DARYL G. PURPERA,
CPA, CFE

# Report Highlights

# Department of Health and Hospitals

## *Baton Rouge Main Office Operations*

Audit Control # 80140041
Financial Audit Services • November 2014

## 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 financial statements and the Single Audit of the State of Louisiana, and to evaluate its accountability over public funds for the period July 1, 2013 through June 30, 2014.

## What We Found

- On July 1, 2014, DHH launched the new Medicaid Dental Benefits Program using a private contractor but did not submit the three-year, $484 million contract for approval to the federal Centers for Medicare and Medicaid Services (CMS), as required by the waiver agreement with CMS. DHH also disclosed protected health information and personal identifiable information prior to having data-sharing agreements in place. In addition, DHH paid the contractor before the contract was approved by the state Office of Contractual Review.
- DHH failed to require the Louisiana Behavioral Health Partnership's State Managing Organization, Magellan, to submit details on claims that would allow DHH to monitor compliance with Medicaid requirements for the timely filing and prompt payment of Medicaid claims. As a result, DHH may be reimbursing Magellan for paid claims that do not meet federal regulations.
- DHH paid Medicaid claims totaling $1,246,404 that did not meet federal regulations relating to the period of availability of federal funds that require filing of original claims within one year of the date of service. DHH's contractor, Molina, inappropriately applied system changes that allowed claims to bypass the edit controlling the one-year filing requirement.
- DHH paid claims totaling $863,480 to providers of Non-Emergency Medical Transportation (NEMT) for services billed to Medicaid that were not provided in accordance with established policies, for which the state may be liable. This is the seventh consecutive year we have reported improper NEMT payments.
- DHH submitted inaccurate financial information in the Annual Fiscal Report (AFR) for DHH Medical Vendor Payments for the fiscal year ended June 30, 2014. DHH also submitted inaccurate federal schedules used to prepare the Statement of Federal Expenditures. Failure to properly compile and review information included in the AFRs increases the likelihood that errors and omissions may occur in the state's Comprehensive Annual Financial Report or the state's Single Audit report.
- DHH paid New Opportunities Waiver claims under Medicaid totaling $16,559 for waiver services that were not documented and billed in accordance with established policies, which we consider to be questioned costs. This is the third consecutive year for this finding.
- DHH did not follow an approved cost allocation plan for administrative expenditures in the current year and could not provide supporting documentation for statistics that were used for the current year's cost allocation. As a result, federal programs may have been over or undercharged. DHH allocated administrative costs for fiscal year 2014 totaling $101,330,793. This is the second consecutive year that we have reported deficiencies in the cost allocation plan.

*Continued on next page*

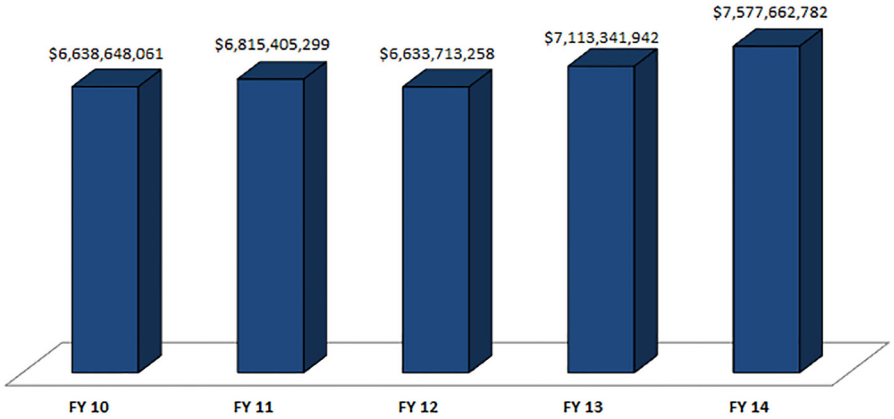
## What We Found (Cont.)

- For the second consecutive year, DHH did not have sufficient controls established to ensure federal cash management requirements were followed, including compliance with the Treasury State Agreement. This agreement defines the terms for the transfer of financial assistance funds between the federal government and the state to avoid an overdraw or underdraw of grant funds. Overdrawn grants put the state at risk for federal disallowances and underdrawn grants indicate using state general funds when federal funds could have been used.

In analyzing financial trends of DHH Medicaid expenditures over the past five years, expenditures remained fairly consistent between 2010 and 2012. However, since 2012, expenditures have increased by more than $900 million, or 14% (see Exhibit 1). Because of a shift in services for the implementation of Bayou Health (BH) and the Louisiana Behavioral Health Partnership (LBHP), fee for service payments to private and public providers decreased by more than $800 million, while Buy In (per-member, per-month fee) payments for BH and LBHP increased by more than $1.4 billion, for an net increase of approximately $600 million. Also, Uncompensated Care payments increased by approximately $350 million due primarily to increased payments to the LSU hospitals partners.

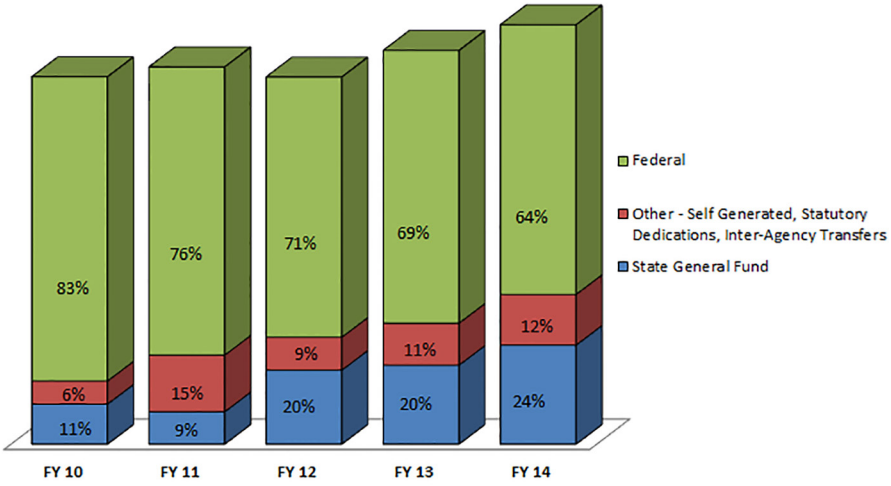
Funding sources for Medicaid expenditures have varied greatly over the past five years, with decreased federal funding and increased state funding through dedicated funds and the general fund (see Exhibit 2). Federal funds are decreasing because of drops in the federal medical assistance percentage, referred to as FMAP. The FMAP was greater in prior years with increases from the American Recovery and Reinvestment Act and certain disaster assistance after hurricanes Katrina and Rita, which have now expired.

**Exhibit 1**
**Medicaid Program Expenditures • Five-Year Analysis**




**Source:** Fiscal Year 2012 - 2014 Annual Louisiana Medicaid Reports

**Exhibit 2**
**Expenditures by Financing Category**




**Source:** Fiscal Year 2012 - 2014 Annual Louisiana Medicaid Reports