



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

December 16, 2013

DEPARTMENT OF HEALTH AND HOSPITALS BATON ROUGE MAIN OFFICE OPERATIONS

The Department of Health and Hospitals failed to get an independent assessment of the performance of the contractor who has been operating the privatized Louisiana Behavioral Health partnership since 2012, according to a report released Monday by Legislative Auditor Daryl Purpera.

The 11-page management letter said DHH has relied on the performance of Magellan Health Services Inc. “without externally monitoring that performance. Failure to obtain the external quality review report increases the risk that procedures and controls are not being applied in accordance with program intentions and regulations, which could result in errors and federal disallowances” of funds.

Magellan is now working under a two-year, \$362.9 million contract that expires Feb. 28, 2014. The private company oversees the supervision of services for Medicaid-eligible patients with addictive disorders and the developmentally disabled.

The management letter from the state auditor said DHH has allowed Magellan to operate without an independent assessment of quality, timeliness and access to services by Medicaid beneficiaries for more than 18 months.

As of October 28, the report said auditors had not received a signed contract for the independent assessment so “it is possible that DHH will not have a completed external quality review before the Magellan contract expires on February 28, 2014. DHH will have allowed the program to operate the entire two-year period without independent verification that Magellan has substantially complied with Medicaid regulations, state regulations and contract requirements.”

The letter said that since no new requests for proposals have been issued for selection of a new state manager of the program, “the Magellan contract could be extended for one more year before DHH can fully assess Magellan’s compliance with all regulations and contract requirements through an external quality review report.”

The letter contained a total of nine findings, including some that have persisted for years. One of those points out that for the second year in a row DHH paid claims for New Opportunity Waiver services that were not properly documented.



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

The auditors found \$16,217 not properly documented in this audit, but the finding has been raised in 11 of DHH's last 14 audits with "improper payments" totaling \$564,365, according to the report.

The department paid waiver service claims even though the provider failed to follow established DHH policies and federal regulations for providing services such as not having time sheets or documenting whether a service was provided to a developmentally disabled client or not.

In another finding, the report said DHH also failed to comply with an executive order from the governor to confect an agreement with three other state agencies to provide a coordinated network of services for Louisiana's at-risk children and youth with "significant behavioral health challenges or related disorders."

By failing to work out the agreement with the Departments of Education, Children and Family Services and the Office of Juvenile Justice, DHH's Coordinated System of Care Governance Board, with DHH as the managing agency for the program, received less than \$345,000 in the fiscal year that ended in June, compared to almost \$5.6 million the previous year when an agreement was in place.

Failing to sign the agreement meant that the responsibilities of the various agencies were not defined "increasing the risk of inadequate funding and program oversight."

The management letter from the state auditor also cited DHH for paying claims totaling almost \$13,000 in the last fiscal year to non-emergency medical transportation providers for "services billed to Medicaid that were not provided in accordance with established policies."

The report said federal Medicaid officials may question those costs and require the state to repay the money. The finding on the non-emergency transportation is the sixth year in a row the state auditor has pointed out the problem to DHH.

DHH was cited for the third consecutive year for not having "an effective internal audit function to examine, evaluate and report on its internal controls." Although the department has hired a chief compliance officer-inspector general, no internal audits on controls were issued last fiscal year, the report said.

Other report findings include:

- Debbie Loper, the former fiscal director of DHH, allegedly diverted 167 checks for DHH totaling \$1,058,446 between 2007 and 2013 to a private bank account she controlled. The state auditor's office issued a separate investigative audit on



LOUISIANA LEGISLATIVE AUDITOR
DARYL G. PURPERA, CPA, CFE

the misappropriation on June 6; Loper resigned in February and was arrested. By the end of the fiscal year on June 30, DHH refunded \$416,255 in federal money that was taken from the Medicaid Assistance Program. DHH has filed civil action against the bank and the former employee.

- DHH made “significant changes” to its administrative cost allocation plan without getting federal approval. The plan lays out the procedures DHH will use to identify, measure and allocate costs in support of its programs. The report said that use of an unapproved plan “increases the risk that federal programs’ administrative costs will be disallowed.” That totaled almost \$100.5 million in the fiscal year that ended June 30, 2013.
- The department did not make prompt collections of federal and state supplemental drug rebates from manufacturers. Auditors identified 22 invoices totaling \$4.4 million from the quarter ending Sept 30, 2012, that had not been mailed by the required dates. If the rebates are not paid by the manufacturers within 30 days, DHH must mail out collection notices. The program is designed to ensure that the state Medicaid program pays the lowest prices for prescription drugs and requires drug manufacturers to sign a rebate agreement agreeing to rebate overcharges.

For more information, contact:

Daryl G. Purpera, CPA, CFE
Legislative Auditor
225-339-3800

On Twitter: DHH failed to get an independent assessment of the performance and operations of Magellan Health Services Inc.