



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

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DEPARTMENT OF HEALTH AND HOSPITALS BATON ROUGE MAIN OFFICE OPERATIONS

The state Department of Health and Hospitals paid its new Medicaid dental provider almost \$11 million before its three-year, \$484 million contract received state approval and did not submit it for federal approval as required, a report issued Monday by Legislative Auditor Daryl Purpera said.

The Financial Audit Services' management letter to the agency also pointed out that DHH "disclosed protected health information and personal identifiable information prior to having data-sharing agreements in place. . . By providing information before executing data-sharing agreements, DHH may have exposed itself and individuals to unnecessary risk by not protecting the confidentiality of the data."

In addition, DHH "may have violated federal regulations and could owe funds back to the federal grantor."

The finding is one of eight contained in the report, which recommends the state agency strengthen internal controls and see to it that all federal and departmental regulations are enforced.

On July 1, 2014, DHH launched a new Medicaid dental program managed by MCNA Dental Plans. However, the state agency did not submit its contract with the dental provider to the Center for Medicare and Medicaid Services (CMS) until August 20, auditors said. As of September 30, CMS had not approved the contract.

On July 23, the department paid MCNA more than \$10.8 million even though the contract was not approved by the state Office of Contractual Review until August 13, 2014. By law, professional, social services, personal and consulting contracts are not valid until approved in writing by the contractual review office.

Although DHH gave the federal Medicaid agency officials "multiple assurances" it would send the dental contract to them "for approval prior to enrolling program beneficiaries. . .the contract was not submitted to CMS for approval until August 20, 2014, in violation of DHH's own assurances."



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DHH also began sending personal data of Medicaid clients to MCNA in June, a month before the program went into effect and weeks before the Office of Contractual Review approved the agreement.

In another finding, the state auditor said DHH paid more than \$1.2 million for Medicaid claims that were filed past the one-year federal program deadline. In a sample of 25 original claims submitted to DHH a year after the medical service was provided, auditors found five errors where the period of time between the service provided and submission of claims ranged from 369 days to 536 days.

After auditors brought that to the attention of the agency, DHH and one of its contractors identified 18,171 claims paid to almost 1,600 providers for services delivered to 9,049 patients “that were paid in error. . . We consider the \$1,246,404 paid in error to be questioned costs for which the state may be liable.”

DHH also failed to require Magellan Health Services, manager of the state’s Behavioral Health Partnership program, to submit claims with the actual date the original claim was filed. “As a result, DHH may be reimbursing Magellan for paid claims that do not meet federal regulations,” the report said. “The amount of claims possibly paid in error could not be determined because Magellan did not capture and report the actual date the original claim was filed.”

In addition, DHH made improper payments of \$863,480 to non-emergency medical transportation providers, the seventh year in a row auditors have pointed out to DHH a finding of improper payments. Auditors found that one transportation company “entered into a contractual agreement with a medical services provider to be the exclusive” transporter of patients. That agreement is “a possible violation of Medicaid regulations,” which require the patient to choose a transportation provider.

At least 77 percent of the transportation company’s transports for the fiscal year ending in June came from its contract with the medical provider, totaling more than \$861,000. The state dispatcher for the transportation program “allowed this provider to circumvent the established process where only the Medicaid recipient or family member/caregiver should request the transport,” auditors wrote.

The audit also found that DHH made improper payments totaling \$16,559 for claims in the New Opportunity Waiver program for services “that were not documented and billed in accordance with established policies.” The program services the needs of persons with developmental disabilities.



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The finding marks the third consecutive year auditors have pointed out the problem to DHH, and the 12th time in the last 15 audits improper payments for waiver services have been reported, totaling almost \$581,000.

DHH also submitted inaccurate information in its annual fiscal report for medical vendor payments for the fiscal year that ended June 30. “A \$52.6 million overdraw of federal funds was not corrected and returned to the federal grantor at fiscal year-end, resulting in a \$52.6 million overstatement of federal revenue” and an understatement of what was owed the federal government.

“DHH management should strengthen its internal controls over the financial reporting process and ensure that all personnel are adequately trained and supervised,” the report recommended.

For a second year in a row, the agency “did not have sufficient controls established to ensure federal cash management requirements were followed.” The department “overdrew \$52,574,430 in federal funds for disproportionate share payments to the LSU public/private hospital partners,” the report said. “Since DHH did not have an approved state plan amendment, the payments should have been made with state funds only.”

The agency “returned the funds to the federal government on September 23, 2014. Auditors also pointed out that DHH “inappropriately” drew down \$7.9 million twice for one “administrative/ payroll draw.”

Also, for the second year in a row, auditors cited DHH for not following an approved cost allocation plan for its administrative expenses and for not providing support documentation for statistics that were used for the current year’s cost allocation. “As a result, federal programs may have been over- or under-charged,” the state auditor said. DHH made organizational changes for the fiscal year that started in July 2013 but need additional revisions. The agency’s administrative costs for the recently-ended fiscal year totaled \$101.3 million.

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On Twitter: Several findings noted in DHH’s 2014 report.