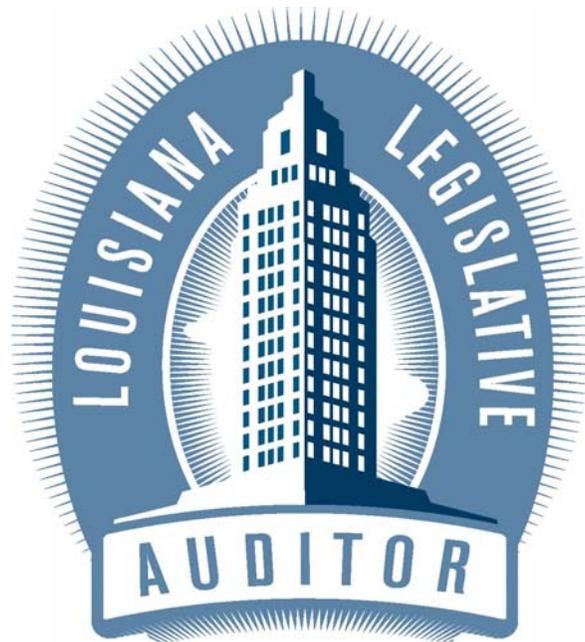


UPDATE ON WAGE VERIFICATION PROCESS  
OF THE MEDICAID EXPANSION POPULATION

LOUISIANA DEPARTMENT OF HEALTH



MEDICAID AUDIT UNIT  
FOLLOW-UP REPORT  
ISSUED MAY 1, 2019

**LOUISIANA LEGISLATIVE AUDITOR  
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**FOR QUESTIONS RELATED TO THIS MEDICAID AUDIT UNIT REPORT,  
CONTACT CHRIS MAGEE, DATA ANALYTICS MANAGER,  
AT 225-339-3800.**

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LOUISIANA LEGISLATIVE AUDITOR  
DARYL G. PURPERA, CPA, CFE

May 1, 2019

The Honorable John A. Alario, Jr.,  
President of the Senate  
The Honorable Taylor F. Barras,  
Speaker of the House of Representatives

Dear Senator Alario and Representative Barras:

This report details the progress made by the Louisiana Department of Health (LDH) in response to recommendations in a November 8, 2018, report issued by the Louisiana Legislative Auditor (LLA). That report, *Medicaid Eligibility: Wage Verification Process of the Expansion Population*, evaluated and identified areas in which LDH could strengthen its process of using wage data to determine the eligibility of the Medicaid expansion population.

In its previous report, the LLA found that 93 (93.0 percent) of 100 Medicaid recipients in a targeted selection analyzed did not qualify for \$538,795 (66.3 percent) of the \$813,023 in per-member per-month fees (PMPMs) LDH paid on their behalf.

On November 13, 2018, LDH launched its new Medicaid eligibility system, LaMEDS, which allows the Department to perform automated quarterly wage checks. Such quarterly checks were one of the recommendations in the LLA report.

After its new system was implemented, the Department analyzed the 100 recipients from the LLA report and identified \$692,663 in ineligible PMPMs paid on behalf of 98 of them. Fifteen of the cases were considered to involve potential fraud and were referred to the Attorney General's (AG) office. The AG's office determined one case was indicative of fraud and an arrest was made, while three cases did not indicate fraud. The remaining 11 cases were still under investigation as of April 11, 2019.

The report contains our findings, conclusions, and recommendations. Appendix A contains LDH's response to this report.

I hope this report will benefit you in your legislative decision-making process.

We would like to express our appreciation to the management and staff of the LDH for their assistance during this audit.

