

LOUISIANA DEPARTMENT OF HEALTH
MEDICAID RECIPIENT REPORT NO. 6



INVESTIGATIVE AUDIT
ISSUED SEPTEMBER 16, 2020

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LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

September 16, 2020

DR. COURTNEY N. PHILLIPS, SECRETARY
LOUISIANA DEPARTMENT OF HEALTH
Baton Rouge, Louisiana

We are providing this report for your information and use. This investigative audit was performed in accordance with Louisiana Revised Statutes 24:513, et seq. to determine the validity of complaints we received.

We found that Medicaid recipients A.B. and C.D. failed to inform the Louisiana Department of Health (LDH) of changes in their household income.

As a result, from October 2016 to September 2019, LDH paid \$45,352 for monthly premiums on behalf of A.B., C.D., and their three children to the managed care organizations (MCOs) overseeing the state's Medicaid program. The MCOs paid providers \$9,713 for covered health care services for the family during the same period.

Had the A.B. and C.D. notified LDH of their household income change, they and their children may have been determined ineligible to receive Medicaid benefits from October 2016 to September 2019.

The procedures we performed primarily consisted of making inquiries and examining selected financial records and other documents and do not constitute an examination or review in accordance with generally accepted auditing or attestation standards. Consequently, we provide no opinion, attestation, or other form of assurance with respect to the information upon which our work was based.

The accompanying report presents our findings and recommendations, as well as management's response. This is a public report. Copies of this report have been delivered to the Louisiana Attorney General, the District Attorney for the 1st Judicial District of Louisiana, the District Attorney for the 19th Judicial District of Louisiana, and others as required by law.

Respectfully submitted,

Daryl G. Purpera, CPA, CFE
Legislative Auditor

DGP/ch
LDH MEDICAID ELIGIBILITY A.B.C.D.

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EXECUTIVE SUMMARY

Recipients Failed To Notify LDH of Changes to Income

Medicaid recipients A.B. and C.D., husband and wife, failed to notify the Louisiana Department of Health (LDH) of changes to their household income. As a result, A.B., C.D., and their children continued to receive Medicaid coverage after their household income exceeded Medicaid program limits. LDH paid \$45,352 for monthly premiums to Managed Care Organizations (MCOs) on behalf of A.B., C.D., and their children, and the MCOs paid providers \$9,713 for covered health care services from October 2016 to September 2019. Had they informed LDH of changes to their household income, A.B., C.D., and their children may have been ineligible to receive Medicaid benefits from October 2016 to September 2019. By failing to notify LDH of changes to their household income, A.B. and C.D. may have violated state law.

BACKGROUND AND METHODOLOGY

The Louisiana Department of Health (LDH) is an executive branch department that reports to the governor. LDH's mission is to protect and promote health and to ensure access to medical, preventative, and rehabilitative services for all citizens of the state of Louisiana. LDH is responsible for developing and providing health and medical services for the prevention of disease for the citizens of Louisiana. LDH provides health and medical services for uninsured and medically indigent persons and also coordinates the delivery of services provided by the Louisiana State University Health Sciences Center with services provided by LDH, local health departments, and federally-qualified health centers, including but not limited to, the following:

- Services for:
 - Persons with mental illness;
 - Persons with intellectual disabilities;
 - Persons with developmental disabilities; and
 - Persons with addictive disorders.
- Public health services.
- Services provided under the medical assistance program (Medicaid).

In 2012, LDH began transitioning from a fee-for-service (FFS) model, where LDH paid all claims submitted by Medicaid providers for each service performed, to *Healthy Louisiana*,^A a full-risk prepaid managed care model. Under LDH's current full-risk prepaid managed care model, LDH pays a fixed monthly premium to a Managed Care Organization (MCO) for the administration of health benefits and payment of claims for each member. LDH contracted with five MCOs to operate the *Healthy Louisiana* Medicaid program through December 31, 2019.^B However, LDH is responsible for determining Medicaid recipient eligibility and enrolling applicants into Medicaid programs.

LDH used tax return data from the Louisiana Department of Revenue to identify Medicaid recipients who reported income in excess of \$100,000 during tax year 2017. The list of recipients who met these criteria was provided to the LLA in April 2019. A.B. and C.D. were included on this list and selected for review by LLA because we determined that A.B. had income from self-employment that was not reported to LDH. LLA initiated this investigative

^A *Healthy Louisiana* was previously called Bayou Health. A managed care model is an arrangement for health care in which an organization (e.g., an MCO), acts as a gatekeeper or intermediary between the person seeking care and the physician. FFS still covers some Medicaid recipients who are not eligible for managed care.

