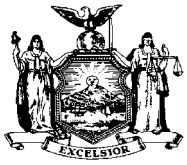
H. CARL MCCALL
STATE COMPTROLLER



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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

April 8, 1999

Mr. Dennis Whalen
Executive Deputy Commissioner
Department of Health
Corning Tower, Room 1408
Empire State Plaza
Albany, NY 12237

Re: Report 99-F-1

Dear Mr. Whalen:

Pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article II, Section 8 of the State Finance Law, we have reviewed the actions taken by the Department of Health (Health or Department) as of March 29, 1999, to implement the recommendations contained in our audit report, *Preferred Primary Care Provider Program* (Report 95-S-118). Our report, which was issued on August 8, 1996, reviewed Health's evaluation of performance and compliance of the Preferred Primary Care Provider Program (Preferred Provider Program).

Background

New York State's Medicaid program, which provides medical assistance to needy people, is administered by Health. In recent years, comprehensive primary care services have been emphasized by the State's Medicaid program as a way to maintain or improve the health care provided. Primary care services include family practice, pediatric, internal medicine, obstetrics/gynecology, radiology, pharmacy and laboratory services, and are provided by individual physicians, hospital outpatient departments (outpatient departments), and freestanding diagnostic and treatment centers (freestanding clinics). As part of this increased emphasis, the Preferred Provider Program was established in 1990, under Section 2807(12) of the Public Health Law.

Under the Preferred Provider Program, outpatient departments and freestanding clinics that

want to be designated as "preferred providers" must meet the requirements described in Part 85.44 of Title 10 of the New York State Code, Rules and Regulations (regulations). Preferred providers must provide high quality, accessible and comprehensive primary care services and must document the extent to which they reach medically under-served populations. In addition, preferred providers are also required to meet many operational standards such as remaining open 40 hours per week on weekdays and 8 additional hours during evenings or weekends.

Our audit focused on the outpatient departments and freestanding clinics in the Preferred Provider Program. During our audit period, there were a total of 81 of these facilities that were designated as preferred providers. For the year ended December 31, 1995, these providers were paid about $273.1 million for outpatient services provided to Medicaid recipients.

Summary Conclusion

In our prior audit report, we found that although the legislation that established the Preferred Provider Program had specific goals and the designation process to become a preferred provider required compliance with the regulations, Health officials had not sufficiently monitored either the Preferred Provider Program's performance to determine if the goals were being met, or the preferred providers, to ensure their compliance with the regulations. We also found that because Preferred Provider Program costs were not summarized by Health, Health officials could not evaluate whether the program was cost-effective. In our follow-up review, we found that Health officials have made significant progress in implementing our prior audit recommendations.

Summary of Status of Prior Audit Recommendations

Health officials have implemented all three of the recommendations in our prior report.

Follow-up Observations

Recommendation 1

Establish a formal policy requiring that program performance periodically be compared to program goals for all programs administered by the Department.

Status - Implemented

Agency Action - Health officials issued Information Bulletin 96-46, Program Monitoring and Review A Reminder, on October 9, 1996. This bulletin requires program managers to evaluate the effectiveness of programs for which they are responsible. Monitoring activities, completed through internal and external reviews detailed in the bulletin, should compare program performance against established performance goals to ensure that health providers and related program delivery systems are consistent.

Recommendation 2

Track the cost of the Preferred Provider Program and the managed care programs.

Status - Implemented

Agency Action - Bulletin 96-46 requires program managers to conduct internal reviews that include site visits and comparative analysis of narrative, statistical and/or financial program reports.

Recommendation 3

Establish a policy requiring that program compliance be monitored for all programs administered by the Department.

Status - Implemented

Agency Action - Bulletin 96-46 also requires program managers to evaluate compliance activities and staff performance of programs for which they are responsible. These activities, which are completed through internal and external reviews detailed in the bulletin, should ensure that program performance is consistent or is in compliance with Federal, State and Department requirements.

Major contributors to this report were Lee Eggleston, Donald Paupini and Gabriel Deyo.

We wish to thank your staff for the courtesies and cooperation extended to our auditors during this review.

Very truly yours,

Kevin M. McClune
Audit Director

cc: Mr. Charles Conaway