

John Bel Edwards  
GOVERNOR



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SECRETARY

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

January 23, 2018

The Honorable J. Cameron Henry, Chairman  
Louisiana State House of Representatives  
House Appropriations Committee  
P.O. Box 4486, Capitol Station  
Baton Rouge, LA 70804

The Honorable Eric K. LaFleur, Chairman  
Louisiana State Senate  
Senate Finance Committee  
P.O. Box 94183, Capitol Station  
Baton Rouge, LA 70804

The Honorable Frank A. Hoffmann, 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

RE: Louisiana Department of Health – Audit Update Report

Dear Honorable Chairs:

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 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 has a Medicaid Audit Unit whose audits are a hybrid of performance and financial audits. Typically, the audit process consists of three stages: planning, field work, and reporting.

Planning status of an audit is indicated when the Department 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. Fieldwork status is indicated when the auditors are in the process of auditing, e.g., conducting interviews, testing controls, and gathering data. Finally, reporting status indicates when the Department 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 January 25, 2017, the LLA reported seven findings for SFY 2016, which is half the number of findings published in their SFY 2015 Financial Audit. All seven findings have been corrected, and the actions are considered complete according to the LDH corrective action plan tracking.

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

### **Audits in Progress**

#### **State Audits**

1. LLA – Sub-recipient Monitoring Requirements
  - *Description:* LLA found that OPH did not adequately monitor WIC program subrecipients, possibly resulting in federal disallowed costs the state may have to return.
  - *Status:* Reporting. OPH formal response submitted to LLA by January 12, 2018.
  - *Anticipated End Date:* January 2018
  
2. LLA – Pharmacy – Prescription Limit Violations – State and Federal Limits
  - *Description:* The LLA audit objective is to identify claims paid that violated State and Federal prescription limits in the Medicaid Pharmacy Benefits program from Fiscal Years 2013 through 2016.
  - *Status:* Reporting. Validation of results is underway.
  - *Anticipated End Date:* February 2018
  
3. LLA – Fee For Service/Managed Care Organization - Claims Paid by both FFS and MCO
  - *Description:* The LLA audit objective is to identify claims paid for by both the State (FFS) and the MCO plans that are potential duplicates.
  - *Status:* Fieldwork. Will likely be refocused into a project on retroactive enrollment.
  - *Anticipated End Date:* February 2018
  
4. LLA – Fee for Service/Managed Care Organization - PMPM
  - *Description:* The LLA audit objective is to determine if PMPM payment information matches recipient managed care enrollment records.
  - *Status:* Fieldwork.
  - *Anticipated End Date:* February 2018
  
5. LLA – Behavioral Health Care Access – Specialized Behavioral Services
  - *Description:* An audit on access to comprehensive and appropriate specialized behavioral health services in Louisiana.
  - *Status:* Reporting
  - *Anticipated End Date:* January 2018
  
6. LLA – Medicaid Recipient Eligibility Data Project
  - *Description:* The LLA project objective is to identify inconsistencies across state systems in Medicaid eligibility determinations data and Medicaid recipient data. This audit is comprised of three eligibility components: deaths, incarcerations, and income. Multiple reports may be issued.

- *Status:* Fieldwork/Reporting. On November 29, 2017, LLA issued the final report on improper payments for deceased Medicaid recipients. Fieldwork continues on eligibility issues for incarcerations and income.
  - *Anticipated End Date:* March 2018
7. LLA – LDH Program Integrity
- *Description:* The LLA audit objective is to determine whether LDH Program Integrity is operating effectively.
  - *Status:* Planning
  - *Anticipated End Date:* March 2018
8. LLA – LTC Transition Into Managed Care Informational Review
- *Description:* The LLA audit objective is to provide an informational review of the transition of LTC services into managed care in Louisiana.
  - *Status:* Planning
  - *Anticipated End Date:* March 2018
9. LLA – Fee For Service/Managed Care Organization - Carve Outs
- *Description:* The LLA audit objective is to determine whether the State (FFS) paid for claims that should have been paid for by the MCO.
  - *Status:* Fieldwork
  - *Anticipated End Date:* On Hold
10. LLA – Investigative – LTPCS - Investigation into Specific Provider JABA
- *Description:* JABA is a waiver provider and Long-Term Personal Care Services Provider. LLA reviewed services performed in the New Opportunity Waiver (NOW) and the LT-PCS Programs.
  - *Status:* Reporting
  - *Anticipated End Date:* January 2018

