

LEGISLATIVE AUDIT ADVISORY COUNCIL
Minutes of Meeting
February 19, 2015
Senate Committee Room A-B
State Capitol Building

The items listed on the Agenda are incorporated and considered to be part of the minutes herein.

Senator Mike Walsworth called the meeting to order at 1:35 p.m. Ms. Liz Martin called the roll confirming quorum was present.

Members Present: Senator Mike Walsworth, Chairman
Senator Robert Adley
Senator Edwin Murray
Senator Ben Nevers
Representative Dalton Honoré
Representative Clay Schexnayder
Representative Julie Stokes

Members Absent: Senator John R. Smith
Representative Cameron Henry
Representative Ledricka Thierry

Also Present: Daryl G. Purpera, Legislative Auditor

Approval of Minutes

Senator Murray made a motion to approve the minutes for the November 20, 2014, meeting and with no objection, the motion was approved.

Extension Requests

Joy Irwin, director of Local Government Services, presented a list of entities with nonemergency extension requests that were ninety days or less. Senator Walsworth offered a motion to approve the extension requests and with no objection, the motion was approved.

Workers' Compensation Costs in Louisiana – Informational Report Issued February 4, 2015

Karen LeBlanc, director of Performance Audit Services, presented the highlights and findings of this report. Senator Adley asked Mr. Purpera to consider auditing the PPOs for private hospitals and determine if the per diem fees paid by the state are actually costing the hospitals money.

Discussion of F.A. Richard & Associates' (FARA) responsibilities for investigations and the impact of settlements that had to be made when they started working for the Office of Risk Management (ORM). Senator Murray said he is curious to see how long it takes for patients to see doctors because of the profit motive to delay. He asked for a comparison of other states and how they handle disputes.

Senator Adley asked how the risk is assessed throughout the state and if universities are assessed the same as higher risk offices such as police officers. He heard from universities that they could save money by getting their own workers' compensation. Mr. Purpera responded that his office had not reviewed how ORM divides the risk. Senator Adley said he wants to know how ORM formulated its risk assessment and distribution of costs.

Representative Stokes commented that workers' compensation is at 76% because no taxes are taken out, so employees make more on workers' compensation than their take home pay. She asked if changes could be made administratively or would require legislation. Ms. LeBlanc answered that the Louisiana Workforce Commission (LWC) could handle it administratively. Senator Walsworth commented that both the Senate and House Labor Committees have studied this issue.

Senator Nevers questioned if the fault could be with the physicians giving wrong diagnoses. Before making changes, they need to know exactly what is driving up workers' compensation costs because it may not be the employee's fault.

Mr. Bud Thompson, director of ORM, said his office will mandate drug testing if there is any suspicion or reason to believe that is an issue. He is working with his general counsel and human resources department on a draft letter to send to the agencies. In answer to Senator Adley's questions, he said that the workers' compensation costs are experience-rated for the premiums allocated to the state agencies.

Senator Adley and Mr. Thompson discussed the fee schedule for private hospitals and the issue that the claimant gets to choose the medical facility as per statute. Senator Adley believes the state, as the largest employer, should have the best discounts. Mr. Thompson said they spent \$66 million on workers' compensation and half of that cost was medical. Senator Adley said they may find a statute to get better medical discounts.

Senator Walsworth pointed out that workers' compensation costs are higher for the state than the private sector. Mr. Thompson said that if it is not paid then the state may end up paying litigation costs and attorney fees. Senator Murray supported the employees' right to choose their medical provider. There was then a discussion about options that ORM has if it suspects a fraudulent injury.

Mr. Patrick Robinson, acting director for Louisiana Workforce Commission (LWC), said the fee schedule is in the process of being updated. They hired an expert contractor who is meeting with hospitals and stakeholders, will then get public comments and send to oversight committees. LWC expects to have it completed by July 1st, to registrars by August, and to implement the new fee schedule by 2016.

