

OVERVIEW

THE AUDITOR
STATE OF HAWAII

Follow-Up Audit on the Management of Billings and Collections for the Department of Health's Outpatient Adult Mental Health Services

Summary

The Office of the Auditor conducted a follow-up audit on the management of billings and collections for the Department of Health's adult mental health services for the period from December 1995 through May 1997. The audit examined the extent to which the department has addressed findings and recommendations contained in our *Audit of the Management of Billings and Collections for the Department of Health's Outpatient Adult Mental Health Services*, Report No. 95-25.

In our follow-up we found that the Adult Mental Health Division continues to fall short in its management of the billings and collections activities of the centers. Specifically, the division continues to shirk its responsibility to standardize billings and collections activities at the centers. As a result, these centers cannot be assured that they are billing for all eligible charges. We also found that the division lacks a system to review and monitor its standard fee schedule. Consequently, centers are billing insurers at different rates for the same service.

In addition, the division has not established a consistent collections practice. None of the centers has a system to regularly follow up on insurance payments and rejections or to reconcile a client's account. Without a system of collections, centers are merely submitting claims and assuming that they will receive payment. Furthermore, while the Adult Mental Health Division recognizes the need for (1) an automated billing program to increase revenues and (2) a division-level billing coordinator, it has made little progress in both areas. Although the seven community mental health centers are demonstrating efforts to improve billings and collections, their efforts are hampered by the division's lack of support.

We found that the division is not effectively utilizing the Mental Health and Substance Abuse Special Fund established by the Legislature. Revenues collected by centers are to be deposited directly into the fund to be used for each program's payment of operating expenses. However, the division continues to use general funds rather than the special fund as the primary source to cover the centers' operating expenses. In addition, the division is accumulating special funds in an administrative subaccount, rather than distributing those funds to the individual centers. While the division contends that the withheld funds are intended for the

purchase of a division-wide management information system, we believe that the practice is a disincentive for the centers to bill aggressively and circumvents the purpose of the fund.

We also found that the division is not adequately planning for its proposed management information system. The division is not following state guidelines for developing information systems. The division is proceeding with little control over the project, and as a result is developing a system without knowing whether the system will be cost effective. The division's lack of adequate documentation, budget plans, and system to track expenditures made it impossible to accurately calculate projected total costs and actual expenditures of the system to date.

Recommendations and Response

Our report makes a number of recommendations that point to the division's responsibilities to direct, coordinate, and monitor the community mental health centers. We recommended that the division implement a division-wide billing system and designate a qualified billing coordinator to concentrate on implementing the division's responsibilities. We recommended that the Legislature require the Department of Health to accurately report its special fund balances and projected expenditures. In addition, the Legislature should require the department to use its special fund as a primary source for payment of operating expenses. Finally, we recommended that the department ensure adequate planning of the Adult Mental Health Division's management information system.

In its response, the department stated that overall, our report seems objective and fairly presented. While it found the summary and findings generally agreeable, the department offered additional comments on some of the findings. A point of clarification provided by the department was incorporated into the report.

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