

HCR 184

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

Report Title: Financial Audit; Department of Human Services; Medicaid Program

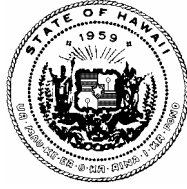
Description:

Companion:

Package: None

Current Referral: HMS/WAM

Introducer(s): CARROLL, BELATTI, JORDAN, LUKE, OSHIRO



STATE OF HAWAII
DEPARTMENT OF HUMAN SERVICES

P. O. Box 339
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April 19, 2013

TO: The Honorable Suzanne Chun Oakland, Chair
Senate Committee on Human Services

The Honorable David Y. Ige, Chair
Senate Committee on Ways and Means

FROM: Patricia McManaman, Director

SUBJECT: **H.C.R. 184 – REQUESTING THE AUDITOR TO CONDUCT A
COMPREHENSIVE FINANCIAL AUDIT OF THE DEPARTMENT
OF HUMAN SERVICES MED-QUEST DIVISION, WITH
EMPHASIS ON THE MEDICAID PROGRAM**

Hearing: Friday, April 19, 2013; 1:30 p.m.
Conference Room 211, State Capitol

PURPOSE: The purpose of this resolution is request the State Auditor to conduct a comprehensive financial audit of the Med-QUEST Division.

DEPARTMENT'S POSITION: The Department of Human Services (DHS) provides the following **comments** on H.C.R.184.

The concurrent resolution cites information from audit reports by the State Auditor on the Medicaid program for 2001 and 2003 that are a decade old. More recent annual financial and compliance audits of the DHS which includes the Med-QUEST Division (MQD) are available on the DHS website. This audit is contracted yearly by the State Auditor. The most recent for FY 2011 is available and the 2012 audit was just

released on March 13, 2013. We refer to these audits as a more current and therefore accurate depiction of the operations of the MQD.

Staffing and resource limitations are identified as the cause throughout the financial and compliance report. In the 2012 audit, MQD findings include a substantial improvement in eligibility processing and program integrity, despite current staffing levels being significantly below those in effect prior to the reduction in force (RIF). As a result of the prolonged hiring freeze and RIF, MQD staffing capacity was reduced by 53%. MQD greatly appreciates restoration of 15 of the 33 eligibility positions lost in the RIF, and has requested 5 additional program integrity positions. Another finding results from the loss of the single pharmacist position through the RIF. Restoration of a part-time pharmacist position is included in the Governor's budget.

HMS 902, which is used to fund these activities, continues to be substantially underfunded, and the \$1.5 million removed from the MQD base in response to a contract under the previous administration from which MQD did not benefit, that primarily served other aspects of DHS, has not been restored despite annual requests by MQD.

In addition to the aforementioned independent State audits, the Federal Government provides continual oversight of MQD. MQD is required to submit quarterly financial and programmatic reports, participates in mandatory programs such as Program Error Rate Management (PERM), and is subject to numerous federal audits. The 2011 PERM audits conducted by CMS contractors for the purpose of identifying improper claims payments, data processing errors and eligibility vulnerabilities were just completed, and CMS found an extremely low error rate with total expenditures in error amounting to approximately \$40,000. The Medicaid Integrity Contract audits, also

conducted by CMS contractors, have identified \$9,000,000 in overpayments that have been recovered.

Additionally program integrity reviews by MQD staff have identified over \$1,000,000 in inappropriate payments to non-emergency transportation providers, over \$7 million from other providers, and the recent successful prosecution and conviction of a dental provider.

Overpayment does not necessarily indicate fraud. Based on MQD staff review, an average of five cases per year has been referred to the Medicaid Fraud Control Unit in the Department of Attorney General over the past three years.

To provide oversight of its managed care programs, MQD has numerous reporting requirements of its health plans and a calendar and report templates can be provided to the Legislature upon request.

An audit can be a very useful tool to identify areas for improvement, however, to make such improvements additional resources are needed. Recent audits performed on MQD have resulted in no significant findings.

Thank you for the opportunity to comment on this measure.