

# LOUISIANA DEPARTMENT OF HEALTH

STATE OF LOUISIANA

FINANCIAL AUDIT SERVICES

**Management Letter**  
**Issued March 13, 2024**

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# Louisiana Legislative Auditor

Michael J. "Mike" Waguespack, CPA



Louisiana Department of Health

March 2024

Audit Control # 80230046

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## Introduction

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As a part of our audit of the State of Louisiana's Annual Comprehensive Financial Report and our work related to the Single Audit of the State of Louisiana (Single Audit) for the fiscal year ended June 30, 2023, we performed procedures at the Louisiana Department of Health (LDH) to provide assurances on financial information that is significant to the state's Annual Comprehensive Financial Report; evaluate the effectiveness of LDH's internal controls over financial reporting and compliance; and determine whether LDH complied with applicable laws and regulations.

We also determined whether management has taken actions to correct the findings reported in the prior year.

## Results of Our Procedures

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### Follow-up on Prior-year Findings

Our auditors reviewed the status of the prior-year findings reported in the LDH management letter dated April 12, 2023. We determined that management has resolved the prior-year findings related to Noncompliance with Provider Revalidation and Screening Requirements, Inadequate Controls and Noncompliance over ADP Risk Analysis and System Security Review, Inadequate Controls over Drug Rebate Collections, and Inadequate Controls over Monitoring of Abortion Claims.

The prior-year findings related to Noncompliance with Managed Care Provider Enrollment and Screening Requirement, Inadequate Controls over Annual Financial Reporting, Inadequate Internal Controls over Eligibility Determinations, Weakness in Controls over and Noncompliance with Provider Overpayments, Inadequate Controls over Payroll – Office of Public Health, Weaknesses in Controls over Payroll, Inadequate Controls over and Noncompliance with National Correct Coding Initiative Requirements, and Inadequate Controls over Billing for Behavioral Health Services have not been resolved and are addressed again in this letter.

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## **Current-year Findings**

### **Noncompliance with Managed Care Provider Enrollment and Screening Requirement**

For the sixth consecutive year, LDH did not enroll and screen all Healthy Louisiana managed care providers and dental managed care providers as required by federal regulations. In our review of the 28,733 providers paid during fiscal year 2023, it was determined that 8,183 (28%) of managed care and dental managed care providers were not enrolled and screened in accordance with federal regulations. As a result, LDH cannot ensure the accuracy of provider information obtained from the Louisiana Medical Assistance Program (Medicaid) managed care plans and cannot ensure compliance with enrollment requirements defined by law and the Medicaid and Children's Health Insurance Program (CHIP) state plan.

Federal regulations require that the enrollment process include providing the Medicaid agency with the provider's identifying information including the name, specialty, date of birth, Social Security number, national provider identifier, federal taxpayer identification number, and state license or certification number of the provider. Additionally, the state agency is required to screen enrolled providers, require certain disclosure, provide enhanced oversight of certain providers, and comply with reporting of adverse provider actions and provider terminations. By using the federally required process, managed care providers must participate in the same screening and enrollment process as Medicaid and CHIP fee-for-service (FFS) providers.

In July 2021, LDH launched the enrollment portal created by Gainwell, the state's current provider enrollment vendor. Although the enrollment portal was launched in fiscal year 2022, LDH gave providers until December 31, 2022, to enroll. Providers then had their claims denied for dates of service on or after January 1, 2023, if they had not enrolled through the enrollment portal. These deadlines followed LDH's corrective action plan from fiscal year 2022; however, due to the timing of the deadlines, not all of the Healthy Louisiana managed care providers and dental managed care providers that received payments in fiscal year 2023 were enrolled and screened.

LDH should ensure all providers are screened and enrolled as required by federal regulations. Management concurred with the finding and provided a corrective action plan. (See Appendix A, pages 1-2.)

### **Inadequate Controls over Annual Financial Reporting**

For the third consecutive year, LDH did not have adequate controls over financial reporting to ensure its financial reports were accurate, complete, and prepared in accordance with instructions from the Division of Administration, Office of Statewide Reporting and Accounting Policy (OSRAP). As a result, LDH submitted an inaccurate Annual Fiscal Report (AFR) for LDH Medical Vendor Payments for the fiscal year ended

June 30, 2023 (FY23) to OSRAP. In addition, LDH submitted inaccurate federal schedules used to prepare the Schedule of Expenditures of Federal Awards (SEFA).

In the AFR for Medical Vendor Payments, the following errors were noted in the Accounts Payable Adjustments note:

- For full accrual, Due to Medical Claims was overstated by \$1.9 million, Due to Audit Payables was understated by \$29.7 million, and Due to Federal Government was overstated by \$66.8 million.
- For modified accrual, Due to Medical Claims was overstated by \$19.2 million, Due to Audit Payables was understated by \$21.3 million, and Due to Federal Government was overstated by \$66.8 million.

In the AFR for Medical Vendor Payments, the following errors were noted in the Accounts Receivable Adjustments note:

- For full accrual, Due from Federal Government was understated by \$20.9 million and Due from Medical Providers was overstated by \$74.8 million.
- For modified accrual, Due from Federal Government was understated by \$21 million and Due from Medical Providers was overstated by \$90 million.

In addition, LDH accrued federal revenues associated with prepaid expenditures in the amount of \$31.3 million on the Schedule of Actual Cash Receipts by Business Area, Fund, and Account (Schedule B) for Medical Vendor Payments. These revenues should not have been accrued in FY23 as the revenue related to a future period/expense.

Finally, the following errors were noted in LDH's SEFA reporting for Medical Vendor Payments and Medical Vendor Administration.

- For Medical Vendor Payments, LDH improperly included \$31.1 million in expenditures that were not included in LDH's financial statements for FY23. As the SEFA should only report expenditures of Federal awards for the period covered by the auditee's financial statements, this resulted in an overstatement of \$31.1 million in Medicaid expenditures.
- For Medical Vendor Payments, due to an error during LDH's reconciliation process, expenditures of \$38.8 million were incorrectly included in the Medicaid - COVID total. This resulted in an understatement of \$38.8 million in Medicaid expenditures and an overstatement of \$38.8 million in Medicaid - COVID expenditures.
- For Medical Vendor Administration, due to an error during LDH's reconciliation process, various grants were understated by \$28.1 million in total expenditures. In addition, LDH did not record all expenditures

related to COVID-19 funding as a separate line item as instructed by OSRAP. This resulted in an overstatement of \$9.4 million in Medicaid expenditures and an understatement of \$9.4 million in Medicaid - COVID expenditures.

Good internal control over financial reporting should include adequate procedures and oversight to identify, calculate, and compile financial data needed to prepare accurate and complete financial reports that are presented in accordance with instructions provided by OSRAP and federal requirements. LDH's review and reconciliation process over annual financial reporting did not identify errors in amounts reported or ensure compliance with OSRAP instructions.

LDH management should strengthen its internal control over the financial reporting process to ensure accuracy of amounts provided to fiscal by program sections. In addition, management should perform a thorough review that will identify preparation errors and correct those errors before submission of reports to OSRAP for inclusion in the state's Annual Comprehensive Financial Report and the state's Single Audit Report. Management concurred with the finding and outlined a plan of corrective action. (See Appendix A, pages 3-4.)

### **Weaknesses in Controls over Payroll**

For the second consecutive year, LDH did not follow established payroll policies and procedures for the certification and approval of time sheets, as well as, for the approval of leave requests.

LDH utilizes electronic time sheets and leave requests in the Cross-Application Time Sheet (CATS) system. In our review of payroll system reports for LDH for the period July 1, 2022 through June 30, 2023, we noted the following:

- 36,934 (26%) of 141,586 time sheets were either not certified or not reissued after being declined by the employee prior to payroll processing.
- 6,496 (5%) of 141,586 time sheets were certified between one and 376 days after the payroll posting date.
- 41,574 (29%) of 141,586 time sheets were either not approved, not reissued for approval after being rejected by the supervisor, or deferred to another supervisor who did not approve the time sheet prior to payroll processing.
- 16,321 (12%) of 141,586 time sheets were approved by the employees' supervisor between one and 376 days after the payroll posting date.
- 7,237 (4%) of 191,265 leave requests were auto approved by the system. This occurs when leave has been requested for the pay period, but the employee's supervisor did not take timely action to approve/

reject the leave request before the end of the pay period. All open leave requests in the system will be auto approved on the last day of the applicable pay period in order for the employee to receive payment.

