



DARYL G. PURPERA,
CPA, CFE

Report Highlights

Department of Health and Hospitals

Audit Control # 80150097
Financial Audit Services • December 2015

Why We Conducted This Audit

We performed certain procedures at the Department of Health and Hospitals (DHH) as part of the audit of the state of Louisiana's Comprehensive Annual Financial Report, the Single Audit of the State of Louisiana, and to evaluate its accountability over public funds for the period July 1, 2014, through June 30, 2015.

What We Found

- DHH failed to keep required processes that identify and recover paid claims where a third party is liable for the medical services. In addition, DHH did not establish alternate procedures to pursue and recover previously identified instances of third-party liability that totaled approximately \$29 million.
- DHH paid two hospitals more than \$17 million for uncompensated care costs (UCC) that did not follow the approved Medicaid state plan. UCC payments are made to disproportionate share hospitals to cover the costs of providing care to uninsured patients.
- For the second consecutive year, DHH failed to ensure compliance with Medicaid requirements for the timely filing and prompt payment of Medicaid claims under the Louisiana Behavioral Health Partnership (LBHP). As a result, DHH may be paying the State Managing Organization, Magellan, for claims that do not meet federal regulations.
- DHH failed to accurately complete the required quarterly reports of federal expenditures, including more than \$532 million in errors that were not discovered by DHH's review, before submission to the federal oversight agency.
- For the second time in three years, DHH failed to provide an external quality review (EQR) report for Magellan, the state management organization for the LBHP, as required by Medicaid regulations and the DHH Medicaid state plan. No EQR report has been submitted to the Centers for Medicare and Medicaid Services for the period March 2013 through August 2015.
- DHH paid claims totaling \$349,085 to a provider of Non-Emergency Medical Transportation for services billed to the Medicaid program that were not provided in accordance with established policies, which we consider questioned costs for which the state may be liable. DHH allowed one transportation provider to maintain a contractual agreement with a medical services provider to be the exclusive transportation provider for the recipients of that medical service provider. This is the second consecutive year that we have reported this questionable contractual agreement and the eighth consecutive year to report improper NEMT payments.
- DHH failed to require audits of calendar year 2012 Medical Loss Ratio (MLR) data for the Bayou Health prepaid plans and the LBHP State Management Organization, Magellan. Without proper audited MLR information, DHH does not have independent verification that the Bayou Health plans and Magellan met the 85 percent MLR requirement.

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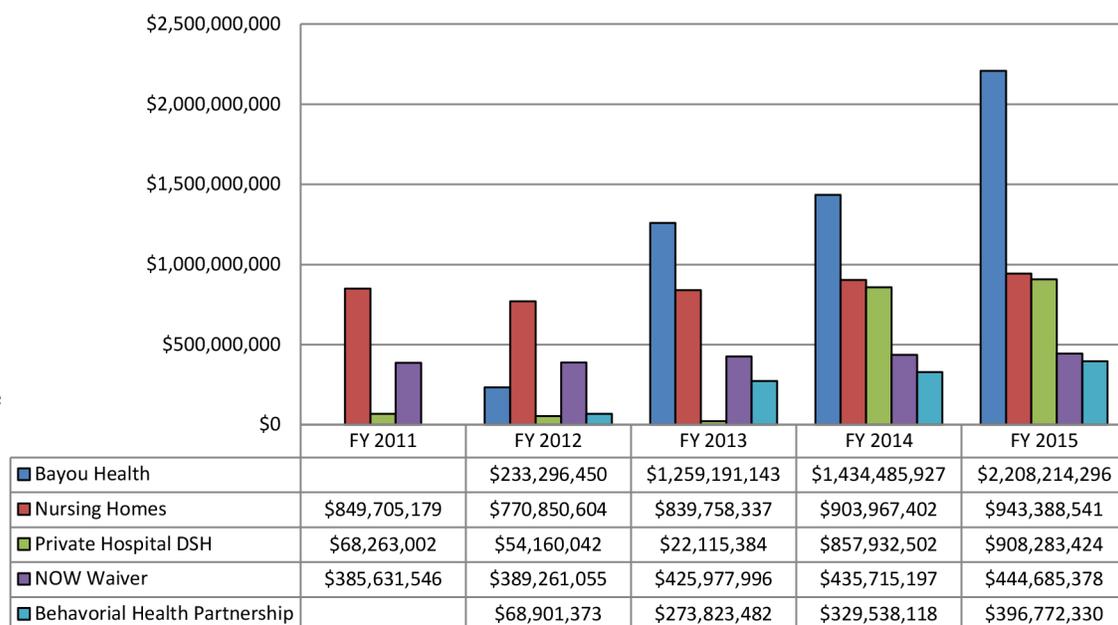
Department of Health and Hospitals

What We Found (Cont.)

- DHH, Office of Public Health (DHH/OPH) did not implement cost containment requirements and adequately monitor the Special Supplemental Nutrition Program for Woman, Infants, and Children (WIC) program vendors. Failure to do so could result in inflated food costs, undetected vendor violations, and federal claims on the state agency to recover excess food funds.
- For the second consecutive year, DHH submitted inaccurate financial information in the Annual Fiscal Report for DHH Medical Vendor Payments.
- DHH/OPH did not perform adequate monitoring of vaccines within the Immunization Cooperative Agreements program. Failure to adequately monitor the storage and handling of vaccines could result in waste of vaccines or administration of potentially ineffective vaccines.
- For the fourth consecutive year, DHH paid New Opportunities Waiver (NOW) claims under Medicaid totaling \$14,095 for waiver services that were not documented and billed in accordance with established policies.
- DHH/OPH Schedule of Expenditures of Federal Awards did not contain an accurate listing of amounts provided to subrecipients for five federal awards, causing a net understatement of \$17.2 million.
- DHH/OPH did not adequately monitor to ensure four WIC contract agencies receiving more than \$500,000 each received an audit in accordance with federal regulations. These subrecipients received a total of \$2.4 million in WIC federal award funds for their services and issued \$17.3 million in redeemed food instruments.
- For the third consecutive year, DHH did not have sufficient controls established to ensure federal cash management requirements were followed, including compliance with the Treasury State Agreement.

We prepared an analysis of the top five Medicaid program expenditures for fiscal year (FY) 2015 and the previous five-year trend for those expenditures. Bayou Health was implemented in FY12 and has experienced a 75% increase since FY13 (the first full year of operation). In February 2015, DHH moved from two models (prepaid and shared) under Bayou Health to one prepaid model, which also contributed to the increase in FY15. The Behavioral Health Partnership was also implemented in FY12. The partnership has a 45% increase since its first full year of operation, FY13. In December 2015, DHH transitioned the partnership to Bayou Health. Nursing Homes and New Opportunities Waiver (NOW), both services outside of managed care, have experienced 11% and 15% increases since FY11. Private Hospital Disproportionate Share Hospitals (DSH) has experienced a 1,231% increase since FY11 due to the privatization of the state charity hospital system.

**Medical Vendor Payments
FY15 Top Five Expenditures and Previous Five-Year Trend**



Sources: FY14 and FY15 Year End Financial Reports and Annual Medicaid Reports

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