Sincerely,

Daryl G. Purpera, CPA, CFE  
Legislative Auditor

DGP/ch  
WAGE VERIFICATION FOLLOW-UP



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# Louisiana Legislative Auditor

Daryl G. Purpera, CPA, CFE



## Update on Wage Verification Process of the Medicaid Expansion Population

Louisiana Department of Health

May 2019

Audit Control #82190002

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## Introduction

This report provides an update on specific actions taken by LDH in response to the report titled *Medicaid Eligibility: Wage Verification Process of the Expansion Population*<sup>1</sup> released on November 8, 2018. The Louisiana Legislative Auditor (LLA) made five recommendations in that report, and LDH agreed with all of them. The report found that 93 (93.0%) of the 100 Medicaid recipients in the targeted selection of Medicaid recipients analyzed did not qualify for \$538,795 (66.3%) of the \$813,023 in PMPMs LDH paid on their behalf.

On November 13, 2018, LDH launched its new Medicaid Eligibility system, LaMEDS. According to LDH, the capabilities of this new eligibility system allow LDH to perform automated quarterly wage checks to verify income as recommended in our report. The objective of this report was to determine how LDH addressed the ineligible individuals identified in our targeted selection and to assess the results of LDH's first quarterly wage check using data from the Louisiana Workforce Commission (LWC).

## Results

**LDH analyzed the 100 individuals in the targeted selection and identified \$692,663 in ineligible per-member per-month fees (PMPMs) paid on behalf of 98 Medicaid recipients. Fifteen potentially-fraudulent cases were referred to the Attorney General's Office (AG), of which the AG has determined that one case was indicative of fraud and resulted in an arrest, three cases did not indicate fraud, and the remaining 11 cases were still under investigation as of April 11, 2019.** Prior to February 2019, LDH used LWC wage data only while reviewing a recipient's application – and at the earliest one year later during the recipient's renewal – to assist in determining a recipient's Medicaid eligibility. Instead of proactively checking for changes or increases in recipient wages on a quarterly basis, LDH relied on Medicaid recipients to voluntarily report changes in their income to LDH.

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<sup>1</sup> [http://app.lla.state.la.us/PublicReports.nsf/0/1CDD30D9C8286082862583400065E5F6/\\$FILE/0001ABC3.pdf](http://app.lla.state.la.us/PublicReports.nsf/0/1CDD30D9C8286082862583400065E5F6/$FILE/0001ABC3.pdf)

We sent the results of our analysis of the targeted selection to LDH for verification, and LDH determined that these recipients were actually ineligible for longer periods of time than was determined by our analysis because our methodology was more conservative.<sup>2</sup> LDH’s initial review found that 98 (98.0%) of the 100 recipients did not qualify for \$692,663 of the \$813,023 in PMPMs paid on their behalf. See Exhibit 1 below for a comparison of the Medicaid recipients, PMPMs, services, and months identified as ineligible by LLA and LDH from the targeted selection.

<b>Exhibit 1</b>				
<b>LLA and LDH Targeted Selection Initial Ineligibility Results</b>				
<b>Entity</b>	<b>Recipients Ineligible**</b>	<b>PMPMs Ineligible</b>	<b>Services Ineligible***</b>	<b>Months Ineligible</b>
LLA	93	\$538,795	\$164,913	840
LDH	98	692,663*	234,718	1,079
<b>Difference</b>	<b>5</b>	<b>\$153,868</b>	<b>\$69,805</b>	<b>239</b>
*LDH also identified additional ineligible months for these recipients after the end of our scope (March 31, 2018). However, these additional ineligible months, PMPMs, and services are not included in this exhibit.				
**Recipients were ineligible for at least one month during the period of their coverage.				
***These costs are incurred by MCOs.				
<b>Source:</b> Prepared by legislative auditor’s staff using information from LDH.				

Of the 100 Medicaid recipients identified in the targeted selection, 15 cases were referred to the AG, which determined that at least one case was indicative of fraud and resulted in an arrest, three cases did not indicate fraud, and the remaining 11 cases were still under investigation as of April 11, 2019. LDH initially sent demand letters to 93 of the 98 recipients identified through its review of our targeted selection, which indicated how much each recipient owed to Medicaid. However, LDH staff later stated that due to CMS requirements they would only seek recoupment from those Medicaid recipients who are convicted of committing fraud. LDH stated that any Medicaid recipients who have paid to LDH the amount in the demand letter and are not found to have committed fraud will be reimbursed.

