

John Bel Edwards
GOVERNOR



Rebekah E. Gee MD, MPH
SECRETARY

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

February 19, 2019

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

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 14, 2018, the LLA reported four findings for SFY 2017, which is a 43% reduction from the number of findings published in its SFY 2016 Financial Audit. All four of the findings have been corrected, and the actions are considered complete according to the LDH corrective action plan tracking.

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 – Medicaid Utilization

- *Description:* The LLA audit objective is to provide an informational review related to utilization in managed care.
- *Status:* Fieldwork stage.
- *Anticipated End Date:* March/April 2019

2. LLA – Single Audit / LDH Management Letter

- *Description:* This is an annual audit performed by LLA Financial. LLA audits LDH Main Office, and LDH-OPH, including the Immunization Program and WIC. The LLA audit objective is to provide an audit of the State of Louisiana’s Comprehensive Annual Financial Report (CAFR) and 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), including the Office of Public Health (OPH), to provide assurances on financial information that is significant to the State’s CAFR; evaluate the effectiveness of LDH’s internal controls over financial reporting and compliance; and determine whether LDH complied with applicable laws and regulations for the year ended June 30, 2018 (Management Letter). Findings in the Management Letter may be transferred to the Single Audit or may be Management Letter only findings depending upon LLA judgement.
- *Status:* Fieldwork stage.
- *Anticipated End Date:* March 2019 for LDH Management Letter and Single Audit.

Federal Audits

3. 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:* September 2019

4. 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:* Fieldwork stage.
- *Anticipated End Date:* April 2019

Completed Audits

State Audits

1. 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 plans to launch a new database for incident tracking, reporting, and trending by June 2019.

2. LLA – LDH Program Integrity – Fraud Fund Specific Audit

- *Description:* The LLA audit objective was to determine whether LDH deposited and expended funds from the Medical Assistance Program Fraud Detection Fund (“Fraud Fund”) according to statute.
- *Status:* Complete.
- *Corrective Action:* Although LDH agrees with the audit recommendations, the department had already initiated corrective actions in January 2018. This included revising instructions for depositing penalties into the Medicaid Fraud Fund and transferring \$323,570 into the Nursing Home Residents’ Trust Fund. The transfer occurred on June 4, 2018. The job descriptions for Internal Audit and Legal were updated to reflect current job duties and time spent on Medicaid fraud related activities. LDH adjusted which salaries are derived from the Medicaid Fraud Fund as appropriate.

3. LLA – LDH Program Integrity

- *Description:* The LLA audit objective was to determine whether LDH Program Integrity is operating effectively.
- *Status:* Complete.

- *Corrective Action:* LDH has worked with DXC, formally Molina, to add a field for the settlement amount so that it can be tracked separately from the overall identified amount. The current SURS database was designed to track open and closed cases, not for planning future program integrity activities. However, within the limits of the current system, LDH will reevaluate the current list of categories and update as appropriate. Additionally, LDH will require that a category for "Case Issues" be selected for every database entry. LDH will continue to analyze managed care encounter data to identify fraud, waste, and abuse. In November 2017, LDH Program Integrity began discussions with a vendor to develop a custom solution to assist with prioritizing fraud, waste and abuse case openings based on return on investment. This tool will assist the data-mining steering committee with setting priorities and coordinating analytic activities. LDH will develop a settlement policy that considers the estimated losses to Medicaid. It is current LDH Program Integrity protocol only to entertain a settlement when it is in the best interest of the State and Medicaid. The memo format that Program Integrity submits to LDH Fiscal will be modified to include the actual identified improper payment so that the correct FFP can be calculated. LDH will conduct retrospective reviews of FFP calculations on cases involving settlements that resulted in less than 75% of the initial claim and as resources permit.
4. LLA – Medicaid Recipient Eligibility – Modified Adjusted Gross Income (MAGI) Determinations
- *Description:* The LLA audit objective is to provide an audit report related to applications, state policy, regulations, determinations, and redeterminations. This audit primarily looks at documentation of eligibility determined by MAGI data obtained from applicant's Federal tax information.
 - *Status:* Complete.
 - *Corrective Action:* LDH agrees with this recommendation and continuously works to strengthen its eligibility determination processes. With the new eligibility system, LaMEDS, that was implemented in November 2018, LDH will automate the verification of critical eligibility factors in accordance with 42 CFR §§ 435.940-435.965. Additionally, in May 2019, LDH will incorporate federal tax information into LaMEDS for use in the verification process. With the implementation of LaMEDS, there are no automatic renewals. MAGI based cases are renewed by the use of current case information and interface with all data sources available to determine eligibility or via direct contact with the applicant for any MAGI cases that are not extended on an ex parte basis. LDH continuously reinforces caseworker training on agency policy requiring documentation of information used to make eligibility decisions. LDH supervisors review caseworker actions daily, including random sampling of cases for comprehensive review and targeted reviews of cases for specific issues. In addition, LaMEDS routes all cases assigned to the new employee to the supervisor for review and approval before finalizing the eligibility decision. In all cases, LaMEDS automatically stores information available to the system for use in eligibility decision making, creating an audit trail for case worker decisions. While the previous online application required an electronic signature from the applicant, it did not create or store a printed name as evidence in the electronic case record. However, the new system, LaMEDS, automatically stores the electronic signature in the Enterprise Document Management System. LDH will reassess current policies regarding applications. However, for enrollees who age out of a child category and who remain in the same tax filer household, federal regulations (42 CFR § 435.907) require that LDH accept an application from an adult who is in the applicant's MAGI household.

