

Department of Public Health

It Faces Significant Fiscal Challenges and Lacks Transparency in Its Administration of the Every Woman Counts Program

REPORT NUMBER 2010-103R, JULY 2010

Department of Public Health's response as of December 2010

The Joint Legislative Audit Committee (audit committee) asked the Bureau of State Audits (bureau) to determine how the Every Woman Counts (EWC) program ended up in a budget crisis and whether the Department of Public Health (Public Health) has operated the EWC program efficiently over the past several years.

Finding #1: Opportunities exist for Public Health to identify and potentially redirect EWC program funds to screening services.

Our audit found that Public Health could do more to maximize the funding available to pay for screening services. When requesting additional funding from the Legislature in June 2009, Public Health claimed that redirecting funds within the EWC program from other areas—such as efforts aimed at providing outreach to women and training for medical providers—to pay for additional screening services would not be possible given federal requirements and would jeopardize federal funding from the Centers for Disease Control and Prevention (CDC). However, our analysis found that Public Health's claim was incorrect. We estimate that had Public Health redirected one-half of the amount it spent on various contracts for nonclinical activities in fiscal year 2008–09, it could have dedicated about \$3.4 million to pay for screening activities. This funding would have allowed more than 27,500 additional women to obtain screening services from the EWC program.

However, Public Health's ability to identify and redirect funds toward activities that directly support women is hampered by the fact that Public Health cannot determine how much its contractors spend on other activities. For example, Public Health spent more than \$6.7 million on various contracts with local governments and nonprofit organizations during fiscal year 2008–09; however, it does not know how much these contractors spent on each contracted activity because it lacks specific accounting mechanisms, such as detailed invoices to track expenditures for individual contracted activities. Instead, Public Health knows only the total amount payable under each contract and how much has been billed for general categories such as personnel costs and overhead to date. Without knowing how much contractors are spending on specific services that support the EWC program, Public Health lacks a basis to know whether the funds paid for these activities would have been better spent on additional mammograms or other screening procedures.

To ensure that Public Health maximizes its use of available funding for breast cancer screening services, we recommended that it evaluate each of the EWC program's existing contracts to determine whether the funds spent on nonclinical activities are a better use of

Audit Highlights . . .

Our review of the Department of Public Health's (Public Health) administration of the Every Woman Counts (EWC) program, revealed the following:

- » *Funding the EWC program will likely be more difficult in the future due to:*
 - *Declines in tobacco tax revenue.*
 - *Fiscal pressures placed on the State's budget resulting from the economic recession.*
- » *As a result of the budget problems, Public Health:*
 - *Asked for a budget augmentation of \$13.8 million in June 2009.*
 - *Imposed more stringent eligibility requirements and froze new enrollment for six months beginning in January 2010.*
- » *Contrary to its previous claims, Public Health has a great deal of flexibility to use existing EWC program funds to provide screening services to women.*
- » *Public Health's ability to redirect funds is hampered because it cannot easily identify funds it uses for activities that do not directly support women.*
- » *Public Health does not provide the Legislature with estimates of the number of women it expects to serve in a fiscal year, even though it provides this information to the federal government to secure federal funds.*

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» *Public Health has not fully complied with certain aspects of state law. Specifically, it has not:*

- *Developed regulations that implement the EWC program—nearly 16 years after the program began.*
- *Evaluated the effectiveness of the EWC program in annual reports to the Legislature—since 1994, only one report was submitted.*

taxpayer money than paying for a woman's breast or cervical cancer screening. To the extent that Public Health continues to fund its various contracts, we further recommended that it establish clearer expectations with its contractors concerning how much money is to be spent directly on the different aspects of the EWC program and should monitor spending to confirm that these expectations are being met.

Public Health's Action: Partial corrective action taken.

Public Health's six-month response indicates that it has not evaluated all of its contracts to determine whether the funds spent are a better use of taxpayer funds than paying for additional screenings. In particular, Public Health's response indicates that it has only evaluated the contracts of its regional centers. However, it appears that Public Health's review has resulted in it taking steps to significantly reduce the costs associated with these contracts. According to a budget presentation that Public Health made to the Legislature on November 5, 2010, Public Health plans to spend between \$200,000 and \$220,000 over an 18-month period for each regional center. For context, these same regional centers previously had contracts spanning several years that averaged between \$332,000 and \$480,000 over a 12-month period. During its presentation to the Legislature, Public Health reported that two of the 10 regional centers declined to accept the reduced contracts, while another three regional centers had agreed to the reduced contract amounts. Public Health defined the contract status of the remaining five regional centers as "pending" or as requiring approval from a county board of supervisors.

Public Health's six-month response also indicated that it has communicated its expectations to the regional centers regarding their expected level-of-effort on different aspects of the program. Specifically, Public Health indicated that it has established a "percent of effort" next to each contract activity and requires contractors to perform quarterly time studies to ensure that the contractors are adhering to the contract's terms. Public Health provided a summary report of the results of the first time study that indicated where contractors were spending too little effort or too much effort relative to Public Health's expectations. The time study was based on information from one week's worth of work.

Finding #2: Public Health needs to provide the Legislature with better information regarding caseload and cost.

