

LOUISIANA DEPARTMENT OF HEALTH  
MEDICAID RECIPIENT REPORT No. 10



INVESTIGATIVE AUDIT  
ISSUED OCTOBER 14, 2020

**LOUISIANA LEGISLATIVE AUDITOR  
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LOUISIANA LEGISLATIVE AUDITOR  
DARYL G. PURPERA, CPA, CFE

October 14, 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 recipient A.B. may have provided incomplete and inaccurate income information to the Louisiana Department of Health (LDH) when she applied for and received Medicaid benefits. In addition, we found A.B. may have failed to inform LDH of changes to her income after she began receiving Medicaid benefits.

As a result, from July 2016 to February 2019, LDH paid \$19,009 for monthly premiums on behalf of A.B. to the managed care organizations (MCOs) overseeing the state's Medicaid program. The MCOs paid providers \$4,082 for covered health care services for A.B. during the same period.

Had A.B. provided complete and accurate income information to LDH, she may have been determined ineligible to receive Medicaid benefits from July 2016 to February 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 Orleans Parish District Attorney, 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/aa  
LDHMEDICAIDELIGIBILITY



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## EXECUTIVE SUMMARY

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### **Recipient Failed to Report All Income and Income Changes to LDH**

Medicaid recipient A.B. failed to report all income and changes in income to the Louisiana Department of Health (LDH). As a result, A.B. received Medicaid coverage from July 2016 through February 2019, after her household income exceeded Medicaid program limits. LDH paid \$19,009 for monthly premiums to Managed Care Organizations (MCOs) on A.B.'s behalf, and the MCOs paid \$4,082 to providers for A.B.'s covered health care services during this time. Had A.B. provided LDH with complete and accurate information, she may have been ineligible to receive Medicaid benefits from July 2016 through February 2019. By failing to provide complete and accurate information to LDH, A.B. may have violated state law.





## BACKGROUND AND METHODOLOGY

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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 the Louisiana Department of Health, 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 model, where LDH paid all claims submitted by Medicaid providers for each service performed, to *Healthy Louisiana*,<sup>A</sup> 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.<sup>B</sup> 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 Louisiana Legislative Auditor (LLA) in April 2019. A.B. was included on this list and selected for review by LLA because we

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<sup>A</sup> *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.

<sup>B</sup> 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.

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. provided LDH with complete and accurate information to determine her 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

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### **Recipient Failed to Report All Income and Income Changes to LDH**

**Medicaid recipient A.B. failed to report all income and changes in income to the Louisiana Department of Health (LDH). As a result, A.B. received Medicaid coverage from July 2016 through February 2019, after her household income exceeded Medicaid program limits. LDH paid \$19,009 for monthly premiums to Managed Care Organizations (MCOs) on A.B.'s behalf, and the MCOs paid \$4,082 to providers for A.B.'s covered health care services during this time. Had A.B. provided LDH with complete and accurate information, she may have been ineligible to receive Medicaid benefits from July 2016 through February 2019. By failing to provide complete and accurate information to LDH, A.B. may have violated state law.<sup>1,2,3,4,5</sup>**

Medicaid provides health coverage to more than 1.9 million Louisianans,<sup>C</sup> 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 instructs applicants to confirm they understand their obligation to inform LDH of any changes in the information contained in their application and that any change could affect their eligibility. In addition, the Medicaid application requests applicants to provide true answers to all questions, to the best of their knowledge, and requests that applicants sign the applications 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 tax year 2017. The list of recipients who met these criteria was provided to the LLA in April 2019. A.B. was 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. provided LDH with complete and accurate information to determine her Medicaid eligibility.

We reviewed A.B.'s LDH electronic Medicaid case file, and obtained her personal and business bank records for the period January 2016 through January 2020. During our review, we found that A.B. failed to disclose rental income and an increase in self-employment income to LDH. Had A.B. properly disclosed rental income and increased self-employment income, LDH

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<sup>C</sup> Taken from the Louisiana Department of Health's "Louisiana Medicaid 2018 Annual Report" for the period July 1, 2017 – June 30, 2018.

would have known that her income was greater than the income limits for the Medicaid program that she was enrolled in from July 2016 through February 2019.

