SUMMARY

South Carolina Health and Human Services Agencies: A Review of Non-Medicaid Issues

INTRODUCTION

Members of the General Assembly asked the Legislative Audit Council to conduct an audit of the eight agencies assigned to the health, human services, and Medicaid budget subcommittee of the House Ways and Means Committee. The agencies' budgets for FY 02-03 totaled $5.7 billion, comprising nearly 38% of the state's budget.

The audit requesters asked us to make recommendations for reorganization of these agencies to eliminate duplication and improve services. They were also concerned about funding, controls over client eligibility, and the agencies' outcome measures. Although many of the programs we reviewed are funded by Medicaid, we did not review administration of the Medicaid program in this review, as it is covered in a concurrent LAC review, *Options for Medicaid Cost Containment* (January 2003).

FRAGMENTED ORGANIZATIONAL STRUCTURE

We reviewed the organizational structure of South Carolina's health and human services agencies and found that similar services are often provided by multiple agencies with no central point of accountability for their performance. This structure can have several effects:

- It can be more difficult for clients to determine where to apply for help.
- Agencies may spend extra resources on interagency referrals and service coordination.
- There are duplicative administrative costs in areas such as finance, personnel, and information technology.
- Planning and budgeting are conducted in a fragmented manner.

If programs with similar services were consolidated into fewer agencies, under the authority of a single cabinet secretary, obtaining help from state government would be made less complex. The need for different agencies to make referrals to each other and to coordinate their similar services would be reduced. Administrative costs could be lower, while planning and budgeting would be done more comprehensively.

SIMILAR SERVICES PROVIDED BY MULTIPLE AGENCIES

Senior and Long Term Care Programs

Caseloads for agencies that serve the elderly are projected to grow. The U.S. Census Bureau has projected a population increase of more than 100% for South Carolinians aged 60 and over between 2000 and 2025.

DHHS, DSS, and DMH operate various senior and long term care programs. We recommend placing these programs in a newly-created freestanding agency specializing in senior and long term care. Although central administrative costs could increase with a new agency, they could be partially offset through consolidation of the more than 100 offices that provide senior and long term care throughout the state.

For example, the state could reduce the number of area agencies on aging (AAAs). Currently 10 area agencies distribute funds from the state office to local providers of services for seniors. The administrative savings from consolidation could be used to expand client services. Also, the AAAs do not use competitive procurements to ensure that providers are cost-effective and high quality.

HEALTH AND HUMAN SERVICES AGENCIES REVIEWED

DEPARTMENT OF ALCOHOL AND OTHER DRUG ABUSE SERVICES	DAODAS
COMMISSION FOR THE BLIND	SCCB
DEPARTMENT OF DISABILITIES AND SPECIAL NEEDS	DDSN
DEPARTMENT OF HEALTH AND ENVIRONMENTAL CONTROL	DHEC
DEPARTMENT OF HEALTH AND HUMAN SERVICES	DHHS
DEPARTMENT OF MENTAL HEALTH	DMH
DEPARTMENT OF SOCIAL SERVICES	DSS
VOCATIONAL REHABILITATION DEPARTMENT	VR

Programs for Emotionally Disturbed Children

Three agencies are involved in determining the treatment needs of different groups of emotionally disturbed children. DMH, DSS, and the Continuum of Care for Emotionally Disturbed Children each coordinate services for emotionally disturbed children who often receive services from a number of agencies. This system results in duplication and inefficiency in administration. It may also direct resources away from early intervention and toward more expensive services.

All mental health services for children could be combined in DMH. This option would reduce some administrative costs since the Continuum of Care would no longer need its own administrative services. Also, administrative savings would result from eliminating the three overlapping systems of regional offices and duplicative assessments. A unified system of planning for all emotionally disturbed children would be another benefit.

Addiction Treatment Services

Three agencies (DAODAS, DMH, and VR) operate addiction treatment programs. These programs could be consolidated within DMH. This would reduce administrative costs since DAODAS would no longer exist as an independent agency. Four of five neighboring states have single divisions or departments whose services include both addiction treatment and general mental health care.

Rehabilitative Services

In a July 2002 audit, we found that the Commission for the Blind and the Vocational Rehabilitation Department provide rehabilitative and related services. In FY 01-02, SCCB served about 4,800 blind and visually impaired persons, while VR served about 37,700 persons with various mental and physical disabilities. Merging these agencies would reduce the number of agencies providing rehabilitative services and would reduce administrative costs.

