

State Auditor Mike Foley Exposes another Financial Blunder at Department of Health and Human Services

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For Immediate Release

State Auditor Mike Foley announced today the release of a report revealing yet another program administered by the Nebraska Department of Health and Human Services (DHHS) in which serious financial discrepancies have been found. What Foley describes as “gross mismanagement” of that program has resulted in significant financial losses to Nebraska taxpayers.

DHHS administers a program known as the Health Insurance Premium Payment Program (HIPP), which is funded with millions in Federal and State tax dollars. The objective of the program is to use taxpayer dollars to reimburse the cost of private health insurance coverage for qualified persons, when such payments are found to be less costly than having the persons participate in the Medicaid program.

As found in prior audits of other programs, DHHS flagrantly disregarded its own regulations in its management of HIPP, resulting in large payments to persons clearly ineligible or whose eligibility could not be documented. The auditors also discovered DHHS making duplicate payments, approving obvious payment errors, and other financial discrepancies. Additionally, the audit team suspects possible fraud on the part of some individuals who received benefits through the program.

Foley said that the program was administered by an individual who was ill equipped to handle her responsibilities and whose errors were perpetuated by a supervisor who was oblivious to how the money was being misspent. “The shocking level of mismanagement coupled with inattentive supervision, created a perfect storm – resulting in years of wasting large sums of taxpayer money,” said Foley.

The most glaring problem identified by the audit team was that DHHS failed – in direct violation of its own agency regulations – to complete even one cost benefit analysis for any of the more than 661 program participants. DHHS made no effort, therefore, to determine if it was truly less costly to subsidize private health insurance coverage for these persons, as opposed to having any of them receive coverage through Medicaid. Consequently, over the two and-a-half year period covered by the audit, DHHS spent more than \$6.5 million on private health insurance coverage without confirming that it was cost effective to do so for even a single participant.

In one case, DHHS paid over \$265,000 in private health insurance premiums when it would obviously have been far less costly to the taxpayers simply to have the person receive Medicaid coverage. Files at DHHS indicate that the HIPP administrator was well aware that it was not cost effective to pay for private health insurance for this individual – but, despite that knowledge, continued to make payments of over \$9,600 per month for health insurance premiums.

For any qualified person who is employed at a place where health insurance is offered in a benefits package, the HIPP program should make reimbursements only for the employee portion of the total health insurance cost – not for the more expensive employer’s portion of the premium. However, the audit team found instances of DHHS reversing the payment procedure by paying the more costly employer portion rather than the less costly employee portion of the premium. One of these cases resulted in a participant receiving over \$20,000 in excessive HIPP payments due to the error and another received nearly \$38,000 in overpayments.

The auditors found numerous instances of program participants paying no premiums whatsoever for health insurance yet receiving payments from DHHS for costs the recipients never incurred. One such case resulted in a participant receiving over \$29,000 in HIPP payments for insurance premiums she never paid. Other obvious errors by DHHS included the agency improperly paying thousands of dollars for dental insurance, vision insurance, long term disability insurance, life insurance, and even parking expenses – all of which are clearly outside of the scope of HIPP coverage.

The auditors also found examples of participants who qualified for health insurance benefits under the Federal Medicare program and, therefore, were ineligible for the nearly \$20,000 in payments that they received from HIPP. The report also discloses numerous instances of sloppy accounting practices by DHHS. Some premium payments were not submitted on time, for example, resulting in the loss of health insurance coverage for certain participants. Meanwhile, other participants received nearly \$12,000 in erroneous duplicate HIPP payments.

DHHS’ administration of HIPP was essentially entrusted to one individual who, for years, operated under inadequate supervision. Each month, she prepared a spreadsheet of pending reimbursements, and DHHS accounting staff blindly made the payments without verifying their accuracy or legitimacy.

The auditors also observed that DHHS violated Federal and State income tax laws by not issuing tax disclosure information to the HIPP participants in certain required situations, which may now result in overdue tax payments and penalties for those persons.

In summary, after examining a limited sample of the more than 661 HIPP participants, the audit team identified hundreds of thousands of dollars in payment errors by DHHS. Of the 70 participants tested in the audit sample, 53 were identified with errors – leading the auditors to conclude that, in light of such an extraordinarily high error rate, considerably more costly errors would readily be found if more program participants were tested.

Foley concluded, “All in all, this program is one grand mess in need of radical surgery.”

Link to Complete Report: [DHHS HIPP Program Attestation Report](#)