Although state law says that screening under the EWC program is not an entitlement, Public Health indicated that it has tried to provide all eligible women with screening services. However, rather than assess how much funding it needs to provide these services and how many women could be served as a result, our audit found that Public Health instead bases its funding requests on past expenditure trends and projected growth factors. Public Health could provide greater transparency and help establish clearer expectations for program outcomes if it gave the Legislature information on its projected caseload and the related cost, as it does with its federal grant from the CDC. The EWC program chief indicated that Public Health would like to use caseload data to be more precise in forecasting its

costs, but has not done so because it lacks confidence in the reliability of the caseload data it collects. In order to provide the federally required caseload data to the CDC, Public Health has entered into a contract with the University of California, San Francisco, to assure the quality of its caseload data. The data that Public Health submits to the CDC are the number of women served based on the federal funds provided. Had Public Health done the same at the state level, it could have helped the Legislature define expectations for the program—in terms of the number of women to be served or other similar measures—during the budget process for fiscal year 2008–09. In doing so, it would have been in a stronger position to explain to the Legislature why it needed an additional \$6.3 million to pay for clinical claims for that year. Specifically, Public Health would have been able to explain to the Legislature whether it had already served the agreed-upon number of women based on the funding provided.

To ensure that Public Health can maintain fiscal control over the EWC program, we recommended that it develop budgets for the EWC program that clearly communicate to the Legislature the level of service that it can provide based on available resources. We further recommended that Public Health seek legislation or other guidance from the Legislature to define actions the program may take to ensure that spending stays within amounts appropriated for a fiscal year.

Public Health's Action: Partial corrective action taken.

In its 60-day update, Public Health indicated that it had developed a caseload estimate methodology using a time-series regression analysis and was pursuing a formal estimate process for fiscal year 2010–11. In its six-month response, Public Health indicated that it was finalizing its estimate package for inclusion in the Governor's Budget for fiscal year 2010–11; however, it did not provide a copy of its estimate package for our review. Public Health's six-month response also indicated that it had requested the State's Fiscal Intermediary, Hewlett Packard, to collect Social Security numbers for women enrolled in the program. Public Health intends to use Social Security numbers as a unique identifier to better track the program's caseload and to improve its caseload estimates in the future. Public Health expects Hewlett Packard to implement this system change in the summer of 2011.

Section 169 of the Budget Act of 2010 Trailer Bill on Health (SB 853, Chapter 717, Statutes of 2010), required Public Health to provide the Legislature with quarterly updates on program caseload, estimated expenditures, and related program monitoring. Public Health's six-month response to the audit included a copy of the report it submitted to the Legislature for the first quarter of fiscal year 2010–11. The report disclosed information regarding the amounts paid for various clinical services and the number of unique identification numbers—which are assigned to women—associated with the paid claims. Public Health also appropriately disclosed to the Legislature that the number of unique identification numbers included in its report would not equate to the unique number of women served, since one woman could have multiple identification numbers.

Finding #3: Public Health needs to provide more transparency regarding how it administers the EWC program to promote public input and enhance legislative oversight.

Finally, our audit found that Public Health could do more to improve the public transparency and accountability with which it administers the EWC program. State law requires Public Health to develop regulations that implement the EWC program. Nearly 16 years after the program began, such regulations still have not been developed. Public Health cited staff and funding limitations as the cause for the delay. Nevertheless, had Public Health developed the required regulations, it would have provided the public with an opportunity to comment and to provide input on important aspects of the EWC program, such as eligibility requirements and service priorities should funding be exhausted. State law also requires Public Health to evaluate the effectiveness of the EWC program annually and submit a report on its findings to the Legislature. Specifically, the report is required to contain information such as the number of women served and their race, ethnicity, and geographic area, as well as information on the number of women in whom cancer was detected through the screening services provided and the stage at which it was detected. Since this reporting requirement was placed in state law in 1994, the

Legislature has received only one report—in August 1996—in response to this requirement. This lack of information on the effectiveness of the EWC program limits Public Health's ability to advocate for appropriate funding and hampers the Legislature's and the public's ability to exercise oversight.

To ensure better public transparency and accountability for how the EWC program is administered, we recommended that Public Health comply with state law to develop regulations, based on input from the public and interested parties, that would direct how Public Health administers the EWC program. At a minimum, such regulations should define the eligibility criteria for women seeking access to EWC screening services. We further recommended that Public Health provide the Legislature and the public with a time frame indicating when it will issue its annual report on the effectiveness of the EWC program. Further, Public Health should inform the Legislature and the public of the steps it is taking to continue to comply with the annual reporting requirement in the future.

Public Health's Action: Pending.

Public Health indicated that it is in the process of developing regulations for the program that will further define how the program will be administered. Public Health indicated that certain staff have attended training provided by the Office of Administrative Law regarding the development of regulations. According to its six-month response, Public Health has also hired a consultant with rule-making experience. Public Health's six-month response did not provide an estimate on when the program's regulations would be finalized or available for public comment. Further, Public Health's response did not indicate whether it was contemplating defining eligibility requirements for women, or establishing protocols for responding to budget shortfalls. Finally, Public Health's six-month response indicated that it is finalizing its report to the Legislature regarding the program's performance and expects to release the report on February 1, 2011.