

Letter Report

Dental Services Grant

Marquette University School of Dentistry

August 2007



Legislative Audit Bureau

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August 23, 2007

Janice Mueller
State Auditor

Senator Jim Sullivan and
Representative Suzanne Jeskewitz, Co-chairpersons
Joint Legislative Audit Committee
State Capitol
Madison, Wisconsin 53702

Dear Senator Sullivan and Representative Jeskewitz:

As required by s. 13.94(1)(dg), Wis. Stats., we have completed a limited-scope review of the dental services grant provided by the Department of Health and Family Services to the Marquette University School of Dentistry for fiscal year (FY) 2004-05 and FY 2005-06. 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 only for services normally considered a part of comprehensive general dental treatments, as required by statute.

We note that dental services expenses exceeded revenues by \$1.6 million in FY 2004-05, and \$1.8 million in FY 2005-06. Marquette University staff note that clinic revenues, which include the State's grant as well as patient fees and other revenues, are not intended to cover all costs and that the clinics also depend upon financial support from other sources, such as tuition. In addition, we note that at the end of calendar year 2006, a federal Medicare waiver demonstration project ended and two clinics in the City of Milwaukee were closed. In FY 2006-07, the Legislature's Joint Finance Committee authorized a one-time \$1.0 million grant for Marquette University to open two new clinics in Milwaukee.

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

Sincerely,

Janice Mueller
State Auditor

JM/CS/ss

Enclosure

cc: Senator Julie Lassa Representative Samantha Kerkman
Senator Russell Decker Representative Kitty Rhoades
Senator Alan Lasee Representative David Cullen
Senator Robert Cowles Representative Joe Parisi

Ms. Rana Altenberg, Vice President for Public Affairs
Marquette University

Mr. Dennis Butler, Comptroller
Marquette University

Mr. Kevin Hayden, Secretary
Department of Health and Family Services

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 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 revenue (GPR) 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 has remained at that level through FY 2005-06.

According to the grant agreement between DHFS and the School of Dentistry, 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 19,300 patients in FY 2004-05 and 19,800 patients in FY 2005-06. Based on demographic information maintained by the School of Dentistry, a significant number of these patients were elderly and low-income individuals.

To ensure proper recording and reporting of costs charged to state grant funds, we completed a limited-scope review of dental clinic expenses from July 1, 2004 through June 30, 2006. 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 only for services normally considered a part of comprehensive general dental treatments.

As shown in Table 1, the School of Dentistry spent approximately \$12.8 million to provide dental services within its clinics in FY 2004-05 and \$14.2 million in FY 2005-06. These expenses included salaries and fringe benefits for supervising faculty members and clinical support staff; operating costs, such as supplies and telephone services; and indirect expenses, such as accounting and administrative services.

Table 1

**Marquette School of Dentistry
Dental Clinics' Revenues and Expenses**
(in Millions)

| Fiscal Year | Revenues | Expenses | Difference |
|-------------|----------|----------|------------|
| 2001-02 | \$ 8.3 | \$10.8 | \$(2.5) |
| 2002-03 | 10.2 | 11.8 | (1.6) |
| 2003-04 | 12.2 | 13.7 | (1.5) |
| 2004-05 | 11.2 | 12.8 | (1.6) |
| 2005-06 | 12.4 | 14.2 | (1.8) |

Source: Marquette School of Dentistry Clinics Operations Reports

The dental clinics' revenues consist of the state grant; patient fees, which are lower than those in private practice; and federal Medicare reimbursements, which were received as part of a Medicare Waiver program. In FY 2001-02, the School of Dentistry 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 clinics operations have exceeded revenues in each of the past five years. As was shown in Table 1, expenses exceeded revenues by \$1.8 million in FY 2005-06. However, Marquette University staff note that they do not expect the dental clinics to generate a profit or to break even. Marquette staff also note that a portion of a dental student's tuition is meant to cover clinic costs. Finally, the designation of certain expenses as solely for clinical purposes is difficult to quantify.

The future financial condition of the dental clinics will be affected by the end of the federal Medicare waiver demonstration project. The School of Dentistry participated with the City of Milwaukee in a federal Medicare waiver demonstration project that provided dental care to Medicare participants. The waiver program ended in December 2006, and two clinics operated by the City of Milwaukee closed. These clinics generated Medicare revenue of \$372,000 in FY 2004-05 and \$494,000 in FY 2005-06. In response to the clinic closings, the Legislature's Joint Finance Committee authorized a one-time \$1.0 million dental access grant. The funds, which were authorized in FY 2006-07, are being used to open and equip two new clinics in the City of Milwaukee, the first of which is set to open in August 2007. The School of Dentistry is currently looking for a suitable site for the second clinic.

In addition to the grant funding provided to Marquette University, the State issued \$15.0 million in GPR-supported bonds to assist in the construction of the new School of Dentistry, which opened in August 2002. As of June 30, 2006, total debt service payments for the State were expected to be \$22.5 million from FY 2006-07 through FY 2021-22.

