



# State of Louisiana

## Louisiana Department of Health

### Office of Management and Finance

December 15, 2017

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 and completed audits for SFY 2016 and SFY 2017 that have been, or are in the process of being conducted by the various auditing bodies.

The majority of LDH audits are performed by the LLA, and they have several different units that audit the Department depending on what they are reviewing. They conduct performance audits, financial audits, and they have a special Medicaid unit that is a hybrid of the two. Typically, the process consists of three stages: planning, field work, and reporting or complete.

Planning status of an audit is indicated when the Department receives an email, announcement letter, or notification of some kind 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 presently auditing such as conducting interviews, testing controls, gathering data, etc. 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. At this time, all seven findings have already been corrected, and the actions are considered “complete” according to the LDH corrective action plan tracking.

It is also important to note the Department's successes from the FY15 Financial Audit, in which LDH corrected all of the findings within 2015 except one. The corrected findings were related to improper uncompensated care payments to two hospitals, inadequate controls to monitor timely filing and prompt payment of Medicaid claims, noncompliance with Medicaid regulations for external quality review report – LA Behavioral Health Partnership, inadequate controls over non-emergency medical transportation services, inadequate monitoring of required medical loss ratio reporting, inaccurate annual fiscal report, inadequate monitoring of vaccines, and lack of controls over federal cash management requirements. As evidenced by our improvement and swift action on all audit findings, LDH is proud of their progress and will continue to work cooperatively with all auditing partners to ensure proper action is taken to correct findings.

The previous and on-going financial and programmatic audits performed by the various external auditing bodies, such as, LLA, OIG, CMS and IRS are summarized below:

**Audits in Progress:**

1. 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:* December, 2017
2. 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:* December, 2017
3. LLA - Behavioral Health Care Access – Statewide – Informational Report
  - *Description:* An Informational audit report on behavioral health access in the state in general. This informational report is currently in draft status and may ultimately contain potential findings and recommendations related to LDH that pertain to behavioral care access.
  - *Status:* Reporting.
  - *Anticipated End Date:* January, 2018 for Informational report.
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:* December, 2017
5. 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:* January, 2018
6. 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
7. 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.
  - *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:* Late 2017/Early 2018
8. 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
9. 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
10. 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
11. 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:* Reporting. LLA issued a draft report on November 29, 2017. The formal response from LDH is due by December 13, 2017.
  - *Anticipated End Date:* December 2017

12. 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:* Reporting. LLA issued a draft report on December 5, 2017. The formal response from LDH is due by December 19, 2017.
- *Anticipated End Date:* January 2018

**Completed Audits:**

1. 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.

2. LLA - Third-Party Liability Requirements (TPL)

- *Description:* LLA found that LDH failed to maintain required processes that identify and recover TPL claims for medical services provided for a Medicaid-eligible recipient.
- *Status:* Complete
- *Corrective Action:* LDH has since established process to ensure federal Medicaid requirements for TPL have been met through an emergency contract with Healthcare Management Systems and subsequently a new TPL contract from July 1, 2016 through June 30, 2019. This contractor will provide LDH with documentation quarterly to support estimated TPL receivable balances to ensure accurate financial reporting.

3. LLA - Quarterly Federal Expenditure Reporting

- *Description:* LLA found that LDH failed to accurately complete the required quarterly reports of federal expenditures. This was a formatting error due to numbers being placed on the wrong line of an accounting sheet.
- *Status:* Complete
- *Corrective Action:* Effective November 21, 2016, the Fiscal Medicaid Reporting Unit began following new guidelines to coordinate with LDH Medicaid staff when new organizations are established to ensure that Fiscal staff reports Medicaid expenditures on the proper line. The new guidelines require Fiscal staff to discuss the purpose of new organizations requested by Medicaid and specifically what types of expenditures they will capture. Effective November 21, 2016, the Fiscal Medicaid Reporting Unit put into place an additional internal control to review and compare the balances between the previous and current quarters' 64.9R Report to ensure that beginning and cumulative totals are correct. The unit updated its CMS 64 reporting procedure, Steps to Reporting Drug Rebates on the 64.9R, on December 1, 2016 to include such review of the balances. All formatting errors were corrected by December 1, 2016.

4. 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.

5. LLA - Waiver Service Providers

- *Description:* LLA found that LDH paid New Opportunities Waiver (NOW) and Community Choices Waiver (CCW) claims under Medicaid for waiver services that were not documented in accordance with established policies.
- *Status:* Complete
- *Corrective Action:* LDH program offices worked to clarify policy guidelines and document requirements related to changes in the client's schedule. The Department reviewed the transactions identified and determined the problem was related to improving documentation at the provider level, but appropriate levels of service were provided. Effective August 25, 2016, program offices revised Section 32.8 Record Keeping of the NOW Manual to clarify guidelines regarding deviations from a recipient's scheduled services. Program offices also provided training to NOW provider agencies across the state on documentation requirements. Training for all agencies was completed on September 28, 2016. In addition, program offices issued a memorandum on January 9, 2017 to all CCW providers clarifying documentation requirements when deviating from a plan of care.

6. LLA - Reporting of Sub-recipients

- *Description:* LLA found that the OPH Schedule of Expenditures of Federal Awards (SEFA) did not contain an accurate listing of amounts provided to sub-recipients, causing a net understatement of \$19.4 million.
- *Status:* Complete
- *Corrective Action:* LDH worked closely with the Division of Administration (DOA) to develop and implement a new sub-recipient indicator field on SRM Purchase Orders and trained staff on new reporting requirements. The New Orleans Fiscal Office created a new Business Objects Report which sorts all subrecipient POs marked in SRM by organization and distributed the report to Organization Managers on February 2, 2017 with instructions to verify all POs listed are subrecipients, and if not, to line through them and to write in any subrecipients that are not listed and to update the SRM PO header subrecipient field as required. The Organization Managers certified the reports by signature and returned them to the Fiscal Office for verification that changes on the report had been made on the SRM PO header. This report will be distributed again in August 2017 prior to the SEFA cash basis extraction of Subrecipients to ensure that all PO data is correct. This procedure will continue to be followed in future fiscal years.

7. 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.

8. LLA - Internal Audit Function

- *Description:* LLA concluded that LDH does not have an adequate internal audit function to examine, evaluate, and report on its internal controls.
- *Status:* Complete
- *Corrective Action:* The Internal Audit Section has completed all corrective action as of June 30, 2017. Risk-based audits for all 7 LDH agencies have been completed. All completed Internal Audit reports contain management responses. The Internal Quality Review program issued a report on compliance with audit standards on 6/30/17, which indicated general conformance with the IIA Standards. The Internal Audit Section is operating at full capacity with no staff auditor positions open.



9. 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.

10. 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.

11. 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 will require its contractor (SRI) to implement a comprehensive edit that looks across all records by September 30, 2017. The 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 is phasing in EVV and will complete statewide implementation by January 1, 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.

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.

13. 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:* Completed. 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

14. 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.

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.

16. 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 is currently in testing and will be implemented by December 31, 2017.

17. 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 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

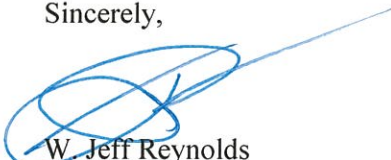
into Louisiana Medicaid through a single vendor. As a result, inaccuracies in the MCO registries will no longer impact LDH's ability to identify providers in encounter data.

18. 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.

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