

LEGISLATIVE AUDIT ADVISORY COUNCIL
Minutes of Meeting
December 15, 2016
Senate Committee Room E
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 9:20 a.m. Ms. Liz Martin called the roll confirming quorum was present.

Members Present: Senator Mike Walsworth, Chairman
Senator Wesley Bishop
Senator Danny Martiny
Senator John Smith
Representative Julie Stokes, Vice Chairman
Representative Jimmy Harris
Representative Marcus Hunter
Representative Blake Miguez
Representative Clay Schexnayder

Members Absent: Senator W. Jay Luneau

Also Present: Daryl G. Purpera, Legislative Auditor (LLA)

Approval of Minutes

Vice Chairman Stokes made a motion to approve the minutes for the September 15, 2016, meeting and with no objection, the motion was approved.

Extension Requests

Mr. Bradley Cryer, Director of Local Government Audit Services, presented three list of entities requesting more time to complete and submit their financial audits to the LLA.

Representative Stokes made a motion to approve the six entities on the Emergency Extensions 90 Days or Less list effected by flooding, and with no objection, the motion was approved.

Representative Stokes questioned why the Washington Parish Hospital Service District had not requested a later extension date than November 30, 2016. Mr. Cryer explained that only state funds have been cut off since the District is on the noncompliance list, but it still receives Medicaid funding which is federal dollars not flowing through the state.

Mr. Purpera pointed out that the City of Jeanerette's audit is expected to have a disclaimer and will be include on the next Fiscal Review Committee (FRC) agenda in 2017.

Representative Stokes made a motion to approve the five entities on the Nonemergency Extensions 90 Days or Less list, and with no objections, the motion was approved.

Mr. Purpera notified the committee that Morehouse Parish Hospital Service District dba Morehouse General Hospital will also be on the FRC agenda in February because of cash flow and other financial problems.

Senator Bishop made a motion to approve the three entities on the Nonemergency Extensions Greater than 90 Days list, and with no objections, the motion was approved.

Medicaid Recipient Eligibility Managed Care and Louisiana Residency – Louisiana Department of Health – Issued October 26, 2016 by LLA’s Medicaid Audit Unit

Senator Walsworth moved to this agenda item because Louisiana Department of Health (LDH) Secretary Rebekah Gee had to leave for another meeting.

Mr. Wes Gooch, Assistant Financial Director, presented the highlights and findings from this report. He responded to Representative Stokes question about cost per member in managed care, explaining that age and other factors effect the cost based on the risk pool with the average being \$58. Representative Stokes if there is a policy requiring the patient to notify LDH of changes to their address, income, situation, etc. or should LDH question if no activity for a person on their list. Mr. Gooch said all changes are supposed to be reported to LDH, but there is no penalty for not reporting other than being removed from the system. Representative Stokes ask if any other states put responsibility on the person to update their information with LDH and impose some ramifications if they do not.

Mr. Purpera explained that the risk for managed care was the impetus for his office to become more proactive in Medicaid audits. By using more data analytics, his objective is to improve processes, lower the ratio on administrative expenses, cut spending and not have billings for unqualified people.

Senator Walsworth questioned about the cost sharing with the federal government for Medicaid. Mr. Purpera shared about his meetings with the Government Accountability Office (GAO), Center for Medicaid Services (CMS), U.S. Health and Human Services (HHS) and other state auditors discussing a new program to use auditors on the front line to reduce fraud, waste and abuse (FWA). The federal departments know that this is an issue.

Mr. Gooch said because of the state expenses involved LDH has to tighten controls on the managed care companies. Representative Stokes asked if the data integrity units in the managed care companies should be finding the fraud, waste and abuse. Mr. Purpera pointed out the need to check behind those companies because it is not financially beneficial for them to find FWA. Representative Stokes expressed support for privatization but expects the managed care companies to compare numbers. Relying on the contractors to do their job correctly is of utmost importance.

Secretary Gee said that she is committed to good government and proud that they only have a .02% error rate, and only 4% administrative overhead. LDH is doing better with automated systems which contributes to the lower error rate. She values the relationship with LLA and partners to find errors.

