

PORTLAND PRESS HERALD - Wednesday, September 17, 2003

State finds \$37 million DHS snafu

By PAUL CARRIER, Portland Press Herald Writer

AUGUSTA < The state has uncovered a \$37 million budget problem at the Department of Human Services, just months after state officials and a consultant found millions of dollars in accounting mistakes in a separate program at the DHS.

The latest problem involves a series of errors in the Medicaid program that occurred over a period of years and finally came to light this year. Medicaid, which is known as MaineCare in Maine, is a jointly funded federal and state program that provides health insurance for the poor, elderly and disabled.

Gov. John Baldacci said Tuesday that there is "no inkling of any wrongdoing or any malfeasance" in the latest DHS incident, but he and a top aide detailed several costly errors that add up to \$37 million.

They include the state's failure to make millions of dollars in payments to health-care providers, which the federal government then paid.

The latest discovery follows disclosures earlier this year that a welfare program run by DHS failed to properly document about \$37 million in spending over a period of years.

State officials insisted that none of the federal money was stolen, after hiring a consultant to help figure out what happened to it.

Baldacci said he still has faith in the senior managers at DHS. But he said his administration is creating the position of chief financial officer for the Medicaid program to track the day-to-day operation, and is making other changes.

Baldacci said he is "elevating" Trish Riley, his chief health care adviser, to "work collaboratively" with DHS, showing that he wants significant outside oversight.

Baldacci is creating two new positions within the Governor's Office of Health Policy and Finance, which Riley runs, in part to ensure that the Medicaid program is well-coordinated among DHS and the other state agencies that get Medicaid dollars.

The latest \$37 million problem is small by Medicaid standards because the state spends more than \$1 billion a year for Medicaid, most of which is federal money.

But it is a big problem in terms of what went wrong, because the errors occurred over a period of years and because they involved a variety of significant mistakes. Some mistakes occurred over three years, some date to 1996 and some are even older than that, administration officials said.

Baldacci and his finance chief, Rebecca Wyke, said the state missed \$17.5 million in payments to providers, which the federal government paid.

In addition, the state made \$7.8 million in Medicaid payments to its mental hospitals in Augusta and Bangor that exceeded federal caps for such payments.

On top of that, the state failed to put in for \$3.2 million in allowable federal Medicaid claims until it was too late to get the money, so the state must pay those bills.

Another \$8 million in mistakes involve older errors that the state has not analyzed in detail.

Officials suspect that such an analysis would reveal more missed state payments to providers and more missed state claims that should have been filed with the federal government.

One positive development is that the federal government may owe the state \$5 million, because the state and federal governments made some duplicate Medicaid payments. That would shrink the state's Medicaid problem from \$37 million to \$32 million.

"I have faith in the management" at DHS, Baldacci said in response to a question during a State House news conference, but he said he will "continue to be working with these people on a weekly basis."

Because of the earlier discovery of fiscal problems at DHS, the state is hiring more fiscal experts to track that agency's finances and the state controller's office has assigned several staffers to work at DHS.

Baldacci has proposed that the state merge the DHS and the state Department of Behavioral and Developmental Services, which provides mental-health services. In the meantime, both agencies are being run by acting commissioners.

The governor said Tuesday that he hopes to nominate a permanent commissioner for the combined agency when the Legislature returns to the State House in January. Baldacci also will submit a supplemental budget to the Legislature next year to fill the hole at DHS, but he declined to say how large that budget will be, pending further calculations.

Legislative leaders expressed concern about the revelations Tuesday, but they praised Baldacci for uncovering the errors and for placing DHS under a microscope as part of the proposed merger with the state mental-health agency.

"We have to make sure that, every couple of months, we don't get another (piece) of bad news," said Senate Majority Leader Sharon Treat, D-Farmingdale. "There really are serious problems in the department," she said., and state officials "really have to get to the bottom of it."

"It looks like they made the changes they needed to make" for the time being, said House Minority Leader Joe Bruno, R-Raymond. But Bruno questioned where the Legislature will find more money in tough times to plug any budget hole.

A federal official declined specific comment on the Medicaid problems Tuesday. Mary Kahn of the U.S. Department of Health and Human Services described the mistakes as "a state issue" and "an accounting issue at the state level" that state officials will have to handle.

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