INADEQUATE CABINET OVERSIGHT

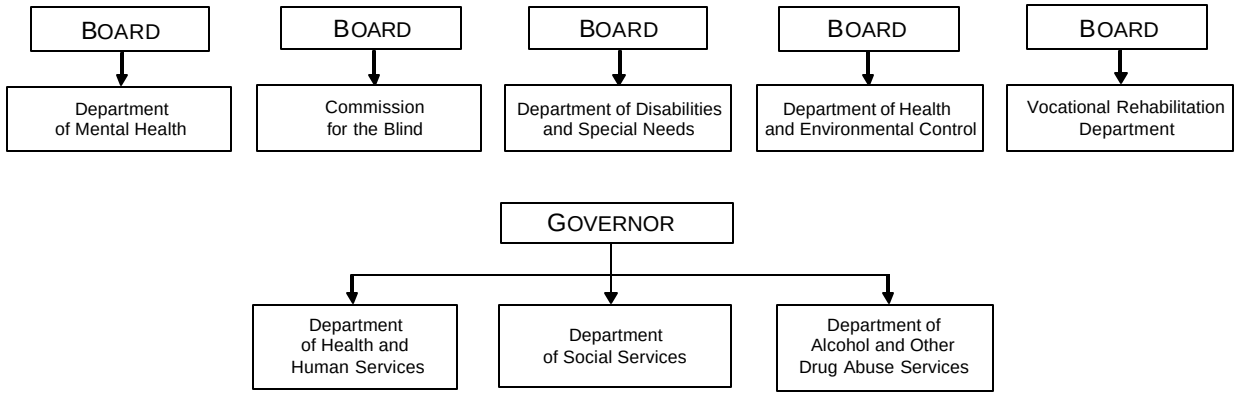
Five of the eight health and human services agencies we reviewed are not part of the Governor's cabinet. There is no central point of accountability for the performance of these agencies. No executive branch entity has the authority to ensure comprehensive planning and budgeting or that services are provided efficiently. Non-cabinet agencies are overseen by multi-member boards and commissions (appointed by the Governor) who appoint agency directors. Because non-cabinet agency directors are not directly appointed or terminated by the Governor, the Governor is not directly accountable for the performance of these agencies.

State law could be amended to authorize a single cabinet secretary, appointed by the Governor, to oversee all health and human services agencies.

The cabinet secretary would be responsible for supervising a separate director for each health and human services agency. With a single-secretary structure, one official would have authority for planning, budgeting, and delivering services throughout the health and human services system. The process of consolidating and managing programs with similar services would be easier. The management of information technology could also be improved.

In general, the Governors in neighboring states have greater authority to appoint department heads than South Carolina's Governor. In North Carolina and Virginia, health and human services agencies are headed by a single secretary appointed by the Governor. The Governor also directly appoints department heads in Georgia, Florida, and Tennessee.

CURRENT OVERSIGHT STRUCTURE



Inadequate Collections From Clients

DMH, DHEC, and DAODAS offer services for which clients are required to pay. In each case, the agencies cannot deny service to clients who cannot pay. But for clients who can pay, we could not determine any reason that the agencies should not take action to collect. Increased collections could result in increased services for clients who need them. The Department of Revenue (DOR) offers programs that can assist agencies in collecting funds due the state.

Community Mental Health Centers Collect Little

There is potential for increases in patient account revenues at DMH's community centers. In FY 01-02, the community mental health centers collected $2.2 million. This amount represented only 10% of private pay and 15% of private insurance billings.

For every 10% increase in self pay collections, DMH would obtain approximately $840,000 in additional revenue. We recommend that the agency expand the use of the Setoff Debt and GEAR programs and increase its filing of liens against the estates of deceased clients. DMH already uses these methods for inpatient billing.

