



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

August 9, 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 27, 2019, the LLA reported nine findings for LDH for SFY 2018. One of these findings was repeated from a previously issued LLA report on Medicaid Eligibility. Details regarding these findings are provided in the "Completed Audits" section of this report.

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

Audits in Progress

State Audits

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

- *Description:* LLA will analyze billing practices by providers to determine what controls LDH and the MCOs have in place to ensure providers submit claims with appropriate procedure code and modifier combinations, as well as ways to identify providers who are billing incorrectly but are not currently being investigated by LDH, the AG, or the MCO SIUs.
- *Status:* Reporting stage.
- *Anticipated End Date:* September 2019.

2. LLA (MAU) – Billing by Providers of Behavioral Health Services in Medicaid – Report on Individual Provider

- *Description:* As part of its audit on billing practices by behavioral health providers, LLA intends to issue a report on an individual provider identified as submitting claims with inappropriate procedure codes and/or modifier combinations, as well as possible high-risk billing patterns.
- *Status:* Fieldwork stage.
- *Anticipated End Date:* September 2019.

3. LLA (MAU) – Medicaid Utilization

- *Description:* The LLA audit objective is to review data related to utilization in managed care.
- *Status:* Fieldwork stage.
- *Anticipated End Date:* September 2019.

4. LLA Performance – OPH Follow-up Audits

- *Description:* LLA will be performing audit follow-up procedures on the following previously issued OPH audits:
 - Regulation of Food Safety in Retail Food Establishments - Issued November 21, 2012.
 - Special Supplemental Nutrition Program for Women, Infants and Children (WIC) - Issued November 20, 2013.
 - Safe Drinking Water Program - Issued August 10, 2016.
- *Status:* Fieldwork stage.
- *Anticipated End Date:* October 2019 for Food Safety, 1st Quarter 2020 for Safe Drinking Water and WIC.

5. LLA (MAU) – Medicaid Eligibility: Status on the Use of Federal Tax Data

- *Description:* The LLA audit objective is to review data related to the use of federal and state tax data used in Medicaid eligibility decision making.
- *Status:* Reporting stage.
- *Anticipated End Date:* September 2019.

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

- *Description:* LLA will analyze employment practices of behavioral health providers as they relate to classification of workers as 1099 contractors or W-2 employees to determine appropriateness of such employment relationships.
- *Status:* Fieldwork stage.
- *Anticipated End Date:* December 2019.

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

- *Description:* LLA will analyze providers providing services outside of their parish and contiguous parishes as allowed by their licenses and to determine LDH’s level of monitoring of such billing.
- *Status:* Fieldwork stage.
- *Anticipated End Date:* December 2019.

8. LLA Performance – Billing by Providers of Behavioral Health Services Indicating Quality of Care

- *Description:* LLA will analyze providers billing patterns that may indicate issues with providing quality of care such as billing for services provided in more than one location on the same day.
- *Status:* Fieldwork stage.
- *Anticipated End Date:* December 2019.

Federal Audits

9. 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:* January 2020

10. 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 for beneficiaries under the new adult group (aka Medicaid expansion population) made under the Patient Protection and Affordable Care Act (PPACA).
- *Status:* Reporting stage.
- *Anticipated End Date:* September 2019

11. OIG – Balancing Incentive Payments Program (BIPP)

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

- *Status:* Fieldwork stage.
- *Anticipated End Date:* January 2020

Completed Audits

State Audits

1. LLA – Single Audit / LDH Management Letter

- *Description:* This was the annual audit performed by LLA Financial for the State of Louisiana. The title of this audit is the Single Audit Report. LLA audited the LDH Main Fiscal Office, and the New Orleans Fiscal Office, including the Immunization Program and WIC and produced a Management Letter report. The findings from the Management Letter report were included in the Single Audit report in their entirety. The LLA audit objective was to provide an audit of the State of Louisiana's Comprehensive Annual Financial Report (CAFR), the Single Audit of the State of Louisiana for the year ended June 30, 2018 (Single Audit), and an audit of Louisiana Department of Health (LDH), to provide assurances on financial information that is significant to the State's CAFR; to evaluate the effectiveness of LDH's internal controls over financial reporting and compliance; and to determine whether LDH complied with applicable laws and regulations for the year ended June 30, 2018 (Management Letter).
- *Status:* Complete.
- *Corrective Action:* The following were identified as findings in both the Management Letter and Single Audit. For each finding a summary of the corrective action planned is included.
 - Noncompliance with Managed Care Provider Enrollment & Noncompliance with Provider Revalidation and Screening Requirements - LDH concurs with the finding that all providers have not been screened and enrolled with the state Medicaid agency. LDH began having conversations with CMS in the summer of 2017 around our inability to meet the January 1, 2018, deadline for having providers enrolled. At that time, LDH was in the process of procuring a new system for provider enrollment which would bring us into compliance with the federal regulation. The solicitation for proposals was issued in November 2017 with a targeted implementation date of November 2018; however, during the award process, a protest was filed by one of the unsuccessful vendors which resulted in a delay to our implementation timeline. The contract was approved by OSP and executed on 4/26/19. The contract is currently in implementation status. A go-live target date has not yet been selected. We continue to keep CMS informed of our progress toward implementation of the new system.
 - Inadequate Controls over Quarterly Federal Expenditure Reporting - Alien Emergency Services – LDH has implemented a corrective action plan to review and identify all services provided to Medicaid recipients and identify all Medicaid covered populations to ensure that all expenditures are reported in the appropriate category on the quarterly federal reports.
 - Inadequate Controls over Required Reporting on the Schedule of Expenditures of Federal Awards – SEFA – Corrective action includes inclusion of a Federal "Type" indicator, creation of a SEFA Inventory report and preparation of a monthly detail of Federal in-kind vaccines before SEFA deadline. This corrective action is partially completed with the remainder anticipated on or before the next SEFA deadline of September 1, 2019.
 - Assignment of Third Party Liability (TPL) – Corrective Action has been implemented by Medicaid. During fiscal year 2018, LDH reviewed all paper applications and, if necessary, made revisions to