**LDH has established a process to conduct more frequent wage data matches and identified 40,006<sup>3</sup> Medicaid recipients with wages that were higher than the allowable amount to be eligible for Medicaid. Through its review process, LDH terminated the coverage of 30,051 (75.1%)<sup>4</sup> Medicaid recipients.** In response to LLA’s recommendation that

<sup>2</sup> LLA’s analysis required a Medicaid recipient to be employed consistently with the same employer over a three-month time period in order for one month, the second month, to be considered ineligible. This methodology was used by LLA since Medicaid allows an individual who is unemployed for one day in a month to qualify for Medicaid for the entire month. LDH’s methodology identified all months within a quarter (three months) as ineligible if LWC data indicated that the recipient was employed with wages higher than the allowable amount for a specific quarter instead of analyzing the recipient’s employment on a monthly basis.

<sup>3</sup> There were 37,041 letters sent to the 40,006 Medicaid recipients. Households with multiple recipients were sent one letter.

<sup>4</sup> As of April 3, 2019, 30,051 of the 40,006 recipients identified by LDH’s wage data match lost coverage; 6,493 were determined to be approved individuals; 2,417 were newly approved for coverage after previously losing coverage; and 1,045 recipient cases were awaiting LDH worker action. According to LDH, the majority of these cases were closed due to recipients’ failure to respond to requests for information.

LDH conduct more frequent wage data matches, LDH entered into a data sharing agreement with LWC to receive wage data on a quarterly basis to proactively identify wage changes and increases for Medicaid recipients instead of relying on the recipients themselves to self-report changes. LDH incorporated this new LWC wage data match into its new eligibility system. LDH ran this analysis on 1,549,703 Medicaid recipients and identified 79,851 with wages higher than the allowable amount. LDH then mailed letters to 40,006 recipients with wages higher than the allowable amount who were not in continuous enrollment.<sup>5</sup> These letters stated that they would lose Medicaid coverage if they did not submit proof of their eligibility by April 1, 2019.

Of the 40,006 Medicaid recipients identified through this analysis and sent letters, 30,051<sup>6</sup> (75.1%) lost Medicaid coverage. The PMPMs associated with the Medicaid recipients who lost coverage due to LDH's wage match totaled approximately \$14.7 million<sup>7</sup> for the month of January 2019, which indicates the potential monthly savings for LDH. LDH's new process has improved LDH's ability to more quickly identify changes in wages to ensure that only qualified individuals are on the Medicaid program and dollars are spent appropriately.

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<sup>5</sup> Continuous enrollment is a decision of each state, and examples of these types of Medicaid recipients include children and other groups such as pregnant women. Income identified for those in continuous enrollment was used to assess the eligibility of other household members, but not those in continuous enrollment.

<sup>6</sup> As of April 4, 2019

<sup>7</sup> This does not account for any effects of Medicaid recipients losing and re-acquiring Medicaid coverage.



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





**State of Louisiana**  
Louisiana Department of Health  
Office of Management and Finance

April 29, 2019

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

Re: Wage Verification Process of the Expansion Population

Dear Mr. Purpera:

Thank you for the opportunity to respond to the findings of your Medicaid Audit Unit report on the Wage Verification Process of the Medicaid Expansion Population. 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 program.

We have reviewed the results and overall agree with the reported update. Our data sharing agreement with the Louisiana Workforce Commission (LWC) has allowed LDH to conduct more frequent wage verification instead of solely relying on recipients to self-report changes in income. With this change, LDH detected and referred to the Attorney General potentially fraudulent cases, which are currently under investigation. Per federal requirements, LDH will only seek recoupment from Medicaid recipients convicted of committing fraud.