LDH policy, as well as the payroll and e-certification timelines, require time sheet approvers to ensure entries are submitted and certified by employees by Wednesday following the close of the pay period. Approvers are also responsible for reviewing time sheets for accuracy and approving or rejecting the time sheets by the Wednesday following the close of the pay period. LDH policy also requires supervisors to take appropriate action for all leave requests prior to the end of the applicable pay period.

LDH employees did not adhere to the established payroll policies and procedures over payroll to certify and approve time sheets in a timely manner or properly approve leave requests. As a result, there is an increased risk that errors and/or fraud could occur and not be detected in a timely manner.

Management should ensure employees comply with existing policies and procedures, including properly certifying and approving time sheets and leave requests in a timely manner. Management concurred with the finding and provided a plan of corrective action. (See Appendix A, pages 5-6.)

### **Inadequate Controls over Payroll – Office of Public Health**

For the fourth consecutive year, LDH, Office of Public Health (OPH) did not ensure payroll expenditures were certified and approved for the Public Health Emergency Preparedness program (AL 93.069) and the HIV Prevention Activities Health Department Based program (AL 93.940). Exceptions for each federal program are as follows:

- For the Public Health Emergency Preparedness program, a sample of 60 payroll transactions was tested from a population of 1,553 transactions totaling \$4,760,920. One (2%) time statement was not certified by the employee and four (7%) time statements were not approved by the employees' supervisors.
- For the HIV Prevention Activities Health Department Based program, a sample of 120 payroll transactions was tested from a population of 1,015 transactions totaling \$434,661. Two (2%) time statements were not certified by the employees and three (3%) time statements were not approved by the employees' supervisors.

State policy requires employees and supervisors to certify and/or approve time statements for accuracy. Timekeepers are responsible for reviewing the LaGov ZP241 eCertification report prior to processing to identify any employees who have not certified their time statements and any supervisors who have not approved their staff's time statements. Federal regulations require that records must be supported by a system of internal control, which provides reasonable assurance that the charges

are accurate, allowable, and properly allocated. Furthermore, the records must comply with the established accounting policies and practices of the non-federal entity. OPH lacked sufficient controls to ensure electronic time statements were properly certified and approved in accordance with federal and state regulations. Failure to adequately approve program expenditures increases the risk that unallowable costs could be reimbursed by the federal grantor.

OPH should ensure employees comply with existing policies and procedures, including properly certifying and approving electronic time statements. Management concurred with the finding and provided a corrective action plan. (See Appendix A, pages 7-8.)

### **Inadequate Controls over Reporting and Other Federal Compliance Requirements for the Medicaid and Children's Health Insurance Programs**

LDH erroneously double-reported expenditures for the Medicaid program, resulting in questioned costs, and did not complete certain quarterly checklist reviews intended to ensure compliance with the reporting and matching federal compliance requirements for the Medicaid program and the reporting, period of performance, matching, and earmarking federal compliance requirements for the CHIP program.

LDH improperly included the same \$16.6 million Medicaid expenditure on both the September 30, 2022, and March 31, 2023, quarterly federal expenditure reports, resulting in \$14.9 million in federal questioned costs for the year ending June 30, 2023. This occurred because LDH did not accurately complete the quarterly reconciliation, which is intended to ensure all items are accurately reported on the quarterly federal expenditure report.

In addition, LDH did not complete two of the four (50%) quarterly checklist reviews for fiscal year 2023. As a result, LDH failed to detect the misreporting of a \$1.7 million recoupment of Disproportionate Share Hospital (DSH) payments on the wrong federal year schedule for the June 30, 2023 quarterly federal expenditure report.

Federal regulations require accurate, current, and complete disclosure of the financial results of each federal award or program in accordance with reporting requirements. The Medicaid and CHIP programs require quarterly reporting to Centers for Medicare and Medicaid Services (CMS) detailing expenditures by category of service for which states are entitled to federal reimbursement. The federal expenditures reported in the quarterly reports are used to reconcile the draws of federal funds. In addition, good internal controls require that policies and procedures are established and followed to ensure compliance with federal requirements.

LDH management should strengthen controls over preparation and review of the quarterly federal expenditure reports to ensure federal expenditures are accurately reported and should ensure all quarterly checklist reviews are completed. Management partially concurred with the finding and provided a corrective action plan. (See Appendix A, pages 9-10.)

**Additional Comments:** Management's response stated "LDH disagrees that the quarterly checklist is intended to demonstrate compliance with the federal reporting requirements." LDH management previously represented that the quarterly checklist was part of LDH's internal control process to document the preparation and review of the quarterly federal expenditure reports. As stated in the finding, the noncompliance associated with federal reporting requirements occurred because LDH did not ensure their internal controls over federal requirements were completed for every quarter during fiscal year 2023.

### **Noncompliance with and Inadequate Controls over Maternity Kick Payments**

LDH did not adhere to established policies and procedures regarding maternity kick payments for fiscal year 2023. Maternity kick payments are one-time payments made by LDH to reimburse the Healthy Louisiana Managed Care Organizations (MCOs) for the costs associated with pre- and post-partum maternal care, as well as the delivery event itself. These payments are paid to the MCO upon submission of satisfactory evidence of the event or treatment which is referred to as a triggering event.

In our review of all Medicaid maternity kick payments paid during the period of July 1, 2022, through June 30, 2023, we identified 101 kick payments totaling \$887,955 in federal funds that were paid to the Healthy Louisiana MCOs with no triggering event as of June 30, 2023.

In our review of all CHIP maternity kick payments paid during the period of July 1, 2022, through June 30, 2023, we identified 9 kick payments totaling \$79,182 in federal funds that were paid to the Healthy Louisiana MCOs with no triggering event as of June 30, 2023.

LDH policies, in accordance with federal and state guidance, require a triggering event to occur before a maternity kick payment can be made. In previous years, LDH had procedures in place to perform periodic ad hoc reviews of kick payments that were no longer supported by a triggering event due to the original event having been voided by the plan. It was determined that LDH and the Medicaid Fiscal Intermediary have not performed this annual process since December of 2021.

As a result, there is an increased risk that maternity kick payments are being paid to Healthy Louisiana MCOs for triggering events that may not have taken place or no longer have satisfactory supporting evidence. LDH should strengthen existing policies and procedures to ensure the Medicaid Fiscal Intermediary is reviewing all maternity kick payments to ensure they are supported with a triggering event. When payments are identified that are no longer supported by satisfactory evidence, LDH should ensure the payments are recouped from the provider. Management partially concurred with the finding and provided a corrective action plan. (See Appendix A, pages 11-12.)

**Additional Comments:** LDH noted in its response that it disagreed on the number of unsupported kick payments. As noted in the finding, the maternity kick payments

did not have a triggering event as of June 30, 2023. The 35 kick payments mentioned in Management's response had trigger events submitted after June 30, 2023, which is outside the audit period.

### **Inadequate Internal Controls over Eligibility Determinations**

For the fourth consecutive year, LDH lacked adequate internal controls over eligibility determinations in the Medicaid and CHIP programs for the state fiscal year ending June 30, 2023. Federal regulations require that in order to be considered eligible, a recipient must meet all eligibility factors and the recipient case record must include facts to support the agency's eligibility decision. Federal regulations also require annual renewal of eligibility. LDH has outlined eligibility criteria and documentation to support determinations and renewals in its Medicaid eligibility manual. Proper eligibility determination and renewals are critical to ensuring appropriate service eligibility, appropriate premium payments, and appropriate federal match rate on expenditures.

From a population of 81,874,016 Medicaid Per-Member-Per-Month (PMPM) and FFS payments totaling \$13.1 billion, a sample of 60 Medicaid payments were selected and the corresponding recipient's eligibility was tested to ensure compliance with eligibility federal regulations. Seventeen (28.3%) out of 60 payments tested did not have adequate documentation to support the eligibility determination or redetermination within the recipient's case record.

