



OFFICE OF THE FSM NATIONAL PUBLIC AUDITOR
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ONPA RELEASES AUDIT REPORT OF CHUUK STATE OFF-ISLAND MEDICAL REFERRAL PROGRAM FOR NON-INSURED PATIENTS

The Office of the National Public Auditor (ONPA) announces the release of Audit Report No. 2011-02, Audit of the Chuuk State Off-Island Medical Referral Program for Non-Insured Patients. A digital copy of the report is available for public review online at www.fsmopa.fm and printed copies are available at the ONPA's offices in Palikir, Pohnpei and Weno, Chuuk. The audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States.

The State of Chuuk has approximately 53,595 people of which approximately 39,000 do not have medical insurance. The Off-Island Medical Referral Program for Non-Insured Patients (NIP Program), funded by a US Compact Sector Grant, was established by the Chuuk State Department of Health Services (DHS) in fiscal year 2007.

DHS entered into an agreement with a third party administrator (TPA) to facilitate and manage medical services in the Philippine Islands (PI) to the patients referred for treatment to the PI. A formal agreement between the TPA and Chuuk State Hospital was signed in March 2007 by the Chuuk State Governor, DHS Director, Director of Dept. of Administrative Services (DAS), and Attorney General; the US Compact Funds Control Commission (CFCC) on behalf of the funding source; and the TPA Contracting Officer on behalf of the TPA.

The Program funding began with an annual budget of \$200,000 in fiscal year 2007, increased to \$300,000 in fiscal years 2008 and 2009, and in fiscal year 2010 increased to \$400,000 for a cumulative sum of \$1.2 million at September 30, 2010. Part of the funding, specifically \$250,000, was advanced to the TPA to draw from when reimbursements of medical cost were slow.

Names of patients who are potential beneficiaries of the Program are submitted to DHS by local physicians. The cases requested are reviewed by the NIP Program medical referral committee (Committee) and if approved, are accepted into the Program to receive medical benefits in the PI and travel benefits to/from plus a stipend, for the patient plus an accompanying escort who is usually a family member. The Committee is comprised of 3 physicians plus the DHS Director and Assistant Director.

The objective of the audit was to determine whether the Chuuk State DHS expended the funds in accordance with the Program requirements and the TPA Agreement.

The audit found that the Program requirements and the TPA Agreement were not followed by Chuuk DHS. In the short period of its existence (e.g. since 2007), the Program administration was deeply plagued with numerous control and compliance deficiencies involving approximately \$415,578 or approximately 35% of the total program funds of \$1.2 million through September 30, 2010.

Of the 48 patients funded from the Program:

1. \$262,589 was expended on just 7 patients, of which \$122,589 exceeded the per patient program limit. Furthermore, \$174,000 of the total \$262,589 was expended for just 5 (of the 7) patients who were treated for conditions specifically excluded by the Program; 3 of the 5 patients treated for excluded conditions died shortly after their return to Chuuk.
2. \$68,168 was expended on 4 patients with medical insurance and were therefore not eligible.
3. \$26,153 was expended for travel to Hawaii in violation of the Sector Grant.
4. \$58,668 was expended in overcharges and unsupported charges. These include physician fees not supported by receipts, payment of service fees to the TPA beyond the maximum allowed, overpaid stipends to patients, and payment of irregular fees (refundable room deposits).
5. The \$250,000 advanced to the TPA is largely at risk of loss since DHS did not retain control of the account and significant amounts of claims are now disputed between the TPA and DHS.

The Program requires patient beneficiaries to share in the cost if financially able; however, DHS did not implement this requirement.

DHS failed to monitor and did not approve treatment for problems diagnosed while patients were at the off-island hospitals and this resulted in significant charges for medical treatments that were entirely different from the condition approved by DHS. The audit recognizes the limited local capability in Chuuk to properly diagnose patient medical problems but also reported that DHS did not have a procedure to review and approve or not approve for problems diagnosed at off-island hospitals.

The authorities designed the NIP Program with the spirit and intent of serving the low-income, financially disabled individuals without insurance in need of medical services not available locally. Instead, the Program benefited only a few people and became plagued with numerous control and compliance deficiencies. Other finding details are included in the audit report, which also included numerous recommendations to address those findings.

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