



Office of the Auditor
465 S. King Street
Rm. 500
Honolulu, HI 96813
Ph. (808) 587-0800

Jan K. Yamane
Acting State Auditor
State of Hawai'i

**In FY2015,
Med-QUEST Division
health care payment
appropriations alone
accounted for nearly
15 percent of State
spending.**

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Audit of the Department of Human Services' Med-QUEST Division and Its Medicaid Program

Report No. 14-02, January 2014

Med-QUEST reporting and inattention to fraud impede legislative efforts to contain costs

Data provided by division does not fulfill legislative needs

While Hawai'i's Medicaid program is financed with a combination of state and federal funds, we found that the Med-QUEST Division concentrates its reporting around meeting federal measures and requirements, which focus on quality of health care services delivered, and not State concerns, which are largely related to costs. With State contributions to the Medicaid program nearly doubling over the past five years, legislators are understandably concerned about the relevance and usefulness of the information it currently receives from the division. Absent adequate and appropriate information; however, the Legislature is unable to make informed decisions about and enact legislation to implement any cost containment measures relating to the Medicaid program.

State's Medicaid program costs compare favorably to peer states and national averages

After analyzing data from the Med-QUEST Division and other government and private sources, we found that Hawai'i's Medicaid costs compare favorably to other states and the national average. Although Hawai'i has a higher Medicaid enrollment as a percentage of its population compared to other states, its Medicaid costs are below the national average and the division has been relatively successful in controlling spending per enrollee and stabilizing program costs. In addition, while Hawai'i has some flexibility in containing these costs, we found that these options are becoming more limited. Requirements associated with the Compacts of Free Association agreements and Affordable Care Act to be implemented in 2014, prevent the division from making certain adjustments to benefits and eligibility.

State is exposed to tens of millions of dollars in losses due to fraud, waste, and abuse

We also found that division management has neglected to commit sufficient resources to its efforts to curb fraud, waste, and abuse. As a result, Hawai'i's detection and enforcement activities lag far behind national averages, exposing the State to tens of millions of dollars in losses annually. For instance, in 2011, the Centers for Medicare and Medicaid Services projected that improper payments from the Hawai'i Medicaid and Children's Health Insurance programs totaled \$66.9 million. Since additional federal regulation will limit cost containment options for the State, the division needs to be more proactive in containing the costs that it can control by establishing and implementing an effective and efficient fraud, waste, and abuse detection program.

Agency response

The department generally agreed with our conclusions and recommendations and said it has already undertaken actions to address several of our recommendations. It agreed Hawai'i's Medicaid program fares well compared to peer states and the rest of the nation, and that it has managed to control costs on a per-enrollee basis even while enrollment has increased. The department also said it is committed to eliminating all fraud, waste, and abuse, and that it has made substantial improvements in program integrity. And it stated that implementation of its new eligibility system, KOLEA, will reduce eligibility errors. The department identified four efforts it plans to pursue this legislative session to improve support for additional program integrity efforts. Although the department contends that our fraud, waste, and abuse finding was primarily based on outdated documentation, we note the department provided that documentation as the most current available.