

# OVERVIEW

## *Follow-Up Audit of the Department of Human Services' QUEST Demonstration Project*

Report No. 03-07, May 2003

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### Summary

In 1994 the Department of Human Services implemented the QUEST Demonstration Project, a federally approved Section 1115 Medicaid waiver project, to demonstrate the efficacy of a managed care approach for state-funded health care services. QUEST initially incorporated health care services for the Aid to Families with Dependent Children (now known as Temporary Assistance to Needy Families), General Assistance, and State Health Insurance Program. Health care for a portion of the aged, blind, and disabled population was to be incorporated as the second of several phased expansions of the QUEST project.

However, an audit conducted by our office in 1996 found that the project had been inadequately planned and hastily implemented, resulting in management problems and the inability to substantiate its effectiveness and efficiency claims. We recommended that these concerns be resolved before implementation of any planned program expansions.

This audit follows up on the recommendations from the 1996 audit and several subsequent audits that examined various aspects of the QUEST Demonstration Project. We found that QUEST continues to experience problems from inadequate planning and design that hamper the development and expansion of a managed care approach to health care. After nine years, enrollment and participation in QUEST are basically unchanged and planning efforts to incorporate the aged, blind, and disabled population have ceased.

QUEST has been keeping project costs under control, with the average annual cost per enrollee remaining less than \$2,000 between waiver years 1998 and 2001. This cost rose to \$2,068 for waiver year 2002; however, this was still less than the 1997 cost of \$2,090, for example. In addition, federal budget limits, which are based on the cumulative total of expenditures over the life of the project, have been adhered to since 2001. However, in view of rising health care costs nationally, QUEST's ability to continue to contain costs without reducing levels of services is questionable. In addition, QUEST has not included the aged, blind, and disabled population to date, and is therefore unable to demonstrate whether the managed care approach is viable for the larger range of patients.

We also found that while the department's Med-QUEST Division has overcome some operational weaknesses, other management control and staffing problems still hamper QUEST's operations. Self-declaration and presumptive eligibility practices have reduced the application backlog but also increased the likelihood that ineligible applicants may receive benefits. There continue to be problems with the eligibility review process, with case file records that lack proper documentation that eligibility has been reviewed, and are incomplete and inconsistent. Some management control problems appear to be associated with the staffing concerns identified in our 1996 audit. For example, the backlog of eligibility reviews appears proportional to



caseload. The Oahu office, with the highest caseload per staff member, has the most incomplete case files. We found 88 of the 187 Oahu case files we sampled (47 percent) lacked adequate documentation of eligibility reviews. The East Hawaii, West Hawaii, Kauai, and Molokai offices were generally up to date. The Maui office was second to the Oahu office in lacking a current eligibility review, although case-worker assignments vary with the experience and classification of the case worker. The supervisor reported a shortage of personnel. We also found that the Med-QUEST Division still lacks a standard procedures manual to guide its operations.

Finally, we found that, although it has taken six years, a management information system (MIS) has finally been implemented. MIS development efforts underway during our 1996 audit failed. In 1999, Hawaii entered into a development partnership with the Arizona Health Care Cost Containment Systems Administration (AHCCCS) to jointly develop the Hawaii Arizona Prepaid Medicaid Management Information System (HAPA). Arizona, which operates the only federally certified Medicaid MIS, modified the system to satisfy the Medicaid requirements for both states.

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## Recommendations and Response

We recommended that the Department of Human Services evaluate the time and resources (human, financial, and physical) necessary to continue and/or expand the QUEST demonstration project. If such an evaluation favors continuation of managed care, the department should seek statutory authority to make the project permanent.

We also recommended that the department adopt an operating procedures manual to include both standard procedures for processing QUEST eligibility applications as well as procedures for cases transferred from other departmental divisions.

Finally, we recommended the department evaluate HAPA to assess the efficacy of shared technology in fulfilling information system requirements.

The Department of Human Services responded that it generally agrees with our recommendations. However, the department noted that the State is unable to seek state statutory authority to make QUEST permanent. We are aware of the federal statutory requirements for QUEST and note that our recommendations are not meant to be limited to state-level actions. For example, the National Conference of State Legislatures supports federal statutory changes that would permit successful Medicaid waiver programs to be continued by statutory authority, thereby ending the requirement to seek renewal of the demonstration authority. Given the substantial state resources invested in QUEST, we believe it is reasonable to support such federal-level actions, if the State determines that QUEST should be considered permanent. The department also provided comments to clarify statements made in the report, some of which we incorporated.

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