

OVERVIEW

THE AUDITOR
STATE OF HAWAII

Audit of the Information System of the Division of Community Hospitals

Summary

The State Auditor initiated this audit to assess the current condition of the information system of the Division of Community Hospitals. In our 1992 study of the division, we had found that poor management, inadequate staffing, and an insufficient budget had led to a failing information system. This time, despite our prior recommendations and the division's expenditure of more than \$15 million for the Community Hospitals' Information Processing System (CHIPS), we found the system still fraught with problems. CHIPS is incomplete, fragmented, still poorly managed, and without clear direction.

The importance of an effective information system cannot be overemphasized. It stores vital patient and hospital data needed for processing into useful information and reports such as timely and accurate billings to patients and insurance companies, medical and demographic reports, and financial statements. Without an effective information system, revenues can be lost, costs difficult to control, and information essential to make sound decisions will not be available.

The division began the CHIPS project in 1986 as a statewide, integrated system to automate financial and operational information for its 13 hospitals. By 1991, only seven of the 13 hospitals used CHIPS for certain functions. As CHIPS became ridden with operating problems, the division conducted an evaluation of CHIPS, assessed its future information system requirements, and developed a plan to meet those future needs. The plan was to improve the existing information system and provide the hospitals and division office with access to the system. Although system improvements were made in 1993, we found that the information system continues to fall far short of its intended goal of a standardized statewide integrated information system.

The division administration failed to effectively manage the development of its information system. Problems identified in our 1992 audit have not been effectively addressed. Important documentation is lacking or poorly maintained. State planning guidelines are not followed. The division also failed to conduct a post-installation evaluation of the system to ensure operational efficiency and failed to monitor the total costs of the CHIPS project.



System implementation is also fragmented. Various computer software packages are being used at different hospitals. Billing for long term care and rural hospitals remains primarily a manual process. Hospital and division administrators are unable to readily determine essential financial information such as cash on hand, fund balances, and the aging of receivables.

In addition, problems that prompted the recent improvements continue to plague the hospitals. Less than one year after the improvements were made, the system is again out of disk storage space and is not adequately maintained. Insufficient training on the system continues to be a problem for hospital staff.

Recommendations and Response

We recommend that the deputy director of community hospitals attend to some key tasks. These include the hiring of a full-time trained and qualified data processing manager. Also, the division should assess the status of the current system, perform a comprehensive post-installation evaluation of the system to meet its objectives, complete projects to increase revenues, establish a software use and acquisition policy, analyze its storage capacity problem, and develop a course of action. The division should establish procedures to monitor the information system's financial status and ensure that state guidelines are followed. Finally, the division should ensure that hospital personnel are adequately trained to operate and maintain the computer system.

The division responded that it recognizes and acknowledges the report as a valid review of its information system and will use the report to improve. However, the deputy director noted that in spite of major inefficiencies and difficulties, the division's information system has improved. He believes hospital staff should be commended for their work under trying circumstances. The deputy director also stated that, while some progress has been made in the areas of revenue enhancements, electronic billing, collecting past due accounts, and disk space capacity, the division will carefully consider and actively follow up on our recommendations.

The deputy director has committed to correcting some of the "bureaucratic and environmental factors" which have led to the problems with the information system. He also noted that the current administration is committed to develop a more autonomous, independent, flexible, and competitive public corporation for the community hospitals. We however emphasize that the problems we found are the result of poor management. Transferring the problem-ridden information system to a new entity will not solve the problems. Improvements in the system must take place even apart from any consideration of a change in structure.

Marion M. Higa
State Auditor
State of Hawaii

Office of the Auditor
465 South King Street, Room 500
Honolulu, Hawaii 96813
(808) 587-0800
FAX (808) 587-0830