The following errors were noted for Medicaid:

- For one payment, LDH personnel did not discontinue coverage on a recipient who moved out of state.
- For one payment, LDH personnel did not perform all required eligibility determinations before enrolling the recipient, therefore the recipient was invalidly enrolled during fiscal year 2023.
- For one payment, LDH did not perform all required eligibility determinations before transitioning the recipient to another Medicaid Group.
- For 14 payments, renewals were not performed for the recipients during the state fiscal year as required by federal regulations.

We noted questioned costs totaling \$20,843 in federal funds in relation to the Medicaid recipients who moved out of state or were invalidly enrolled. We did not note any questioned costs related to the other errors due to certain restrictions on eligibility actions during the public health emergency (PHE).

In addition, from a population of 6,352,535 CHIP PMPM and FFS payments totaling \$527.9 million, a sample of 60 CHIP payments were selected and the corresponding recipient's eligibility was tested. Fifteen (25%) out of 60 payments tested did not

have adequate documentation to support the eligibility determination or redetermination within the recipient's case record.

The following errors were noted for CHIP:

- For one payment, LDH personnel did not discontinue coverage on a recipient that was invalidly enrolled prior to the start of the PHE.
- For one payment, LDH personnel did not discontinue coverage on a recipient who became ineligible during the fiscal year due to enrollment in a separate CHIP program.
- For 13 payments, LDH did not follow policies and procedures regarding documentation of renewals.

We noted questioned costs totaling \$15,249 in federal funds in relation to the two CHIP recipients whose coverage was not discontinued. We did not note any questioned costs related to the other errors due to certain restrictions on eligibility actions during the PHE.

Finally, in an audit report issued in August of 2023 by the Louisiana Legislative Auditor's Performance Audit Services titled *Medicaid Residency*, it was discovered that LDH failed to discontinue coverage for four Medicaid recipients who moved out of state. This resulted in federal questioned costs totaling \$196,183.

LDH did not adhere to established control procedures to ensure case records support eligibility decisions, including performance of annual renewals. LDH should ensure its employees follow procedures relating to eligibility determinations and redeterminations in the Medicaid and CHIP programs to ensure the case records support the eligibility decisions. Management partially concurred with the finding and provided a corrective action plan. (See Appendix A, pages 13-15.)

**Additional Comments:** LDH noted in its response it did not concur with the errors noted for renewals not performed for both Medicaid and CHIP. LDH stated "During the PHE, LDH was operating under a March 25, 2020 CMS approved waiver for certain flexibilities in meeting the timeliness of Medicaid renewals. LDH used the flexibility to suspend processing of standard renewals." While CMS granted flexibilities for completing the renewals at a future date, it did not appear that CMS was granting approval for suspension of renewals. CMS also notified LDH that federal regulation requires the agency to document the reason for the delay in each case record, but there was no evidence of this in the exceptions noted above.

### **Inadequate Controls over and Noncompliance with National Correct Coding Initiative Requirements**

For the third consecutive year, LDH failed to properly implement and monitor National Correct Coding Initiative Requirements (NCCI) for Medically Unlikely edits (MUE) and Procedure-to-procedure (PTP) edits for the Medicaid FFS claims. MUE is an edit on

claims in which the number of units billed on the claim are more than what is considered necessary/allowed for a particular procedure code and PTP is an edit on claims in which one specific procedure code is not allowed to be billed with a different specific procedure code on the same recipient on the same day by the same provider. Federal regulations require State Medicaid agencies to incorporate NCCI edits into the State Medicaid program for FFS claims. Federal regulations and the NCCI Medicaid Technical Guidance Manual contains requirements for implementation of the NCCI methodologies.

Our testing of NCCI edits included all FFS claims for Durable Medical Equipment (DME), Outpatient Hospital Service (OP), and Practitioner and Ambulatory Surgical Center (PRA) paid in state fiscal year 2023. These claims were subject to two edit types: MUE and PTP.

In a test of 6,240,335 paid claims to determine if the proper NCCI MUE and PTP edits had been implemented, the following was noted:

- 1,588 claims for DME, OP, and PRA were paid but should have been evaluated by an NCCI MUE and denied. These NCCI MUE edit errors resulted in questioned costs of \$126,549 in federal funds. LDH noted that required NCCI MUE edits were not applied to OP and DME FFS claims due to system constraints for the first three quarters of the fiscal year.
- 43 claims for DME, OP, and PRA were paid but should have been evaluated by an NCCI PTP edit and denied. These NCCI PTP edit errors resulted in questioned costs of \$1,663 in federal funds.

In April 2023, LDH implemented the newest version of the clinical editing product ClaimsXten, which now houses all of the required Medicaid NCCI edits. Once implemented, LDH requested the Medicaid Fiscal Intermediary to reprocess all OP and DME claims for fiscal year 2023 in order to identify claims that should have been evaluated by an NCCI edit and denied. The Medicaid Fiscal Intermediary reprocessed all claims as requested, however, they did not recoup the payments associated with the identified claims.

Failure to properly implement and enforce all required NCCI edits increases the likelihood that FFS claims, which should be denied, could potentially be paid. LDH management should ensure all required NCCI edits are properly applied to FFS claims. Management partially concurred with the finding and provided a corrective action plan. (See Appendix A, pages 16-17.)

### **Inadequate Controls over Waiver and Support Coordination Service Providers**

LDH paid Medicaid Home and Community Based Services (HCBS) claims for the New Opportunities Waiver (NOW) for waiver services that were not documented in accordance with established policies. LDH also paid claims for support coordination

services that were not documented in accordance with established policies. These errors resulted in federally funded questioned costs of \$23,569.

Our testing of NOW waiver services included 1,004 claims paid in fiscal year 2023 totaling \$219,057 paid to three providers for 19 recipients. Auditors used LDH's provider manuals to identify required documentation, which includes an approved plan of care (POC), time sheets or electronic clock in/out and progress notes. Provider manuals are intended to give a provider the information needed to fulfill its vendor agreement with the state of Louisiana, and is the basis for federal and state reviews of the program. Our test identified errors for 371 claims totaling \$21,222 in federal funds, with some claims having multiple errors. The following errors were noted:

- For 349 claims for 18 recipients, the waiver services provider did not provide adequate documentation to support billed services.
- For 55 claims for 18 recipients, the waiver services provider did not provide documentation to support deviations from the approved POC, where the units of service provided were below the minimum amount required.

The recipients case record is required to include a copy of the approved POC, including any revisions. The POC documents the recipient's assessed needs and types and quantity of services to address those needs and costs related to services. Direct service providers provide care to a recipient based on the approved POC. According to the NOW provider manual, an occasional or temporary deviation from a recipient's scheduled services is acceptable as long as the services altered are recipient-driven, person-centered, and occur within the prior authorization. Without adequate documentation a provider cannot substantiate and auditors cannot verify that the deviations were recipient-driven and person-centered as required.

Waiver services are accessed through support coordinators who assist with development and monitoring of the recipient's POC. In addition to testing NOW waiver services, we also tested claims paid for support coordination services for the 19 waiver recipients tested. In our test of 311 claims paid in fiscal year 2023 totaling \$62,667 paid to four support coordination providers for the 19 recipients, the support coordination service provider did not provide adequate documentation to support billed services for 16 claims for five recipients. The federally funded portion of these claims totaled \$2,347.

According to the LDH service coordination provider manual, service logs are the means for clearly documenting services billed and must be reviewed by supervisors.

The errors noted in testing occurred because LDH failed to ensure that NOW waiver and support coordination providers follow LDH policies related to proper record keeping and supporting documentation. Without adequate supporting documentation and compliance with LDH established policies there is reduced

assurance that billed services were actually performed, recipients are receiving needed services, and limited resources are allocated appropriately.

LDH should ensure all departmental policies for waiver and support coordination services are enforced, including documentation to support claims and evidence that deviations from the approved POC meet the needs of the recipient. LDH should consider additional provider training regarding documentation requirements. Management partially concurred with the finding and provided a corrective action plan. (See Appendix A, pages 18-19.)

**Additional Comments:** LDH noted in its response that it did not concur with the determination of inadequate controls and that a combination of factors and not documentation alone must be considered when determining whether billed services were performed. As noted in the finding, LDH's provider manuals identify the required documentation for billing, which includes an approved POC, time sheets or electronic clock in/out and progress notes. The errors noted above included one or a combination of these items to be missing for the recipient files tested; therefore, LDH failed to ensure that providers followed LDH policies.

