



**State of Louisiana**  
Louisiana Department of Health  
Office of Management and Finance

February 10, 2020

The Honorable Jerome Zeringue, Chairman  
Louisiana State House of Representatives  
House Appropriations Committee  
P.O. Box 44486, Capitol Station  
Baton Rouge, LA 70804

The Honorable Mack "Bodi" White, Chairman  
Louisiana State Senate  
Senate Finance Committee  
P.O. Box 94183, Capitol Station  
Baton Rouge, LA 70804

The Honorable Larry Bagley, Chairman  
Louisiana State House of Representatives  
House Health and Welfare Committee  
P.O. Box 44486, Capitol Station  
Baton Rouge, LA 70804

The Honorable Fred H. Mills, Chairman  
Louisiana State Senate  
Senate Health and Welfare Committee  
P.O. Box 94183, Capitol Station  
Baton Rouge, LA 70804

Dear Honorable Chairs:

RE: Louisiana Department of Health – Audit Update Report

The Louisiana Department of Health (LDH) is audited by a number of external oversight bodies, including: the Louisiana Legislative Auditor (LLA), the Office of Inspector General (OIG), the Centers for Medicare and Medicaid Services (CMS) and the Internal Revenue Service (IRS). The following report outlines both ongoing audits and audits completed within the past twelve months. The majority of LDH audits are performed by the LLA, who conducts performance audits, financial audits, and investigative audits. LLA also has a Medicaid Audit Unit whose audits are a hybrid of performance and financial audits.

Typically, the audit process consists of three stages: planning, fieldwork, and reporting.

An audit is indicated as in the planning stage when LDH receives an email, announcement letter, or notification that an audit is to occur. Initial meetings are then conducted with the auditors to discuss the upcoming audit. The fieldwork stage includes when the auditors are in the process of auditing, e.g., conducting interviews, testing controls, and gathering data. Finally, the reporting stage includes when LDH meets with the auditors to discuss any findings, review a draft report, or prepare a management response, leading to a final report.

Each year, LLA issues a comprehensive financial audit for the previous state fiscal year. In the most recent one issued on March 27, 2019, the LLA reported nine findings for LDH for SFY 2018. One of these findings was repeated from a previously issued LLA report on Medicaid Eligibility. Details regarding these findings are provided in the "Completed Audits" section of this report.

The ongoing and completed financial and programmatic audits performed by the various external auditing bodies are summarized below.

## **Audits in Progress**

### **State Audits**

#### 1. LLA Investigative – Medicaid Eligibility Audit on Specific Individuals

- *Description:* This investigative audit was conducted to determine if certain Medicaid recipients provided false information to obtain benefits. This audit may result in multiple reports on multiple individuals.
- *Status:* Reporting (On one individual) / Fieldwork stage for a future report on this topic involving different individuals.
- *Anticipated End Date:* January 2020 (On one individual), 1st Quarter 2020 for an additional future report on this topic involving different individuals.

#### 2. LLA MAU – LAMEDS and Eligibility Determinations

- *Description:* LLA to provide information on the status of Medicaid eligibility determinations post-implementation of LaMEDS.
- *Status:* Reporting stage.
- *Anticipated End Date:* February 2020.

#### 3. LLA Performance – Billing by Providers of Behavioral Health Services in Medicaid – Report on Individual Provider

- *Description:* As part of its audit on billing practices by behavioral health providers, LLA intends to issue a report on an individual provider identified as submitting claims with inappropriate procedure code and/or modifier combinations, as well as possible high-risk billing patterns.
- *Status:* Fieldwork stage.
- *Anticipated End Date:* February 2020.

#### 4. LLA IT – IT Audit of LAMEDS System

- *Description:* The LLA audit objective is to review IT security related aspects of the LAMEDS system. This audit may or may not result in a public report based on LLA Financial guidance.
- *Status:* Reporting stage. This audit will not result in a public report, but its findings will be included in the LLA MAU report on LaMEDS and the Single Audit/LDH Management Letter.
- *Anticipated End Date:* February 2020.

