

EXECUTIVE DIGEST

CHILDREN'S SPECIAL HEALTH CARE SERVICES DIVISION

INTRODUCTION

This report contains the results of our performance audit of the Children's Special Health Care Services Division, Department of Public Health, for the period October 1, 1991 through December 31, 1993.

AUDIT PURPOSE

This audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Performance audits are conducted on a priority basis related to the potential for improving effectiveness and efficiency.

The primary purpose of our audit was to determine if the division was effective and efficient in achieving its purposes of providing medical and physical care for crippled children and making them self-sustaining in whole or in part.

BACKGROUND

Section 333.5805(1) of the *Michigan Compiled Laws* requires the department to develop, extend, and improve services for locating crippled children; for providing medical care and treatment; and for preventing crippling conditions. Also, Section 333.5825 states that. . . "The department shall monitor the proper handling of the case and may transfer the crippled child to some other provider for treatment better adapted to the child's needs. . . ." The division expended \$69,079,858 and \$62,030,404 for the medical care and treatment of crippled children in fiscal years 1992-93 and 1991-92, respectively. As of December 31, 1993, the division had 75 employees.

**AUDIT OBJECTIVES,
CONCLUSIONS, AND
NOTEWORTHY
ACCOMPLISHMENTS**

Audit Objective: To assess the effectiveness of the division's programs in providing medical and physical care for crippled children and in making them self-sustaining in whole or in part.
Conclusion: Based on our assessment, the division was generally effective in making medical and physical care available to crippled children. However, the division did not have a methodology to determine if the services given by providers were generally effective. Our assessment disclosed three material weaknesses:

- The division had not developed performance measures to objectively determine whether its programs were effective. Thus, the division could not objectively determine if its

programs were successful in making crippled children self-sustaining in whole or in part. (Finding 1)

The department agreed that performance measures should be developed to objectively measure the effectiveness of this program and is proceeding with intermediate level and/or systems types of measures.

- The division had not developed a method for evaluating and documenting the progress of the treatment given by providers to the division's children. Thus, the division could not determine if the medical care and treatment provided crippled children are working effectively. (Finding 2)

The department believed that outcome data based on individual cases is impractical for a public program such as Children's Special Health Care Services. However, the division will move forward with intermediate level/systems measures as the best strategy for ensuring quality services.

- The division did not comply with its procedures for the approval and authorization of its service providers, and its procedures did not ensure that providers had the necessary credentials. Thus, the division could not be assured that all physicians providing services to crippled children were qualified specialists. (Finding 3)

The department will update its administrative rules and its internal processes to ensure that they conform to the

updated provider approval procedures for hospitals, clinics, home health agencies, and physicians as published in October 1990, and to ensure that providers of service are appropriately credentialed. The department believed that the interpretation of the legal prescription to approve medical specialists does not include dentists. However, the department is willing to consider the matter.

Our assessment also disclosed reportable conditions related to case management services, an automated case tracking system, administrative rules, application procedures, notification of eligibility denials, disclosure of interest, and mail opening procedures (Findings 4 through 10).

Noteworthy Accomplishments: The division recently obtained a federal grant that will help develop comprehensive performance standards for the treatment of spina bifida. The division informed us that this grant is one of the first attempts in the country to quantify objective performance standards for the treatment of a diagnosed illness. Also, the division funds multidisciplinary specialty clinics that provide coordinated assessment and an integrated patient care plan for crippled children with a limited number of complex medical conditions. Multidisciplinary specialty clinics provide follow-up on the treatment plan for reassessment and to ensure that the plan is working as intended.

Audit Objective: To assess the efficiency of the division's programs in providing medical and physical care for crippled children and in making them self-sustaining in whole or in part.

Conclusion: Based on our assessment, the division was generally efficient in making medical and physical care available to crippled children. However, our assessment of the division's efficiency disclosed a material weakness:

- The division did not adequately monitor the payments made through Medicaid. The division did not use the edits in the Medicaid reimbursement system designed to test for invalid billings. As a result, the division could make improper payments to unapproved and unauthorized providers. (Finding 11)

The department agreed to (1) document its review of pending claims, (2) test a sample of Medicaid payments on a periodic basis to verify the validity of the amounts paid, and (3) review its edits if determined necessary by the testing of payments.

In addition, our assessment disclosed reportable conditions related to financial assessments, family payment agreements, program eligibility, and casualty claims (Findings 12 through 15).

**AUDIT SCOPE
AND
METHODOLOGY**

Our audit scope was to examine the program and other records of the Children's Special Health Care Services Division for the period October 1, 1991 through December 31, 1993. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

To accomplish our objectives, we performed a preliminary survey of the division's operations, governing statutes, rules, policies, and procedures. Based on the preliminary survey, we selected for review various areas of the division that had the greatest responsibility for achieving the division's purposes of providing medical and physical care for crippled children and making them self-sustaining in whole or in part.

We discussed the overall goals and objectives of the division's programs with the division's personnel. Also, we attempted to identify performance measures to determine the effectiveness and efficiency of the programs. We selected a sample of crippled children case files and reviewed these case files to determine that the division's internal control procedures were effective, efficient, and working as the division intended.

**AGENCY
RESPONSES**

Our audit report contains 15 findings and 17 corresponding recommendations. The agency preliminary response

indicated that it agreed with the 15 findings but disagreed with 2 of the recommendations.

The agency preliminary response which follows each recommendation in our report was taken from the agency's written comments and oral discussion subsequent to our audit fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and Department of Management and Budget Administrative Guide procedure 1280.02 require the department to develop a formal response to our audit findings and recommendations within 60 days after release of the audit report.