^B All five MCO contracts were bid out to begin covering Medicaid recipients on January 1, 2020, but protests were filed by the losing bidders. The MCOs are currently operating under emergency contracts to administer the Medicaid program through December 31, 2020.

audit to determine if these recipients provided LDH with complete and accurate information to determine their Medicaid eligibility. The procedures performed during this audit included:

- (1) interviewing LDH employees;
- (2) interviewing other persons, as appropriate;
- (3) examining selected LDH documents and records;
- (4) gathering and examining external parties' documents and records; and
- (5) reviewing applicable state laws and regulations.

FINDING AND RECOMMENDATIONS

Recipients Failed to Notify LDH of Changes to Income

Medicaid recipients A.B. and C.D., husband and wife, failed to notify the Louisiana Department of Health (LDH) of changes to their household income. As a result, A.B., C.D., and their children continued to receive Medicaid coverage after their household income exceeded Medicaid program limits. LDH paid \$45,352 for monthly premiums to Managed Care Organizations (MCO) on behalf of A.B., C.D., and their children, and the MCOs paid providers \$9,713 for covered health care services from October 2016 to September 2019. Had they informed LDH of changes to their household income, A.B., C.D., and their children may have been ineligible to receive Medicaid benefits from October 2016 to September 2019. By failing to notify LDH of changes to their household income, A.B. and C.D. may have violated state law.^{1,2,3}

Medicaid provides health coverage to more than 1.6 million Louisianans, including eligible low-income adults, children, pregnant women, elderly adults, and people with disabilities. The Medicaid program is administered by LDH, according to federal requirements, and is funded jointly by Louisiana and the federal government. Applicants can apply for benefits through the Louisiana Medicaid Online Application Center or by filling out a paper application. Applicants are required to disclose family members living in the household, including each household member's current job and income information. The Medicaid application requests that each applicant confirm they understand that they must inform LDH of any changes to the information listed on their application and that any change could affect their eligibility. In addition, the Medicaid application requests that the applicant provide true answers to all questions, to the best of their knowledge, and requests the applicant sign the application under penalty of perjury, which could subject them to penalties under federal law if they intentionally provide false or untrue information on the application.

In January 2019, LDH used income tax return data from the Louisiana Department of Revenue (LDR) to identify Medicaid recipients who reported income in excess of \$100,000 during 2017. The list of recipients who met these criteria was provided to the LLA in April 2019. A.B. and his spouse, C.D., were included on this list and selected for review by LLA because we determined that A.B. had income from self-employment that was not reported to LDH. LLA initiated this investigative audit to determine if A.B. and C.D. provided LDH with accurate information to determine Medicaid eligibility for themselves and their children.

We reviewed A.B. and C.D.'s LDH electronic Medicaid case files and obtained their joint federal income tax returns for 2016, 2017, and 2018, as well as their business and personal bank records for the period April 2016 to January 2020. During our review, we found that A.B. began earning income from self-employment in excess of the Medicaid program limits in September 2016; however, neither A.B. nor C.D. notified LDH of the change in household income. Had A.B. or C.D. properly notified LDH of changes in A.B.'s self-employment income, LDH would have known that A.B. and C.D.'s household income rose above the income limits

for the Medicaid programs that A.B., C.D., and their children were enrolled in from October 2016 to September 2019.

Recipients' Medicaid History

LDH records show that A.B. initially applied for Medicaid coverage for himself, his spouse, and his three children in August 2015. According to his application, A.B. and C.D. were both unemployed, and their income consisted of monthly unemployment benefits. Based on this information, all household members were deemed eligible for Medicaid coverage from August 1, 2015 to July 31, 2016. From September 17, 2015 to September 27, 2015, LDH issued three decision letters to A.B. (one letter for each adult and one letter for the children) indicating that each family member was eligible for Medicaid coverage. Each decision letter included a reminder in bold font stating that the applicants need to let their local Medicaid office know about changes in where they live or get mail, their phone number, income and resources (cash, property, vehicles, etc.), and health insurance coverage.

Medicaid records show that coverage for all household members was automatically renewed in July 2016 because LDH's wage verifications showed that no current wages had been reported to the Louisiana Workforce Commission (LWC) for A.B. and C.D.. LDH issued a renewal letter to A.B. on July 20, 2016, that included the same reminder on previous decision letters (applicants need to let their local Medicaid office know about changes in where they live or get mail, their phone number, income and resources, and health insurance coverage). Medicaid coverage for all household members was again renewed in July 2017 (for the 12-month period ending July 31, 2018) because LDH's wage verifications showed that no current wages had been reported to LWC for A.B. and C.D..