#### 5. LLA Performance – OPH Follow-up Audits

- *Description:* LLA will be performing audit follow-up procedures on the following previously issued OPH audits:
  - *Regulation of Food Safety in Retail Food Establishments* - Issued November 21, 2012.
  - *Special Supplemental Nutrition Program for Women, Infants and Children (WIC)* - Issued November 20, 2013.
  - *Safe Drinking Water Program* - Issued August 10, 2016.

- *Status:* Fieldwork stage.
- *Anticipated End Date:* February 2020 for Food Safety, 2nd Quarter 2020 for Safe Drinking Water and 3rd Quarter 2020 for WIC.

6. LLA Performance – LDH/LPSC Water Rates in Louisiana Follow-Up Audit

- *Description:* LLA will be performing audit follow-up procedures on a previously issued audit from 2017 on Water Rates in Louisiana.
- *Status:* Fieldwork stage.
- *Anticipated End Date:* February 2020.

7. LLA MAU – Louisiana Medicaid Eligibility and Lottery Winnings

- *Description:* Due to the 2018 regulation regarding counting of lottery winnings for Medicaid MAGI based eligibility determinations and as part of LLA's required eligibility work, LLA received data from the Louisiana Lottery Corporation and compared that data to Medicaid data in order to identify Medicaid recipients with lottery winnings \$80,000 and greater on or after January 1, 2018.
- *Status:* Fieldwork stage.
- *Anticipated End Date:* February/March 2020.

8. LLA Performance – Non- Emergency Medical Transportation (NEMT) Follow-Up Audit

- *Description:* LLA will be performing audit follow-up procedures on a previously issued audit from 2015 on the NEMT Program. NEMT responsibility has shifted to the MCOs since the original report was issued.
- *Status:* Fieldwork stage.
- *Anticipated End Date:* March/April 2020.

9. LLA – Single Audit / LDH Management Letter

- *Description:* This is the annual audit performed by LLA Financial for the State of Louisiana. The title of this audit is the Single Audit Report. LLA will audit the LDH Main Fiscal Office, and the New Orleans Fiscal Office, including the Immunization Program and WIC and produce a Management Letter report. The findings from the Management Letter report will be included in the Single Audit report in their entirety. The LLA audit objective is to provide an audit of the State of Louisiana's Comprehensive Annual Financial Report (CAFR), the Single Audit of the State of Louisiana for the year ended June 30, 2019 (Single Audit), and an audit of Louisiana Department of Health (LDH), to provide assurances on financial information that is significant to the State's CAFR; to evaluate the effectiveness of LDH's internal controls over financial reporting and compliance; and to determine whether LDH complied with applicable laws and regulations for the year ended June 30, 2019 (Management Letter).
- *Status:* Fieldwork stage.
- *Anticipated End Date:* March 2020.

10. LLA Performance – OBH - Worker Misclassification by Providers of Behavioral Health Services in Medicaid

- *Description:* LLA will analyze employment practices of behavioral health providers as they relate to classification of workers as 1099 contractors or w-2 employees to determine appropriateness of such employment relationships.
- *Status:* Fieldwork stage.
- *Anticipated End Date:* April 2020.

11. LLA Performance – Billing by Providers of Behavioral Health Services Indicating Service from Multiple Providers in a Day

- *Description:* LLA will analyze providers billing patterns that may indicate issues with providing quality of care such as billing for services provided in more than one location on the same day.
- *Status:* Fieldwork stage.
- *Anticipated End Date:* April 2020.

12. LLA (MAU) – Medicaid Utilization

- *Description:* The LLA audit objective is to review data related to utilization in managed care.
- *Status:* Fieldwork stage.
- *Anticipated End Date:* Project is on hold by LLA, Issue Date TBD.