### **Weakness in Controls over and Noncompliance with Provider Overpayments**

LDH did not have adequate controls in place to correctly identify the date of discovery for provider overpayments and for the second consecutive year did not provide sufficient appropriate audit evidence of compliance with federal regulations regarding the return of the federal portion of provider overpayments to CMS in the appropriate quarter. In a sample of 60 provider overpayments, LDH only provided supporting documentation for seven. As a result, we did not have the evidence to support whether LDH had correctly identified the date of discovery or properly returned overpayments to CMS.

States have up to one year from the date of discovery, which means the date an overpayment has been identified by and/or identified and communicated to the provider, to recover or attempt to recover the overpayment before the federal share must be refunded to CMS via the CMS federal expenditure quarterly report, regardless of whether recovery is made from the provider. The state must credit the federal share to CMS either in the quarter in which the recovery is made or in the quarter in which the one-year period following discovery ends, whichever is earlier. By not appropriately identifying the date of discovery as defined by federal regulations, LDH cannot ensure that the federal share of provider overpayments that reach their one-year period are returned to CMS in the appropriate quarter.

LDH should ensure they are able to provide supporting documentation timely for the amounts reported in the quarterly CMS reports for provider overpayments. In addition, LDH should strengthen internal controls to ensure identification of the correct date of discovery for provider overpayments and compliance with federal regulations regarding the timely return of those overpayments. Management

concluded with the finding and outlined a plan of corrective action. (See Appendix A, pages 20-21.)

### **Inadequate Controls over Billing for Behavioral Health Services**

For the fifth consecutive year, LDH, the MCOs, and Magellan Health Services (Magellan) did not have adequate controls in place to ensure that behavioral health services in the Medicaid and CHIP programs were properly billed and that improper encounters were denied. For fiscal year 2023, we identified approximately \$16 million in encounters for services between July 1, 2022, and June 30, 2023, that were paid by the MCOs and Magellan even though the encounters do not appear to comply with LDH's encounter coding requirements and/or approved fee schedules. The billing errors could be avoided by LDH, the MCOs, and Magellan applying system edits that would flag encounters for further review when encounter coding and/or fee schedule requirements are not followed. Our analysis identified the following instances of billing errors:

- Providers were paid \$11,544,123 for 158,173 encounters that were billed using incorrect procedure and modifier codes. LDH's fee schedule outlines procedure codes for services and the applicable billing rates. Some services require that procedure codes also contain modifier codes which indicate information such as the age of the recipient, location where the service was provided, the educational background of the person providing the service, and the license(s) they have obtained. Without the required modifiers, the encounter does not contain enough information to determine that the billing was appropriate.
- Providers were paid \$4,459,886 more than indicated on approved fee schedules for 59,902 encounters for behavioral health services. The approved fee schedules outline different rates depending on the procedure code and modifier codes. The MCOs can optionally pay more than the minimum LDH fee schedule. However, LDH does not currently maintain a list of these providers and therefore cannot determine if an encounter paid at an excessive rate was improperly billed.

It is important that encounter data is accurate because LDH and other stakeholders, such as the Medicaid Fraud Control Unit within the Attorney General's Office, use this data to identify improper payments and potential fraud. LDH also uses this encounter data to establish per member per month rates for the MCOs.

In following its corrective action plan from fiscal year 2022, LDH contracted with the External Quality Reviewer (EQR) to validate a representative sample of encounters against the Medicaid fee schedule on file at the time of service delivery, inclusive of modifier utilization. Although implementation of this protocol began in fiscal year 2023, all quarters were not completed prior to the end of the fiscal year. Auditors also noted that the EQR's analysis excluded encounters with location

modifiers and included providers that were approved to bill in excess of the fee schedule. Finally, the analysis did not appear to evaluate if the rate billed on the encounter matched the education level modifier.

LDH management should ensure that agency personnel are adequately monitoring the EQR contract and that the proper validations are being conducted to ensure encounters are coded correctly. Management concurred with the finding and outlined a plan of corrective action. (See Appendix A, pages 22-23.)

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### **Annual Comprehensive Financial Report – State of Louisiana**

As a part of our audit of the Annual Comprehensive Financial Report for the year ended June 30, 2023, we considered internal control over financial reporting and examined evidence supporting LDH’s Medical Vendor payments (Agency 306) non-payroll expenditures, federal revenue, Medicaid current and non-current accruals, and federal disallowed costs.

Based on the results of these procedures, we reported a finding related to Inadequate Controls over Annual Financial Reporting, as described previously. In addition, the account balances and classes of transactions tested, as adjusted, are materially correct.

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### **Federal Compliance - Single Audit of the State of Louisiana**

As a part of the Single Audit for the year ended June 30, 2023, we performed internal control and compliance testing as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) on LDH’s major federal programs, as follows:

- Commodity Supplemental Food Program (part of the Food Distribution Cluster, Assistance Listing 10.565)
- Public Health Emergency Preparedness (Assistance Listing 93.069)
- Children’s Health Insurance Program (Assistance Listing 93.767)
- Medicaid Cluster (Assistance Listings 93.775, 93.777, and 93.778)

Those tests included evaluating the effectiveness of LDH’s internal controls designed to prevent or detect material noncompliance with program requirements and tests to determine whether LDH complied with applicable program requirements. In addition, we performed certain procedures on information submitted by LDH to the Division of

Administration's Office of Statewide Reporting and Accounting Policy for the preparation of the state's Schedule of Expenditures of Federal Awards (SEFA) and on the status of the prior-year findings for the preparation of the state's Summary Schedule of Prior Audit Findings, as required by Uniform Guidance.

Based on the results of these Single Audit procedures, we reported findings located in the Current-year Findings section. These findings will also be included in the Single Audit for the year ended June 30, 2023. In addition, LDH's information submitted for the preparation of the state's SEFA and the state's Summary Schedule of Prior Audit Findings, as adjusted, is materially correct.

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### **Trend Analysis**

We compared the most current and prior-year financial activity using LDH's Annual Fiscal Reports and/or system-generated reports and obtained explanations from LDH's management for any significant variances.

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### **Other Reports**

The Louisiana Legislative Auditor has other audit sections that issue reports regarding LDH. These reports are available on the Louisiana Legislative Auditor's website.

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of LDH. The nature of the recommendations, their implementation costs, and their potential impact on the operations of LDH should be considered in reaching decisions on courses of action. The findings related to LDH's compliance with applicable laws and regulations should be addressed immediately by management.

Under Louisiana Revised Statute 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Michael J. "Mike" Waguespack, CPA  
Legislative Auditor

ABS:REW:JPT:BQD:aa

LDH2023



## **APPENDIX A: MANAGEMENT'S RESPONSES**

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**State of Louisiana**  
Louisiana Department of Health  
Bureau of Health Services Financing

**VIA E-MAIL ONLY**

January 5, 2024

Mr. Michael J. "Mike" Waguespack, CPA  
Legislative Auditor  
P. O. Box 94397  
Baton Rouge, Louisiana 70804-9397

**Re: Noncompliance with Managed Care Provider Enrollment and Screening Requirement**

Dear Mr. Waguespack:

The Louisiana Department of Health (LDH) acknowledges receipt of correspondence from the Louisiana Legislative Auditor (LLA) dated December 21, 2023, regarding a reportable audit finding related to Noncompliance with Managed Care Provider Enrollment and Screening Requirement. LDH appreciates the opportunity to provide this response to your office's findings.

**Finding:** Noncompliance with Managed Care Provider Enrollment and Screening Requirement

**Recommendation:** LDH should ensure all providers are screened and enrolled as required by federal regulations.

**LDH Response:**

LDH concurs with the finding that it did not complete all five-year revalidations during State Fiscal Year (SFY) 23.

**Corrective Actions:**

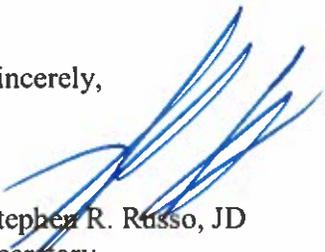
LDH is in the process of amending the Gainwell Technologies contract to establish a process whereby new fee for service and Managed Care Entity (MCE) providers are identified for inclusion in the Provider Enrollment Compliance Implementation (PECI) enrollment module. The tentative completion date of enrolling the new providers is September 30, 2024, then a bi-monthly cycle will be utilized to invite incoming providers to enroll.