include the assignment language effective March 1, 2018. Corrective action for the online application was also in progress during fiscal year 2018. Changes were made to the online application process in conjunction with implementation of the new eligibility system. The revised application summary that is included in the case record does contain the assignment notification. The new eligibility system went live on November 13, 2018.

- **Improper Charges to Federal Programs –** LDH Fiscal implemented a preventative process to ensure coding for audit costs is reviewed and approved by LDH Budget and LDH Fiscal before processing the invoice for payment. A retrospective plan was implemented by processing transactions in the statewide accounting system, to the extent possible, that reverse the improper charges made to federal programs in fiscal year 2018.
- **Inadequate Internal Control over Modified Adjusted Gross Income (MAGI) Eligibility Determinations –** This was a repeat of the finding noted in a previous report issued by LLA. LDH agreed to conduct more frequent wage data matches using new automated LaMEDS Eligibility system. LDH is now using Louisiana Workforce Commission (LWC) data to check wage information quarterly and determine eligibility. LDH verifies eligibility determinations made by the Federally Facilitated Marketplace (FFM) and promptly terminate coverage for individuals found to be ineligible. LDH reinforces training on agency policy that requires caseworkers to consider all information available and promptly re-determine eligibility when indicated. LDH will reinforce caseworker training on agency policy that requires documentation of information used to make eligibility decisions. In addition, LaMEDS will automatically store information available to the system for use in eligibility decision making. LDH established an option for allowing applicants to verbally cancel their coverage similar to how applicants verbally apply for Medicaid.
- **Improper Payments to Waiver Services Providers –** LDH OCDD agrees that five claims missing some or all progress notes resulted in improper payments. OCDD provided statewide training regarding this requirement to providers in 2016. OCDD asserts that providers are fully aware that documentation of services is required to support billing.
- **Noncompliance with Review of Redeemed Food Instruments and Cash-Value Vouchers –** LDH/OPH Bureau of Nutrition Services (BONS) agrees with the recommendation to implement corrective action to ensure the reviews of redeemed FIs/CVVs are being performed. BONS has established USDA approved Not-To-Exceed (NTE) limits and Maximum Allowable Reimbursement (MAR) levels to ensure FIs/CVVs redemption amounts do not exceed the maximum allowable purchase amounts. FIs/CVVs are edited against federally approved MARs and vendor peer groups. FIs/CVVs that are presented over the MARs rate are rejected and paid through the Automatic Clearing House (ACH) process at MAR rates. The “Paid Errors” report is reviewed monthly by Finance staff to ensure questionable food instruments are processed according to policy. BONS Finance and Vendor staff will conduct FIs/CVVs reviews according to the scheduled timeframe listed on in the BONS “Food Instrument Review” document, which lists the review purpose, related reports, review due date and review responsibility for all FIs/CVVs.

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

- **Description:** The LLA audit objective is to evaluate whether behavioral health providers who provide psychosocial rehabilitation (PSR) and community psychiatric supportive treatment (CPST) services are listing the National Provider Identification (NPI) number of the individual providing the services on Medicaid claims, as required in state law.
- **Status:** Complete.

- *Corrective Action:* LDH agreed to develop an edit check to deny encounters where the rendering NPI does not represent an individual. Furthermore, LDH confirmed with that all MCOs have established edit checks to ensure that PSR and CPST claims meet statutory requirements. LDH is working with MCOs to resolve any remaining technical issues with rendering provider NPI issues in identified encounters.

