

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 through its clinics. In fiscal year (FY) 1998-99, this grant supported dental clinics 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 review of grant expenditures and increasing state funding from \$1.7 million in FY 1991-92 to \$2.3 million in FY 1992-93. State funding was increased to \$2.8 million in FY 1997-98 and remained at that level for FY 1998-99 and FY 1999-2000. As approved by the Legislature and Governor, this level of funding will increase in FY 2000-01 to nearly \$3.0 million.

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, who in FY 1998-99, served nearly 14,000 patients. Over the past five years, the clinics have served, on average, 13,200 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 the dental clinic expenditures to ensure proper recording and reporting of costs charged to state grant funds. The period of our review was July 1, 1998 to June 30, 1999. In addition to determining the appropriateness of Marquette Dental School expenditures, we also reviewed compliance with other contract 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, the Marquette Dental School clinics incurred expenditures of nearly \$8.1 million in FY 1998-99. These expenditures included salary 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 these revenues to offset expenditures, the Marquette Dental

School clinics reported a deficit of over \$1.9 million in FY 1998-99. This deficit amount was a 202 percent increase from the FY 1997-98 deficit of approximately \$639,800. In FY 1998-99, the dental clinics earned revenue of approximately \$812,400 from the Medicare Waiver program. This program was established by the federal government in the late 1970s to provide dental and other health care services that are generally not allowable under the Medicare program to Medicare recipients. The Medicare Waiver program was federally approved in four cities nationwide: Milwaukee, Baltimore, San Jose, and Cincinnati. Under this program, the dental clinics reported they provided services to 2,562 patients in FY 1998-99. At the time of our prior year review, Marquette University staff indicated that the Medicare Waiver program would be terminated as of December 31, 2000. However, according to Marquette University staff, the Medicare Waiver program has been extended until December 31, 2002.

While this extension may allow low-income individuals to receive general dental services that they could not otherwise afford, the Medicare Waiver program contributes to the dental clinics' annual deficit. For example, Marquette University staff stated that the FY 1998-99 dental clinic costs for the Medicare Waiver program exceeded the amount billed by \$525,836.

In addition to the Medicare Waiver program, the Marquette Dental clinics experienced significant increases in expenditures in FY 1998-99, which added to the annual deficit. As shown on the attached schedule, salary and fringe benefit expenditures increased from \$3.7 million in FY 1997-98 to nearly \$4.3 million in FY 1998-99, an increase of 14.4 percent. Between FY 1997-98 and FY 1998-99, administrative and general expenditures also increased from \$1.4 million to nearly \$1.8 million, an increase of 24.7 percent. According to Marquette University staff, the expenditure increases were the result of 13 additional part-time faculty members being hired to staff the dental clinics that were previously understaffed, additional costs being allocated to the clinics as the clinics grow in terms of occupied space and number of staff, and technological and building improvements being made to various clinic facilities.

In the future, the Marquette Dental School clinics' financial condition will be affected by several factors, such as the level of costs reimbursed by the federal government under the Medicare Waiver Program. In addition, Marquette University's plans to build a new dental school and the opening of an additional clinic may also affect the clinics' financial condition. In September 1999, Marquette University announced plans to build a new dental school. The State's 1999-2001 biennial budget provides \$15 million in state funding for this \$30 million construction project. This new facility may result in higher operating and debt service costs, which would be partially allocated to the one dental clinic located within the school. Finally, in FY 1999-2000, the Marquette Dental School opened its fifth clinic, which is on the Oneida Indian Reservation in Green Bay. In FY 1998-99, only one of Marquette Dental School's four clinics reported a surplus of approximately \$8,000, while the remaining three clinics reported deficits of \$1.5 million, \$369,700, and \$26,700. If the new Green Bay clinic also reports a deficit, the overall dental clinics' deficit may continue to increase in the future.

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, 1999 and 1998. 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

May 19, 2000

by
Julie Gordon
Audit Director

Marquette University School of Dentistry
Schedule of Dental Clinics Revenues and Expenditures
for the Years Ended June 30, 1999 and 1998

	<u>FY 1998-99</u>	<u>FY 1997-98</u>
Revenues:		
Fee Revenue	\$2,541,609	\$2,382,494
Medicare Reimbursement	812,402	991,593
State Grant	<u>2,800,000</u>	<u>2,800,000</u>
Total Revenues	6,154,011	6,174,087
Expenditures:		
Salaries and Fringe Benefits	\$4,278,634	\$3,740,701
Administrative and General	1,767,315	1,417,067
Operational*	1,393,186	1,186,953
Depreciation	<u>647,897</u>	<u>469,201</u>
Total Expenditures	8,087,032	6,813,922
Surplus (Deficit)	(\$1,933,021)	(\$ 639,835)

* In FY 1998-99, Marquette University began recording and reporting bad debt expenditures as operational expenditures. Prior to that time, bad debt expenditures were not included in this schedule. The FY 1997-98 operational expenditure amount has been restated to include bad debt expenditures.