5. LLA – Medicaid Recipient Eligibility Data Project (*Multiple audit reports*)

- *Description:* The LLA project objective was 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:* Complete. On May 2, 2018, LLA issued the final report on recommendations for strengthening the Medicaid eligibility determination process for LDH's reasonable compatibility standard for income. A report on Medicaid eligibility specific to income eligibility determinations for the Medicaid Expansion population was issued by LLA on November 8, 2018. The incarceration eligibility report was issued on October 31, 2018, and included findings for LDH and for the Department of Corrections.
- *Corrective Action:*

Medicaid Eligibility: Determination Process

LDH agreed with the recommendations, has lowered its reasonable compatibility standard to 10%, and formulated a different standard to calculate reasonable compatibility based on implementation of new eligibility system. In addition, LDH agrees to use Federal tax data in eligibility determinations. LDH also agrees to further analyze Medicaid recipients identified in LDR's analysis whose incomes differed by more than \$100k.

Medicaid Eligibility: Wage Data – Expansion Population

LDH agreed to conduct more frequent wage data matches using new automated LaMEDS Eligibility system. LDH plans to use Louisiana Workforce Commission (LWC) data to replicate the method developed by LLA to identify high-risk cases for review by our Recipient Fraud Unit beginning in early 2019. 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 is currently evaluating options for allowing applicants to verbally cancel their coverage similar to how applicants verbally apply for Medicaid.

Medicaid Eligibility: Incarcerated Individuals

LDH agrees to work with DOC to improve its process to identify incarcerated Medicaid recipients; including ensuring it receives complete incarceration data. LDH will seek to use comprehensive data from DOC's tracking system to accurately identify DOC intakes and discharges. Furthermore, LDH agrees to develop a process to verify any discrepancies it finds with DOC data and communicate its findings with DOC within allowable legal authorities to ensure incarceration records are corrected.

6. LLA – Medicaid Provider Registry

- *Description:* The LLA audit objective was to review various provider registry issues
- *Status:* Complete.
- *Corrective Action:* LDH Medicaid agreed with the recommendations in the audit report and is exploring options to strengthen its processes to: 1) address encounters where the billing provider is unknown to LDH on the date of service, 2) accurately identify the actual service location on all

encounters, 3) continue denying encounters when the provider is not known, and 4) identify the most accurate and up-to-date provider information in encounters. LDH Medicaid has updated its documentation on provider type and specialty combinations. LDH has received verbal approval from CMS on the new system and is awaiting written approval. LDH's goal date for contract execution is March 1, 2019 depending on CMS written approval and a Provider Management System go-live date of June 1, 2019. LDH estimates provider revalidation of all FFS providers and MCO-only provider enrollment completion by December 1, 2019.

7. LLA – Noncompliance with Third Party Liability (TPL) Assignment as a Condition of Eligibility
 - *Description:* The LLA audit objective was to determine whether LDH maintained evidence of TPL notification as required for eligibility in the Medical Assistance Program (Medicaid) and the Children's Health Insurance Program (LaCHIP).
 - *Status:* Complete.
 - *Corrective Action:* Medicaid has completed revisions to the paper applications to ensure it contains the assignment language and has issued procedures on handling old paper applications that are received without the appropriate language. Medicaid made changes to the online application process as part of the implementation of a new eligibility system. The new eligibility system and online application were installed in November 2018.

8. LLA – Improper Payments – Home and Community Based Services (HCBS)
 - *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 Statistical Resources, Inc. (SRI) completed the 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 soon require HCBS providers to verify employee's social security numbers and maintain documentation of verification. LDH has completed the phasing in of Electronic Visit Verification (EVV) statewide. LDH is monitoring the usage of EVV to ensure compliance. LDH began withholding payments from non-compliant providers effective May 1, 2018 and will continue to do so until services are submitted through the EVV system. 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 March 1, 2019, which will provide the ability for LDH to verify each support coordinator's monitoring visit. LDH implemented an automated review to ensure a comprehensive check is performed against the state and federal exclusion lists as well as the DSW Registry.

9. 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.
 - *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 checklist 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. In March 2018, LDH began working with a consultant to assist with preparation of the CMS-64, identify efficiency improvements in procedures and processes, and train staff.

10. LLA – Improper Payments to Waiver Services Providers

- *Description:* The LLA audit objective was to determine whether LDH made improper payments to waiver services providers for New Opportunities Waiver (NOW) claims.
- *Status:* Complete.
- *Corrective Action:* LDH reviewed current NOW policies to ensure that proper payments are made and flexibility is maintained. LDH completed updates to the NOW provider manual on April 12, 2018.

