

OVERVIEW

THE AUDITOR
STATE OF HAWAII

Audit of the QUEST Demonstration Project

Summary

The Office of the Auditor conducted an audit of the QUEST demonstration project of the Department of Human Services. The project is a five-year federally-approved Medicaid waiver project administered by the department's Med-QUEST Division.

Now in its third year, the QUEST demonstration project faces problems that go beyond a new project's growing pains. The project suffers from planning, financial, and operational deficiencies that need management's immediate attention.

We found that Phase I of the QUEST project was inadequately planned and hastily implemented. The department ignored the problems experienced by other states and dismissed serious legislative concerns. The federal government may require the State to revert to the traditional Medicaid program because the department has yet to prove that it has met its objectives as well as Health Care Financing Administration (HCFA) requirements.

We also found that the QUEST project has yet to demonstrate that it is saving the state money. In fact, costs have increased dramatically, from about \$276 million in FY1994-95 to \$352 million in FY1995-96. Furthermore, we found that the QUEST project fails to use adequate management controls for eligibility determination and ineligible persons may still be receiving benefits.

We also found that the QUEST project has not developed the required management information system. Without adequate information, the required assessment of QUEST is impossible. Processing and analysis of data and production of needed reports have been hampered without the QUEST Information System. Finally, we found that the QUEST project has not met its staffing needs. Positions crucial to the success of the project have not been filled. Required work remains undone. The QUEST project is not in compliance with waiver requirements because it has not analyzed and reviewed utilization data.

Recommendations and Response

We recommend that the Department of Human Services should not begin Phase II of the QUEST project until it has addressed and resolved all of the problems with Phase I. The department should prepare cost data and submit separate future budget requests for the project and for other Medicaid program costs. The Legislature should require the department to submit QUEST demonstration project costs under a separate program identification.



We also recommend that the Med-QUEST Division ensure that its Eligibility Branch units are following established standardized eligibility procedures and re-verify eligibility annually as required. The division should also consider alternate staffing options to ensure that qualified people are engaged to do the work. Finally, the governor should allocate resources to the Department of Human Services to assist with the implementation of the QUEST Information System.

The department acknowledges most of our findings. It agrees that the project was inadequately planned and hastily implemented. However, the department strongly disagrees with our recommendation to delay implementation of Phase II of the QUEST demonstration project.

The department's response contains much additional explanatory information on the project. The response asserts that costs will be within the federal budget limit at the end of its fifth year. The department points out that current monthly premiums are less than they were earlier, and that it is taking steps to keep monthly premium costs down. The department has begun actions to ensure that standardized procedures be followed when determining eligibility. With respect to the lack of the required management information system, the department concurs with our assessment that additional staff alone will not solve this problem and that it also is working with the contractor to resolve the problems.

Overall, the department's response has not convinced us that it has adequately dealt with the problems encountered in Phase I of the QUEST demonstration project. We still stand by our recommendation for the department to delay the implementation of Phase II until it has satisfactorily resolved the project's existing problems.

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