A PUBLICATION OF THE HEALTH CARE COMPLIANCE ASSOCIATION

COMPLIANCE TODAY

MAGAZINE

MAY 2026

DR. PETER A. KHOURY
DO, MJ, MHA, CHC, CHPC
BOARD ADVISOR AND CHAIR FOR THE HCCA PHILADELPHIA REGIONAL CONFERENCE

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Articles

VOLUME 28, ISSUE 5

PUBLISHER: Craig Larson
craig.larson@corporatecompliance.org

MAGAZINE EDITOR: Scott Moe, 952.567.6207
scott.moe@corporatecompliance.org

ADVERTISING: advertising@corporatecompliance.org

COPY EDITOR: Julia Ramirez Burke
julia.ramirez.burke@corporatecompliance.org

DESIGN & LAYOUT: Pete Swanson
pete.swanson@corporatecompliance.org

PROOFREADER: Jack Hittinger
jack.hittinger@corporatecompliance.org

PHOTOS ON FRONT COVER, PAGE 4 & 6: Jared Gruenwald

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GETTING OBBBA REQUIRED DEATH AUDITS RIGHT: A MUST FOR FWA PROGRAMS

by Susan Anderson and Adam Wilson

Susan Anderson

(dtcsja358@msn.com) is a former Chief Ethics and Compliance Officer.

Adam Wilson

Adam Wilson (awilson@berwyngroup.com) is a Healthcare General Manager at The Berwyn Group.

Why Medicaid plans can't treat DMF compliance as box-checking

The One Big Beautiful Bill Act (OBBBA) has significantly changed Medicaid eligibility requirements.[1] Most of the conversations regarding the Medicaid requirements have focused on eligibility requirements, given the significant anticipated number of beneficiaries that will lose coverage with the new eligibility requirements. The press and articles summarizing the act give little attention to the administrative requirements positioned in the act, attempting to address a long-standing issue of waste in the Medicaid system related to improper payments related to deceased individuals.

Effective January 1, 2027, states are obligated to review the Death Master File (DMF) or a successor system that provides such information to determine whether any individuals enrolled for medical assistance under the state plan (or a waiver of such plan) are deceased. Should the state identify an individual on the DMF, it must:

> "(ii) disenroll such individual from the State plan (or waiver of such plan) in accordance with subsection (a)(3); and
> "(iii) discontinue any payments for medical assistance under this subchapter made on behalf of such individual (other than payments for any items or services furnished to such individual prior to the death of such individual)."[2]

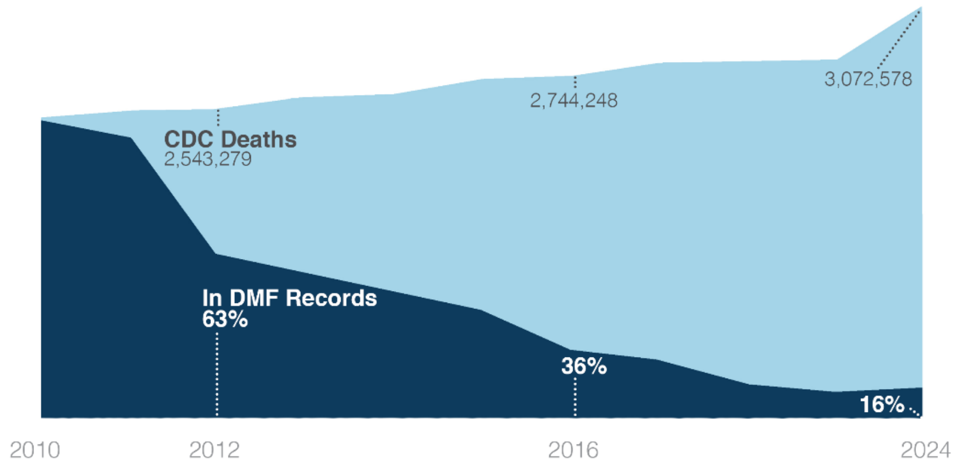
Should the state identify an individual who was not deceased, the state has the obligation to reenroll the individual retroactively to the date that the individual was disenrolled.

Although the actions by Congress were intended to address a long-standing issue related to improper payments for deceased enrollees, the Congressional Budget Office has stated that this provision will have little impact on Medicaid funding. However, we believe there is a significant opportunity to drive further waste out of the Medicaid system, potentially yielding hundreds of millions in savings.[3]

In October 2019, Sen. Chuck Grassley (R-Iowa) wrote to the Centers for Medicare & Medicaid Services (CMS) expressing concern about the long-standing issue of improper payments to deceased enrollees.[4] His letter summarized over a decade of reports from the U.S. Department of Health and Human Services Office of Inspector General (OIG) audits that identified as much as $249 million in improper payments made by states to managed care entities for deceased enrollees. In one instance, Grassley cited an audit that identified that improper payments continued for as long as two years after the date of death of the individual.[5] In November 2023, OIG summarized 14 audits that they had conducted from 2009 to 2019, which identified weaknesses in the state's control environment and CMS's failure to properly oversee the states' fraud, waste, and abuse (FWA) program, resulting in approximately $249 million in improper payments. OIG cited the state's failure to cross-check beneficiary records against death records kept by other state and federal agencies. State internal auditors have also identified the problem, attributing operational deficiencies in similar improper payments on deceased enrollees.[6] In response, CMS issued an informational bulletin to states outlining its expectations and citing additional program integrity oversight by CMS.[7]

Unfortunately, the issue persists. In February 2025, OIG conducted an audit of the State of Colorado Medicaid agency, which identified another $3.8 million in improper payments made to Managed Care Organizations (MCOs) for the 2018 through 2020 audit period.[8]

The decline of the Death Master File



"CDC = Centers for Disease Control and Prevention."