**Federal Audits**

13. CMS – Louisiana Medicaid Eligibility Determinations for the Expansion Population

- *Description:* This audit will determine whether the Louisiana Department of Health determined Medicaid eligibility for modified adjusted gross income (MAGI)-eligible adult beneficiaries in accordance with Federal and state eligibility requirements, and claimed the appropriate Federal Medical Assistance Percentage (FMAP) on behalf of these beneficiaries. Other objectives include identifying and assessing the impact of any changes to Medicaid eligibility policy due to the Affordable Care Act (ACA) and determining whether non-expansion enrollment categories were impacted by the expansion enrollment process. complied with Federal and State requirements for determining Medicaid eligibility determinations for beneficiaries under the new adult group (aka Medicaid expansion population) made under the Patient Protection and Affordable Care Act (PPACA).
- *Status:* Reporting stage.
- *Anticipated End Date:* February 2020.

14. OIG – Medicaid Expansion Eligibility

- *Description:* This audit will determine whether the Louisiana Department of Health complied with Federal and State requirements for determining Medicaid eligibility determinations for beneficiaries under the new adult group (aka Medicaid expansion population) made under the Patient Protection and Affordable Care Act (PPACA).

- *Status:* Reporting stage.
- *Anticipated End Date:* March 2020.

15. OIG – NOW Waiver Critical Incidents

- *Description:* This audit will determine whether the LDH complied with Federal waiver and State requirements for reporting and monitoring critical incidents involving Medicaid beneficiaries with developmental disabilities residing in community-based settings. This audit will specifically focus on the NOW waiver.
- *Status:* Fieldwork stage.
- *Anticipated End Date:* June 2020.

16. OIG – Balancing Incentive Payments Program (BIPP)

- *Description:* The objective of the audit will be to determine whether Louisiana spent the additional BIPP Federal funding to provide new or expanded offerings of community-based long-term services and supports in accordance with Federal requirements.
- *Status:* Fieldwork stage.
- *Anticipated End Date:* June 2020.

17. OIG – State Targeted Response to the Opioid Crisis Grants (STR) and the State Opioid Response Grants (SOR)

- *Description:* The objective of the audit will be to determine how Louisiana implemented programs under the STR and SOR grants and whether the activities of these agencies and their subrecipients responsible for implementing the programs complied with Federal regulations and met program goals. The Office of Behavioral Health (OBH) will be the agency responding to this audit.
- *Status:* Fieldwork stage.
- *Anticipated End Date:* November 2020.

18. USDA – Financial Management Review of the Women, Infants and Children (WIC) Program

- *Description:* USDA will be conducting an on-site Financial Management Review (FMR) of the OPH (WIC) Program. The purpose of the FMR is to evaluate your agency's operations for compliance with established program and financial policies, regulatory requirements and quality standards.
- *Status:* Planning stage.
- *Anticipated End Date:* June 2020.

**Completed Audits**

**State Audits**

1. LLA – Single Audit / LDH Management Letter

- *Description:* This was the annual audit performed by LLA Financial for the State of Louisiana. The title of this audit is the Single Audit Report. LLA audited the LDH Main Fiscal Office, and the New Orleans

Fiscal Office, including the Immunization Program and WIC and produced a Management Letter report. The findings from the Management Letter report were included in the Single Audit report in their entirety. The LLA audit objective was to provide an audit of the State of Louisiana's Comprehensive Annual Financial Report (CAFR), the Single Audit of the State of Louisiana for the year ended June 30, 2018 (Single Audit), and an audit of Louisiana Department of Health (LDH), to provide assurances on financial information that is significant to the State's CAFR; to evaluate the effectiveness of LDH's internal controls over financial reporting and compliance; and to determine whether LDH complied with applicable laws and regulations for the year ended June 30, 2018 (Management Letter).

