

Letter Report

**Dental Services Grant**

*Marquette University School of Dentistry*

*August 2005*



**Legislative Audit Bureau**

22 E. Mifflin St., Ste. 500, Madison, Wisconsin 53703-4225 ■ (608) 266-2818

Fax: (608) 267-0410 ■ Web site: [www.legis.state.wi.us/lab](http://www.legis.state.wi.us/lab)





**STATE OF WISCONSIN**  
Legislative Audit Bureau

22 E. Mifflin St., Ste. 500  
Madison, Wisconsin 53703  
(608) 266-2818  
Fax (608) 267-0410  
Leg.Audit.Info@legis.state.wi.us

August 5, 2005

Janice Mueller  
State Auditor

Senator Carol A. Roessler and  
Representative Suzanne Jeskewitz, Co-chairpersons  
Joint Legislative Audit Committee  
State Capitol  
Madison, Wisconsin 53702

Dear Senator Roessler and Representative Jeskewitz:

As required by s. 13.94(1)(dg), Wis. Stats., we have completed a limited-scope fiscal and compliance review of the dental clinics grant provided by the Department of Health and Family Services to the Marquette University School of Dentistry for fiscal year (FY) 2001-02 through FY 2003-04. Under this grant program, Marquette University received general purpose revenue funding of \$2.8 million in each year to provide dental services to low-income individuals at clinics in various locations throughout Wisconsin.

Overall, we found Marquette University has developed and implemented adequate procedures to ensure compliance with statutory and grant requirements. In addition, we found state funds were expended for services normally considered a part of comprehensive general dental treatments.

We note that dental clinic expenses exceeded revenues by nearly \$2.5 million in FY 2001-02, \$1.6 million in FY 2002-03, and \$1.5 million in FY 2003-04. Marquette University staff note that clinic revenue is not intended to cover all costs, and that the clinics also depend upon financial support from other sources, such as tuition. We note that the new dental school facility, which opened in August 2002, is more efficient in delivering dental services to patients.

We appreciate the courtesy and cooperation extended to us by the Marquette University staff during our review.

Sincerely,

Janice Mueller  
State Auditor

JM/JG/bm

cc: Senator Robert Cowles  
Senator Scott Fitzgerald  
Senator Mark Miller  
Senator Julie Lassa

Representative Samantha Kerkman  
Representative Dean Kaufert  
Representative David Travis  
Representative David Cullen

Ms. Helene Nelson, Secretary  
Department of Health and Family Services

Ms. Margaret Burns, Comptroller  
Marquette University



## **DENTAL SERVICES GRANT**

The Wisconsin Department of Health and Family Services (DHFS) provides an annual grant to the Marquette University School of Dentistry in support of dental services provided through its dental clinics. These clinics, which are staffed by students and faculty members of the Marquette University School of Dentistry, are located in areas identified as having underserved populations, including the cities of Milwaukee and Racine; Brown, Dane, and Outagamie counties; and correctional centers in Milwaukee County.

The Legislature established the dental services grant in 1989. Subsequent statutory revisions included increases in state general purpose revenues funding for the grant, as well as a requirement for the Legislative Audit Bureau to review grant expenses. State funding increased from \$1.7 million in fiscal year (FY) 1991-92 to \$2.3 million in FY 1992-93 and to \$2.8 million in FY 1997-98. It remained at that level through FY 2003-04.

According to the grant agreement between DHFS and the Marquette Dental School, dental services provided under the grant include those services normally considered a part of comprehensive general dental treatment and which, in the judgment of faculty, can safely and effectively be provided by undergraduate and/or graduate dental students. The clinics served approximately 19,000 patients in FY 2001-02, 16,500 patients in FY 2002-03, and 18,500 patients in FY 2003-04. Based on demographic information maintained by the Marquette Dental School, a significant number of these patients are elderly and low-income individuals.

To ensure proper recording and reporting of costs charged to state grant funds, we completed a limited-scope fiscal and compliance review of dental clinic expenses from July 1, 2001 through June 30, 2004. We also reviewed compliance with other grant requirements, such as nondiscrimination in employment, during this period.

Overall, we found that Marquette University has developed and implemented adequate procedures to ensure compliance with statutory and grant requirements and that state funds were expended for services normally considered a part of comprehensive general dental treatments. We also note that, since FY 1997-98, Marquette University has reported that the dental clinics' revenue has been less than expenses, therefore requiring revenue from other sources to partially fund clinic operations.

As shown in Table 1, Marquette Dental School expended approximately \$10.7 million to provide dental services within its clinics in FY 2001-02, \$11.8 million in FY 2002-03, and \$13.7 million in FY 2003-04. These expenses included salaries and fringe benefit expenses for supervising faculty members; operating costs, such as supplies and telephone services; and indirect expenses, such as accounting and administrative services.

---

Table 1

**Marquette Dental Clinics' Revenues and Expenses**  
(in thousands)

Fiscal Year	Revenues	Expenses	Difference
1999-2000	\$ 5,265	\$ 8,397	(\$3,132)
2000-01	5,281	9,540	( 4,259)
2001-02	8,254	10,749	( 2,495)
2002-03	10,145	11,780	( 1,635)
2003-04	12,178	13,692	( 1,514)

---

In addition to the state grant, the clinics' revenues consist of patient fees, which are lower than those in private practice and structured to be affordable to all patients, and federal Medicare reimbursements, which are received as part of a Medicare Waiver program. In FY 2001-02, Marquette Dental School also began considering a portion of its contributions and student revenue, such as tuition, as revenue meant to offset costs associated with clinical operations.

Expenses incurred from clinic operations have exceeded revenues in each of the past five years. As previously shown in Table 1, expenses exceeded revenues by \$1.5 million in FY 2003-04. However, while Table 1 includes the best available figures, Marquette University staff indicate the clinic revenues and expenses are problematic for two reasons.

First, calculating the amount by which expenses exceed revenues may imply to some that the clinics are intended to generate a profit or should, at a minimum, break-even. Marquette University staff note that this is not the case and that a significant portion of a dental student's tuition is meant to cover clinic costs. Second, Marquette University staff note that the designation of certain expenses as purely clinical or non-clinical is difficult to make.

The dental clinics' future financial condition may be affected by the construction of a new Marquette Dental School facility that opened in August 2002. The \$35 million dental school was constructed using \$5 million in federal funding, \$15 million in private donations, and \$15 million of the State's General Fund-supported bond proceeds. As of June 30, 2005, total debt service payments for the State were expected to be \$23.5 million from FY 2005-06 through FY 2021-22. The State's annual debt service payments related to these bonds will be approximately \$1.0 million through FY 2011-12. The new facility includes a 96-chair clinic, compared to 120 chairs at the previous facility. However, with the purchase of additional dental and computer equipment, students provide services to more patients than they previously did.

\*\*\*\*\*