



Andy Beshear
GOVERNOR

CABINET FOR HEALTH AND FAMILY SERVICES

Steven Stack, MD
SECRETARY

275 East Main Street, 5W-A
Frankfort, Kentucky 40621
Phone: (502) 564-7042
Fax: (502) 564-7091

September 10, 2025

The Honorable Allison Ball
Auditor of Public Accounts
209 St. Clair Street
Frankfort, Kentucky 40601

RE: APA “Special Examination” on Medicaid Concurrent Capitation Payments

Dear Auditor Ball:

The Cabinet for Health and Family Services (CHFS) is fully committed to preserving the integrity and ensuring proper administration of the Kentucky Medicaid program. Kentucky Medicaid is in full compliance with federal requirements for Medicaid eligibility verification, including residency. However, as the federal government acknowledges, no state has access to the data necessary to identify when beneficiaries are concurrently enrolled in a Medicaid Managed Care program in another state.

The issue of concurrent enrollment in Medicaid Managed Care was identified by a federal inspector general in 2022 and is happening in nearly all 50 states, making the APA’s “special examination” a rehash. It also contains significant inaccuracies, relies heavily on unsubstantiated assumptions, and fails to provide verifiable evidence of any substantial loss of taxpayer funds.

Ongoing Issue Impacting Nearly All 50 States

In 2022, the Office of Inspector General (OIG), within the U.S. Department of Health and Human Services (HHS), issued a report that found “nearly all states made capitation payments for beneficiaries who were concurrently enrolled in a Medicaid Managed Care program in two states.”¹ The issue, OIG concluded: “States did not have full access to data [from CMS] that they needed to identify beneficiaries who were concurrently enrolled in another state.” This national-level data, particularly the Transformed Medicaid Statistical Information System (T-MSIS) enrollment data, “would assist [states] in identifying beneficiaries who were concurrently enrolled in a Medicaid Managed Care program in two states.” Further, OIG concluded: “CMS does not take all available steps, either directly or through the states, to identify and prevent state capitation payments for non-resident beneficiaries.” OIG recommended that CMS “provide

¹ U.S. Dep’t of Health and Human Services, Office of Inspector General, *Nearly All States Made Capitation Payments for Beneficiaries Who Were Concurrently Enrolled in a Medicaid Managed Care Program in Two States*, A-05-20-00025 (Sept. 2022), available at <https://oig.hhs.gov/documents/audit/7881/A-05-20-00025-Complete%20Report.pdf> (last visited Sept. 10, 2025).

states with matched T-MSIS enrollment data that identify Medicaid beneficiaries who were concurrently enrolled.”

Unfortunately, CMS did not concur with OIG’s recommendation at the time, and all states continued to operate without access to the recommended data. Then, in July 2025, the new Administrator of the Centers for Medicare and Medicaid Services (CMS) issued a press release committing to “partner with states” to address the issue and provide the necessary data to verify residency.² The release states: CMS will “provide additional guidance to state Medicaid and CHIP agencies in early August [2025]...follow up with lists to each state of individuals concurrently enrolled in Medicaid or CHIP and ask states to make their best efforts to recheck eligibility by late fall.” CHFS is committed to partnering to address this issue, but it is almost mid-September and our agency has yet to receive any additional guidance or lists of individuals from CMS.

APA Draft Report Contains Factual Inaccuracies and Unsubstantiated Claims

The Auditor’s draft report contains a series of inaccuracies and unsubstantiated claims.

The draft report falsely claims Kentucky did not follow federal laws and regulations related to terminating non-residents during the PHE. That is not true: In fact, 56,440 individuals were disenrolled from Medicaid based upon residency during the period of your review.

The draft report does not determine members’ actual state of residence for each overlapping month. So, a significant portion of the counted overlap happened during time periods when Kentucky Medicaid was the correct state of residence instead of the other state, and vice versa.

The draft report also inaccurately states that Kentucky Medicaid ceased conducting annual eligibility reviews. That is false: Eligibility reviews continued throughout the PHE. During the PHE, Kentucky Medicaid was restricted from disenrolling individuals in certain cases as a condition of receiving the enhanced Federal Medical Assistance Percentage (“FMAP”).

The draft report contains findings related to capitation payments made after an enrollee’s death. With limited exceptions, the electronic data sources used to report or verify date of death typically process within one to two months. CHFS is dependent on the death being officially recorded in the applicable database and there are reasons why that could be delayed. Upon receiving notification, Kentucky’s system is designed to recoup any capitation payments for months following the month of death and recoup any payment of claims for services afterwards.

Making hastily drawn conclusions about an individual’s Medicaid enrollment without conducting a full eligibility review, as the APA does in its draft report, is inappropriate.

CHFS Ensures the Integrity of the Medicaid Program

² See Centers for Medicare & Medicaid Services. (July 17, 2025). *CMS finds 2.8 million Americans potentially enrolled in two or more Medicaid/ACA Exchange plans* [Press release]. CMS Newsroom, available at <https://www.cms.gov/newsroom/press-releases/cms-finds-28-million-americans-potentially-enrolled-two-or-more-medicaid/aca-exchange-plans> (last visited Sept. 10, 2025).

As the primary federal agency that oversees the Medicaid program, CMS requires states to primarily use and rely on electronic data sources to verify an individual's information. Kentucky's Integrated Eligibility and Enrollment System (IEES) uses more than 35 federal, state, and commercial data sources to support eligibility determinations, including those required or recommended by CMS. As it relates to residency, Kentucky Medicaid relies on several federal databases such as the Social Security Administration's Beneficiary and Earnings Data Exchange (BENDEX) and State Data Exchange (SDX), Department of Homeland Security's Systematic Alien Verification for Entitlements (SAVE) system, and the federally-mandated Public Assistance Reporting Information System (PARIS). Kentucky Medicaid uses all available sources to determine whether requirements are met, but still does not have access to T-MSIS.

CHFS checks the PARIS system as often as possible—on a quarterly basis—through a multi-step process. When potential dual enrollment is detected, CHFS takes appropriate actions, including terminating the duplicate coverage, recouping any capitation payments to managed care organizations, recovering claim payments to providers, and referring cases for further investigation when warranted. CHFS has no control over the actions of federal agencies or other state Medicaid agencies, or the reliability of federal data sources. CHFS agrees about the benefits of using T-MSIS as a tool to more timely identify concurrent enrollment, as information is submitted by states on a monthly basis. However, T-MSIS would still require states having access to necessary personally identifiable information to match enrollment.

Conclusion

The APA's draft report contains significant inaccuracies, relies heavily on unsubstantiated assumptions, and fails to provide verifiable evidence of any substantial loss of taxpayer funds. It also fails to recognize the disagreement between federal agencies about the tools needed to identify and prevent double enrollment and the failure of our federal partners to provide the necessary guidance and technical assistance they have committed to send to states. We await that information and stand ready to partner with the federal government to address the issue.

If verifiable analysis identifies dual enrollment payments for which reimbursement is appropriate and legally permissible, CHFS will reclaim all taxpayer dollars at issue. We have done so in the past and will continue to do so when properly identified. If CMS provides the data and program guidance necessary to assess dual enrollments, CHFS will take prompt action and continue to ensure program integrity and safeguard taxpayer resources.

Sincerely,

A handwritten signature in blue ink, appearing to read "Steven Stack".

Steven Stack, M.D.

Secretary

Cabinet for Health and Family Services

