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Report Highlights

Managed Care Incentive Payment Program

Louisiana Department of Health

Audit Control # 40230039
Performance Audit Services • March 2025

Why We Conducted This Audit

We evaluated the Louisiana Department of Health's (LDH) design and oversight of the Medicaid Managed Care Incentive Payment (MCIP) program. We conducted this evaluation because the MCIP program, which is funded by both federal and non-federal funds, is LDH's most expensive incentive program related to improving the quality of healthcare in Louisiana. The MCIP program's total cost from September 2019 through March 2024 was approximately \$2.39 billion, or five times more than LDH's managed care-based quality withhold incentive program. The MCIP program is designed to provide incentive payments for quality reforms that increase access to health care, improve the quality of care, or enhance the health of patients and families the MCOs serve. LDH designed the program based on its evaluation of the Medicaid program and its Quality Strategy.

What We Found

Overall, we found that 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 for how they improve access to healthcare, improve quality of care, or enhance the health of Medicaid beneficiaries. LDH designed the MCIP program to be operated by two separate hospital networks, the Louisiana Quality Network (LQN) and the Quality and Outcome Improvement Network (QIN) (collectively referred to as the "Quality Networks"). Specifically, we found the following:

- **LDH's design of the MCIP program allowed the use of two separate Quality Networks comprised of different hospitals because competing hospitals did not want to operate as a single network. LDH also required the Quality Networks to have different Approved Incentive Arrangements (AIAs) and milestones, resulting in hospitals in each network striving for different outcomes.** LDH approved different AIAs and milestones proposed by the two Quality Networks so their performance could not be compared, which would prevent disagreements regarding the amount of funding each network should receive.
- **LDH requests Intergovernmental Transfers (IGTs) for milestones achieved by the Quality Networks. 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 LDH to obtain an additional \$1.93 billion 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.

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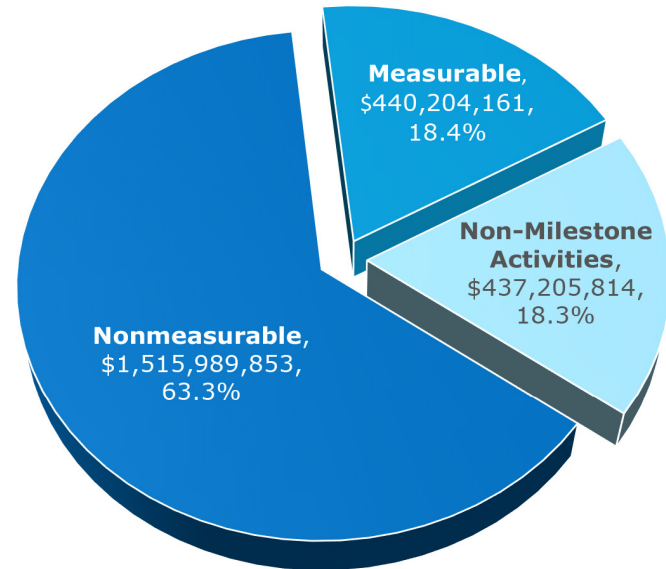
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What We Found (Cont.)

- LDH's design of the MCIP program prioritizes funding for non-milestone activities. Specifically, LDH paid \$437.2 million (18.3%) of the \$2.39 billion total MCIP program payments for reporting results timely, submitting annual reports, and holding annual meetings. In addition, LDH paid \$1.51 billion (63.3%) for non-measurable milestones and \$440.2 million (18.4%) for achieving measurable milestones. Increasing the dollars associated with measurable milestones that demonstrate improvement in the quality of services would help LDH meet the purpose of the MCIP program.

Categories of LDH MCIP Payments
September 2019 through March 2024



- 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 (45.3%) of the \$2.39 billion total MCIP funds paid by LDH 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.

Source: Prepared by legislative auditor's staff using information from LDH, LQN, and QIN.

Use of MCIP Funds Paid by LDH September 2019 through June 2024						
Basis for Use of MCIP Funds	Use of LDH Payments (Pmts) for LQN	% of LQN Pmts	Use of LDH Pmts for QIN	% of QIN Pmts	Total Amount Paid	% of Total Pmts
MCO Administrative Fees	\$32,348,999	3.0%	\$39,456,139	3.0%	\$71,805,138	3.0%
IGTs and Formation Costs Repaid to Contributing Entities	300,909,784*	27.9	463,530,000	35.3	764,439,784	31.9
Funds Held In Reserve or Bank Account	51,717,440	4.8	30,701	0.0	51,748,141	2.2
Administrative and Management Costs	12,281,253	1.1	38,270,884	2.9	50,552,137	2.1
Viability Payments to Ochsner and SRMC	-	-	138,000,001	10.5	138,000,001	5.8
"Other Costs" Paid to Ochsner	-	-	8,446,897	0.6	8,446,897	0.4
Incentive Payments to Participating Hospitals	680,990,128	63.2	627,417,602	47.7	1,308,407,730	54.6
Total	\$1,078,247,604	100.0%	\$1,315,152,224	100.0%	\$2,393,399,828	100.0%
* Includes a \$13,439,501 IGT for which LQN had not yet received the corresponding payment for as of June 30, 2024. This \$13,439,501 IGT is not included in Exhibit 4 or Appendix F.						
Source: Prepared by legislative auditor's staff using information from LDH and the Quality Networks.						

We made five recommendations and the agency agreed with all five of them.

View the full report, including management's response, at www.lla.la.gov.