



disabilityrights | WISCONSIN



CITIZEN ACTION OF WISCONSIN

## Issue Paper #2: Misdirection of Funds

### Introduction:

ABC for Health, Citizen Action of Wisconsin, and Disability Rights Wisconsin have joined forces to express our concerns about the Medical College of Wisconsin and the University of Wisconsin School of Medicine and Public Health's stewardship over the public health resources designated for the benefit of the people of Wisconsin. The Wisconsin United for Health Foundation (WUHF) Board will meet to review a Legislative Audit Bureau Report that raised serious questions and validates longstanding concerns about the oversight and the designated use of these public resources. Our agencies have concerns about the schools' current system for distributing the Blue Cross-Blue Shield conversion funds-the money that is supposed to represent Blue Cross-Blue Shield's payback to the people of Wisconsin as part of the company's 2001 conversion to a for-profit entity. The purpose of the funds is to promote public health initiatives that will benefit the people of Wisconsin. However, the recent Legislative Audit Bureau Report suggests that these funds were periodically used to benefit their own institutions, rather than the public's health.

### I. Misdirection of Funds

The Insurance Commissioner's March 2000 order states that the purpose of the conversion funds is to "promote public health initiatives that will generally benefit the Wisconsin population."<sup>1</sup> The Legislative Audit Bureau's report reveals that many funded projects failed to directly benefit Wisconsin's citizens. To secure compliance with both the letter and spirit of the Commissioner's Order, the current Commissioner should order<sup>2</sup> that a truly objective third party, such as the Wisconsin United for Health Foundation, determine the distribution of these public funds.

#### a. Medical Education and Research Grants

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<sup>1</sup> Final Order of the Commissioner of Insurance Re: Blue Cross & Blue Shield United of Wisconsin, Case No. 99-C26038, p. 30. Available at <http://oci.wi.gov/bcbsconv/bcbsdec.pdf>.

<sup>2</sup> See Wis. Stat. § 601.41 (granting the Commissioner of Insurance authority to "issue such prohibitory, mandatory, and other orders as are necessary to secure compliance with the law"); *Homeward Bound Servs. v. Office of the Ins. Comm'r*, 2006 WI App 208, P44 (Wis. Ct. App. 2006) (construing §601.41 broadly).



Medical School committees' have misdirected medical research and education grants in two ways: (1) by using funds to support core medical school activities; and (2) by funding projects that lack a focus on Wisconsin-specific health issues.

### **1. Funds Supporting Core Medical School Activities**

Many medical education and research grants support core medical school activities, including faculty recruitment, development of degree programs, and equipment purchases. As the audit report points out, these core medical school expenses do not directly relate to Wisconsin's public health.<sup>3</sup>

Some of the largest medical education and research grants awarded by both schools fund these core medical school activities. For example, MCW spent almost \$7.4 million on noncompetitive grants to establish MA and PhD programs in Public and Community Health. Below are the key medical education and research grants, out of the 40 reviewed by the Audit Bureau, that fund core medical school activities<sup>4</sup>.

- **Faculty recruitment**
  - MCW: Cancer Center Faculty Recruitment (noncompetitive, \$750,000)
  - MCW: Clinical and Translational Science Institute (noncompetitive, \$2,867,000)
  - MCW: Master's Degree in Public and Community Health (noncompetitive, \$2,596,700)
  - MCW: PhD Program in Public and Community Health (noncompetitive, \$4,778,100)
- **Development of degree programs**
  - MCW: Clinical Research Infrastructure (noncompetitive, \$1,159,500)
  - MCW: Master's Degree in Public and Community Health (noncompetitive, \$2,596,700)
  - MCW: PhD Program in Public and Community Health (noncompetitive, \$4,778,100)
  - UW: Master of Public Health Degree Program (noncompetitive, \$1,954,900)
- **Equipment purchase**
  - MCW: Biocore 3000 Universal Approach to Ligand-Protein (competitive, \$327,800)

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<sup>3</sup> Legislative Audit Bureau of Wisconsin, *An Evaluation: Medical Education, Research, and Public Health Grants*, Report 10-6, p.90 (May 2010). Hereinafter "Report 10-6."

