



LOUISIANA LEGISLATIVE AUDITOR  
DARYL G. PURPERA, CPA, CFE

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## DEPARTMENT OF HEALTH AND HOSPITALS - BAYOU HEALTH TRANSPARENCY REPORT

A transparency report for lawmakers on the state's new Bayou Health Medicaid program, compiled by the Department of Health and Hospitals, was flawed, according to an informational audit released Monday by Legislative Auditor Daryl Purpera's office.

The state auditor's Financial Audit Services' analysis said the state health agency did not provide documentation that it validated or verified "self-reported" data provided by the Bayou Health contractors in its January 2 report to the Legislature. The initial "transparency report" also "did not provide comparable data between the new Bayou Health services data and the prior legacy (pre-Bayou Health) Medicaid data," according to auditors.

State law requires DHH to submit an annual report to lawmakers on the new Medicaid program, a managed care system that replaced the traditional Medicaid program in 2012. "Our objectives were to evaluate the reliability and consistency of the information reported in the *Bayou Health Transparency Report* and to provide additional information and analysis regarding that report," Purpera said in a letter to legislative leaders.

Auditors found that the DHH report included "certain global assertions regarding savings and health outcomes" achieved by Bayou Health but could not support the claims. In the transparency report, DHH claimed the new program "has seen a cost savings over what the state would have spent in the absence of managed care" and "has observed marked improvements in the quality of care delivered" by the new Bayou Health program. In both cases, auditors noted that adequate support for those claims was not provided upon request.

Purpera's report said that the DHH data does not have like comparisons between the new program and the traditional Medicaid model. "This lack of comparability renders most comparisons of Bayou Health data to legacy Medicaid data skewed and not useful," the state auditor said. For example, the DHH pre-Bayou Health numbers included pharmacy and dental services, nursing facility services and other special areas of care that were not shifted to the Bayou Health plans.

Auditors said in their review of the DHH report that they "specifically inquired about the sources of data" used to compile the Bayou Health report. "At least 17 of the 24 (71 percent) sections were compiled totally or partially using self-reported data from the health plans" that contracted



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with DHH, the state auditor wrote. “DHH has not provided any documentation to show how it verified or validated self-reported health plan data for this report.”

Four DHH employees charged with reviewing and verifying the data reported by the plans told auditors that “most of their efforts were reviews for contract compliance. They also noted that they accepted the health plan company certifications that data reported was complete and accurate.”

A state Medicaid official conceded to auditors that the information used in the report “had weaknesses” and the data was “marginally legitimate.”

The report said that the DHH report contained mathematical errors in eight of the 12 sections that presented numerical data. In addition, “Six of the 15 (40 percent) sections that presented data had inconsistencies between report data and supplemental data book information,” the state auditor said. Purpera’s analysis said that, at one point in the DHH report, a chart showed 21 million claims denied for Medicaid services prior to Bayou Health’s 2012 launch while a data book of detailed numbers that accompanied the report showed about 6.5 million denials, a variance of 223 percent.

Although the new Medicaid program requires that 95 percent of the claims for services to be submitted by the health plans to DHH monthly, only one – AmeriHealth Caritas (formerly LaCare) – was assessed a \$240,000 penalty in June 2013 for non-compliance, “despite many instances of non-compliance with the 95 percent requirement” by the plans.

Despite claims by DHH that each health care plan provided audited financial statements, the audit report said the agency provided “only self-reported plan data using DHH templates” and did not include audited financial statements with an independent auditor’s opinion. “No audited financial statements are included in the transparency report,” auditors said.

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**On Twitter:** Transparency report on Bayou Health Medicaid program was flawed, auditors say.