Audit Highlights

Highlights of Legislative Auditor report on the Office of the Governor, Office for Consumer Health Assistance, issued on November 1, 2007. Report # LA08-06.

Background

The Office for Consumer Health Assistance (Office) was created in 1999. The Office assists consumers and injured employees in understanding their rights and responsibilities under health care plans and policies, including responding to and investigating complaints regarding those plans and policies. During the 2001 Legislature, the Office for Hospital Patients was renamed the Bureau for Hospital Patients and transferred to the Office for Consumer Health Assistance. This added the responsibility of resolving disputes between patients and hospitals. The 2003 Legislature added two additional responsibilities. First, this Office provides information to consumers concerning prescription drug programs offered by manufacturers of prescription drugs or by the state. Second, the Office authorizes external review organizations to conduct reviews of final adverse determinations made by managed care organizations. In 2005, the Office received the responsibility of establishing and maintaining an Internet website which would include information regarding the purchase of prescription drugs from Canadian pharmacies.

The Office, located in Las Vegas, had eight full-time authorized positions in fiscal year 2006, and received funding from the General Fund, hospital assessments, Medicaid, and the Workers' Compensation and Safety Fund. Fiscal year 2006 expenditures totaled more than $732,000.

Purpose of Audit

The purpose of this audit was to determine if the Office's financial and administrative practices were carried out in accordance with applicable state laws, regulations, policies, and procedures. We also determined if the Office's performance information reported in the annual report was reliable. This audit included a review of the Office's financial related activities and performance data for the 18 months ended December 31, 2006.

Audit Recommendations

This report contains six recommendations to strengthen the Office's financial and administrative controls. Three recommendations address controls to help ensure the Office's funding sources are properly accounted for and billed. In addition, we made three recommendations to improve the reliability of the Office's performance information.

The Office accepted the six audit recommendations.

Status of Recommendations

The Office's 60-day plan for corrective action is due on February 1, 2008. In addition, the six-month report on the status of audit recommendations is due on August 1, 2008.

For more information about this or other Legislative Auditor reports go to: http://www.leg.state.nv.us/audit (775) 684-6815.

Office for Consumer Health Assistance

Office of the Governor

Results in Brief

The Office substantially complied with state laws, regulations, policies, and procedures significant to its financial administration. However, controls are needed to ensure the Office's funding sources are properly accounted for and billed. Specifically, Bureau for Hospital Patients' funds totaling more than $180,000 that were used to pay General Fund expenditures had not been reimbursed. In addition, the Office did not properly bill Medicaid for services provided to consumers. The Office did not have a written agreement regarding what services are billable and billings were based on estimated costs instead of actual costs.

Additional controls will also improve the reliability of the Office's performance information. Performance information reported in the Office's annual report was not always supported by adequate documentation. As a result, the amount of consumers' financial savings resulting from the Office's assistance could not always be verified. In addition, data programming errors caused some information in the annual report to be misstated. Finally, the annual report did not include all required information regarding external reviews of denied health services for certain insured consumers. Inaccurate performance data can affect decisions made by management and the legislature.

Principal Findings

Reserve funds resulting from the Bureau for Hospital Patients' (BHP) hospital assessments were used to pay General Fund expenditures in fiscal years 2004 and 2005. However, errors in the Office's year-end budget closing calculations prevented repayment of these reserve funds. As a result, Office records indicate the General Fund owed the BHP $183,569 as of June 30, 2006. Since the amount held in reserve determines the amount to assess hospitals each year, future assessments can be reduced once the amount owed has been repaid.

The Office did not properly bill the Division of Health Care, Financing and Policy (HCF&P) for consumer services regarding Medicaid coverage. A written agreement had not been established with HCF&P regarding what services are to be provided. Furthermore, the amounts billed were based on budgeted costs instead of actual. As a result, the Office had no assurance the amounts billed were in accordance with HCF&P and Federal requirements.

The amount of consumer savings reported in the Office's annual report lacked sufficient documentation. Our analysis of 5 of the largest cases and 25 selected randomly which totaled about $1.6 million, identified 3 that did not have sufficient documentation supporting the amount reported. The Office reported more than $578,000 as total savings for these three cases; however, documentation could not support approximately $362,000 of this amount. After informing management of the lack of documentation, the Office immediately contacted one of the providers and obtained sufficient documentation to support $88,000 in savings.

Some of the programs used to extract data from the Office's management information system contained errors. Additionally, we noted data entry errors and key information that had not been entered into the system. As a result, some of the data in the Office's 2006 annual report was misstated. For instance, the report shows total new cases including the number of seniors and uninsured, workers' compensation, and BHP cases. The date the case was opened was used to determine the total number of cases, the number of seniors, and workers' compensation cases. However, the date closed was used to obtain the number of uninsured and BHP cases. If the Office had consistently used the date opened, it would have reported 607 BHP cases instead of 558, a difference of 9%.

Although the Office's 2006 annual report contained the information required in statute, it did not disclose all external reviews. The number and disposition of expedited reviews were not included. These reviews are for benefits denied by a managed care organization that may jeopardize the life or health of the consumer.

Audit Division
Legislative Counsel Bureau