*Welcome to LLA Reports, a podcast produced by the Louisiana Legislative Auditor’s office. This podcast is intended to be an oral representation of the written report it highlights and is primarily for the use of the Louisiana Legislature.*

This is Chris Magee. I’m the data analytics manager for LLA’s Performance Audit Services. This episode of LLA Reports focuses on our new report titled “Managed Care Incentive Payment Program.”

This report provides the results of our evaluation of the Louisiana Department of Health’s design and oversight of the Medicaid Managed Care Incentive Payment – or MCIP – Program.

Overall, we found that the Louisiana Department of Health’s – or LDH’s – design and lack of oversight of the MCIP program led to the majority of MCIP program funds being paid for activities that do not have a direct, measurable result to show how they improve access to healthcare, improve quality of care, or enhance the health of Medicaid beneficiaries.

Specifically, we found that LDH’s design of the MCIP program allowed two separate Quality Networks comprised of different hospitals to be set up because competing hospitals did not want to operate as a single network.

The networks – Louisiana Quality Network – or LQN – and Quality and Outcome Improvement Network – or QIN – are referred to collectively as the Quality Networks.

LDH also required the Quality Networks to have different Approved Incentive Arrangements – or AIAs – and milestones, resulting in hospitals in each network striving for different outcomes.

We found that LDH requests Intergovernmental Transfers – or IGTs – to fund the non-federal share of the MCIP program. Contracts between the Quality Networks and participating hospitals allow the Quality Networks to repay contributing entities for IGTs sent to LDH to fund the non-federal share of the MCIP program.

LDH’s process of using IGTs allowed the department to obtain an additional $1.93 billion dollars in federal Medicaid funds without using any state general fund dollars and without the risk that contributing entities would not be repaid for the funds used for IGTs.

LDH’s design of the MCIP program puts a priority on funding for non-milestone activities. For example, LDH paid $437.2 million dollars – or 18.3 percent – of the $2.39 billion dollars in total MCIP program payments for reporting results timely, submitting annual reports, and holding annual meetings.

Additionally, LDH paid $1.51 billion dollars – or 63.3 percent – for non-measurable milestones and $440.2 million – or 18.4 percent – for achieving measurable milestones.

We found, too, that LDH does not monitor how MCIP program funds are used by the MCOs or the Quality Networks.

Because of this lack of oversight, we reviewed the use of these funds and found that $1.08 billion dollars – or 45.3 percent – of the $2.39 billion dollars in total MCIP funds were used for activities other than incentive payments to participating hospitals.

In addition, QIN’s contract for management services may violate the Louisiana State Constitution because there is no documentation to support the actual services rendered.

As a result of our report, we developed five recommendations.

We recommended that LDH evaluate the structure of the MCIP program and consider whether to consolidate the AIAs to have a uniform plan for the MCIP program to improve the quality of care provided in Louisiana.

We also recommended that LDH re-evaluate its policy detailing the percentage of MCIP funds it pays for non-milestone activities that do not directly affect quality of care, such as reporting results timely and holding annual meetings.

In addition, we recommended that LDH consider updating its milestones to place more emphasis on measurable results that document improvement in the direct quality of care received by Medicaid beneficiaries every year instead of in the last two or three years of an AIA’s five-year cycle.

We recommended as well that LDH consider amending its contracts with the MCOs to establish terms and conditions on how MCIP funds should be used and that LDH regularly monitor the use of MCIP program funds to ensure they are being used efficiently and effectively.

As part of its response, which is included in the report as Appendix A, LDH agreed with all five of the recommendations.

*We hope you found this podcast informative, and that you’ll follow future episodes of LLA Reports.*

*This podcast was created as part of the audit report just discussed and is intended primarily for the use of the Louisiana Legislature. Both the full report and the podcast can be found on the LLA’s website at* [*www.lla.la.gov*](http://www.lla.la.gov)*.*

*Thank you for listening.*