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## Report Highlights

# Medicaid Eligibility Determinations: Status on the Use of Federal Tax Information

*Louisiana Department of Health*

Audit Control #82200001

Medicaid Audit Unit • September 2019

## Why We Conducted This Audit

This audit was performed to provide the status on the Louisiana Department of Health's (LDH) use of federal tax information (FTI) in the Medicaid eligibility determination process. Proper and timely eligibility decisions are critical to ensure LDH does not expend state and federal funds paying per member per month fees to managed care organizations for ineligible individuals. Using tax information would provide verification for Medicaid eligibility factors that are currently self-attested by the applicant.

## What We Found

In its response to our previous audit, *Medicaid Eligibility: Modified Adjusted Gross Income Determination Process*, issued December 2018, LDH noted that it would start using FTI in the eligibility determination process in May 2019. According to documentation and legislative testimony, LDH planned to begin using FTI through its new eligibility and enrollment system, LaMEDS, by late June 2019, after being postponed from the May 2019 target date. As of the end of August 2019, LDH has not implemented the use of FTI for Modified Adjusted Gross Income (MAGI)-based eligibility determinations. In contrast to its earlier response, LDH now states that it will not be able to automate and use FTI through LaMEDS. We noted the following issues regarding the department's use of FTI:

- **LDH has ceased its efforts to develop the automated use of FTI through LaMEDS.** LDH considered its IRS-compliant options to be either not viable or cost prohibitive.
- **LDH has developed an IRS-Compliant Environment to receive and store federal tax data for use in post-eligibility reviews.** The IRS has approved this IT environment.
- **LDH has not met the IRS physical space requirements or completed the IRS-required background checks at this time.** At this time, LDH has identified office space and is working on modifications that would meet the IRS security requirements. The estimated timeframe for completing background checks is still unknown.
- **LDH temporarily discontinued using FTI in consideration of Long-Term Care (LTC) eligibility cases in April 2019 as a result of federal requirements.** LDH is currently developing a plan to reinstate the use of IRS data in the LTC eligibility determination process.
- **While LDH is allowed by state law to obtain and use state tax information for Medicaid eligibility determinations, it has not done so.** According to the department, the manner in which the information was previously shared by the Louisiana Department of Revenue limited its usefulness in making eligibility determinations.
- **Because LDH did not use federal and/or state tax data during each MAGI-based Medicaid eligibility application and renewal determination, LDH continues to be unable to verify all critical eligibility factors.** In addition, because auditors do not have access to tax data when auditing Medicaid, our scope limitation still exists and will continue.

View the full report, including management's response, at [www.la.gov](http://www.la.gov).