### **Federal Audits**

11. OIG – Provider Preventable Conditions
- *Description:* The OIG audit objective is to determine if LDH has made improper payments to providers for preventable conditions (also known as hospital-acquired conditions).
  - *Status:* Fieldwork. Initial planning meetings with OIG have been completed. OIG is currently reviewing claims data.
  - *Anticipated End Date:* February 2018
12. OIG – NOW Waiver Critical Incidents
- *Description:* This audit will determine whether the Louisiana Department of Health 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:* Planning
- *Anticipated End Date:* April 2018

### **Completed Audits**

#### **State Audits**

1. LLA – Women, Infants, and Children (WIC) Vendor Monitoring
  - *Description:* LLA found that OPH did not implement cost containment requirements and adequately monitor WIC program vendors.
  - *Status:* Complete
  - *Corrective Action:* The LDH and Office of Public Health (OPH) Bureau of Nutrition Services (BONS) worked closely with the United States Department of Agriculture (USDA) to address the outstanding issues with the Vendor Monitoring and Cost Containment Requirements. The BONS Director led efforts that resulted in the development of new and effective policies and procedures for all aspects of WIC Vendor Management including: development of new vendor agreements and a comprehensive vendor guide, an approved peer group and cost containment system, and appropriate identification and oversight of "Above 50% Vendors". These interim and permanent Vendor Monitoring policies and procedures not only required USDA approval, they also required changes in the Louisiana Administrative Code (LAC) to include a new selection criteria, sanction schedules and administrative review procedures. The USDA approved these interim and permanent Vendor Monitoring policies and procedures on September 28, 2016; and immediately following, the required LAC changes were initiated on October 1, 2016. The new and improved policies and procedures were put in place October 1, 2016; and, all interim policies and procedures continue to be reviewed, revised, and authorized jointly by a BONS and USDA working group until finalized and approved. On May 17, 2017, the USDA issued a letter to the LDH New Orleans Fiscal Office advising that its Food and Nutrition Service (FNS) division had reviewed LDH's efforts to correct this finding and found that LDH's actions were sufficient to resolve the problems. Therefore, the USDA advised that it had closed its file on this audit.
2. LLA – Sub-recipient Monitoring Requirements
  - *Description:* LLA found that OPH did not adequately monitor WIC program sub-recipients; possibly resulting in federal disallowed costs the state may have to return.
  - *Status:* Complete
  - *Corrective Action:* OPH drafted policies and procedures to address this issue, and monitors/audits cash payments to each sub-recipient. Policy 13.3 LDH Audit Requirements for Contracts was approved with an effective date of October 6, 2016. In addition to the updated policy, the New Orleans Fiscal Office periodically provides OPH program staff with a Business Objects Report of SFY cash basis payments made to each subrecipient as identified in the purchase order. If the subrecipient's total payments are \$750,000 or more, it will be highlighted on the report for audit follow up

by the program staff. On May 17, 2017, the USDA issued a letter to the LDH New Orleans Fiscal Office advising that its Food and Nutrition Service (FNS) division had reviewed LDH's efforts to correct the issues in this finding and found that LDH's actions were sufficient to resolve the problems. Therefore, the USDA advised that it had closed its file on this audit.

### 3. LLA – Medicaid Dental Services

- *Description:* LLA reviewed the Medicaid Dental Services Program, primarily data driven, to look for improper payments for dental claims.
- *Status:* Complete
- *Corrective Action:* LDH Medicaid has completed its review of both the Dental Services Manual and the Managed Care North America (MCNA) Provider Handbook to ensure all policy is up to date and requirements are clearly explained. The MCNA Provider Handbook was updated on June 1, 2017. The provider Dental Services Manual was updated, circulated internally, and posted to [www.lamedicaid.com](http://www.lamedicaid.com) on June 16, 2017. In addition, on May 22, 2017, LDH Medicaid implemented a tracking process to ensure that, going forward, timely updates are made to the manuals when program rules are changed. For fee-for-service payments, which include only Medicaid ICF/DD recipients, to correct a deficiency with MCNA, a systems change was completed as LIFT 1828 and put into production on May 19, 2017 to add Administrative Management Review and Clinical Review. LDH uses the 3<sup>rd</sup> and 4<sup>th</sup> characters of the ICN to include (MR) for Management Review and (CR) for Clinical Review. Molina accepts and maps to the data warehouse. The Systems Companion Guide was updated on April 5, 2017, with instructions on how to submit these codes in the MCNA Plan ICN value.