<sup>4</sup> See Report 10-6, Appendixes 3, 4.



Start Up for STARS: Standardized Teaching Assessment and Resource Studio  
(noncompetitive, \$250,000)  
MCW: Clinical and Translational Science Institute (noncompetitive, \$2,867,000)  
MCW: Core Equipment for Biotechnology Research (noncompetitive, \$1,155,600)  
MCW: Translational Neuro-Oncology Research Program (noncompetitive, \$1,000,000)  
UW: Human Proteomics Program (noncompetitive, \$1,767,200)

Faculty recruitment, development of degree programs, and equipment purchases are basic medical school operating expenses and should be paid for with the schools' operational budgets<sup>5</sup>, not with public funds. Furthermore, ABC for Health, Inc. and Wisconsin Citizen Action had previously warned that the MCW intended to use conversion funds for instructional project not related to the goal of furthering public health<sup>6</sup>. That the MCW brazenly misappropriated despite repeated warning demonstrates that the school simply does not take the obligations imposed by the Commissioner of Insurance Order seriously.

## **2. Projects Lacking a Wisconsin-Specific Public Health Focus**

Many research projects funded by both schools lack a focus on Wisconsin-specific public health issues. Instead, they investigate national health issues, such as Alzheimer's disease, mood disorders, or cancer, for which federal funding is available.<sup>7</sup> Below is a selection of grants that appear to lack a focus on Wisconsin's public health<sup>8</sup>:

- **MCW research grants**

- Early Detection of Alzheimer's Disease Using Functional MRI (competitive \$250,300)
- Genetic Analysis Initiative for Individualized Medicine (noncompetitive, \$500,000)
- Pharmacogenomics Core Facility (noncompetitive, \$510,200)
- Role of Dysregulated Endocannabinoid Signaling in Bipolar Disorder (competitive, \$150,000)

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<sup>5</sup> See Issue Paper on Supplanting at [\\*Insert hyperlink here\\*](#)

<sup>6</sup> See Memorandum from ABC for Health, Inc. and Wisconsin Citizen Action to Board Members of Wisconsin United for Health Foundation Re: "How MCW and UW Medical School Plans for BC/BS Conversion Funds violated the Insurance Commissioner's Order, pp.3-8" (June 24, 2003) (on file with author); Memorandum from ABC for Health, Inc. and Wisconsin Citizen Action to Board Members of Wisconsin United for Health Foundation Re: "Follow-Up and Reaction to Meeting on June 26, 2003" (July 10, 2003)(on file with author).

<sup>7</sup> See Issue Paper on Supplanting at [\\*Insert hyperlink here\\*](#)

<sup>8</sup> See Report 10-6, Appendixes 3, 5.



Translational Neuro-Oncology Research Program (noncompetitive, \$1,000,000)

- **UW research grants**

Human Proteomics Program (noncompetitive, \$1,767,200)

Individualized Stroma-Targeting Therapy in Breast Cancer (competitive, \$300,000)

Relationship between Asthma and Obstructive Sleep Apnea (competitive, \$100,000)

Role of Ikaros in Cellular Proliferation (competitive, \$100,000)

Treatment of Vitamin D Insufficiency (competitive, \$100,000)

Because the purpose of the conversion funds is to benefit the health of the Wisconsin population, funded research projects should focus on prioritized Wisconsin-specific health issues. Appropriate research projects include those that investigate health issues and problems of access endemic to specific Wisconsin populations. When projects investigate issues of national concern, such as cancer, obesity, or Alzheimer's disease, they should do so from a Wisconsin-specific perspective. Investigators should ask how these health issues are affected by local environmental and cultural factors. Grant seekers should indicate on their applications for funding why their project is a priority for the people of Wisconsin.