- *Status:* Complete.
- *Corrective Action:* The following were identified as findings in both the Management Letter and Single Audit. For each finding a summary of the corrective action planned is included.
  - Noncompliance with Managed Care Provider Enrollment – LDH concurs with the finding that all providers have not been screened and enrolled with the state Medicaid agency. LDH began having conversations with CMS in the summer of 2017 around our inability to meet the January 1, 2018, deadline for having providers enrolled. At that time, LDH was in the process of procuring a new system for provider enrollment which would bring us into compliance with the federal regulation. LDH has negotiated a contract with Verisys Corporation for the enrollment and screening of all fee-for-service providers, as well as the enrollment and screening of all managed care providers. We anticipate that the new enrollment system will go live early in FY 21 and the enrollment of providers should be completed well before the end of FY 21. LDH will continue to keep CMS informed of our progress toward implementation of the new system.
  - Inadequate Controls over Quarterly Federal Expenditure Reporting - Alien Emergency Services – LDH has implemented a corrective action plan to review and identify all services provided to Medicaid recipients and identify all Medicaid covered populations to ensure that all expenditures are reported in the appropriate category on the quarterly federal reports.
  - Inadequate Controls over Required Reporting on the Schedule of Expenditures of Federal Awards - SEFA – Corrective action includes inclusion of a Federal “Type” indicator, creation of a SEFA Inventory report and preparation of a monthly detail of Federal in-kind vaccines before SEFA deadline. This corrective action has been completed with accurate and timely information submitted by the SEFA deadline of September 1, 2019.
  - Assignment of Third Party Liability (TPL) – Corrective Action has been implemented by Medicaid. During fiscal year 2018, LDH reviewed all paper applications and, if necessary, made revisions to include the assignment language effective March 1, 2018. Corrective action for the online application was also in progress during fiscal year 2018. Changes were made to the online application process in conjunction with implementation of the new eligibility system. The revised application summary that is included in the case record does contain the assignment notification. The new eligibility system went live on November 13, 2018.
  - Improper Charges to Federal Programs – LDH Fiscal implemented a preventative process to ensure coding for audit costs is reviewed and approved by LDH Budget and LDH Fiscal before processing the invoice for payment. A retrospective plan was implemented by processing transactions in the statewide accounting system, to the extent possible, that reverse the improper charges made to federal programs in fiscal year 2018.

- **Inadequate Internal Control over Modified Adjusted Gross Income (MAGI) Eligibility Determinations** – This was a repeat of the finding noted in a previous report issued by LLA. LDH agreed to conduct more frequent wage data matches using new automated LaMEDS Eligibility system. LDH is now using Louisiana Workforce Commission (LWC) data to replicate the method developed by LLA to identify high-risk cases for review by our Recipient Fraud Unit. LDH will verify eligibility determinations made by the Federally Facilitated Marketplace (FFM) and promptly terminate coverage for individuals found to be ineligible. LDH will reinforce training on agency policy that requires caseworkers to consider all information available and promptly re-determine eligibility when indicated. LDH will reinforce caseworker training on agency policy that requires documentation of information used to make eligibility decisions. In addition, LaMEDS will automatically store information available to the system for use in eligibility decision making. LDH established an option for allowing applicants to verbally cancel their coverage similar to how applicants verbally apply for Medicaid.
- **Noncompliance with Provider Revalidation and Screening Requirements** – CMS has been informed of LDH’s initial enrollment and re-enrollment risk-based screening implementation, which went into effect on July 1, 2017. Applications screened after that date are in compliance with federal and state regulations. LDH also began having conversations with CMS in the summer of 2017 around our plan to implement full federal database screening and revalidations. At that time, LDH was in the process of procuring a new system for provider enrollment which would bring us into compliance with the federal regulation. LDH has negotiated a contract with Verisys Corporation for the enrollment and screening of all fee-for-service providers, as well as the enrollment and screening of all managed care providers. We anticipate that the new enrollment system will go live early in FY 21 and the enrollment of providers should be completed well before the end of FY 21. We continue to keep CMS informed of our progress toward implementation of the new system.
- **Improper Payments to Waiver Services Providers** – LDH OCDD agrees that five claims missing some or all progress notes resulted in improper payments. OCDD provided statewide training regarding this requirement to providers in 2016. OCDD asserts that providers are fully aware that documentation of services is required to support billing.
- **Noncompliance with Review of Redeemed Food Instruments and Cash-Value Vouchers** – LDH/OPH Bureau of Nutrition Services (BONS) agrees with the recommendation to implement corrective action to ensure the reviews of redeemed FIs/CVVs are being performed. BONS has established USDA approved Not-To-Exceed (NTE) limits and Maximum Allowable Reimbursement (MAR) levels to ensure FIs/CVVs redemption amounts do not exceed the maximum allowable purchase amounts. FIs/CVVs are edited against federally approved MARs and vendor peer groups. FIs/CVVs that are presented over the MARs rate are rejected and paid through the Automatic Clearing House (ACH) process at MAR rates. The “Paid Errors” report is reviewed monthly by Finance staff to ensure questionable food instruments are processed according to policy. BONS Finance and Vendor staff will conduct FIs/CVVs reviews according to the scheduled timeframe listed on in the BONS “Food Instrument Review” document, which lists the review purpose, related reports, review due date and review responsibility for all FIs/CVVs. LLA (MAU) – Billing by Providers of Behavioral Health Services in Medicaid.