Bank records (not available to LDH) indicate that A.B. and C.D. moved from the address on their initial Medicaid application (submitted in August 2015) in October 2016. As such, it cannot be determined if the renewal letters issued to A.B. in July 2017 were received. Medicaid case file records indicate that LDH did not update A.B. and C.D.'s current address until March 2018, when correspondence from LDH was returned as undeliverable. In July 2018, Medicaid coverage for all household members was renewed (for the 12-month period ending July 31, 2019). According to LDH records, two separate renewal letters (one letter for the adults and one letter for the children) were issued to A.B. at his current address on July 11, 2018. Each letter included the same reminder as on all previous letters (applicants need to let their local Medicaid office know about changes in where they live or get mail, their phone number, income and resources, and health insurance coverage).

In January 2019, LDH used income tax return data from LDR to identify Medicaid recipients who reported income in excess of \$100,000 during tax year 2017. Because A.B. and C.D. were included on this list, LDH referred their Medicaid case to its Recipient Fraud Unit for review and sent letters requesting that they provide a copy of their 2017 income tax return, verification of wages earned during 2018, and a list of their employment activities from January 1, 2017 through the present (date of the letters). In response, A.B. and C.D. completed employment questionnaires indicating they were both 1099 contractors for their respective

businesses (Business Entity No. 1^C and Business Entity No. 2^D) with no set payment schedule. A.B. indicated that he started Business Entity No. 1 in September 2015, and C.D. disclosed that she started Business Entity No. 2 in January 2017. In addition, A.B. and C.D. provided a copy of their 2017 joint federal income tax return which showed adjusted gross income of \$114,543.

Recipients Failed to Notify LDH of Income Changes

We reviewed the income tax return (2017) that A.B. provided to LDH, as well as income tax returns that A.B. provided to us for tax years 2016 and 2018. According to their joint federal income tax returns, A.B. and C.D. reported the following amounts for adjusted gross income for tax years 2016, 2017, and 2018:

- 2016 - \$90,050 (\$7,504 per month)^E
- 2017 - \$114,543 (\$9,545 per month)^F
- 2018 - \$159,878 (\$13,323 per month)^G

In addition, we obtained A.B. and C.D.'s business and personal bank account records from April 2016 to January 2020. Deposit records from these bank accounts appear to support the amounts reported as adjusted gross income on A.B. and C.D.'s joint federal income tax returns for tax years 2016, 2017, and 2018. Since A.B. and C.D.'s 2019 joint federal income tax return was unavailable, we used their 2019 bank records to determine that their gross income during the months in which they received Medicaid coverage (January 2019 through September 2019) was at least \$140,851 (\$15,650 per month).^H

Based on the amounts reported on their joint federal income tax returns (2016-2018) and their bank records for January 2019 to September 2019, A.B. and C.D.'s income exceeded the income limits for the Medicaid programs that A.B., C.D., and their children were enrolled. For a family of five (husband, wife, and three dependents), the income limits for these programs ranged from \$3,365 per month in 2016 to \$3,570 per month in 2019. Although A.B. and C.D.'s income tax returns and bank records show that A.B. consistently earned income in excess of these amounts from October 2016 to September 2019, neither A.B. nor C.D. appear to have notified LDH of the income. Medicaid records show that LDH paid \$45,352 for monthly premiums to MCOs on behalf of A.B., C.D., and their children and the MCOs paid providers \$9,713 for covered health care services from October 2016 to September 2019.

^C Business Entity No. 1 is a Louisiana limited liability company which registered with the Louisiana Secretary of State (SoS) on May 12, 2016. A.B. is listed as the registered agent. A.B. and C.D. are the only members of the company.

^D Business Entity No. 2 is a Louisiana limited liability company which registered with SoS on April 4, 2017. C.D. is listed as the registered agent and only member of the company.

^E Medicaid income limits are determined by the Federal Poverty Guidelines (FPG). For a family of five, 142% of the FPG was \$3,365 per month from March 1, 2016 to February 28, 2017.

^F For a family of five, 142% of the FPG was \$3,406 per month from March 1, 2017 to February 28, 2018.

^G For a family of five, 142% of the FPG was \$3,481 per month from March 1, 2018 to February 28, 2019.

^H For a family of five, 142% of the FPG was \$3,570 per month from March 1, 2019 to September 30, 2019.

