

98-11 Wisconsin Mental Health Institutes, Department of Health and Family Services

Summary

The Mendota and Winnebago Mental Health Institutes provide care and treatment for individuals with mental and emotional disturbances. General purpose revenue (GPR) funds the cost of caring for patients referred through the criminal justice system, and the Medical Assistance program, which is funded jointly with GPR and federal funds, and county governments fund the costs of caring for most other patients.

This audit, which was requested by the Department of Health and Family Services to comply with requirements of the Joint Commission on Accreditation of Hospitals, was performed to assess the fair presentation of each Institute's fiscal year (FY) 1996-97 financial statements. We were able to provide an unqualified auditor's opinion on the financial statements and notes. Our audit indicates that the Institutes' financial position has improved significantly. Based on accrual accounting, the Mendota Mental Health Institute had net income of \$676,233 for FY 1996-97, compared to a deficit of \$836,312 for FY 1995-96, and the Winnebago Mental Health Institute had net income of \$1,209,348 for FY 1996-97, compared to a deficit of over \$3 million for FY 1995-96.

During prior audits, we evaluated the Institutes' negative cash balance and recommended the Department take steps to eliminate it. Section 20.903, Wis. Stats., allows state agencies to spend in excess of the cash they receive, but only to the extent they have current assets to support the negative cash balance. The Institutes had an unsupported negative cash balance of \$10.2 million as of June 30, 1997. The Department's most recent estimates show that the unsupported negative balance has been reduced to \$7.7 million as of June 30, 1998. It appears the cash deficit situation will continue to improve for the Institutes.

A major cause of the accumulated negative cash balance was the Medical Assistance program's reimbursement limitations. Until recently, Medical Assistance rates were significantly less than the cost of care for Medical Assistance patients. To correct the deficit situation, the Department submitted an amendment to its Medical Assistance plan, requesting full reimbursement for the cost of care provided to children under the program. The amended plan was approved by the federal Health Care Financing Administration, and the Legislature's Joint Committee on Finance approved the new Medical Assistance child reimbursement rate for the Institutes for the 1997-99 biennial budget. The Department was able to implement the new rate beginning with the last quarter of FY 1996-97.

Our review indicates that obtaining full reimbursement for the cost of care provided to children under the Medical Assistance program will further improve the deficit situation at the Institutes.