## 2. LLA (MAU) – Billing by Providers of Behavioral Health Services in Medicaid

- *Description:* LLA analyzed billing practices by providers to determine what controls LDH and the MCOs have in place to ensure providers submit claims with appropriate procedure code and modifier

combinations, as well as to identify ways to identify providers who are billing incorrectly but are not currently being investigated by LDH, the AG, or the MCO SIUs.

- *Status:* Complete.
- *Corrective Action:* LDH objected to the findings of this audit. As a result, there are no corrective actions planned. In disagreeing with the findings in this report, the Department stands by its managed care organizations that use a market-based approach to reimbursing its providers. This payment model ensures that Louisiana’s Medicaid enrollees have access to critical behavioral health care services.

### 3. LLA (MAU) – Medicaid – Status on the Use of Federal Tax Data

- *Description:* This audit was performed to provide the status on the Louisiana Department of Health’s (LDH) use of federal tax information (FTI) in the Medicaid eligibility determination process. Proper and timely eligibility decisions are critical to ensure LDH does not expend state and federal funds paying per member per month fees to managed care organizations for ineligible individuals. Using tax information would provide verification for Medicaid eligibility factors that are currently self-attested by the applicant.
- *Status:* Complete.
- *Corrective Action:* LDH agrees with the recommendation that LDH management should conduct a cost analysis for the option of using an IRS compliant method for utilizing automated federal tax data in LaMEDS and the department is currently in the process of conducting an analysis of both fiscal and programmatic impacts of the systematic integration of FTI in LaMEDS. In addition, if a cost analysis determines that the automated use of FTI would be cost-prohibitive, LDH will work with the Louisiana Department of Revenue to determine if the automated use of state tax data would be practical and permissible.

### 4. LLA - Medicaid Audit Unit (MAU) - Identification of Behavioral Health Providers

- *Description:* The LLA audit objective is to evaluate whether behavioral health providers who provide psychosocial rehabilitation (PSR) and community psychiatric supportive treatment (CPST) services are listing the National Provider Identification (NPI) number of the individual providing the services on Medicaid claims, as required in state law.
- *Status:* Complete.
- *Corrective Action:* LDH agreed to develop an edit check to deny encounters where the rendering NPI does not represent an individual. Furthermore, LDH confirmed that all MCOs have established edit checks to ensure that PSR and CPST claims meet statutory requirements. LDH is working with MCOs to resolve any remaining technical issues with rendering provider NPI issues in identified encounters.

### 5. LLA (MAU) – Update on Wage Verification Process of the Medicaid Expansion Population

- *Description:* This audit analyzed the steps taken by LDH since the release of the Medicaid Eligibility: Wage Verification of the Medicaid Expansion Population audit issued on November 8, 2018, including but not limited to the results of the first LWC data match performed by LDH and referenced in LDH's report titled Medicaid Eligibility Reform: Reasonable Compatibility and Tax Data Monthly Report submitted to the legislature on February 15, 2019.
- *Status:* Complete.



- *Corrective Action:* LDH established a process to conduct more frequent wage data matches, LDH also entered into a data sharing agreement with LWC to receive wage data on a quarterly basis to proactively identify wage changes and increases for Medicaid recipients instead of relying on the recipients themselves to self-report changes. LDH incorporated this new LWC wage data match into its new eligibility system.