We spoke with C.D. on September 12, 2019. According to C.D., they applied for benefits after her husband lost his job in 2015. C.D. stated that her husband had been selling real estate for the past four years and that they probably earned more than \$100,000 during 2017. Medicaid records show that A.B. and C.D. visited their local Medicaid office the following day and requested, in writing, that their Medicaid cases (for all household members) be closed because “We are no longer eligible and have private insurance.” As a result, LDH closed Medicaid coverage for all household members.

A.B. told us that he initially applied for Medicaid coverage after he lost his job. He stated that he went to the federal marketplace and applied for insurance, and they sent him to Medicaid. A.B. stated that he was unaware that he had to inform LDH of changes to his income and only recalled receiving insurance cards (via mail) from LDH. According to A.B., he obtained private insurance and stopped his Medicaid coverage in June 2019 after he provided his income tax return to LDH.

Conclusion

A.B. and his spouse, C.D., failed to notify LDH of changes to their household income. As a result, A.B., C.D., and their children continued to receive Medicaid coverage after their household income exceeded Medicaid program limits. LDH paid \$45,352 for monthly premiums to MCOs on behalf of A.B., C.D., and their children, and the MCOs paid providers \$9,713 for covered health care services from October 2016 to September 2019. Had they informed LDH of changes to their household income, A.B., C.D., and their children may have been ineligible to receive Medicaid benefits from October 2016 to September 2019. By failing to notify LDH of changes to their household income, A.B. and C.D. may have violated statelaw.^{1,2,3}

Recommendations

We recommend that LDH management seek legal counsel to determine the appropriate action to be taken, including the recovery of payments for improper Medicaid benefits. In addition, LDH management should:

- (1) Strengthen its processes for determining eligibility by verifying all critical eligibility factors (e.g., income, household size) rather than relying on a recipient’s self-attestation;
- (2) Ensure its caseworkers re-determine eligibility when they receive information that may affect a recipient’s eligibility;
- (3) Use federal and/or state income tax data when making eligibility determinations; and
- (4) Ensure that caseworkers fully document information used to make eligibility decisions.

LEGAL PROVISIONS

¹ **Louisiana Revised Statute (La. R.S.) 14:67(A)** provides that, “Theft is the misappropriation or taking of anything of value which belongs to another, either without the consent of the other to the misappropriation or taking, or by means of fraudulent conduct, practices, or representations. An intent to deprive the other permanently of whatever may be the subject of the misappropriation or taking is essential.”

² **La. R.S. 14:70.9(A)** provides, in part, that, “Government benefits fraud is the act of any person who, with intent to defraud the state or any person or entity through any government benefits administered by any state department, agency, or political subdivision, does any of the following: ... (4) Knowingly makes or causes to be made a false statement or representation of material fact on an application or form for assistance, goods, services, or payments when the false statement or representation is made for the purpose of determining the person’s eligibility to receive benefits or payments. (5) Knowingly conceals or fails to disclose any material fact affecting the applicant’s initial or continued eligibility to receive benefits or payments.”

³ **La. R.S. 46:114** provides in part that, “(A) No person shall obtain or attempt to obtain assistance from the Department of Children and Family Services or the Louisiana Department of Health by means of any false statement, misrepresentation, or other fraudulent device. If during the life, or upon the death, of any person who is receiving or has received assistance it is found that the recipient is receiving or has received assistance through misrepresentation, nondisclosure of material facts, or other fraudulent device, the amount of assistance, without interest, shall be recoverable from him or his estate as a debt due the state by court action.” (B) If at any time during the continuance of public assistance to any person, the recipient thereof, or the husband or wife of the recipient with whom he or she is living, is possessed or becomes possessed of any property or income in excess of the amount declared at the time of application or reinvestigation of his case and in such amount as would affect his needs or right to receive assistance, it shall be the duty of the recipient, or the husband or wife of the recipient, to notify the Department of Children and Family Services or the Louisiana Department of Health of possession of such property or income, and the department shall, after investigation, either cancel the assistance or alter the amount thereof in accordance with the circumstances, provided, that such investigation shows that such property or income does affect the need of the recipient or his right to receive assistance. If during the life, or upon the death, of any person who is receiving or has received assistance it is found that the recipient or his spouse was possessed of any property or income in excess of the amount reported that would affect his need or right to receive assistance, any assistance paid when the recipient or his spouse was in possession of such undeclared property or income shall be recoverable, without interest, from him or his estate as a debt due the state by court action. The possession of undeclared property by a recipient or his spouse with whom he is living shall be prima facie evidence of its ownership during the time assistance was granted, and the burden to prove otherwise shall be upon the recipient or his legal representative. (C)(1) If the personal circumstances of the recipient change at any time during the continuance of assistance, he shall immediately notify the Department of Children and Family Services or the Louisiana Department of Health of the change. Personal circumstances shall include: (a) The members of the household. (b) The place of residence of the recipient. (c) The establishment of a legal or nonlegal union by the recipient. (d) The failure of a child between the ages of sixteen and eighteen years, who is receiving aid to dependent children, to attend school regularly.”

