



## **EXECUTIVE SUMMARY**

### **Department of Public Health and Social Services' Medically Indigent Program Report No. 10-03, June 2010**

The Department of Public Health and Social Services' (DPHSS) Medically Indigent Program (MIP) was established by Public Law 17-83 in December 1984, and is 100% locally-funded to provide health care access for those persons who lack sufficient income. The Administrator of the Bureau of Health Care Financing serves as the MIP Administrator and oversees the program.

This audit was conducted as part of our efforts to periodically examine and report on major programs of the government of Guam. Our audit findings indicate that DPHSS could not provide reasonable assurance – nor could we conclude -- that the \$67.3 million (M) expended for MIP between FY 2005 and 2009 entirely benefited eligible recipients. We found that the MIP pro-rata share of labor cost appears to be absorbed by other public assistance programs, and management of DPHSS' Certification Division has not complied with applicable laws to establish effective checks and balances over the program. We found separation of duties, independent review, and monitoring of MIP applications were lacking. The lack of independent review is exacerbated by the Automated Guam Program Assistance (AGUPA) system's inability to allow the automatic transfer or sharing of applicants' information.

#### **Government of Guam Spent \$67.3M on MIP Benefits**

Between October 1, 2004 and September 30, 2009, the government of Guam spent \$67.3M on MIP benefits. MIP benefit recipients are required to seek primary care services at DPHSS' Southern (Inarajan) or Northern (Dededo) clinics. For services the clinics cannot provide, DPHSS physicians refer MIP recipients to an outside provider. Medical referrals during this period cost the government of Guam \$61.7M. Medical services rendered at the DPHSS clinics totaled \$5.6M, which are not covered by MIP appropriations, but are absorbed by the department's budget.

#### **MIP Labor Costs Appears to be Absorbed by Other Programs**

Historically, the annual MIP appropriations are used to fund program benefits. We found that the administrative cost of MIP was last funded in FY 2004. In fiscal years 2002, 2003, and 2004, labor-related costs of \$467,817, \$335,876, and \$48,185, respectively, were charged to the MIP. We were unable to identify MIP labor-related costs for fiscal years 2005 through 2009 in the AS400 financial system. However, we determined that \$303,165 was the pro-rata share that should have been charged to MIP in FY 2009, but instead these costs appears to be absorbed by other public assistance programs.

#### **Lack of Control Processes to Ensure Only Eligible Applicants are Approved**

Contrary to 10 G.C.A. § 2904(b), the Certification Division management did not establish a system of internal controls over the application process. Applications are accepted, processed, and approved by Eligibility Specialists without independent review. Absent adequate separation of duties and independent review, the risk is high for errors or fraud to occur and go undetected. In addition, erroneous or false information could be recorded in the AGUPA system and go uncorrected, resulting in an applicant being deemed eligible for MIP benefits when in fact he/she is not.

The Certification Division has not complied with the 10 G.C.A. § 2905(e) requirement to establish a system of quality review to assure the validity and accuracy of MIP applications. We tested 38 MIP case files with transactions totaling \$421,790. Of these, 37 cases or 97% totaling \$417,605, did not contain adequate support for MIP eligibility. We found a lack of verification documents, such as proof of disability, verification of employment, and check stubs. Case files were not consistently organized and there was no standard filing system or checklist. In addition, there were two missing original case files, but temporary case files were subsequently provided. According to the Certification Administrator, quality reviews are not conducted due to the lack of supervisory staff.

Our findings are similar to those from the government of Guam Single Audits since FY 2000, in which external auditors expressed concerns over eligibility verification. Since 2000, the Certification Division has not utilized the Income Eligibility Verification System (IEVS) to determine income and resource eligibility, due to programming issues with their current system. Not utilizing the IEVS impedes the Certification Division from independently assessing whether or not recipient income and resource information are accurate.

### **Some MIP Benefits Are More Generous than Government of Guam Health Care Plans**

In comparison to the government of Guam health care plans, MIP benefits cover up to three roundtrip airfares as medically necessary, offer up to three times more coverage days for skilled nursing facility services, have no maximum cap for hemophilia-related blood products, and no lifetime cap. The highest instance of MIP cost paid during our audit scope occurred in FY 2009, when \$394,787 was spent for one recipient. In FY 2009, MIP benefits to the top 20 users totaled \$5.5M, representing 52% of the total \$10.5M MIP benefits paid.

### **Lack of Periodic MIP Narrative Reports**

Although not required by law, DPHSS does not produce annual or biennial narrative reports on the state of the MIP. Such reports would outline program benefits, concerns, costs in relation to types of medical conditions, and the impact of benefit payments on limited MIP funding. The MIP's performance can be assessed and issues of concern can be better addressed if periodic reports were made to policy makers and the public.

### **Conclusion and Recommendations**

Because of inadequate separation of duties and lack of independent review of MIP applications, DPHSS management could not provide reasonable assurance that the \$67.3M spent on MIP between fiscal years 2005 and 2009 was properly spent. We recommend that the DPHSS Director direct management to: (1) identify and properly allocate MIP administrative costs; (2) establish a standard filing organization system and a standard checklist for all public assistance programs; (3) develop secondary and tertiary review processes; (4) formulate a committee to assess and make recommendations on how to implement the IEVS and improve the current information system by December 31, 2010; and (5) expand the MIP demographics report to include narrative information on the state of MIP to the Governor and the Legislature.

The Director substantively agreed with our recommendations and disagreed with some of the findings. Refer to the Management Response section of the report for details.

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