Mr. Michael J. "Mike" Waguespack, CPA  
Noncompliance with Managed Care Provider Enrollment and Screening  
Requirement  
January 5, 2024  
Page 2

LDH is seeking a longer-term solution that will modernize the provider management system and achieve the CMS preference of modularity. LDH continues to keep CMS informed of our progress toward achieving compliance with CMS regulations.

You may contact Kimberly Sullivan, Interim Medicaid Director at (225) 219-7810 or via e-mail at [Kimberly.Sullivan@la.gov](mailto:Kimberly.Sullivan@la.gov) or Brandon Bueche, Medicaid Section Chief at (225) 384-0460 or via email at [Brandon.Bueche@la.gov](mailto:Brandon.Bueche@la.gov) with any questions about this matter.

Sincerely,



Stephen R. Russo, JD  
Secretary

SR/ks



**State of Louisiana**  
Louisiana Department of Health  
Office of the Secretary

**VIA E-MAIL ONLY**

December 5, 2023

Michael J. Waguespack, CPA  
Louisiana Legislative Auditor  
P.O. Box 94397  
Baton Rouge, LA 70804-9397

**Re: Inadequate Controls over Annual Financial Reporting**

Dear Mr. Waguespack,

The Louisiana Department of Health (LDH) acknowledges receipt of correspondence from the Louisiana Legislative Auditor dated December 1, 2023, regarding a reportable audit finding related to controls over annual financial reporting at the LDH. The LDH appreciates the opportunity to provide this response to your office's findings.

**Finding:** Inadequate Controls over Annual Financial Reporting

**Recommendation:** LDH management should strengthen its internal control over the financial reporting process to ensure accuracy of amounts provided to fiscal by program sections. In addition, management should perform a thorough review that will identify preparation errors and correct those errors before submission of reports to OSRAP for inclusion in the state's Annual Comprehensive Financial Report and the state's Single Audit Report.

**LDH Response:** Management concurs with the finding and recommendation for inadequate controls over financial reporting fiscal year ended June 30, 2023 (FY 23).

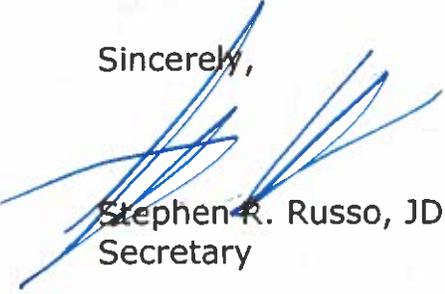
**Corrective Action Plan:** The Fiscal staff is working on the corrective action plan that will focus on strengthening internal review, increasing training to eliminate the knowledge gap of new staff, as well as an

Mr. Michael J. Waguespack, CPA  
LDH Response to Inadequate Controls over Annual Financial Reporting  
Page 2

enhanced review process to ensure quality reporting. The anticipated corrective action plan completion date is April 30, 2024.

You may contact Helen Harris, LDH Fiscal Director, by telephone at 225-342-9568 or by e-mail at [helen.harris@la.gov](mailto:helen.harris@la.gov) with any questions about this matter.

Sincerely,



Stephen R. Russo, JD  
Secretary



**State of Louisiana**  
Louisiana Department of Health  
Office of the Secretary

**VIA E-MAIL ONLY**

August 28, 2023

Michael J. "Mike" Waguespack, CPA  
Louisiana Legislative Auditor  
P.O Box 94397  
Baton Rouge, Louisiana 70804-9397

**Re: Weakness in Controls Over Payroll**

Dear Mr. Waguespack,

The Louisiana Department of Health (LDH) acknowledges receipt of correspondence from the Louisiana Legislative Auditor dated August 14, 2023, regarding a reportable audit finding related to Weaknesses in Controls Over Payroll at LDH. We appreciate the opportunity to provide a response to your office's findings.

**Finding:** For the second consecutive year, the LDH did not follow established payroll policies and procedures for the certification and approval of time sheets, as well as, for the approval of leave requests.

**Recommendation:** Management should ensure employees comply with existing policies and procedures, including properly certifying and approving time sheets and leave requests in a timely manner.

**LDH Response:** LDH concurs with the recommendation. Since the 2022 audit, LDH Human Resources has provided training and education to employees/supervisors/managers/time administrators of their payroll responsibilities. The following trainings were conducted:

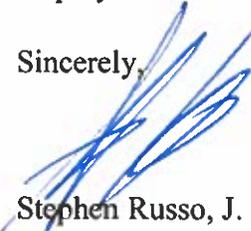
1. Conducted 11 statewide, in-person trainings in the spring of 2023 with approximately 265 employees in attendance. The focus of the trainings were to reintroduce time administrators to the Payroll Procedures manual; which included payroll, disaster coding and FMLA. In addition to various processes, great emphasis was placed on running bi-weekly reports and notifying employees and supervisors of any corrective actions.

2. Since September 2022, bi-weekly emails are sent to remind time administrators to run reports, identify and resolve payroll errors prior to final payroll processing. The emails also include the timeline for the beginning of New Pay Period Week 1. Those duties include the exact date and time to certify time statements, deadline to approve or decline entries, and the timeframe to make necessary changes/adjustments (including reports to assist).

In order to mitigate the noted deficiencies, HR staff will run bi-weekly reports that identify those employees that failed to certify their time or failed to approve subordinates time in accordance with policy. These reports will be shared with the appropriate Assistant Secretary/Director to take corrective action as necessary to ensure compliance with policy. If improvement is not realized within the next 2 pay periods after notification, HR will send a report of employees that consistently fail to follow policy to the executive team.

LDH HR staff will provide any support needed to assist Appointing Authorities in reviewing the bi-weekly data provided by HR and taking any actions involving individual employees found to be in violation of LDH policies regarding time administration.

Sincerely,



Stephen Russo, J. D.  
Secretary



**State of Louisiana**  
Louisiana Department of Health  
Office of Public Health

**VIA E-MAIL ONLY**

February 19, 2024

Michael J. "Mike" Waguespack, CPA  
Louisiana Legislative Auditor  
P.O. Box 94397  
Baton Rouge, Louisiana 70804-9397

**Re: Inadequate Controls over Payroll – OPH**

Dear Mr. Waguespack:

The Louisiana Department of Health (LDH) acknowledges receipt of correspondence from the Louisiana Legislative Auditor (LLA) dated February 7, 2024, regarding a reportable audit finding related to inadequate controls over payroll for the following programs in the Office of Public Health (OPH): Public Health Emergency Preparedness (PHEP) and HIV Prevention Activities (HIV). LDH appreciates the opportunity to provide this response to your office's finding.

**Finding:** Inadequate Controls over Payroll - OPH

**Recommendation:** OPH should ensure employees comply with existing policies and procedures, including properly certifying and approving electronic time statements.

**LDH Response:** LDH concurs with the finding and concurs with the recommendation.

**Corrective Action:** As part of a comprehensive agency-wide plan to address this finding, OPH is developing a corrective action plan to enact control measures and monitor the certification and approval of electronic time statements. The below corrective measures have been put in place or will be put in place to prevent future findings.

Mr. Michael J. "Mike" Waguespack, CPA  
Inadequate Controls over Payroll - OPH  
February 19, 2024  
Page 2

OPH implemented an updated Time Entry Policy in place in April 2023. This policy includes employee, supervisor, and time administrator responsibilities regarding the certification and approval of electronic time statements. This policy will be redistributed agency wide.

Each pay period, LDH Human Resources sends all LDH and OPH time administrators an email containing Time Administrator payroll timelines and reports that must be run each pay period. Included are reports indicating errors requiring corrections prior to payroll close and the eCertification Report used to identify any electronic time statements that have not been certified or approved for follow-up.

Each pay period, LDH Human Resources emails the OPH Assistant Secretary reports of time statements not certified and/or approved. These reports are sent to all areas of OPH to ensure corrective measures are taken.