Inherent opportunities

In November 2011, the DMF changed significantly to reduce concerns about identity theft and fraud. However, these changes in removing state records and eliminating information, such as zip codes, had unintended consequences of dramatically reducing the DMF's comprehensiveness and reliability. What used to account for 95% of decedents now accounts for only 16% today.[9]

Between March 14 and April 19, 2025, the Social Security Administration (SSA) added nearly 11 million individuals to the DMF—all born in 1905 or earlier—creating a sharp uptick in reported deaths. On April 8, 2025, SSA also added more than 6,000 living individuals as part of a broader initiative to restrict access to public benefits and financial services.[10] Most of these living individuals were removed in June. Then, over Labor Day weekend 2025, another 1 million individuals were added, 96% of whom were born before 2010. These shifts underscore the ongoing inaccuracies and integrity issues in the file, raising the likelihood of missed decedents and driving false-positive rates to 1 in 300.

To address this, death audit service providers have taken drastic steps to provide death data, with up to 96.5% of decedents identified at 99.9% accuracy. They achieve this by aggregating data from a variety of sources—primarily from thousands of obituary sources, followed by the DMF and state records. The death audit industry leaders achieve near-perfect accuracy through extensive validation methods, including scoring for accuracy and human review of the data.

Both state and contracted managed care entities have obligations to have integrity programs to address FWA. Beginning in 2027, states and, ultimately, MCOs through contract with the states will have an obligation to check the DMF on a quarterly basis.[11]

Although it is required to validate enrollees' data against the DMF for accuracy, checking the DMF and validating the results is time-consuming and prone to producing inaccurate results. Organizations typically realize it is more cost-effective to contract this work out with a trusted third party: a death audit service provider. Death audit service providers have the resources and tools to provide better, more accurate results. Often, they use the DMF as a baseline and enhanced capabilities to locate and validate additional deaths, so finding a service provider that can provide death audit monitoring will greatly assist in completing the new MCO obligations under the OBBBA. Engaging with these death audit service providers will permit the state and MCOs to comply with the new requirement in OBBBA, since they directly utilize the DMF, but such services will also permit states and MCOs to achieve greater accuracy, given the service provider's use of additional capabilities to ensure more accurate results. The use of these services will also enable MCOs and states to achieve the public purpose behind the Medicaid administrative provisions of the bill — namely drive out more FWA from the Medicaid system.

Unfortunately, in the healthcare system, there are myriad opportunities to eliminate fraud and overpayments, and sometimes it seems overwhelming to act on all of them while maintaining diligence without adverse effects on delivering care. In the case of death audits in enrollment files, regulators, MCOs, and healthcare-related entities are fortunate to have partners from other industries (banking, pensions, insurance) with vast experience and offer services that can be extended with very little adjustment to yield results in healthcare administration and care delivery. CT

Endnotes

1. One Big Beautiful Bill Act, Pub L No 119-21, H.R.1, 119th Cong (2025).
2. 42 U.S.C. § 1396a, https://uscode.house.gov/view.xhtml?req=granuleid:USC-prelim-title42-section1396a&num=0&edition=prelim.
3. Based on internal validation by The Berwyn Group through analysis of state Medicaid data.
4. Letter from Senator Chuck Grassley to Centers for Medicare & Medicaid Services Administrator Seema Verma, October 1, 2019, https://www.finance.senate.gov/imo/media/doc/MedicaidOversightLetter1Oct.2019SpecProjects%20-%20FINAL%20430PM.pdf.
5. U.S. Department of Health and Human Services, Office of Inspector General, "Illinois Medicaid Managed Care Organizations Received Capitation Payments after Beneficiaries' Death," Report No. A-05-18-00026, August 20, 2019, https://oig.hhs.gov/reports/all/2019/illinois-medicaid-managed-care-organizations-received-capitation-payments-after-beneficiaries-deaths/.
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8. U.S. Department of Health and Human Services, Office of Inspector General, "Colorado Made Capitation Payments to Managed Care Organizations After Enrollees' Deaths," Report No. A-07-21-05132, February 18, 2025, https://oig.hhs.gov/reports/all/2025/colorado-made-capitation-payments-to-managed-care-organizations-after-enrollees-deaths/.
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11. One Big Beautiful Bill Act, Pub L No 119-21, H.R.1, 119th Cong (2025).

Takeaways

- The One Big Beautiful Bill Act adds a new death-check mandate: starting January 1, 2027, states must review the Death Master File (DMF) (or successor) to identify deceased enrollees.
- Required actions plus correction: if matched as deceased, states must disenroll and stop payments; if wrongly flagged, they must reenroll retroactively.
- This isn't theoretical; improper payments persist: audits and oversight gaps have produced major losses (e.g., $249M over years; later audits still found millions).
- The DMF alone is unreliable today: post-2011 changes reduced coverage from ~95% of decedents to about 16%, increasing missed deaths risk.
- A better approach: specialized death-audit vendors combine multiple sources and validation to reach ~96.5% identification and up to 99.9% accuracy — often more cost-effective than DIY.