### 4. LLA – Multiple IDs

- *Description:* LLA reviewed Medicaid payments for additional and/or outstanding duplicate payments made for Medicaid recipients with multiple IDs in managed Care and Legacy Fee for Service.
- *Status:* Complete
- *Corrective Action:* LDH Medicaid has established processes to minimize the amount of time that duplicate Medicaid IDs are active. In March 2017, Medicaid staff began reviewing daily a report of suspected duplicates to identify valid IDs and invalidate others to prevent or recoup duplicate payments. On March 3, 2017, LDH updated the Medicaid ID cross-reference file to identify and recoup duplicate premium payments made to Managed Care Organizations for recipients with multiple Medicaid IDs where the valid and invalid IDs were enrolled with different plans. The update provides Medicaid's enrollment broker with the data needed to retroactively disenroll the invalid Medicaid IDs. Effective March 28, 2017, recoupments of duplicate premium payments made during the invalidated IDs' retroactive disenrollment period began and continue on a routine monthly basis.

5. LLA – Improper Payments – Home and Community Based Services

- *Description:* The LLA audit objective was to identify improper payments to providers of home and community-based services. This was a follow-up review to a previous LLA performance audit (Improper Payments in HCBS Programs issued in September 2011).
- *Status:* Complete
- *Corrective Action:* LDH contractor (SRI) completed implementation of an additional comprehensive edit that looks across all records by the deliverable date of September 30, 2017. LDH will compare the two systems Molina and SRI LAST to determine which is best to conduct an overlap analysis of HCBS services and institutional care. LDH will work to implement a mechanism for validating social security numbers through the Social Security Administration. However, there is a charge for this service and funding will need to be identified. LDH has partially completed a phasing in of Electronic Visit Verification (EVV) statewide. Implementation is being phased in on a region-by-region basis. The first phase was completed in November 2017 and completion for the remaining implementation is expected by February 19, 2018. LDH has developed a more systematic financial monitoring process and the implementation of EVV will facilitate the accuracy of billing and documentation. LDH will implement EVV for Support Coordination by December 31, 2018 which will provide the ability for LDH to verify each support coordinator’s monitoring visit. Lastly, the LDH will work to implement, by June 30, 2018, an automated review to ensure a comprehensive check is performed against the state and federal exclusion lists as well as the DSW Registry.

6. LLA – Lab Claims

- *Description:* The LLA audit objective was to identify payments to uncertified labs and violations of service limits.
- *Status:* Complete. The LLA office issued a report on September 6, 2017.
- *Corrective Action:* LDH Medicaid management disagreed with the LLA office’s statement that \$1.7M was paid for claims related to a deleted CPT procedure code on the basis that the identified procedure code was not deleted until 2015 and thus was valid for services at the time of the service. LDH Medicaid asserted that it currently updates the Medicaid CLIA file weekly using an automated system to compare against the CLIA database and also currently evaluates the list of payable codes each year as CPT codes are added and removed from the list. When codes are retired, they are made non-payable in the Medicaid Management Information System resulting in a denied claim. LDH Medicaid is currently reviewing the edit checks in place for laboratory claims to ensure they contain up-to-date procedure codes for laboratory tests and will continuously monitor these edits in conjunction with its evaluation of payable CPT codes. LDH Medicaid has begun evaluating different options that will allow it to improve its monitoring of the Laboratory Program offered through managed care plans and will implement corrective actions by June 30, 2018.

7. LLA – T1015 Encounter Claims

- *Description:* The LLA audit objective was to determine if detail lines were included in claims data for "encounter" services.
- *Status:* Complete. Formal response submitted to LLAs on September 26, 2017.
- *Corrective Action:* LDH will work with its Managed Care Organizations and fiscal intermediary contractor to collect, to the maximum extent practical on a retrospective basis, the missing detail lines on T1015 encounter claims submitted prior Edit 134 being switched to deny in 2015. LDH has found opportunities to strengthen Edit 134. The change was implemented effective with dates of service 11/1/2017.

8. LLA – Inadequate Controls over Quarterly Federal Expenditure Reporting

- *Description:* The LLA audit objective is to determine whether LDH accurately and timely completed the required quarterly reports of federal expenditures for Medicaid.
- *Status:* Complete. Formal response submitted to LLAs on December 12, 2017.
- *Corrective Action:* In November 2017, LDH corrected the reporting errors and updated its procedures and processes for preparing the quarterly report. LDH continues to strengthen its controls over preparation and review of the reports (e.g., implementing a check list for CMS-64 work papers, establishing a quarterly calendar to organize responsibilities for work paper production and review, and creating calendar reminders of deadlines for tasks necessary to complete the CMS-64 timely). LDH Fiscal has faced significant difficulties with recruiting and retaining qualified staff due to non-competitive wage rates for accounting staff. The Federal Medicaid Reporting Unit experienced extremely high turnover rates during this period. The impact of this unstable work force within Fiscal has led to a majority of staff being inexperienced and heavier workloads for experienced staff. LDH is currently in the process of contracting with a consultant to assist with preparation of the CMS-64, identify efficiency improvements in procedures and processes, and train staff.