OPH will also set earlier internal deadlines for employees and supervisors to certify and approve their timesheets. This will allow Time Administrators to run reports sooner to identify electronic time statements that have not been certified or approved and allow time for follow-up.

OPH will implement a new procedure requiring Time Administrators to conduct an orientation with any new hires or transfers within the first week of hire or transfer. The Time Administrator will review the entry of time, the entry of leave requests, and the deadlines for approval and certification.

You may contact Devin George, Deputy Assistant Secretary, by telephone at (225) 342-2655, or by email at [devin.george@la.gov](mailto:devin.george@la.gov).

Sincerely,



Ralph L. Abraham, M.D.  
Secretary



**State of Louisiana**  
Louisiana Department of Health  
Office of the Secretary

**VIA E-MAIL ONLY**

January 25, 2024

Michael J. Waguespack, CPA  
Louisiana Legislative Auditor  
P.O. Box 94397  
Baton Rouge, LA 70804-9397

**Re: Inadequate Controls over Reporting and Other Federal Compliance Requirements for the Medicaid and Children's Health Insurance Programs**

Dear Mr. Waguespack,

The Louisiana Department of Health (LDH) acknowledges receipt of correspondence from the Louisiana Legislative Auditor dated January 4, 2024, regarding a reportable audit finding related to controls over reporting and other Federal compliance requirements for the Medicaid and CHIP programs at the LDH. The LDH appreciates the opportunity to provide this response to your office's findings.

**Finding:** Inadequate Controls over Reporting and Other Federal Compliance Requirements for the Medicaid and Children's Health Insurance Programs

**Recommendation:** LDH management should strengthen controls over preparation and review of the quarterly federal expenditure reports to ensure Federal expenditures are accurately reported and should ensure all quarterly checklist reviews are completed.

**LDH Response:** LDH partially concurs with the finding and recommendation.

LDH disagrees that the quarterly checklist is intended to demonstrate compliance with the federal reporting requirements. The quarterly checklist is used to document and track the receipt of source documents from other departments so the fiscal staff can develop work papers for the federal expenditure reports. The checklists do not track the accuracy of the work papers. Additionally, the quarterly reconciliations purpose is to reconcile expenditures in the state's accounting system (LaGov) to the Medicaid and Children's Health Insurance Program Budget and Expenditure System (MBES/CBES). During this audit period, LDH was in the process of reviewing the reconciliation procedures to transition from previous methods of reconciliation utilizing the old accounting system (ISIS) to LaGov. Although the duplication was identified through this Single State audit,

Michael J. Waguespack, CPA  
Inadequate Controls over Reporting and Other Federal Compliance Requirements for the  
Medicaid and Children's Health Insurance Programs  
January 25, 2024  
Page 2

LDH maintains it would have identified the duplicative entries during the annual grant award reconciliation process which would have been within the federal reporting timelines

**Corrective Action Plan:** LDH will continue to build on the improvements already implemented to prevent Medicaid expenditure misstatements from recurring. As discussed with the Single State auditors, measures to increase operational accuracy were being worked on during the audit or are in the process of being developed. LDH management has already taken steps to implement a corrective action plan to strengthen the internal controls that will enhance the State Agency's preparation and review of the quarterly federal expenditure reports which includes a more thorough review of procedures to collect and review data from program offices and incorporate more cross training amongst the fiscal staff responsible for federal reporting.

The anticipated completion date of this corrective action plan is April 30, 2024.

You may contact Helen Harris, LDH Fiscal Director, by telephone at 225-342-9568 or by e-mail at [helen.harris@la.gov](mailto:helen.harris@la.gov) with any questions about this matter.

Sincerely,



Ralph L. Abraham, M.D.  
Secretary



**State of Louisiana**  
Louisiana Department of Health  
Bureau of Health Services Financing

**VIA E-MAIL ONLY**

January 24, 2024

Mr. Michael J. "Mike" Waguespack, CPA  
Legislative Auditor  
P. O. Box 94397  
Baton Rouge, Louisiana 70804-9397

**Re: Noncompliance with and Inadequate Controls over Maternity Kick Payments**

Dear Mr. Waguespack:

The Louisiana Department of Health (LDH) acknowledges receipt of correspondence from the Louisiana Legislative Auditor (LLA) dated December 21, 2023, regarding a reportable audit finding related to Noncompliance with and Inadequate Controls over Maternity Kick Payments. LDH appreciates the opportunity to provide this response to your office's findings.

**Finding: Noncompliance with and Inadequate Controls over Maternity Kick Payments**

**Recommendation:** LDH should strengthen existing policies and procedures to ensure the Medicaid Fiscal Intermediary is reviewing all maternity kick payments to ensure they are supported with a triggering event. When payments are identified that are no longer supported by satisfactory evidence, LDH should ensure the payments are recouped from the provider.

**LDH Response:**

LDH partially concurs with LLA's finding that it did not perform timely post-payment reviews of maternity kick payments, but disagrees on the number of unsupported kick payments. Louisiana is actively working on compliance with this requirement which is detailed in the corrective actions detailed below.

**Corrective Actions:**

LDH has restarted the kick payment review process previously established. Gainwell Technologies, the state's Fiscal Intermediary, completed a kick payment review and recovery in December 2023 and will perform quarterly kick payment reviews going forward. This quarterly review timeline has been added to Gainwell's processing

Mr. Michael J. "Mike" Waguespack, CPA  
Noncompliance with Inadequate Controls over Maternity Kick Payments  
January 24, 2024  
Page 2

schedule to ensure that future reviews are completed timely. Marisa Naquin, Medicaid Program Manager 2, will be responsible for implementation of the corrective actions.

Specific to the 110 kick payments identified in this finding as potentially unsupported, LDH's review determined that 35 of the identified 110 kick payments had a valid triggering event and should not be recovered. LDH recovered 71 Medicaid kick payments, valued at \$874,096.35, and 4 CHIP kick payments, valued at \$43,798.46, on the December 26, 2023 check write.

You may contact Kimberly Sullivan, Interim Medicaid Director at (225) 219-7810 or via e-mail at [Kimberly.Sullivan@la.gov](mailto:Kimberly.Sullivan@la.gov) or Marisa Naquin, Medicaid Program Manager 2 at (504) 408-1828 or via email at [Marisa.Naquin@la.gov](mailto:Marisa.Naquin@la.gov) with any questions about this matter.

Sincerely,



Ralph L. Abraham, M.D.  
Secretary

RA/ks



## State of Louisiana

Louisiana Department of Health  
Bureau of Health Services Financing

### VIA E-MAIL ONLY

February 6, 2024

Mr. Michael J. "Mike" Waguespack, CPA  
Legislative Auditor  
P. O. Box 94397  
Baton Rouge, Louisiana 70804-9397

### Re: Inadequate Internal Controls over Eligibility Determinations

Dear Mr. Waguespack:

The Louisiana Department of Health (LDH) acknowledges receipt of correspondence from the Louisiana Legislative Auditor (LLA) dated January 26, 2024 regarding a reportable audit finding related to inadequate internal controls over eligibility determinations. LDH appreciates the opportunity to provide this response to your office's findings.

**Finding:** Inadequate Internal Controls over Eligibility Determinations.

**Recommendation:** LDH should ensure its employees follow procedure relating to eligibility determinations and redeterminations in the Medicaid and CHIP programs to ensure the case records support the eligibility decisions.

**LDH Response:** LDH partially concurs with LLA's finding of inadequate controls over eligibility determinations.

For the one noted Medicaid error of failing to discontinue coverage for a recipient who moved out of state, LDH concurs. The LDH staff member who received the reported out of state address noted in the case record that coverage was already terminated and no further action was necessary when in fact it was not terminated at the time.

For the one noted Medicaid error of not performing all required eligibility determinations before enrolling the recipient, LDH concurs. The eligibility determination system approved coverage for the recipient based on self-attestation of resources prior to checking the electronic data sources for verification.

For the one noted Medicaid error of not perform all required eligibility determinations before transitioning the recipient, LDH concurs. In transitioning the recipient from a program without a resource test to one with a resource test based on a change in circumstance, LDH used existing resource information in the case record without requesting or checking for any new information.