Louisiana is a great example for other states, and values this process to find ways to improve. The managed care companies do need to be accountable.

Ms. Jen Steele, LDH Medicaid Director, expressed appreciation for the auditors and commented that the Medicaid department is very complex. She said Louisiana has 1.6 million people on Medicaid. LDH is working on better efficiencies by multiple system checks with Department of Children and Family Services (DCFS) and Social Security Administration (SSA). She further explained testing and how cases were identified to not be cost effective for staff to work them. Louisiana is one of the top 8% for the payment error rate measurement (PERM) program which measures improper payments in Medicaid. Since 2008, Louisiana has had a 127% increase in Medicaid, and a 225% increase in the volume of work per person with reduced staff. They have to be very cost effective.

Mr. Jeff Reynolds, LDH Undersecretary, further explained that LDH has the responsibility to do the eligibility processes and not the managed care companies. They are working with DCFS to have one process for the Supplemental Nutrition Assistance Program (SNAP) and Medicaid combined for accurate shared information.

Ms. Steele discussed how they can identify if persons are receiving Medicaid in other states and how LDH can remove someone from the billing with the managed care companies. Senator Walsworth commented that the managed care companies benefit by not removing people, so definitely need to audit them. Mr. Reynolds agreed that LDH has to supervise and monitor managed care.

Representative Stokes asked if there are any vendors to cross reference tax information with to confirm qualified for SNAP and Medicaid benefits. Mr. Purpera explained that sharing of federal data is difficult because of confidentiality. Also CMS reports a PERM score of 0.1% on managed care but this is not a real number because it only takes into account if bills are paid timely. CMS is looking at how to improve that score.

Regulation of the Dental Profession – Louisiana State Board of Dentistry - Issued October 26, 2016 by LLA's Performance Audit Services

Mr. Chris Magee, LLA Performance Auditor, reviewed the highlights of this report using a powerpoint presentation. He pointed out that all recommendations based on best practices were rejected by the Board of Dentistry (Board). Mr. Magee explained that the Board wants to change inspections from every three years to every six years.

Senator Martiny stated that he had issues with the Board in the past including about advertising. Senator Walsworth asked if the Board could be moved under LDH legislatively. The Council discussed the value of having a non-dental person on the Board and the Board's expenses. Mr. Magee responded to Senator Walsworth's questions about similar boards' oversight in other states. Senator Walsworth noted that the Board has 14 members and only six employees.

Representative Stokes requested more information about other states showing the number of members on their boards, and the number of public members to help determine if beneficial to implement legislatively.

Dr. Richard Atkins introduced himself as an individual practitioner who has been a critic of the Board.

Dr. Arthur "Rusty" Hickham, Executive Director of the Board, said he had no prepared remarks but pointed out that the 2011-13 inspections reviewed in the report was prior to his arrival. He said the current three year rounds of inspections are on target to be completed and the inspector will visit every single dental office. He disagreed with all the recommendations because the Board does follow up now on all problems found in inspections. Their inspector sends a letter to the dentist if spore testing is not in compliance and requires to see their receipt showing spore tests are being performed.

Senator Walsworth asked what are the five most important things the board does. Dr. Hickham responded that #1 is to protect the public, #2 is to ensure qualified dentists, and #3 to verify they practice with standard and safe procedures.

Senator Walsworth expressed disappointment that only one inspection every three years and believes that inspections should be turned over to the state health department. He also questioned their budget. Dr. Hickham answered that the Board's budget is \$1.3M annually, and his salary is \$170,000. Most expenses are for staff (49%) as well as office and travel expenses. The Board has one full time inspector instead of several contractors.

Senator Walsworth said that changing to inspections every six years is the opposite direction they should be going. Dr. Hickham pointed out that Louisiana dentists have other inspections such as EPA and OSHA inspections of equipment.

