

MARQUETTE UNIVERSITY SCHOOL OF DENTISTRY SERVICE 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 in the City of Milwaukee, Waushara County, Monroe County, and correctional centers in Milwaukee County. The Legislature established the dental services grant in 1989 and subsequently made several statutory revisions, including adding a requirement for the Audit Bureau to complete an annual financial audit of grant expenditures and increasing state funding from \$1.7 million in fiscal year (FY) 1991-92 to \$2.3 million in FY 1992-93. State funding was again increased to \$2.8 million in FY 1997-98.

According to the grant agreement between DHFS and the Marquette Dental School, the dental services provided 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 are staffed by Marquette Dental School students and faculty and served nearly 14,500 patients in FY 1997-98. Over the past four years, the clinics have served, on average, 13,650 patients each year. Based on demographic information maintained by the Marquette Dental School, a significant number of these patients are elderly and low-income individuals.

We completed a limited-scope fiscal and compliance review of dental clinic expenditures to ensure proper recording and reporting of costs charged to state grant funds. The period of our review was July 1, 1997 to June 30, 1998. In addition to determining the appropriateness of Marquette Dental School expenditures, we reviewed compliance with other grant requirements, such as nondiscrimination in employment and competitive procurement transactions.

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

To provide these dental services, Marquette Dental School incurred expenditures of over \$6.6 million in FY 1997-98. These expenditures include salaries and fringe benefit expenditures for supervising faculty members; administrative and general expenditures, such as accounting and budget services; operational expenditures, such as supplies and telephone services; and depreciation of University-owned clinic facilities. In addition to the state grant, the dental 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. Using revenues to offset expenditures, the dental clinics reported a FY 1997-98 deficit of \$468,310, an improvement from the FY 1996-97 deficit of nearly \$1.3 million.

In the future, however, the annual deficit of the dental clinics may be further reduced by the termination of the Medicare Waiver program that was federally approved in four cities

nationwide: Milwaukee, Baltimore, San Jose, and Cincinnati. The federal government initially established this special demonstration program in the late 1970s to provide dental and other health care services that are generally not allowable under the Medicare program to Medicare recipients. According to City of Milwaukee staff, the Medicare Waiver program has not accepted new patients since the fall of 1998, and it will terminate completely on December 31, 2000.

While the dental clinics' overall revenue will decline without the future collection of the Medicare reimbursement revenue, expenditures will likely decline by a greater amount. According to Marquette University staff, the Marquette Dental School billed the Medicare Waiver program approximately \$677,800 in FY 1997-98, while the cost of providing these services exceeded \$1.12 million. Therefore, the dental clinics' FY 1997-98 participation in the Medicare Waiver program resulted in a deficit of nearly \$442,200.

The dental clinics provided services to 4,105 patients through the Medicare Waiver program in FY 1997-98. When the Medicare Waiver program is terminated, recipients may continue to receive care at the Marquette Dental School by paying the established clinic fees. Staff from Marquette University and the City of Milwaukee are working to help ensure these recipients still obtain necessary dental and health care services.

Auditor's Review Report

We have reviewed the accompanying Schedule of Dental Clinics Revenues and Expenditures for the Marquette University School of Dentistry for the years ended June 30, 1998 and 1997. Our review was conducted in accordance with standards established by the American Institute of Certified Public Accountants.

A review is substantially less in scope than an examination, the objective of which would be the expression of an opinion on the Marquette University School of Dentistry's Schedule of Dental Clinics Revenues and Expenditures. Accordingly, we do not express such an opinion.

Based on our review, nothing came to our attention that caused us to believe that the accompanying schedule is not presented in conformity with the measurement criteria as required by the grant agreement between the State of Wisconsin and the Marquette University School of Dentistry and applicable statutory and legal requirements.

LEGISLATIVE AUDIT BUREAU

March 19, 1999

by

Diann Allsen
Audit Director

**Marquette University School of Dentistry
Schedule of Dental Clinics Revenues and Expenditures
for the Years Ended June 30, 1998 and 1997**

	<u>FY 1997-98</u>	<u>FY 1996-97</u>
Revenues:		
Fee Revenue	\$2,382,494	\$1,576,147
Medicare Reimbursement ¹	991,593	1,754,732
State Grant	<u>2,800,000</u>	<u>2,300,000</u>
Total Revenues	\$6,174,087	\$5,630,879
Expenditures:		
Salaries and Fringe Benefits	\$3,740,701	\$3,368,869
Administrative and General	1,417,067	1,971,101
Operational	1,015,428	986,635
Depreciation	<u>469,201</u>	<u>600,000</u>
Total Expenditures	\$6,642,397	\$6,926,605
Surplus (Deficit)	(\$468,310)	(\$1,295,726)

¹ In FY 1996-97, Marquette University changed its basis of accounting. As a result of adjustments made to reflect this change, the FY 1996-97 Medicare reimbursement revenue is higher than typically reported in one year.