For the fourteen noted Medicaid errors of renewals not performed, LDH does not concur. When possible, LDH attempted to perform an ex parte renewal per federal guidelines. If an ex parte renewal could not be completed to extend benefits, a "standard" renewal is required which involves mailing a renewal form to the recipients to complete and return. During the public health emergency (PHE), LDH was operating under a March 25, 2020 CMS approved waiver for certain flexibilities in meeting the timeliness of Medicaid renewals. LDH used the flexibility to suspend processing of standard renewals. Audit staff were informed the noted cases would have needed a standard renewal and therefore not processed per the waiver.

For the one noted CHIP error of not discontinuing coverage on a recipient that was invalidly enrolled prior to the start of the PHE, LDH does not concur. The recipient was validly enrolled. LDH staff did not timely act on a task to terminate coverage for this beneficiary prior to the beginning of the PHE in March 2020. Under the continuous eligibility provision of the FFCRA of 2020, a state could not terminate individuals from Medicaid if such individuals were enrolled in the program as of the date of the beginning of the emergency period, unless the individual voluntarily terminates eligibility or is no longer a resident of the state. No exceptions were noted for delays in taking negative action, therefore, out of an abundance of caution to not jeopardize the entirety of enhanced federal funding for keeping recipients enrolled during the PHE, LDH reinstated the coverage.

For the one noted CHIP error for not discontinuing coverage on a recipient who became ineligible for a separate CHIP program, LDH concurs. The recipient was covered under the CHIP conception to birth option and coverage should have been terminated when her pregnancy terminated. She was inadvertently reinstated for coverage by the eligibility system.

For the thirteen noted CHIP errors of not following policies and procedures regarding documentation of renewals, LDH does not concur. When possible, LDH attempted to perform an ex parte renewal per federal guidelines. If an ex parte renewal could not be completed to extend benefits, a "standard" renewal is required which involves mailing a renewal form to the recipients to complete and return. During the PHE, LDH was operating under a March 25, 2020 CMS approved waiver for certain flexibilities in meeting the timeliness of Medicaid renewals. LDH used the flexibility to suspend

processing of standard renewals. Audit staff were informed the noted cases would have needed a standard renewal and therefore not processed per the waiver.

As for the performance audit report issued in August 2023, the LDH formal response dated August 10, 2023 addressed the concerns that were noted at that time.

**Corrective Actions:**

1. For the out of state finding in this audit and the August 2023 performance audit report, the LDH formal response dated August 10, 2023 addressed this issue.
2. LDH will make changes to the Medicaid eligibility system to ensure resources are re-verified when recipients transition from programs without a resource test to those that require a resource test. LDH has already implemented changes effective June 2023 to automate checking of electronic data sources for verification of resources as part of the recipient's annual renewal.
3. By the end of the PHE Unwind process, LDH will have completed a renewal and/or closed any separate CHIP cases that inadvertently remained open during the PHE and are no longer eligible for coverage.
4. LDH did adhere to regulations, guidance, and/or approved waivers in processing or suspending renewals and transitioning recipients to other coverage during the PHE. LDH continues to firmly believe the "case record" contemplated in CFR 435.912(f) includes all aspects of data repositories or system actions in the case, along with text fields in the case notes and the documents in the LDH document management system. In accordance with 42 CFR 433.112(b) and 45 CFR 164.312(b), LaMEDS logs system activity and enables the State to examine and document system actions.

You may contact Kimberly Sullivan, Interim Medicaid Executive Director at (225) 219-7810 or via e-mail at [Kimberly.Sullivan@la.gov](mailto:Kimberly.Sullivan@la.gov) or Rhett Decoteau, Medicaid Section Chief at (225) 342-9044 or via email at [Rhett.Decoteau@la.gov](mailto:Rhett.Decoteau@la.gov) with any questions about this matter.

Sincerely,



Ralph L. Abraham, M.D.  
Secretary

RA/ks



## State of Louisiana

Louisiana Department of Health  
Bureau of Health Services Financing

**VIA E-MAIL ONLY**

January 25, 2024

Mr. Michael J. "Mike" Waguespack, CPA  
Legislative Auditor  
P. O. Box 94397  
Baton Rouge, Louisiana 70804-9397

**Re: Inadequate Controls Over and Noncompliance with National Correct Coding Initiative Requirements**

Dear Mr. Waguespack:

The Louisiana Department of Health (LDH) acknowledges receipt of correspondence from the Louisiana Legislative Auditor (LLA) dated January 17, 2024 regarding a reportable audit finding related to Inadequate Controls Over and Noncompliance with National Correct Coding Initiative Requirements. LDH appreciates the opportunity to provide this response to your office's findings.

**Finding:** Inadequate Controls Over and Noncompliance with National Correct Coding Initiative Requirements

**Recommendation:** LDH management should ensure all required NCCI edits are properly applied to FFS claims.

**LDH Response:**

LDH partially concurs with LLA's finding that it did not timely apply NCCI PTP edits for DME and OPH FFS claims for State Fiscal Year 2023. At the time of claim submissions (between July 1, 2022, through March 31, 2023) the current editing product ClaimsXten was not live and LDH utilized the previous editing system ClaimCheck, which was limited by system constraints. Due to this, NCCI edits for outpatient hospital (OPH) and durable medical equipment (DME) were not applied to claims until the implementation of ClaimsXten on March 31, 2023. On June 23, 2023, LDH ensured that the identified claims were recycled prior to the end of SFY '23 as a means of ensuring all required edits were appropriately applied to claims for the fiscal year. Upon completion of the recycle, LDH found that its vendor did not appropriately recoup payments that

were associated with the identified claims. The recoupment of these claims took place in December 2023.

**Corrective Actions:**

LDH implemented the following steps for corrective action, which are summarized below:

1. Implemented ClaimsXten on March 31, 2023. ClaimsXten houses all of the Medicaid NCCI methodologies and removed previously experienced system constraints that were found within ClaimCheck allowing for full compliance.
2. LDH conducted a retroactive review of all FFS DME and OPH claims submitted from **July 1, 2022, through March 31, 2023**, in the new editing system. This review occurred on **June 23, 2023** and allowed the application of all NCCI editing methodologies including durable medical equipment (DME) and outpatient hospital (OPH) Medically Unlikely Edits (MUE) to all Louisiana Medicaid Fee- for- Service (FFS) claims as applicable.
3. LDH ensured the recoupment of payments were made for claims submitted that should have denied between **July 1, 2022, through March 31, 2023**. The recoupment of these payments took place on **December 28, 2023**, making LDH fully compliant for SFY '23.
4. LDH will monitor system functionality by performing bi-weekly audits of claims with its fiscal intermediary to ensure compliance with the requirement that all NCCI edits are properly applied to FFS claims and immediately resolves issues when discovered.
5. LDH will follow its new written NCCI procedures.

You may contact Kimberly Sullivan, Interim Medicaid Director at (225) 219-7810 or via e-mail at [Kimberly.Sullivan@la.gov](mailto:Kimberly.Sullivan@la.gov) or Brandon Bueche, Medicaid Section Chief at (225) 384-0460 or via email at [Brandon.Bueche@la.gov](mailto:Brandon.Bueche@la.gov) with any questions about this matter.

Sincerely,



Ralph L. Abraham, M.D.  
Secretary

RA/ks



**State of Louisiana**  
Louisiana Department of Health  
Office of the Secretary

**VIA E-MAIL ONLY**

February 1, 2024

Michael J. Waguespack, CPA  
Louisiana Legislative Auditor  
P.O. Box 94397  
Baton Rouge, LA 70804-9397

**Re: Inadequate Controls over Waiver and Support Coordination Service Providers**

Dear Mr. Waguespack,

The Louisiana Department of Health (LDH) acknowledges receipt of correspondence from the Louisiana Legislative Auditor dated January 25, 2024, regarding a reportable audit finding related to controls over waiver and support coordination service providers at the LDH. The LDH appreciates the opportunity to provide this response to your office's findings.

**Finding:** Inadequate Controls over Waiver and Support Coordination Service Providers

**Recommendation:** LDH should ensure all departmental policies for waiver and support coordination services are enforced, including documentation to support claims and evidence that deviations from the approved POC meet the needs of the recipient. LDH should consider additional provider training regarding documentation requirements.

