

John Bel Edwards
GOVERNOR



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SECRETARY

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

August 21, 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

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. Three of the four findings have been corrected, and the actions are considered complete according to the LDH corrective action plan tracking. The remaining finding is in the process of being corrected with an anticipated completion date of November 2018.

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

Audits in Progress

State Audits

1. Office of State Travel (OST) –Controlled Billing Account (CBA) Procurement Card Program Review
 - *Description:* The OST audit objective is to review and evaluate compliance with statewide Purchase Card and CBA policies and procedures, agency policies and procedures, laws, regulations and guidelines.
 - *Status:* Reporting stage. LDH has seen a draft report and provided responses to recommendations but a formal final report has not yet been issued.
 - *Anticipated End Date:* August 2018
2. LLA – Medicaid Recipient Eligibility
 - *Description:* The LLA audit objective is to provide an informational review related to applications, state policy, regulations, determinations, and redeterminations.
 - *Status:* Fieldwork stage.
 - *Anticipated End Date:* September 2018
3. 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:* September 2018
4. LLA – Elder Financial Exploitation
 - *Description:* The LLA audit objective is to provide an overview with recommendations related to elder financial exploitation in the state. This review will cover various state agencies including LDH.
 - *Status:* Fieldwork stage.
 - *Anticipated End Date:* September 2018
5. 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 stage. On November 29, 2017, LLA issued the final report on improper payments for deceased Medicaid recipients. 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 high-income earners will be issued by LLA in Fall 2018. Fieldwork continues on eligibility issues for incarcerations.

- *Anticipated End Date:* September 2018

6. LLA – LDH Program Integrity

- *Description:* The LLA audit objective is to determine whether LDH Program Integrity is operating effectively.
- *Status:* Fieldwork stage.
- *Anticipated End Date:* October 2018

Federal Audits

7. 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:* Reporting stage. A conference was held in May with LDH to discuss potential findings. LDH is working with Molina (Medicaid Fiscal Intermediary) to extract data needed to validate the auditor’s conclusions. OIG is in agreement with validation efforts
- *Anticipated End Date:* September 2018

8. 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:* October 2018

9. 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 made under the Patient Protection and Affordable Care Act (PPACA).
- *Status:* Fieldwork stage.
- *Anticipated End Date:* February 2019

Completed Audits

State Audits

1. LLA – LDH Program Integrity – Fraud Fund Specific Audit
 - *Description:* The LLA audit objective is 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 transferred \$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 the salaries derived from the Medicaid Fraud Fund as appropriate.

2. LLA – Medicaid Provider Registry
 - *Description:* The LLA audit objective was to review various provider registry issues, including LDH status on enrolling managed care providers, provider 9999999, provider site locations, provider type/provider specialty combinations, error 556 status, provider enrollment on date of service, and provider registry ID of 0.
 - *Status:* Complete. The LLA office issued a report on June 20, 2018.
 - *Corrective Action:* LDH Medicaid agreed with the recommendations in the audit report and is exploring options to strengthen its processes to: 1) ensure that it maintains up-to-date documentation on provider type and specialty combinations, 2) address encounters where the billing provider is unknown to LDH on the date of service, 3) accurately identify the actual service location on all encounters, 4) continue denying encounters when the provider is not known, and 5) identify the most accurate and up-to-date provider information in encounters. LDH Medicaid is also actively pursuing implementation of a new provider management system to comply with federal regulations requiring a single Provider Registry file with all providers enrolled.

3. 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 is making changes to the online application process as part of the implementation of a new eligibility system. The scheduled release for the new eligibility system and online application is November 2018.

4. 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 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 was phased in on a region-by-region basis through the expected complete date in February 2018. 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 December 31, 2018, 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.

5. LLA – Lab Claims

- *Description:* The LLA audit objective was to identify payments to uncertified labs and violations of service limits.
- *Status:* Complete.
- *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 performed ad hoc analysis to improve its monitoring of the Laboratory Program offered through managed care plans.

6. 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 LLA on September 26, 2017.
- *Corrective Action:* LDH will work with its MCOs 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 to 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 November 1, 2017.

7. 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 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. 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.

8. 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.

9. 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 our current area of focus, for both licensing checks and Secret Shopper calls. Furthermore, LDH will be implementing a new provider credentialing system in late 2018/early 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. This project was delayed as the results of the RFP were contested by one of the proposers.

10. 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.

11. 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.

12. LLA – Subrecipient 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:* Complete.
- *Corrective Action:* LDH will implement revisions to its process to ensure that program staff are compliant with monitoring procedures, obtaining and reviewing required subrecipient 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 is committed to continuing to ensure access to specialized behavioral health SBH services in order to promote recovery and resiliency in the community through services and supports that are preventive, accessible, comprehensive and dynamic. 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. 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. LLA – Pharmacy Benefit Managers (PBM)

- *Description:* This LLA audit is a performance audit evaluating the state's oversight of Pharmacy Benefit Managers (PBM) operating in Louisiana and whether the PBM contracts associated with State health insurance plans are transparent, auditable, and protect both the state and the consumer interests. As part of their review, LLA will evaluate the PBM contracts under the Managed Care Organizations (MCO) contracted with the Louisiana Department of Health.
- *Status:* Complete.
- *Corrective Action:* None. The LLA cancelled this audit without findings or recommendations.

16. LLA – Fee For Service (FFS) / 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:* Complete.
- *Corrective Action:* None. The LLA cancelled this audit without findings or recommendations.

17. LLA – Fee For Service (FFS) / Managed Care Organization (MCO) – 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:* Complete.
- *Corrective Action:* None. The LLA cancelled this audit without findings or recommendations.

18. LLA – Fee for Service / Managed Care Organization – Per Member Per Month (PMPM)

- *Description:* The LLA audit objective is to determine if PMPM payment information matches recipient managed care enrollment records.
- *Status:* Complete.
- *Corrective Action:* None. The LLA cancelled this audit without findings or recommendations.

Federal Audits

19. IRS – Financial Transactions Review – IT Security

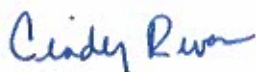
- *Description:* This review was required by the IRS for agencies that administer federal tax information (FTI). The IRS performed an on-site review in January 2017 to assess financial security controls within the IT infrastructure at the Office of Technology Services (OTS).
- *Status:* Complete.
- *Corrective 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. An independent review was conducted by Division of Administration (DOA) Internal Audit for the benefit of all state agencies in March 2018.

20. CMS – Review of Program Integrity

- *Description:* This review's objective was to review all of LDH's PI 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 PI from 2012.
- *Status:* Complete. LDH provided CMS with a response, as well as, a Corrective Action Plan (CAP). CMS recommendations from 2012 were found to be corrected, however, the current review focused on PI 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 Cindy Rives at 225-342-6726 or via email at Cindy.Rives@la.gov.

Sincerely,



Cindy Rives
Undersecretary