6. LLA - Investigative Audit – Walk With Me Community Improvement Center

- *Description:* This investigative audit was conducted to determine if this provider was paid for services not provided.
- *Status:* Complete.
- *Corrective Action:* No corrective action was noted for the response to this audit; however, LDH noted that the LDH Bureau of Health Services Financing and the Office of Behavioral Health are committed to ensuring the integrity of the Medicaid program through established policies and procedures.

7. LLA - Investigative Audit – Medicaid Recipient Fraud

- *Description:* This investigative audit was conducted to determine if certain Medicaid recipients provided false information to obtain benefits.
- *Status:* Completed.
- *Corrective Action:* LDH obtained legal counsel to determine the appropriate action to be taken against the recipient/provider named in the report, including the recovery of payments for improper Medicaid benefits. LDH will continue to reinforce caseworker training on agency policy requiring documentation of information used to make eligibility decisions and conduct supervisory reviews of caseworker actions to ensure compliance.

8. LLA – Drinking Water Revolving Loan Fund

- *Description:* LLA audited the financial statements of the Drinking Water Revolving Loan Fund (DWRLF) as of and for the year ended June 30, 2018, to determine whether the financial statements are fairly stated. LLA also conducted procedures as required by the Environmental Protection Agency to determine state compliance with its grants.
- *Status:* Complete.
- *Corrective Action:* There were no findings for this audit and as such, no corrective action was required.

9. LLA – Elder Financial Exploitation

- *Description:* The LLA audit objective was to provide an overview with recommendations related to elder financial exploitation in the state. This review covered various state agencies including LDH. LLA identified gaps in the system to prevent elder financial abuse because there are multiple agencies with some, but not overall, responsibility. Areas of focus for LDH were the manner of reporting of incidents to outside entities and what type of actions were taken.
- *Status:* Complete.
- *Corrective Action:* LDH agrees with the recommendation that LDH's Health Standards should work with law enforcement to develop policies on when it would be appropriate to refer cases to law enforcement. Although the LDH Health Standards Section currently has coordinated efforts with law enforcement regarding the referral of substantiated cases of financial exploitation, LDH agrees to revisit this matter by engaging in discussions with appropriate law enforcement offices. Currently,

cases are referred to the appropriate law enforcement agency depending upon the facts/details surrounding the allegation and the wishes of the victim. Appropriate referrals are made to local law enforcement, the Attorney General's Office, the Program Integrity section of LDH, and to the nurse aide registry based upon the determined facts surrounding each individual case. Substantiated findings of financial exploitation in excess of \$500 are routinely reported to local law enforcement. LDH also agrees with the recommendation that Health Standards should review Nursing Home Incident data to identify risky nursing homes that have not reported cases for long periods and follow up during their survey process. In 2015, LDH recognized that the database being used to collect nursing home incident reports, which includes those of financial exploitation, was outdated and unable to perform certain functions. In particular, the system does not have reporting capabilities, which would allow HSS to track, and trend patterns of activities being reported. LDH began the process of replacing this outdated system and establishing a department wide tracking system that could be used to coordinate activities and information and could produce needed reports. The department launched a new database for incident tracking, reporting, and trending in June 2019.

10. Louisiana GOSHEP – Sub recipient Monitoring

- *Description:* GOSHEP assessed the capability, performance and compliance of sub recipients against applicable administrative regulations and grant requirements. The goal of the review was to ensure that sub recipients were aware of and in compliance with grant requirements. This review focused on a selection of LDH's GOSHEP related grants.
- *Status:* Complete.
- *Corrective Action:* None noted.

11. LLA Performance – Billing by Providers of Behavioral Health Services Provided Outside of Contiguous Parishes

- *Description:* LLA will analyze providers providing services outside of their parish and contiguous parishes as allowed by their licenses and to determine LDH's level of monitoring of such billing.
- *Status:* Cancelled by LLA. No report will be issued.
- *Corrective Action:* N/A, report cancelled by LLA.

**Federal Audits**

There were no completed Federal Audits within the timeframe of this report.

Should you have any further questions or concerns please feel free to contact me at 225-342-6726 or via email at [Cindy.Rives@la.gov](mailto:Cindy.Rives@la.gov).

Sincerely,



Cindy Rives  
Undersecretary