**LDH Response:** LDH partially concurs with the finding and recommendation.

LDH does not concur with the determination of inadequate controls over waiver and support coordination providers. LLA asserts inadequate documentation prohibits substantiating if deviations were person-centered and/or billed services were performed. A combination of factors and not documentation alone must be considered when determining whether billed services were performed or the services delivered are person-centered. A prioritization on documentation as assurance of services provided seem to disregard more effective, nationally recognized, and mandated assurance measures such as electronic visit verification (EVV), prior authorization, and post authorization. Assurance measures like those listed above gear more towards validating whether services were provided than documentation alone. For example, documentation such as

Michael J. Waguespack, CPA  
LDH Response to Inadequate Controls over Waiver and Support Coordination Service  
Providers  
February 1, 2024  
Page 2

progress notes is not intended to verify if a service was provided but summarize the beneficiary's day-to-day activities and demonstrates progress toward achieving his/her personal outcomes as identified in the approved plan of care (POC).

**Corrective Action Plan:** LDH does concur with LLA's recommendation regarding policy enforcement measures and additional provider training. Given the high turnover due to the national direct support worker and support coordinator workforce crisis, as well as the end of COVID-19 public health emergency, we agree with the need for robust training and additional oversight/policy enforcement. Therefore, LDH will develop action steps to address the need for additional provider training and action steps to provide additional oversight policy enforcement.

The anticipated completion date of all corrective action is March 30, 2024.

You may contact Bernard Brown, Deputy Assistant Secretary, by telephone at 225-342-8807 or by e-mail at [bernard.brown@la.gov](mailto:bernard.brown@la.gov) with any questions about this matter.

Sincerely,



Ralph L. Abraham, M.D.  
Secretary



**State of Louisiana**  
Louisiana Department of Health  
Office of the Secretary

**VIA E-MAIL ONLY**

January 25, 2024

Michael J. Waguespack, CPA  
Louisiana Legislative Auditor  
P.O. Box 94397  
Baton Rouge, LA 70804-9397

**Re: Weakness in Controls over and Noncompliance with Provider Overpayments**

Dear Mr. Waguespack,

The Louisiana Department of Health (LDH) acknowledges receipt of correspondence from the Louisiana Legislative Auditor dated January 10, 2024, regarding a reportable audit finding related to controls over and noncompliance with provider overpayments at the LDH. The LDH appreciates the opportunity to provide this response to your office's findings.

**Finding:** Weakness in Controls over and Noncompliance with Provider Overpayments

**Recommendation:** LDH should ensure it is able to provide supporting documentation timely for the amounts reported in the quarterly CMS reports for provider overpayments. In addition, LDH should strengthen internal controls to ensure identification for the correct date of discovery for provider overpayments and compliance with federal regulations regarding the timely return of those overpayments.

**LDH Response:** LDH concurs with the finding and recommendation.

**Corrective Action Plan:** We will continue to actively engage in communication with the state auditors throughout the review period to ensure we yield a clear picture and understanding of what is being evaluated and what documentation is needed to mitigate future findings. Additionally, LDH has reviewed its current practices and procedures and are making modifications to the notification documents submitted to Fiscal to ensure that the discovery date is clearly identified.

The anticipated completion date of all corrective action is June 30, 2024.

Michael J. Waguespack, CPA  
LDH Response to Weakness in Controls over and Noncompliance with Provider  
Overpayments  
January 25, 2024  
Page 2

You may contact Helen Harris, LDH Fiscal Director, by telephone at 225-342-9568 or by e-mail at [helen.harris@la.gov](mailto:helen.harris@la.gov) with any questions about this matter.

Sincerely,

A handwritten signature in blue ink, appearing to read "R. Abraham", is written over a light blue horizontal line.

Ralph L. Abraham, M.D.  
Secretary

**John Bel Edwards**  
GOVERNOR



**Stephen R. Russo, JD**  
SECRETARY

**State of Louisiana**  
Louisiana Department of Health  
Office of the Secretary

December 22, 2023

**VIA E-MAIL ONLY**

Michael J. "Mike" Waguespack, CPA  
Louisiana Legislative Auditor  
P.O. Box 94397  
Baton Rouge, Louisiana 70804-9397

**Re: Inadequate Controls over Billing for Behavioral Health Services**

Dear Mr. Waguespack:

The Louisiana Department of Health (LDH) acknowledges receipt of correspondence from the Louisiana Legislative Auditor dated December 12, 2023, regarding a reportable audit finding related to billing controls for behavioral health services. LDH appreciates the opportunity to provide this response to your office's findings.

**Finding:** Inadequate Controls over Billing for Behavioral Health Services.

**Recommendation:** LDH management should ensure that agency personnel are adequately monitoring the EQR contract and that the proper validations are being conducted to ensure encounters are coded correctly.

**LDH Response:**  
LDH concurs.

**Corrective Action Plan:**

LDH will continue to refined the scope of the EQRO review and adjust as needed. Additionally, LDH will continue to monitor our EQR contract to ensure we are able to identify encounters that the MCEs paid at an inappropriate rate given the unique provider, their credentials, service location and the confirmation of the appropriate Medicaid fee schedule or alternative rates against which claims were to be processed.

LDH has worked diligently to both identify instances when encounters that appear to have not been paid in accordance with the SBHS fee schedule were, in fact, paid at the appropriate rate, as well as, reduce the volume of encounters that truly are reflective of improper claims' processing. While SBHS expenditures have increased by approximately 16% since the initial

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FY19 finding, the number of encounters identified in the FY23 report have decreased by more than 83% over that same period. LDH is committed to this ongoing initiative, and intends to continue the supplemental EQR protocol in an effort to further reduce the inaccurate identification of improperly paid claims, as well as requiring the MCEs to ensure their claims processing systems are functioning appropriately or are updated, as indicated based upon applicable EQR findings.

You may contact Karen Stubbs, OBH Assistant Secretary by telephone at (225) 342-1435 or by e-mail at [karen.stubbs@la.gov](mailto:karen.stubbs@la.gov) with any questions concerning this matter.

Sincerely,

DocuSigned by:  
  
7258DB4E45134C0...  
Stephen R. Russo, JD



## APPENDIX B: SCOPE AND METHODOLOGY

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We performed certain procedures at the Louisiana Department of Health (LDH) for the period from July 1, 2022, through June 30, 2023, to provide assurances on financial information significant to the State of Louisiana's Annual Comprehensive Financial Report, and to evaluate relevant systems of internal control in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States. Our procedures, summarized below, are a part of the audit of the Annual Comprehensive Financial Report and our work related to the Single Audit of the State of Louisiana (Single Audit) for the year ended June 30, 2023.

- We evaluated LDH's operations and system of internal controls through inquiry, observation, and review of its policies and procedures, including a review of the laws and regulations applicable to LDH.
- Based on the documentation of LDH's controls and our understanding of related laws and regulations, we performed procedures to provide assurances on certain account balances and classes of transactions to support our opinions on the Annual Comprehensive Financial Report.
- We performed procedures on the Commodity Supplemental Food Program (part of the Food Distribution Cluster, Assistance Listing 10.565); Public Health Emergency Preparedness (Assistance Listing 93.069); Children's Health Insurance Program (Assistance Listing 93.767); and Medicaid Cluster (Assistance Listings 93.775, 93.777, and 93.778) for the year ended June 30, 2023, as a part of the 2023 Single Audit.
- We performed certain procedures on information for the preparation of the state's Schedule of Expenditures of Federal Awards and on the status of prior-year findings for the preparation of the state's Summary Schedule of Prior Audit Findings for the year ended June 30, 2023, as a part of the 2023 Single Audit.
- We compared the most current and prior-year financial activity using LDH's Annual Fiscal Reports and system-generated reports to identify trends and obtained explanations from LDH's management for significant variances.

The purpose of this report is solely to describe the scope of our work at LDH and not to provide an opinion on the effectiveness of LDH's internal control over financial reporting or on compliance. Accordingly, this report is not intended to be, and should not be, used for any other purposes.

We did not audit or review LDH's Annual Fiscal Reports, and accordingly, we do not express an opinion on those reports. LDH's accounts are an integral part of the State of Louisiana's Annual Comprehensive Financial Report, upon which the Louisiana Legislative Auditor expresses opinions.