FY 01-02 Collection Percentage by Community Mental Health Center

Center	Insurance Collections	Self Pay Collections
Aiken	14%	8%
Anderson	22%	26%
Beckman	16%	25%
Berkeley	14%	14%
Catawba	16%	10%
Charleston	21%	8%
Coastal	16%	29%
Columbia	15%	7%
Greenville	22%	9%
Lexington	14%	9%
Orangeburg	11%	6%
Pee Dee	10%	4%
Piedmont	18%	29%
Santee	16%	7%
Spartanburg	12%	9%
Tri-County	15%	2%
Waccamaw	11%	12%
AVERAGE	15%	10%

See full report for table notes.
Source: Department of Mental Health

Department of Revenue Debt Collection Services

The Setoff Debt program withholds amounts owed to S.C. governmental entities from individual taxpayers' refunds. The taxpayer is charged $25 for each Setoff Debt collection. In 2001, DMH used the Setoff Debt program to collect over $200,000 for inpatient services. Over the last three years, DOR collected more than $150 million owed to government entities.

The Governmental Enterprise Accounts Receivable (GEAR) program functions as a collection agent and can garnish wages, seize bank accounts, sell property, and revoke licenses. GEAR assesses a 28.5% fee on amounts collected. In FY 01-02, one DAODAS provider collected $428,285 (25% of its collections) using the Setoff Debt and GEAR programs.

DHEC Billing and Collections Weak

In our 1996 audit of DHEC's health services, we found that DHEC did not have an adequate system for billing, tracking, and collecting accounts receivable. Although the department has improved its information system, DHEC still does not make a consistent effort to bill and collect amounts due.

DHEC has several programs which require clients to pay if they can afford to. However, DHEC only bills a small percentage of its clients. For example, in the family planning program, 71% of clients who were not eligible for Medicaid received a 100% fee reduction, requiring them to pay nothing. In the Children's Rehabilitative Services program DHEC does not bill the clients. Also, DHEC does not verify the income of family planning or home health clients who receive reduced charges based on income and family size.

We recommend that DHEC implement uniform billing and collection policies for all health districts, verify clients' income, and consider participating in the Department of Revenue's debt collection programs.

AUDITS BY THE LEGISLATIVE AUDIT COUNCIL CONFORM TO GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS AS SET FORTH BY THE COMPTROLLER GENERAL OF THE UNITED STATES.

FOR MORE INFORMATION

Our full report, including comments from relevant agencies, and this document are published on the Internet at

www.state.sc.us/sclac

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CLIENT ELIGIBILITY CONTROLS

One of our objectives was to determine whether DHEC and DSS have adequate controls to determine eligibility for programs which are primarily based on client income and/or assets. DSS administers the family independence (FI) and food stamp programs, and DHEC administers the women, infants, and children (WIC) program.

We reviewed FI cases approved from July 2001 through December 2001 in two DSS county offices. While we found no material problems with the verification of client income or the recertification of cases, our review indicated that DSS has not consistently verified client assets. In 15 (23%) of the 65 cases that we reviewed, DSS did not verify client ownership of real property.

DSS's internal controls to ensure that clients are eligible for the food stamp program are adequate. For the past several years, S.C. has received $11.8 million in enhanced funding from the U.S. Department of Agriculture due to its low error rate for the food stamp program.

The WIC program, funded by the U.S. Department of Agriculture, provides vouchers for supplemental foods such as milk, cereal, and baby formula. Federal requirements for documentation of client income are very general, and there are no requirements relating to client assets.

PERFORMANCE MEASURES NEED IMPROVEMENT

Performance measures we reviewed in the four health and human services agencies that provide direct client services — DMH, DHEC, DSS, DDSN — were generally based on national benchmarks. However, in three of the agencies, performance data that the state offices require from their county or district offices was not always consistent or reliable.

Improvements are needed in order for members of the General Assembly and the public to rely on agency performance measures to make decisions about funding and results of agency programs.

- DMH does not have reliable cost information for treatment programs provided at the community mental health centers. The costs for Adult Homeshare, a program which allows mentally ill persons to live in the least restrictive environment, ranged from $96 per hour of service in one center to $721 per hour of service in another.

- Performance data collected by DHEC from the 13 health districts is not consistent and does not provide a clear picture of progress or the need for improvement in the districts. Districts did not furnish infant mortality statistics for the same years, and some districts did not furnish the data by county.

- We reviewed performance measures for the child welfare program in four DSS counties and found that the counties collect data in an inconsistent manner. When data is collected inconsistently among the reporting entities, the information may result in an "apples to oranges" comparison and may not be useful.