

## 97-10 Wisconsin Mental Health Institutes, Department of Health and Family Services

### Summary

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The Mendota and Winnebago Mental Health Institutes provide care and treatment of individuals with mental and emotional disturbances. General purpose revenue (GPR) funds the cost of caring for patients referred through the criminal justice system. The federal Medical Assistance (MA) program and county governments fund the costs of caring for most other patients. As of June 30, 1996, the Institutes had a combined total of 486 patients.

This audit was requested by the Department of Health and Family Services to comply with requirements of the Joint Commission on Accreditation of Hospitals. It was performed to assess the fair presentation of each Institute's fiscal year 1995-96 financial statements. We were able to provide an unqualified auditor's opinion on the financial statements and notes. Based on accrual accounting, the Mendota Mental Health Institute had a loss of over \$836,000 and the Winnebago Mental Health Institute had a loss of over \$3 million for the audited year.

During prior audits, we evaluated the Institutes' growing 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 \$12.2 million at February 28, 1997. At the current rate of earnings on temporary investments, this negative cash balance is costing the State's General Fund over \$600,000 per year in lost earnings. A major cause of the negative cash balance is reimbursement limitations of the MA program. Currently, MA rates are significantly less than the cost of care for MA patients.

Over the past five years, the Legislature has attempted to address the growing negative cash balance. For example, it has enacted legislation requiring the deficit to be eliminated by July 1, 1999, and requiring rate increases of at least 10 percent annually. More recently, the Institutes were allowed to use the proceeds from land sales for the purpose of reducing the deficit. However, these actions have done little to improve the deficit situation.

The Department also has recently taken steps to address the growing financing problems. One is to attempt to obtain full reimbursement for the cost of care provided to MA patients. Another is to request that the 1997-99 biennial budget eliminate the deficit reduction mandates imposed by the Legislature. If the Department is able to obtain full cost recovery for MA patients, it may be successful in reducing the deficit. However, MA funding is approximately 41 percent state funds and 59 percent federal funds; therefore, an increase in MA funding will require an increase in expenditures of GPR.

Recently, a request for the necessary GPR funding was submitted to the Legislature's Joint Finance Committee. The committee unanimously approved an increase in MA funding for the next biennium of \$1.7 million in GPR expenditures and \$2.5 million in federal expenditures. However, to obtain the additional funding, a proposed amendment to the MA State Plan needs to be approved by the federal Health Care Financing Administration. This approval is pending.

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