



Auditor says CHIP overpaid for care

\$20 million in payments cited in kids' health program

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AUSTIN — Amid massive cuts to Texas' Children's Health Insurance Program, the state overpaid its vendor for rural, low-income children's care by \$20 million, a state auditor's report said Thursday.

More than one-fourth of that money went to a subcontractor with no employees and to two Austin consultants.

State Auditor Lawrence Alwin criticized the Health and Human Services Commission for "serious deficiencies in contracting practices and contract monitoring" in how it bought coverage for about 100,000 children covered by CHIP in sparsely populated counties.

The \$20 million in "unnecessary or excessive payments" to Clarendon National Insurance Co. of New York is "an abuse of the commission's fiduciary responsibility to appropriately oversee and manage" taxpayer money, Mr. Alwin said. The children's health program has an annual budget of \$335 million.

He challenged more than \$5.5 million in payments to an Austin couple, Michael and Rhonda Masters, who subcontracted with Clarendon but "had no employees and did not provide a service" that "directly benefited CHIP," and to former Department of Human Services executive Ron Lindsay and lobbyist Marie M. Oser, whom the Masters hired as consultants.

A spokesman for Clarendon

the auditor reports the Legislature.

Ms. Masters, Mr. Lindsay and Ms. Oser, who worked for a Clarendon subcontractor, could not be reached.

Mr. Masters referred inquiries to Austin political consultant Bill Miller, registered as a lobbyist for their company, who said their fees were justified.

"They worked very hard, and they earned the money they were paid," Mr. Miller said.

Some Democratic lawmakers seized on the audit, which a House investigating panel requested last spring, as evidence of lax management by Gov. Rick Perry's administration.

"It's an inappropriate use of public funds when we literally have 149,000 children that have been dropped from CHIP," said Rep. Garnet Coleman, D-Houston. "That \$20 million would cover approximately 16,500 children for a year. ... Because of the greed, a program that works well gets a strike against it."

Mr. Perry's spokeswoman, Kathy Walt, called the auditor's finding "more than disconcerting. It is inexcusable."

The governor said in a statement that he would ask Attorney

General Greg Abbott to see if the state can recoup any of the overpayment.

Health and Human Services Commissioner Albert Hawkins pointed to his agency's recent decision to replace Clarendon with another insurer, and vowed that tightened controls at his agency would correct the problems Mr. Alwin's office identified.

However, Rep. Kevin Bailey, D-Houston, who led an investigation of Clarendon and Mr. Masters as head of the House General Investigating Committee, said that action was inadequate.

Rather than assigning the Health and Human Services inspector general to audits, Mr. Hawkins should seek independent reviews, Mr. Bailey said.

Mr. Alwin's audit criticized the

commission for failing to ride herd on subcontractors and perform any audits of CHIP.

The \$20 million loss claimed by the audit follows several

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Lawrence Alwin **Albert Hawkins**

said the insurer would not comment until it has reviewed the audit by Mr. Alwin, who announced his retirement earlier this year.



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months of turmoil in the state's social services programs. In April, Mr. Perry ordered a sweeping examination of the mistreatment and neglect of elderly residents and alleged failings by the state's Adult Protective Services division.

Last week, a Hidalgo County grand jury indicted the department overseeing Child Protective Services for failing to prevent sexual abuse of three young sisters. The next day, spurred by the indictment and reports of three San Antonio children who were beaten or starved to death, Mr. Perry launched a major review of child protection efforts.

Advocates of poor people have criticized a plan to turn most social program signups over to privately run call centers. Physicians have threatened to quit seeing Medicaid patients because of changes in the state-federal health program for the poor, elderly and disabled.

"Reorganizing health and human services — on paper — is a lot easier to do than in reality," said Austin political consultant Tony Proffitt.

"The Legislature has adopted an awfully ambitious plan and it's

probably not working as smoothly as they had hoped," said Mr. Proffitt, who advises several social services organizations. "Because of it, the very safety net for many, many vulnerable and frail people is threatened."

The Children's Health Insurance Program covers youngsters 18 years old or younger from families that make too much money to qualify for Medicaid but too little to afford private insurance. Their incomes cannot exceed 200 percent of the federal poverty level. For a family of four, the limit is \$37,700.

Although Mr. Coleman and Mr. Bailey said they would like to restore some coverage, Brooke Rollins, president of the Texas Public Policy Foundation, had a different view.

The foundation, which favors limited government, believes the audit "is precisely why the calls to simply throw more money at government programs flunk the common sense test," Ms. Rollins said. "Programs like CHIP must be scrubbed for sound management."

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WHAT \$20 MILLION WOULD HAVE BOUGHT

The amount that auditors discovered would be enough to restore a number of budget cuts passed last year:

- Place about 16,500 low-income children back on the Children's Health Insurance Program rolls.
- Allow Medicaid to cover prenatal care, labor and delivery for 8,144 pregnant women a month.
- Restore five Medicaid benefits eliminated for poor and disabled adults — eyeglasses for 169,928; hearing aids for 5,546; mental health counseling for 128,035; podiatry services for 64,765; and chiropractic care for 8,621.
- Restore community mental retardation services for about 1,700 impaired Texans.
- Reverse some cuts to in-home attendants' weekly hours caring for the frail elderly and disabled — to 12 percent on Sept. 1, not 15 percent as scheduled.

SOURCES: Texas Health and Human Services Commission reports

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Tony Proffitt, Austin political consultant