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

- *Description:* This audit analyzed the steps taken by LDH since the release of the Medicaid Eligibility: Wage Verification of the Medicaid Expansion Population audit issued on November 8, 2018, including but not limited to the results of the first LWC data match performed by LDH and referenced in LDH's report titled Medicaid Eligibility Reform: Reasonable Compatibility and Tax Data Monthly Report submitted to the legislature on February 15, 2019.
- *Status:* Complete.
- *Corrective Action:* LDH established a process to conduct more frequent wage data matches, LDH also entered into a data sharing agreement with LWC to receive wage data on a quarterly basis to proactively identify wage changes and increases for Medicaid recipients instead of relying on the recipients themselves to self-report changes. LDH incorporated this new LWC wage data match into its new eligibility system.

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

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

5. LLA - Investigative Audit – Medicaid Recipient Fraud

- *Description:* This investigative audit was conducted to determine if certain Medicaid recipients provided false information to obtain benefits.
- *Status:* Completed.
- *Corrective Action:* LDH will seek legal counsel to determine the appropriate action to be taken against the recipient/provider named in the report, including the recovery of payments for improper Medicaid benefits. LDH will continue to reinforce caseworker training on agency policy requiring documentation of information used to make eligibility decisions and conduct supervisory reviews of caseworker actions to ensure compliance. LDH will continue to strengthen its process for eligibility determination. Federal tax information (FTI) is available as an additional eligibility verification factor; the use is pending IRS approval.

6. LLA – Drinking Water Revolving Loan Fund

- *Description:* LLA audited the financial statements of the Drinking Water Revolving Loan Fund (DWRLF) as of and for the year ended June 30, 2018, to determine whether the financial statements are fairly stated. LLA also conducted procedures as required by the Environmental Protection Agency to determine state compliance with its grants.
- *Status:* Complete.

- *Corrective Action:* There were no findings for this audit and as such, no corrective action was required.

7. LLA – Elder Financial Exploitation

- *Description:* The LLA audit objective was to provide an overview with recommendations related to elder financial exploitation in the state. This review covered various state agencies including LDH. LLA identified gaps in the system to prevent elder financial abuse because there are multiple agencies with some, but not overall, responsibility. Areas of focus for LDH were the manner of reporting of incidents to outside entities and what type of actions were taken.
- *Status:* Complete.
- *Corrective Action:* LDH agrees with the recommendation that LDH's Health Standards should work with law enforcement to develop policies on when it would be appropriate to refer cases to law enforcement. Although the LDH Health Standards Section currently has coordinated efforts with law enforcement regarding the referral of substantiated cases of financial exploitation, LDH agrees to revisit this matter by engaging in discussions with appropriate law enforcement offices. Currently, cases are referred to the appropriate law enforcement agency depending upon the facts/details surrounding the allegation and the wishes of the victim. Appropriate referrals are made to local law enforcement, the Attorney General's Office, the Program Integrity section of LDH, and to the nurse aide registry based upon the determined facts surrounding each individual case. Substantiated findings of financial exploitation in excess of \$500 are routinely reported to local law enforcement. LDH also agrees with the recommendation that Health Standards should review Nursing Home Incident data to identify risky nursing homes that have not reported cases for long periods and follow up during their survey process. In 2015, LDH recognized that the database being used to collect nursing home incident reports, which includes those of financial exploitation, was outdated and unable to perform certain functions. In particular, the system does not have reporting capabilities, which would allow HSS to track, and trend patterns of activities being reported. LDH began the process of replacing this outdated system and establishing a department wide tracking system that could be used to coordinate activities and information and could produce needed reports. The department launched a new database for incident tracking, reporting, and trending in June 2019.

8. 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 2018, we implemented a custom solution that uses predictive analytics to assist with prioritizing FWA case openings based on the anticipated ROI. We completed implementing the model into our current case opening process in January 2019 and a pilot was run on FWA cases in February 2019. 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 has been 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.

9. 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 the recommendation that LDH should strengthen its processes for eligibility determinations and continuously works to strengthen its eligibility determination processes. With the new eligibility system, LaMEDS, that was implemented in November 2018, LDH has automated the verification of critical eligibility factors in accordance with 42 CFR § 435.940-435.965. Federal tax information (FTI) is available as an additional eligibility verification factor; the use is pending IRS approval. 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. The new eligibility system helps with capturing the 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.

10. 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.
- *Status:* Complete. 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: Wage Data – Expansion Population

LDH agreed to conduct more frequent wage data matches using new automated LaMEDS Eligibility system. LDH is now using Louisiana Workforce Commission (LWC) data to check wage information quarterly and determine eligibility. LDH verifies eligibility determinations made by the Federally Facilitated Marketplace (FFM) and promptly terminate coverage for individuals found to be ineligible. LDH reinforces 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 currently allows 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.

11. 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 is in the process of implementing a new provider management system for enrolling all FFS and MCO providers.

12. Louisiana GOSHEP – Sub recipient Monitoring

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

Federal Audits

13. 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 has evaluated its claims edits related to PPCs to ensure that PPCs are appropriately denied for payment.

14. 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 Strategic Plan and concluded that OPH continues to make progress towards achieving full implementation and conformance with MFRPS.

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