Even some of the education and research grants that focused on Wisconsin public health have not demonstrated tangible results, including the following:

- Healthy Wisconsin Leadership Institute (MCW & UW, \$1,306,000) grant to train public health officials throughout the state. The program completing a number of its preliminary objectives, but saw the number of program participants fall from 309 to 45 as the program progressed.<sup>9</sup> We have been unable to find evidence of the number of at risk Wisconsin resident who were actually helped as a result of the institute.
- Survey of the Health of Wisconsin (UW, \$4,116,900): grant to collect information about the health of Wisconsin's population. The program proposed to conduct surveys of a sample of 1,115 Wisconsin residents each year, but only managed to survey 266 participants in 2008 and 355 participants in 2009.<sup>10</sup> Moreover, the program seems to

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<sup>9</sup> Legislative Audit Bureau of Wisconsin, *Review of Selected Projects: Medical Education, Research, and Public Health Grants*, Report 10-7, p.27, 151 (May 2010). Hereinafter "Report 10-7."

<sup>10</sup> Report 10-7, p.121.



significantly overlap with the Wisconsin Department of Health Services' "Family Health Survey."<sup>11</sup>

These examples highlight projects where the Investigator clearly failed to prioritize a Wisconsin-specific perspective.

## **b. Public Health Grants**

The Commissioner's Order requires that the public health allocation fund only "public health and public health community based initiatives,"<sup>12</sup> but the audit found that only a portion of the funding is reaching communities. More than 35% of MCW's and almost 29% of UW's public health grant expenditures were spent directly by the schools or paid to the schools' faculty and staff.<sup>13</sup> The money went in part to pay salaries and benefits to the projects' required academic partners.<sup>14</sup>

### **1. The MCW's Public Health Grants**

The Audit Bureau reports that through December 31, 2008, MCW spent directly or paid to its academic partners \$4.1 million in expenditures for public health grants.<sup>15</sup> This represents 35.3% of all expenditures for public health grants.

For 14 of 20 public health grants reviewed, MCW spent more than 15% of total expenditures.

In five cases, MCW spent 40% or more of total expenditures:

- MCW spent 40% of total expenditures for Elder Community Health Upholders
- MCW spent 80% of total expenditures for Health Care Can Change from Within
- MCW spent 67% of total expenditures for Milwaukee Kids: Drive Me Safely—Drive for Health

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<sup>11</sup> Compare Wisconsin Dep't of Public Health, *Family Health Survey*, <http://dhs.wisconsin.gov/stats/familyhealthsurvey.htm>, with Univ. of Wisconsin, *Survey of the Health of Wisconsin*, <http://www.show.wisc.edu/about>.

<sup>12</sup> Final Order of the Commissioner of Insurance Re: Blue Cross & Blue Shield United of Wisconsin, Case No. 99-C26038, p. 30. Available at <http://oci.wi.gov/bcbsconv/bcbsdec.pdf>.

<sup>13</sup> Report 10-6, pp.34, 69, 92.

<sup>14</sup> *Id* at pp. 32, 67, 92.

<sup>15</sup> *Id* at p. 34.



- MCW spent 72% of total expenditures for Strengthening Public Health Policymaking for a Healthier Milwaukee
- MCW spent 47% of total expenditures for Targeting Adolescent Problems: Substance Abuse Crisis Hotline and Program

The Audit Bureau reports that the bulk of expenditures for MCW public health grants went to salaries and fringe benefits. For the 20 grants reviewed, 75.1% of expenditures paid for salaries and benefits.<sup>16</sup>

Some individual public health grants spent *even more than 75%* on salaries and benefits. For example, Milwaukee Kids: Drive Me Safely—Drive for Health spent 88.7% of expenditures on salaries and fringe benefits. This is surprising, given that the goal of the grant was to distribute vouchers to low-income Milwaukee families for child restraint systems. One might expect that the bulk of the award would pay for the vouchers.

We recommend that the medical schools re-evaluate their requirement that an academic partner participate in all funded public health projects. This requirement not only subverts funds back to the schools and away from community public health initiatives, it also works to exclude some potential grantees. One applicant for a MCW public health implementation grant told ABC for Health that her academic partner expected 30% to 40% of the grant award. The academic partner reported that a 60/40 split between the community partner and the faculty participant was typical for MCW public health grants. The proposed project would not be viable if it had to budget this much for the academic partner.