Additionally, in its first quarterly wage check performed in February of 2019, LDH initially terminated the coverage of 30,051 Medicaid adults effective March 31, 2019. However, the vast majority of the closures were for enrollees' failure to respond to LDH's request for information, rather than evidence of ineligibility at present. Since initial closure, over 7 percent of the 40,006 enrollees who received a request for information have since provided proof of eligibility and been re-enrolled in coverage.

LDH is actively monitoring enrollment churn, defined as the cycling in and out of the Medicaid program as life circumstances change. Cognizant of related disruptions in care that put enrollees at risk for poor health outcomes, LDH is actively working on diverse strategies to improve member communications and member responsiveness as a means to reducing coverage termination for purely procedural reasons, such as failure to respond to a request for information.

You may contact Michael Boutte, Medicaid Deputy Director, at (225) 342-0327 or via e-mail at [Michael.Boutte@la.gov](mailto:Michael.Boutte@la.gov) with any questions about this matter.

Sincerely,

A handwritten signature in blue ink that reads "Cindy Rives".

Cindy Rives  
Undersecretary

CR/cv



## APPENDIX B: SCOPE AND METHODOLOGY

We conducted this analysis under the provisions of Title 24 of the Louisiana Revised Statutes of 1950, as amended. This analysis focused on the Louisiana Department of Health's (LDH) income eligibility processes, primarily concerning its use of Louisiana Workforce Commission (LWC) wage data. The purpose of this analysis was to determine how LDH addressed the ineligible individuals identified in the targeted selection analysis in our November 2018 report and assess the results of LDH's first quarterly wage check.

The scope of our audit was significantly less than that required by *Government Auditing Standards*. We believe the evidence obtained provides a reasonable basis for our findings and conclusions. To conduct this analysis, we performed the following steps:

- Researched relevant federal and state laws, regulations, policy, and guidance regarding the Medicaid eligibility determination process.
- Obtained information from LDH on steps taken to address recommendations made in our previous report.
- Analyzed LDH electronic case record information to determine steps taken by LDH on the 100 Medicaid recipients identified in the targeted selection from our previous report.
- Analyzed the results of LDH's first quarterly LWC wage match with Medicaid recipients.



## APPENDIX C: LIST OF PREVIOUS MAU REPORTS

Issue Date	Title
December 12, 2018	<i>Medicaid Eligibility: Modified Adjusted Gross Income Determination Process</i>
November 8, 2018	<i>Medicaid Eligibility: Wage Verification Process of the Expansion Population</i>
October 31, 2018	<i>Identification of Incarcerated Medicaid Recipients</i>
June 20, 2018	<i>Reliability of Medicaid Provider Data</i>
May 2, 2018	<i>Strengthening of the Medicaid Eligibility Determination Process</i>
November 29, 2017	<i>Improper Payments for Deceased Medicaid Recipients</i>
October 4, 2017	<i>Monitoring of Medicaid Claims Using All-Inclusive Code (T1015)</i>
September 6, 2017	<i>Improper Payments in the Medicaid Laboratory Program</i>
July 12, 2017	<i>Prevention, Detection, and Recovery of Improper Medicaid Payments in Home and Community-Based Services</i>
March 29, 2017	<i>Duplicate Payments for Medicaid Recipients with Multiple Identification Numbers</i>
March 22, 2017	<i>Program Rule Violations in the Medicaid Dental Program</i>
October 26, 2016	<i>Medicaid Recipient Eligibility – Managed Care and Louisiana Residency</i>
<p><b>Source:</b> MAU reports can be found on the LLA’s website under “Reports and Data” using the “Audit Reports by Type” button. By selecting the “Medicaid” button, all MAU reports issues by LLA will be displayed.  <a href="https://www.lla.la.gov/reports-data/audit/audit-type/index.shtml?key=Medicaid">https://www.lla.la.gov/reports-data/audit/audit-type/index.shtml?key=Medicaid</a></p>	