11. 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 has worked with licensing boards in order to obtain additional licensing data on a quarterly basis in order to assist in our analysis of the accuracy of provider level information in the MCOs network reports. 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. OBH has also refined the reporting guidelines for MCOs, in reference to identifying services and expenditures by provider type, and for use as an additional tool when correcting registry information. Further, OBH expanded Secret Shopper calls to verify correct provider information in the MCO registries. Substance Use Treatment providers are the current area of focus, for both licensing checks and Secret Shopper calls. Furthermore, LDH will be implementing a new provider credentialing system in 2019 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.

12. 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:* LDH will implement revisions to its process to ensure that program staff are compliant with monitoring procedures, obtaining and reviewing required sub recipient audit reports, issuing timely management decision letters, and maintaining appropriate documentation. LDH will also maintain an audit tracking system that includes all data needed to substantiate that the policy is being followed. LDH implemented all changes by June 29, 2018.

13. LLA – Behavioral Health Care Access – Specialized Behavioral Services (SBH)

- *Description:* An audit on access to comprehensive and appropriate specialized behavioral health services in Louisiana.
- *Status:* Complete.
- *Corrective Action:* LDH concurred with recommendations noting that most were already in place or currently in process. OBH revised the MCO case management reporting. A new report was implemented in June 2018, and includes a behavioral health specific break-out and identifies all individual Medicaid members who are receiving case management services. However, according to federal regulation 42 CFR §44 1.18, case management service cannot be mandated. The MCO is required to offer this service to a member but may not force the member to participate in all or part of the service. Specifically, the MCO may not compel an individual to receive case management services, condition receipt of case management services on the receipt of other Medicaid services, or condition receipt of other Medicaid services on receipt of case management services. In addition, OBH utilizes an external quality review organization to review a sample of case management records to ensure that the MCOs are providing case management services in accordance with contract requirements.

14. LLA – Investigative – Long-Term Personal Care Services Provider (LT-PCS) – Investigation into Specific Provider JABA

- *Description:* JABA is a waiver provider and LT-PCS provider. LLA reviewed services performed in the New Opportunity Waiver (NOW) and the LT-PCS Programs.
- *Status:* Complete.
- *Corrective Action:* LDH concurred with recommendations noting that the recommendations were already part of the Program Integrity (PI) operations and cited previous work in PI and the Medicaid Integrity Contractor related to this provider, including identification of overpayments and assessments of penalties. Fraud referrals involving providers from Program Integrity to the Attorney General's Medicaid Fraud Control Unit (MFCU) were the subject of an audit conducted by federal OIG in 2017 which noted no findings. In addition, the provider was excluded from Medicaid and its provider agreement was terminated by PI.

15. Office of State Travel (OST) – Controlled Billing Account (CBA) Procurement Card Program Review

- *Description:* The OST audit objective was to review and evaluate compliance with statewide Purchase Card and CBA policies and procedures, agency policies and procedures, laws, regulations and guidelines.
- *Status:* Complete.
- *Corrective Action:* LDH concurred with the report's findings and submitted documents as requested along with its response. OST accepted the LDH response and documentation provided.

Federal Audits

16. 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:* Complete.
- *Corrective Action:* LDH agrees with this recommendation. LDH will work with CMS to determine what portion of the Federal share claimed was unallowable for Federal Medicaid reimbursement and refund to the Federal government the unallowable amount. LDH will review the claims for the

period in question to determine whether payments should be reduced for any claims or Federal share refunded for unallowable amounts. LDH will evaluate its claims edits related to PPCs to ensure that PPCs are appropriately denied for payment.

17. FDA – Manufactured Food Regulatory Program Standards (MFRPS) Assessment - OPH

- *Description:* The FDA conducted an assessment to evaluate LDH/OPH Food and Drug Program's conformance with the 2016 MFRPS. The Food and Drug Unit of the Office of Public Health regulates a variety of activities and processes pertaining to food, drugs, and cosmetics in the state of Louisiana.
- *Status:* Complete.
- *Corrective Action:* The OPH Food and Drug Program submitted a Strategic Plan and response to FDA. FDA then reviewed the OPH Food and Drug Program's Strategic Plan and concluded that OPH continues to make progress towards achieving full implementation and conformance with MFPRS.

18. IRS – Financial Transactions Review – IT Security

- *Description:* This review was required by the IRS for agencies that administer federal tax information (FTI). The IRS performed an on-site review in January 2017 to assess financial security controls within the IT infrastructure at the Office of Technology Services (OTS).
- *Status:* Complete.
- *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. LDH and OTS are responsible for providing responses to report findings. Because the majority of the findings are technical in nature and may involve multiple agencies, OTS coordinates this effort for all agencies. Division of Administration (DOA) Internal Audit as part of compliance with Internal Revenue Service (IRS) Publication 1075, Section 6.4 conducted an independent review of OTS for the benefit of all state agencies in March 2018.

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.

Sincerely,



Cindy Rives
Undersecretary

CR/mb/ap