Mr. Purpera commented that the Board has \$2.2M in the bank and their revenues are way over their expenses. Dr. Hickham rebutted that they are actually in the red because of unfunded pension liabilities making them \$600,000 in debt. He has cut expenses and that is why they have money to spend.

Mr. Purpera explained that the new GASB standards require reporting of unfunded liabilities but not truly owe at that time but actually future debts. The Board's operations are lackadaisical and needs better practices. Dr. Hickham responded that the Board is well run and better than before he arrived.

Dr. Atkins said he appreciates the LLA audit which is accurate and not in support of the Board. He personally serves as the chair of an audit committee for another board and has seen \$1M spent on audits before and no better than this high quality LLA audit. He asked Dr. Hickham to be receptive and accept constructive criticism, and to have better inspections, but to no avail. He agrees with having a lay person on the Board but the Board members are against it.

Senator Bishop asked why the Board did not agree with any recommendations in the audit when easy to implement, and to explain why a lay person should not be on the Board. Dr. Hickham said the Board had already changed processes from the old way reviewed in the audit and they need dentists on the board because of corrective actions and disciplinary issues, and dentists understand their specialized

standard of care. Senator Bishop encouraged adding someone with financial and business experience to assist the Board.

Dr. Atkins expressed his hopes that the Board is better than four years previously but believes the Board needs a lay person and also upset about the Board's lease arrangements.

Senator Walsworth said the Board is supposed to move to Baton Rouge as per the legislation passed by Senator Martiny. Dr. Hickham said the requirement is to move by January 1, 2018, but talking to Senator Martiny about changing that law. He currently pays \$6,000 per month for offices in One Canal Place and if the Board moves to Baton Rouge it could lose employees including himself.

Representative Stokes expressed surprise about the location and cost of the Board's offices. She recommended the Board add a lay person, and continue performing inspections of all dental offices once every three years and not change to six years. When she calculated the actual number of work days in a year, the inspector would have to do 3.25 inspections per day to complete all in one year. Dr. Hickham said the inspector is on track to complete all in three years - sometimes doing five inspections per day - by working 75% of his time on the road as well as working 25% of his time in the office doing letters and helping to answer phones. They continued discussion of the inspection process and Dr. Hickham said if they do not get all the inspections done in three years, then he will look into hiring another inspector.

Representative Harris stated that based on the information provided and the discussion, the perception that human safety is supposed to be very important but yet the Board is renting at One Canal Place and has an issue with hiring another inspector. He questioned the policies for inspections and Dr. Hickham detailed some items on their list. Representative Harris suggested that the Board hire a person to help with inspections to alleviate concerns because spending so much on rent does not send a good message.

Dr. Robert Barsley, J.D., President of the Louisiana Dental Association, said they have no official opinion on adding a lay person on the board but their task force that works with the Board is sometimes at odds.

Senator Walsworth said he has never seen eight recommendations all be refused. He suggested that if Dr. Hickham wants this legislature to consider not forcing the Board to move to Baton Rouge, then they need to have inspections every three years, not every six years. Also inspectors should not be answering phones but on the road more and performing quality inspections. He suggested the Board hire another inspector as this is a highly recognized profession and needs to be monitored.

Senator Walsworth urged the Board to review the recommendations again and return to testify at a LAAC meeting in either March or April 2017. He expressed disappointment in the Board and asked the auditor to look further into 2015.

Mr. Purpera agreed that no one had ever refused all recommendations and believes this \$12B industry needs good monitoring and inspections.

Other Business

Mr. Purpera referred to his work with other state auditors to be more involved in Medicaid audits.

Senator Walsworth said the Council will meet in January to discuss some issues and have the Board of Dentistry back in March.

Representative Stokes asked the auditor for any assistance possible for sales tax exemption information.

Adjournment

Senator Bishop offered the motion to adjourn and with no objection, the meeting adjourned at 11:53 a.m.

Approved by LAAC on: January 26, 2017

The video recording of this meeting is available in Senate Broadcast Archives:
http://senate.la.gov/video/videoarchive.asp?v=senate/2016/12/121516LegisAudit_0