Senator Walsworth asked for the time schedule on the contract. Mr. Robinson said the contract ends in June and started two and a half years ago. Mr. Larry White, deputy director for LWC, said they expected 2-3 years for the contractor to have the new fee schedule. Mr. Robinson said outpatient costs are higher, and the hospitals are limited to low per diems from years ago.

Public comments were made by: Ms. Julie Cherry, secretary/treasurer for Louisiana AFL/CIO; Joseph Jolissant, attorney at law for injured workers; Eddie Crawford for Brookshire Grocery Co.; Wayne Fontana, attorney for Roedel Parsons Koch Law Firm, representing the Louisiana Association of Self Insured Employers (LASIE); Percy Staub with Taggart Morton LLC Law Firm; Jennifer Marusak, Vice President of Governmental Affairs, Louisiana State Medical Society; and Gary Patureau, Executive Director of LASIE.

Executive Department – Management Letter Issued December 17, 2014

Senator Walsworth said that this report would not be discussed at this meeting.

St. Bernard Cultural Center, Inc. – Investigative Audit Issued January 21, 2015

Kevin Kelley, Investigative Audit manager, presented a summary of the report. Senator Murray asked why the former manager, Ms. Stephanie Bachemin, had not been invited to the meeting. Mr. Kelley responded that her attorney did not respond to the audit and would not allow her to communicate with the auditors, so they knew she would not attend. Senator Murray said she still should have been invited because if she did not appear before the council, then a subpoena would have been issued by the council to attend the next meeting.

Mr. Michael Gorbaty, chief administrative officer for the St. Bernard Parish government, said it is his office's top priority to address the issues in the report. The Legislative Auditor investigated at the request of the St. Bernard Cultural Center (SBCC) which is a subordinate entity of the parish government. He said Ms. Bachemin is no longer employed by SBCC and he is very doubtful that she would have attended this meeting because of the criminal investigation underway. SBCC has been dissolved and its function brought into the parish government so there will be checks and balances and better controls.

The Council questioned how the parish government did not realize that no money was coming from SBCC for two years. Mr. Purpera pointed out that the issue arises when public entities set up a separate entity called a non-governmental organization (NGO) and move money through that NGO. The law requires these entities be audited, but it is almost impossible to know all the entities established who are receiving public funds. Mr. Purpera said that audit law needs to be enforced and whoever is responsible to do the audits should be held accountable as well as the thief being prosecuted.

Senator Adley encouraged Mr. Purpera to meet with the Ethics Board to explain that the third-party entity is a governmental entity and needs to follow the audit law.

Senator Murray asked if SBCC reported under the parish government prior to 2012. Mr. Roger Harris, director of Investigative Audit, responded that SBCC had not been audited since 1991, so they do not know the total amount misappropriated.

2015 Annual Report to the Legislature

Mr. Purpera said the law requires his office to prepare an annual report with a summary of the significant findings and issues found during the course of the prior year. Senator Walsworth complimented

the Legislative Auditor's office which is held in high esteem and the Council appreciates all they do for the legislature and the state. Mr. Purpera said his office is striving to improve audits and encourage local governments to have better controls in place.

Senator Adley commended the LLA and asked Mr. Purpera to review the fund balance sweep of the Transportation Trust Fund by the Joint Legislative Committee on the Budget.

Act 774 of the 2014 Regular Session – St. Tammany Project Update

Mr. Purpera explained the additional audit authority given to his office in St. Tammany Parish, and that his office will be reimbursed by the local entities for those expenses.

Other Business

Mr. Purpera commended his staff on the Louisiana Workers' Compensation Costs report because it is an extremely complicated issue and brought forth good discussion from both sides of the issue. Senator Murray commented that he is glad that the audit came out because the issue will be considered during the upcoming session.

Senator Walsworth informed the council that the new vice chairman will be voted on at the next meeting.

Adjournment

Senator Adley offered the motion to adjourn and with no objection, the meeting adjourned at 4:00 p.m.

APPROVED BY:



SENATOR MIKE WALSWORTH
CHAIRMAN



DARYL G. PURPERA
SECRETARY

3/20/15

DATE