9. LLA – Improper Payments to Waiver Services Providers

- *Description:* The LLA audit objective is to determine whether LDH made improper payments to waiver services providers for New Opportunities Waiver (NOW) claims.
- *Status:* Complete. Formal response submitted to LLAs on December 19, 2017.
- *Corrective Action:* LDH will review current NOW policies to ensure that proper payments are *made* and flexibility is maintained.

10. LLA – Office of Behavioral Health

- *Description:* Performance audit report on OBH monitoring of MCOs relative to behavioral health access.
- *Status:* Complete
- *Corrective Action:* OBH Management agreed with recommendations and will work with licensing boards to obtain additional licensing data and use that data to analyze whether providers are listed with the correct provider types by the MCOs. In addition, OBH will continue to analyze Medicaid data in order to identify encounters with miscoded provider type information as part of ongoing efforts to identify and correct MCO provider registry inaccuracies. Further, OBH will expand Secret Shopper calls

to verify correct provider information in the MCO registries. Furthermore, LDH will be implementing a new provider credentialing system in 2018 that will enroll all providers into Louisiana Medicaid through a single vendor. As a result, inaccuracies in the MCO registries will no longer impact LDH's ability to identify providers in encounter data.

11. LLA – Nursing Homes

- *Description:* The LLA reviewed LDH oversight of nursing homes, including evaluation of processes to ensure accuracy of payments/rates and the existing rate setting process. In addition, LLA reviewed current audit processes and the roles of Molina and LDH Program Integrity related to nursing home payments.
- *Status:* Complete
- *Corrective Action:* LDH agreed with LLA findings and in its response discussed efforts made or planned to implement these recommendations. For some findings LDH noted limitations to effective corrective action related to current State Law. For other findings LDH agreed to request funds in FY 18-19 appropriations to increase the number of contracted full-scope audits of nursing facilities as recommended by LLA.

12. Louisiana State Civil Service – Human Resources Program Evaluation

- *Description:* This review was to determine LDH's compliance with Civil Service rules and directives. LDH HR actions during FY 2017 were sampled and reviewed for compliance.
- *Status:* Complete
- *Corrective Action:* None required. LDH received commendation from SCS on achieving 100% compliance in 18 of 22 categories, showing improvement over the previous review in 2015. LDH compliance was at or above the statewide compliance percentages.

**Federal Audits**

13. OIG – Credible Fraud Referrals to the Medicaid Fraud Control Unit

- *Description:* The OIG audit objective was to determine if LDH was properly referring suspected fraud cases to the Attorney General's Medicaid Fraud Control Unit, per the Affordable Care Act requirements.
- *Status:* Complete; OIG has issued a report with no findings.
- *Corrective Action:* None required as there were no audit findings.

14. IRS – Financial Transactions Review – IT Security

- *Description:* This review was required by the IRS for agencies that administer federal tax information (FTI). The IRS will be looking at the Department's IT security for financial transactions. This review also looks at the Office of Technology Services.
- *Status:* Complete. IRS was on-site at OTS in January, 2017. Corrective action activities and self-reporting are ongoing.



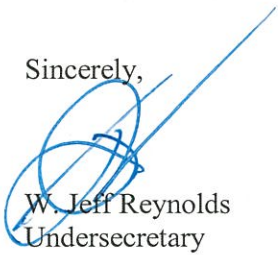
- *Corrective Action:* LDH has developed corrective action plans according to ongoing deadlines set by the IRS for compliance with various rules relating to IT security for FTI. An additional self-review must be complete by March, 2018

15. CMS – Review of Program Integrity

- *Description:* This review's objective was to review all of LDH's Program Integrity processes related to Medicaid managed care to assess compliance with regulations. This audit also consisted of a follow-up audit to a previous review of Program Integrity from 2012.
- *Status:* Complete. CMS provided LDH with a final report and asked for a response by September 21, 2017, as well as, a Corrective Action Plan (CAP). LDH provided a response and CAP. CMS recommendations from 2012 were found to be corrected, however, the current review focused on Program Integrity oversight of managed care as found in 42 CFR 438. The CAP will be implemented to address recommendations.
- *Corrective Action:* LDH PI will provide CMS with quarterly reports on certain activities and communicate with CMS on completion of CAP.

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

Sincerely,



W. Jeff Reynolds  
Undersecretary