### Recipient's Medicaid History

LDH records show that A.B. initially applied for health coverage for herself on June 23, 2016. According to her application, A.B. was self-employed with no income. In addition, A.B. agreed on the application to provide LDH with information on changes to the information provided on her application. Records indicate that LDH requested that A.B. provide verification of her self-employment income in July 2016. On July 14, 2016, A.B. emailed LDH a Profit and Loss statement from a Limited Liability Company (Business Entity No. 1) showing a loss of \$3,815 from January 2016 through July 2016. The email indicated that A.B. was the president of Business Entity No. 1 and that she also had a part-time job earning \$200 to \$300 a week. Based on this information, A.B. was certified for Medicaid coverage effective June 1, 2016.

According to LDH records, A.B.'s Medicaid coverage was renewed in May 2017 because LDH's wage verification showed that wages reported to the Louisiana Workforce Commission (LWC) for A.B. were less than Medicaid's income limits. LDH issued a renewal letter to A.B. on May 4, 2017, that included a reminder in bold font stating, "You need to let your local Medicaid office know about changes in where you live or get your mail, your phone number, income, and health insurance coverage." LDH reviewed A.B.'s Medicaid coverage again in May 2018. According to her case file, LDH verified A.B.'s wages through LWC and found that Business Entity No. 1 reported wages totaling \$40,000 during the fourth quarter of calendar year 2017 (October through December) and \$3,333 during the first quarter of calendar year 2018 (January through March). It appears that LDH renewed A.B.'s Medicaid coverage because her wages for the first quarter of 2018 (\$3,333, or \$1,111 per month) were less than Medicaid's income limits. LDH issued another renewal letter to A.B. on May 4, 2018, which included the same reminder (to report changes to your local Medicaid office) included on her renewal letter the previous year.

In January 2019, LDH reviewed A.B.'s Medicaid coverage and requested that she provide proof of earnings for the last 90 days, such as check stubs/employer's statement, proof of income and expenses from self-employment, etc. According to LDH records, A.B. failed to respond and her Medicaid coverage was discontinued, effective March 1, 2019. From July 2016 through February 2019, LDH paid \$19,009 for monthly premiums to MCOs on A.B.'s behalf and the MCOs paid \$4,082 to providers for A.B.'s covered health care services.

### Business Owned by A.B.

Business Entity No. 1 is a Louisiana limited liability company which registered with the Louisiana Secretary of State (SoS) on March 31, 2016. SoS records list A.B. as Business Entity No. 1's only officer and registered agent. Sales tax reports filed with City X show that Business Entity No.1 had gross sales of \$126,901 in calendar year 2017 and \$632,147 in calendar year 2018. In addition, we found that A.B. is the owner of the house at Business Entity No. 1's domicile address, which was also listed as her home address on her Medicaid application.

Records obtained from the Parish Clerk of Court show that A.B. purchased the property in April 2015 for \$323,000 and recorded a mortgage of \$317,149.

According to the wage verifications included in A.B.'s Medicaid case file, Business Entity No. 1 reported wages for A.B. totaling \$40,000 from October 2017 through December 2017 and \$3,333 from January 2018 through March 2018. Although Business Entity No. 1 only reported wages totaling \$40,000 for A.B. in calendar year 2017, LDH's review of tax data obtained from LDR identified A.B. as a Medicaid recipient with income in excess of \$100,000 in tax year 2017. Because of the discrepancy between A.B.'s reported wages and LDR's tax data, we obtained A.B.'s personal and business bank records from January 2016 through January 2020.

#### Recipient Failed to Disclose all Income and Report Income Changes to LDH

According to LDH records, A.B. reported to LDH in July 2016 that her self-employment income was zero and that she had a part-time job earning \$200 to \$300 per week (\$800 to \$1,200 per month). During our review of A.B.'s personal and business bank records, we found that although A.B. reported wages from her part-time job, she did not disclose rental income of \$1,250 per month. The monthly rental payments (\$1,250) combined with the monthly income from her part-time job (\$800-\$1,200) appears to have increased her actual monthly income (between \$2,050 and \$2,450) well above the Medicaid monthly income limit (\$1,367)<sup>D</sup> for the Medicaid program that A.B. was enrolled in during this period. A.B.'s personal and business bank records also show that she began receiving income from Business Entity No. 1 in September 2016 in the form of member draws. From September 2016 through December 2016, Business Entity No. 1 issued checks totaling \$2,500 to A.B..

