
HOUSE CONCURRENT RESOLUTION

REQUESTING THE AUDITOR TO CONDUCT A COMPREHENSIVE FINANCIAL
AUDIT OF THE DEPARTMENT OF HUMAN SERVICES MED-QUEST
DIVISION, WITH EMPHASIS ON THE MEDICAID PROGRAM.

1 WHEREAS, Medicaid is the most costly program within the
2 Department of Human Services, currently covering the healthcare
3 needs of 23 percent of Hawaii's residents, which translates to
4 approximately one in four individuals; and

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6 WHEREAS, Hawaii's Medicaid Program experienced an average
7 monthly enrollment of approximately 290,496 members at the close
8 of fiscal year 2012; and

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10 WHEREAS, the Legislature finds that the Department of Human
11 Services has contracted with managed care health plans for the
12 State's Medicaid populations, which include both the QUEST
13 health plans and QUEST Expanded Access health plans, with the
14 State retaining federally-mandated accountability and oversight
15 of these managed care health plans; and

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17 WHEREAS, on January 1, 2014, the Patient Protection and
18 Affordable Care Act (PPACA) will be implemented in Hawaii, with
19 the intent of ensuring universal health coverage; and

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21 WHEREAS, the House Committee on Finance reported in House
22 Standing Committee Report No. 928, Regular Session of 2013, that
23 PPACA-related requests within the Department of Human Services
24 exceed \$80,000,000 over the 2013-2015 fiscal biennium; and

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26 WHEREAS, the Department of Human Services also requested
27 \$207,000,000 in general funds to cover Medicaid increases for
28 the 2013-2015 fiscal biennium, bringing the total cost of health
29 care payments to \$4,009,721,975 over the 2013-2015 fiscal
30 biennium, of which \$1,781,864,231 represents general fund
31 expenditures; and



1 WHEREAS, Hawaii offers a Medicaid benefits package that is
2 among the nation's most generous; and

3
4 WHEREAS, Medicaid cost management and savings processes
5 must accompany requests for increased budget requests; however,
6 a lack of management processes, accurate systems of accounting,
7 and internal controls put Medicaid on an unsustainable track;
8 and

9
10 WHEREAS, the House Committee on Finance found it prudent to
11 fund Medicaid at the fiscal year 2013-2014 level for both years
12 of the fiscal biennium, an increase of \$97,885,365 in general
13 funds over the previous fiscal year, with the intent that the
14 Legislature will be able to address ever-increasing budget
15 requests for Medicaid at a later date; however, this strategy
16 carries the possible risk of compromising other government
17 program funding requests; and

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19 WHEREAS, prior state audits of the Medicaid Program were
20 conducted before the expansion of coverage for the Aged, Blind,
21 and Disabled population under the QUEST Expanded Access Managed
22 Care Health Plan and this population has been found to have
23 higher than average health care costs; and

24
25 WHEREAS, prior state audits of the QUEST Managed Care
26 Program within the Med-QUEST Division have found significant
27 deficiencies: Auditor's Report No. 01-10, *Financial Audit of*
28 *the Med-QUEST Division of the Department of Human Services*, May
29 2001, reflects the fifth specialized financial audit of the Med-
30 QUEST Division, conducted by the Office of the Auditor and the
31 independent certified public accounting firm KPMG LLP; and

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33 WHEREAS, Auditor's Report No. 01-10 reported continued poor
34 management control practices within the QUEST Demonstration
35 Project, with page 6 of the report stating that:

- 36
37 (1) Program files lacked required documentation,
38 certifications, and evidence of supervisory review;
39
40 (2) The Med-QUEST Division continued to be inconsistent in
41 the collection of reimbursements and disenrolling
42 those who failed to pay required co-payments; and



1 (3) The Med-QUEST Division's oversight of capitation
2 payment reconciliations had diminished following the
3 transfer of reconciliation responsibility to the
4 health plans; and
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6 WHEREAS, Auditor's Report No. 01-10 found pervasive non-
7 compliance with established policies and procedures and the
8 existence of weak internal controls that potentially could cost
9 the State millions of dollars; and
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11 WHEREAS, Auditor's Report No. 03-07, *Follow-Up Audit of the*
12 *Department of Human Services' QUEST Demonstration Project*, May
13 2003, which is a follow-up audit of the Department of Human
14 Services' QUEST Demonstration Project, found additional issues
15 to those cited in Auditor Report No. 01-10: Med-QUEST
16 Division's new processes of self-declaration and presumptive
17 eligibility eased the application process but compromised the
18 accuracy of data and eligibility determinations of clients; and
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20 WHEREAS, the Department of Human Services has since adapted
21 new eligibility verification processes which, along with
22 possible ongoing issues with timely disenrollment of ineligible
23 clients and any additional processes designed to address prior
24 audit recommendations, are in need of current evaluation; and
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26 WHEREAS, a current audit of the Med-QUEST Division's
27 financial processes is needed in light of the projected growth
28 and expansive budget requests for the Medicaid Program; and
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30 WHEREAS, many of the Med-QUEST Division's financial
31 management processes have been delegated to contracted managed
32 care health plans and a full review of these processes is
33 needed; now, therefore,
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35 BE IT RESOLVED by the House of Representatives of the
36 Twenty-seventh Legislature of the State of Hawaii, Regular
37 Session of 2013, the Senate concurring, that the Auditor is
38 requested to conduct a comprehensive financial audit of the
39 Department of Human Services Med-QUEST Division, with emphasis
40 on the Medicaid Program; and



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1 BE IT FURTHER RESOLVED that the Auditor is requested to
2 review:

- 3
- 4 (1) All applicable financial records and transactions;
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- 6 (2) Related systems of accounting and internal controls;
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- 8 (3) Test transactions and systems; and
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- 10 (4) Procedures for compliance with laws and regulations
- 11 for all processes that pertain to the Medicaid
- 12 Program, which include QUEST health plans, QUEST
- 13 Expanded Access health plans, remaining fee-for-
- 14 service programs, claims processing, and the
- 15 information system, the Hawaii Pre-Paid Medical
- 16 Management Information System; and
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18 BE IT FURTHER RESOLVED that the Auditor is requested to
19 submit a report of findings and recommendations, including any
20 proposed legislation, to the Legislature no later than 20 days
21 prior to the convening of the Regular Session of 2014; and
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23 BE IT FURTHER RESOLVED that certified copies of this
24 Concurrent Resolution be transmitted to the Acting Auditor,
25 Director of Human Services, and Administrator of the Med-QUEST
26 Division.
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OFFERED BY: Mele Carroll

Allen A. Bena

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MAR 13 2013