APPENDIX A

Management's Response

John Bel Edwards
GOVERNOR



Dr. Courtney N. Phillips
SECRETARY

State of Louisiana
Louisiana Department of Health
Office of the Secretary

VIA E-MAIL ONLY

August 19, 2020

Daryl G. Purpera, CPA, CFE
Legislative Auditor
P. O. Box 94397
Baton Rouge, Louisiana 70804-9397

Re: Medicaid Eligibility – [REDACTED]

Dear Mr. Purpera:

Thank you for the opportunity to respond to the findings of your Medicaid Audit Unit report on the Medicaid eligibility of [REDACTED]. The Bureau of Health Services Financing, which is responsible for the administration of the Medicaid program in Louisiana, is committed to ensuring the integrity of the Medicaid eligibility determination process through appropriate management controls.

We reviewed the findings and provide the following responses to the recommendations documented in the report. Additionally, LDH will also be looking over the next year to research and implement additional fraud detection tools and/or uses of existing data feeds to address issues identified in the audit.

Overall Recommendation:

LDH should seek legal counsel to determine the appropriate action to be taken, including the recovery of payments for improper Medicaid benefits.

Response:

LDH will seek legal counsel to determine the appropriate action to be taken, including the recovery of payments for improper Medicaid benefits, in accordance with federal and state authorities.

Recommendation 1:

LDH should strengthen its processes for determining eligibility by verifying all critical eligibility factors (e.g., income, household size, etc.) rather than relying on a recipient's self-attestation.

Response:

LDH agrees with strengthening its processes for eligibility determinations to verify eligibility where self-attestation from the recipient is a factor. Medicaid's new eligibility and enrollment system strengthened the eligibility determination process by automating eligibility factor verification using 20 different external, electronic data sources. Starting in October 2019, federal tax information (FTI) began being utilized as an additional source available for eligibility factor verification through post-authorization review. It includes total household income.

Recommendation 2:

LDH should ensure its caseworkers re-determine eligibility when they receive information that may affect a recipient's eligibility.

Response:

LDH agrees with this recommendation. It will continue to reinforce caseworker training on agency policy requiring eligibility redetermination when information is received that may affect eligibility of a recipient, consistent with federal law. Additionally, the new eligibility and enrollment system automatically re-determines Medicaid eligibility when new information is received, and it automatically stores information on which determinations are based.

Recommendation 3:

LDH should use federal and/or state income tax data when making eligibility determinations.

Response:

LDH agrees with this recommendation. Beginning in October 2019, federal tax information, to include total household income, began being utilized as an additional electronic data source available to assist in post-authorization reviews.

Recommendation 4:

LDH should ensure that caseworkers fully document information used to make eligibility decisions.

Response:

LDH agrees with this recommendation. It will continue to reinforce caseworker training on agency policy requiring documentation of information used to make eligibility decisions and conduct supervisory reviews of caseworker actions to ensure compliance. Additionally, the new eligibility system automatically stores information on which eligibility decisions are based.

Mr. Daryl G. Purpera, CPA, CFE
Medicaid Eligibility - [REDACTED]
August 19, 2020
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If you have any questions regarding this matter, Tara LeBlanc, Medicaid Deputy Director, serves as the lead on this matter and she can be reached by email at tara.leblanc@la.gov.

Sincerely,

A handwritten signature in black ink, appearing to read 'Dr. Courtney N. Phillips', with a long horizontal flourish extending to the right.

Dr. Courtney N. Phillips

APPENDIX B

A.B. and C.D.'s Response

After reviewing the report received by the Louisiana Legislative Auditors office it is apparent that my family became ineligible for the health insurance that was issued to us by the Louisiana Department of Health. In response to that report I would like the opportunity to set up a payment plan or find out what my options are for repayment of the amount spent on my families behalf.

Please feel free to contact me directly at [REDACTED] or send any correpondence to my home address.

Thanks,

[REDACTED]