## **2. The UW's Public Health Grants**

The Audit Bureau reports that through December 31, 2008, UW spent directly or paid to its academic partners \$4.2 million in expenditures for public health grants.<sup>17</sup> This represents 28.9%

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<sup>16</sup> *Id* at p. 35.



of all expenditures for public health grants. The majority of the \$4.2 million in UW direct expenditures funded noncompetitively awarded grants to itself<sup>18</sup>:

- Healthy Wisconsin Leadership Institute, a 2004 grant for \$1,199,400  
Administered jointly by MCW and UW, this project was also supported by a noncompetitive MCW medical education and research grant (\$1,306,000)
- Wisconsin Population Health Fellowship Program, a 2004 grant for \$2,012,000  
This project was funded entirely by the 35% dedicated to public health initiatives, even though it involved student education. Student education would be more appropriately funded with medical education and research funds.

The more than \$3 million devoted to these projects was never made available to community public health organizations.

UW also spent a portion of some competitively awarded grants. However, unlike MCW, UW did not generally spend a large portion of the grant awards. For only three of the 20 grants reviewed, UW spent more than 15% of total expenditures:

- UW spent 20% of total expenditures for Allied Drive Early Childhood Initiative, to support a home visitation program for infants and pregnant women. The extent to which the program achieved its objectives can not yet be determined.<sup>19</sup>
- UW spent 77% of total expenditures for Health Care Task Force on Pre- and Inter-Conception Care, to support development of culturally appropriate strategies for increasing access to pre- and inter-conception care. The program's focus groups ended up attracting only 66 of their 128 planned attendees.<sup>20</sup>
- UW spent 52% of total expenditures for Multi-Level Information Systems and Health Promotion Interventions for Milwaukee's School Children, to assess the health and health risks of Milwaukee children. The program only achieved few of its objectives, failing to create a data system to be used by Milwaukee Public School staff to develop health-related programs and activities.<sup>21</sup> The primary accomplishment, apart from spending money, was the creation of a database for the grantee's internal use.<sup>22</sup> The grantee in this case was the Center for Urban Population Health (a partnership of the UW School of

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<sup>17</sup> *Id* at p.69.

<sup>18</sup> *Id.*

<sup>19</sup> Report 10-7, p.135.

<sup>20</sup> *Id* at p.147.

<sup>21</sup> *Id.*

<sup>22</sup> *Id.*



Medicine and Public Health, Aurora Health Care, and UW Milwaukee), and hence the primary the beneficiary of the project was the UW, which received a database for its internal use.<sup>23</sup>

**c. Conclusion: The Schools Have Appropriated Conversion Funds for Their Own Use in Violation of the OCI Order and Their Duty to the People of Wisconsin.**

The data above demonstrates an abject lack of restraint on the behalf of both schools. Neither could resist the temptation to use conversion funds for projects unrelated to Wisconsin public health. This failure is predictable given the difficulty of getting a large institution to act against its short term self-interest—a difficulty highlighted by the recent financial meltdowns on Wall Street, Fannie May, and the subprime mortgage lenders. Yet, the failure is neither excusable nor avoidable. In the present situation the schools, despite admonitions, are incapable of distributing the funds solely in the interest of Wisconsin public health. Consequently we recommend that the Commissioner of Insurance instruct an independent organization, like the WUHF, to oversee the distribution of public funds pursuant to a revised Order. In addition, the Legislative Audit bureau must conduct periodic audits and compliance reviews. Finally, an updated Insurance Commissioner Order must command transparency and include prompt and effective enforcement mechanisms. These steps will restore a modicum of public confidence in the distribution of these important public health assets.

**About the Coalition Agencies:**

ABC is a Wisconsin-based, nonprofit, public interest law firm dedicated to linking children and families, particularly those with special health care needs, to health care benefits and services. Citizen Action of Wisconsin is an issue-focused coalition of individuals and organizations committed to achieving social, economic, and environmental justice and Disability Rights Wisconsin is a private nonprofit organization designated by the Governor to ensure the rights of all state citizens with disabilities through individual advocacy and system change.

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<sup>23</sup> *Id* at p.158-59.





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