technology (DAT), which included a period of eligibility data from June 2015 through January 2018. The OIG Inspections Division identified capitation payments totaling just under $2.7 million made for 2,996 Medicaid ID numbers.

The inspection team observed the application process by shadowing and interviewing 21 Texas Works Advisors (TWAs) and their supervisors at several eligibility offices. The inspection team also shadowed eight staff at MAXIMUS to determine their enrollment process. The team conducted interviews with key personnel from:

- AES, including eligibility staff located at various offices
- MCS, which provides direction and oversight to PPS (responsible for payments directed to MCOs)
- Social Services Applications division, which provides assistance with the TIERS program
- MAXIMUS, which handles client enrollment for the CHIP and Medicaid programs

The inspection team reviewed the Texas Works Handbook, which contains policies and procedures for TWAs to determine eligibility. Information provided on information technology processes, as well as information obtained through interviews from key data personnel, was reviewed. The team also reviewed federal and state regulations and rules related to this topic, including:

- 42 C.F.R. § 431
- 42 C.F.R. § 435
- Texas Government Code § 531
- 1 Texas Administrative Code § 351
- 1 Texas Administrative Code § 356

Data Collection and Analysis

The OIG Inspections Division requested a 32-month data set from OIG DAT that would encompass all Medicaid IDs identified as having concurrent CHIP and

Medicaid coverage, along with information on each month duplicate capitations occurred for each Medicaid ID identified. OIG DAT pulled records based on PPS production, which contained managed care capitation payments, eligible benefit months, program codes, and Medicaid IDs.

OIG DAT provided data identifying any Medicaid IDs with duplicate coverage within a 32-month period.

Data was reviewed to determine:

- How many Medicaid IDs were identified
- How many IDs were associated with duplicate enrollment in CHIP and Medicaid
- How much capitation payment amount was involved with the IDs
- How many capitation payments were paid per Medicaid ID

Standards

The OIG Inspections Division conducts inspections of the Texas Health and Human Services programs, systems, and functions. Inspections are designed to be expeditious, targeted examinations into specific programmatic areas to identify systemic trends of fraud, waste, or abuse. Inspections typically result in recommendations to strengthen program effectiveness and efficiency. The OIG Inspections Division conducted the inspection in accordance with Quality Standards for Inspection and Evaluation issued by the Council of the Inspectors General on Integrity and Efficiency.

Appendix B: Report Team and Report Distribution

Report Team

The OIG staff members who contributed to this OIG Inspections Division report include:

- Lisa Pietrzyk, CFE, CGAP, Director of Inspections
- Xavier Ortiz, Inspections Manager
- Dora Fogle, MPH, RS, Inspections Team Lead
- Pat Krempin, Inspector
- Marco Diaz, Inspector
- Coleen McCarthy, MS, CHES® Editor
- Alexander J. Buelna, PhD, MS, Manager
- Olga Jerman, PhD, Data and Technology Statistical Analyst

Report Distribution

Texas Health and Human Services:

- Cecile Erwin Young, Acting Executive Commissioner
- Victoria Ford, Chief Policy Officer
- Karen Ray, Chief Counsel
- Enrique Marquez, Chief Program and Services Officer
- Wayne Salter, Deputy Executive Commissioner, Access and Eligibility Services
- Stephanie Muth, Deputy Executive Commissioner, Medicaid and CHIP Services
- Todd B. Byrnes, Deputy Associate Commissioner, Eligibility Operations
- Karin Hill, Director, Internal Audit
- Diane Jackson, Accounting Director, Fiscal Management
- Kay Hart, Director, Access and Eligibility Services
- Ivan Libson, Deputy Associate Commissioner, Program Enrollment and Support
- Mary Catherine Bailey, Director of Social Services Applications, HHSC IT

Appendix C: OIG Mission and Contact Information

Inspector General Mission

The mission of the OIG is to prevent, detect, and deter fraud, waste, and abuse through the audit, review, investigation, and inspection of federal and state taxpayer dollars used in the provision and delivery of health and human services in Texas. The senior leadership guiding the fulfillment of OIG's mission and statutory responsibility includes:

- Sylvia Hernandez Kauffman, Inspector General
- Anita D'Souza, OIG Chief Counsel and Chief of Staff
- Christine Maldonado, Chief of Operations and Workforce Leadership
- Olga Rodriguez, Chief Strategy Officer
- Lizet Hinojosa, Deputy IG for General Investigations
- Brian Klozik, Deputy IG for Medicaid Program Integrity
- David Griffith, Deputy IG for Audit
- Quinton Arnold, Deputy IG for Inspections and Investigations
- Alan Scantlen, Deputy IG for Data and Technology
- Judy Knobloch, Assistant Deputy IG for Division of Medical Services

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- Phone: 1-800-436-6184

To contact the Inspector General

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