



# OAG

Office of the Auditor General

## Report Summary

### *Performance Audit*

**Report Number:**  
**391-0644-14**

### *Certificate of Need (CON) Program*

### *Michigan Department of Health and Human Services (MDHHS)*

**Released:**  
**April 2015**

The CON Program is a State regulatory program intended to balance the cost of, quality of, and access to Michigan's health care system. Its purpose is to ensure that needed services and facilities provide quality health care for State residents. The CON Program provides authorization for a new health facility; a change in bed capacity; the initiation, replacement, or expansion of a covered clinical service; or a covered capital expenditure. The 11-member CON Commission has the responsibility to develop, approve, disapprove, or revise CON review standards. MDHHS provides administrative support to the CON Commission and carries out the day-to-day CON Program operations. During fiscal years 2012 and 2013, MDHHS received 631 CON applications and approved projects totaling \$1.7 billion.

| Audit Objective  |                    |                      | Conclusion                  |
|--|--------------------|----------------------|-----------------------------|
| Objective #1: To assess the sufficiency of the CON Commission's efforts to fulfill certain requirements outlined in Section 333.22215 of the <i>Michigan Compiled Laws</i> , including to promote and assure the availability and accessibility of quality health services at a reasonable cost and within a reasonable geographic proximity.                            |                    |                      | Sufficient with exceptions  |
| Finding Related to This Audit Objective  | Material Condition | Reportable Condition | Agency Preliminary Response |
| The CON Commission did not have a process to consistently document its evaluation and assessment of the CON Program. A standardized, documented process could improve how the CON Commission evaluates the CON Program operations, assesses effectiveness, and makes recommendations to the joint legislative committee on health policy ( <a href="#">Finding #1</a> ). |                    | X                    | Agrees                      |

| Audit Objective  |                    |                      | Conclusion                  |
|--|--------------------|----------------------|-----------------------------|
| Objective #2: To assess the effectiveness of MDHHS's efforts to monitor health facilities' and service providers' compliance with applicable CON provisions.   |                    |                      | Moderately effective        |
| Findings Related to This Audit Objective   | Material Condition | Reportable Condition | Agency Preliminary Response |
| MDHHS did not follow up approved CON projects timely to ensure that the applicants submitted project implementation progress reports (PIPRs) and contracts on schedule. Prompt receipt and review could reduce the risk that facilities may not implement their CON projects according to the approved application and within the allowed time frames ( <u>Finding #2</u> ). |                    | X                    | Agrees                      |
| MDHHS did not adequately document its monitoring of health facilities' compliance with CON review standards to help ensure the quality of services provided by health facilities ( <u>Finding #3</u> ).  |                    | X                    | Agrees                      |

A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: <http://audgen.michigan.gov>

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