



**State of Louisiana**  
Department of Health and Hospitals  
Bureau of Health Services Financing  
**Bayou Health**

Via E-mail and Certified Mail

June 18, 2013

Ms. Rebecca Engelman  
Executive Director  
LaCare  
P.O. Box 83580  
Baton Rouge, LA 70884

RE: Notice of Monetary Penalty

Dear Ms. Engelman:

We are writing to notify you that a monetary penalty is being assessed against LaCare for non-compliance with a requirement of our contract dated September 30, 2011. This non-compliance relates to LaCare's failure to meet encounter data submission requirements as outlined in Section 17.5.4.12 of Exhibit E of the contract.

*"For encounter data submissions, the CCN shall submit ninety-five (95%) of its encounter data at least monthly due no later than the twenty-fifth (25th) calendar day of the month following the month in which they were processed and approved/paid, including encounters reflecting a zero dollar amount (\$0.00) and encounters in which the CCN has a capitation arrangement with a provider. The CCN CEO or CFO shall attest to the truthfulness, accuracy, and completeness of all encounter data submitted."*

As outlined in Section 18.4.1 of Exhibit E of the contract,

*"Encounter data includes claims paid by the CCN for services delivered to enrollees through the CCN during a specified reporting period. DHH collects and uses this data for many reasons such as: federal reporting, rate setting, risk adjustment, service verification, managed care quality improvement program, utilization patterns and access to care, DHH hospital rate setting and research studies."*

Further, as outlined in Section 5.6.4,

*“As the CCN program matures and FFS data is no longer available, there will be increasing reliance on encounter data to set future rates.”*

In a letter to Kathy Stone dated January 17, 2013, DHH notified LaCare that it was expected to submit ninety-three (93%) of its encounter data by at least March 1, 2013 and to submit ninety-five (95%) of its encounter data by April 1, 2013 to meet its contractual obligations. In recognition of good faith efforts to comply with these requirements, DHH granted all Prepaid plans an extension of March 1 deadline. However, DHH made clear that it would not grant an extension to the April 1 deadline and monetary penalties would be assessed. Specifically, in the January 17, 2013 letter to Ms. Stone, DHH stated its intent to impose monetary sanctions effective Tuesday, April 2, 2013 if LaCare did not meet the extended deadline.

In the report titled *February 1, 2012 through February 28, 2013 Comparison of Louisiana Managed Care Organization Encounter Claims to Cash Disbursements for LaCare Revised May 17, 2013* (attached), inclusive of encounter transmissions through March 26, 2013, our contractor Meyers and Stauffer found:

*“LaCare appears to have submitted approximately 76 percent of their non-pharmacy encounter data for this period, with a cumulative monthly range between 3 percent and 77 percent.”*

This finding is exclusive of pharmacy encounters submitted after April 1, as noted in footnote 1 on page 10 of the report:

*“DHH requested that Myers and Stauffer provide an overall analysis of encounter submissions which excluded pharmacy encounters from the totals. The above table reflects the results of this request. This request was made due the MCOs being granted an extension date of April 15th, 2013 to submit all pharmacy encounters for the report period, while the initial draft report reflected encounter transmissions through March 26, 2013. This analysis will not be provided in subsequent reports.”*

DHH finds LaCare noncompliant with the above referenced requirement through April 25, 2013. In accordance with Section 20.2.3 of Exhibit E of the contract,

*“Ten thousand dollars (\$10,000.00) per calendar day for each day after the due date that the monthly encounter data has not been received in the format and per specifications outlined in the RFP.”*

DHH will assess a monetary penalty of \$240,000, equal to \$10,000 per day for twenty four (24) calendar days.

DHH will deduct this amount from LaCare's next monthly payment on July 16, 2013, as authorized by Section 5.11.1 of Exhibit E of the contract.

*"The CCN agrees that all amounts owed to DHH, as identified through routine or investigative reviews of records or audits conducted by DHH or other state or federal agency, are due no later than 30 calendar days following notification to the CCN by DHH unless otherwise authorized in writing by DHH. DHH, at its discretion, reserves the right to collect amounts due by withholding and applying all balances due to DHH to future payments. DHH reserves the right to collect interest on unpaid balances beginning thirty (30) calendar days from the date of initial notification."*

DHH routinely verifies plan compliance with encounter data reporting requirements on a bimonthly basis through the *Comparison of Louisiana Managed Care Organization Encounter Claims to Cash Disbursements* report produced by Meyers and Stauffer. The next routine *Comparison* report, considering encounter data submitted through the 15<sup>th</sup> of May, is due to DHH in early July.

With regard to the July *Comparison* report, DHH understands the following:

- LaCare's timely submission of encounter claims data was impacted by a misalignment of its file format (line level) with that of Molina's file format (claim level), which was discovered on March 1, 2013.
- LaCare tested changes to its file format to align with Molina's, and on April 25, 2013 Molina approved LaCare to apply the test changes to its production files.
- Given the volume of 2012 backlog files identified by LaCare, on April 16, 2013 DHH directed LaCare to submit the backlog in small batches over six weeks so as not to overwhelm routine MMIS functions with a single, large volume submission.
- In keeping with DHH's directive, LaCare substantially completed submission of the identified 2012 backlog on May 15, 2013.
- Constraints imposed by DHH may affect LaCare's ability to be found in compliance with encounter data reporting requirements in the July 2013 *Comparison* report which, as noted above, considers encounter data submitted through May 15<sup>th</sup>.
- LaCare may not be held responsible for delays in encounter data submission caused by the constraints imposed by DHH.

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DHH does, however, expect LaCare to be found in compliance with encounter data reporting requirements in the *Comparison* report due to DHH in early September and considering encounter data submitted through the 15<sup>th</sup> of July, by which time any remaining backlog or other encounter claim submission issues should be fully resolved. If LaCare fails to comply with the encounter data submission requirements at that time, additional penalties may be assessed.

Should you have any questions, please contact Jen Steele at (337) 233-9627 or [Jen.Steele@la.gov](mailto:Jen.Steele@la.gov).

Sincerely,

A handwritten signature in blue ink, appearing to read "Mary Johnson", is written over a light blue rectangular background.

Mary Johnson  
Bayou Health Director

MJ/js

c: Ruth Kennedy  
Jen Steele  
Michelle Renee