Since A.B. was identified as a Medicaid recipient with income in excess of \$100,000 during tax year 2017, we reviewed her personal and business bank records from January 2017 through February 2019, when her Medicaid coverage was cancelled. These records show that A.B.'s income from self-employment increased significantly from when she applied for Medicaid coverage in June 2016. From January 2017 through February 2019, Business Entity No. 1 regularly issued A.B. paychecks and other disbursements, including member draws, bonuses, commission checks and monthly rent checks. The paychecks and disbursements, which do not appear to have been disclosed to LDH, averaged \$5,520 per month during this period. According to these records, A.B.'s income exceeded the income limits for the Medicaid programs that she was enrolled in from January 2017 through February 2019. For a single member household, the income limits ranged from \$1,367 to \$1,397<sup>E</sup> per month from January 2017 through February 2019.

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<sup>D</sup> Medicaid income limits are determined by the Federal Poverty Guidelines (FPG). For a single member household, 138% of the FPG was \$1,367 per month from June 1, 2016 to December 31, 2016.

<sup>E</sup> For a single member household, 138% of the FPG was \$1,367 from January 1, 2017 to February 28, 2017.  
For a single member household, 138% of the FPG was \$1,387 from March 1, 2017 to February 28, 2018.  
For a single member household, 138% of the FPG was \$1,397 from March 1, 2018 to February 28, 2019.

## Conclusion

A.B. failed to report all income and changes in income to LDH. As a result, A.B. received Medicaid coverage from July 2016 through February 2019 after her household income exceeded Medicaid program limits. During this period, LDH paid \$19,009 for monthly premiums to MCOs on A.B.'s behalf, and the MCOs paid \$4,082 to providers for A.B.'s covered health care services. Had A.B. provided complete and accurate information to LDH, she may have been ineligible to receive Medicaid benefits from July 2016 through February 2019. By failing to provide complete and accurate information to LDH, A.B. may have violated state law.<sup>1,2,3,4,5</sup>

## **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, etc.), 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

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<sup>1</sup> **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.”

<sup>2</sup> **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.”

<sup>3</sup> **La. R.S. 14:133(A)** provides that, “Filing false public records is the filing or depositing for record in any public office or with any public official, or the maintaining as required by law, regulation, or rule, with knowledge of its falsity, of any of the following: (1) Any forged document. (2) Any wrongfully altered document. (3) Any document containing a false statement or false representation of a material fact.”

<sup>4</sup> **La. R.S. 14:125(A)** provides that, “False swearing is the intentional making of a written or oral statement, known to be false, under sanction of an oath or an equivalent affirmation, where such oath or affirmation is required by law; provided that this article shall not apply where such false statement is made in, or for use in, a judicial proceeding or any proceeding before a board or official, wherein such board or official is authorized to take testimony.”

<sup>5</sup> **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

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### Management's Response





**State of Louisiana**  
Louisiana Department of Health  
Office of the Secretary

**VIA E-MAIL ONLY**

October 8, 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.

**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:**

Medicaid is operating in compliance with its CMS approved Verification Plan. As a result, LDH uses interfaces and data sources to verify critical eligibility factors such as income, social security number, citizenship and immigration

status, and does not accept self-attestation for these factors. For other eligibility factors, such as residency and household composition, self-attestation is accepted due to limited data sources that provide sufficient, real time information to arrive at an eligibility decision. Where possible, LDH will continue to pursue interfaces and data sources to aid in strengthening its eligibility determination process.

**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 and will continue to ensure caseworkers comply with 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 and will continue to ensure caseworkers comply with state and federal regulation. Additionally, the new eligibility system automatically stores information on which eligibility decisions are based.

Mr. Daryl G. Purpera, CPA, CFE  
Medicaid Eligibility - [REDACTED]  
October 8, 2020  
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Ms. Tara LeBlanc, Interim Medicaid Executive Director, serves as the lead on this matter. If you have any questions or concerns, please contact Ms. Leblanc by email at [tara.leblanc@la.gov](mailto:tara.leblanc@la.gov) or by telephone at (225)219-7810.

Sincerely,

  
Dr. Courtney N. Phillips