



General Audit Chamber

Algemene Rekenkamer



MEDICAL ASSISTANCE UNDER PRESSURE: MANAGEMENT, COMMUNICATION AND COMPLIANCE

OCTOBER 2023

*This document is an English translation of the original Dutch language report entitled:
"Medische hulp onder druk: Beheer, Communicatie en Compliance".
In the event of textual contradictions or any other differences, the original Dutch text prevails.*

PREFACE

The [National Ordinance Medical Assistance](#)¹ regulates medical coverage for those who cannot afford medical expenses. Those who qualify are issued a so-called PP card for medical assistance. The PP card entitles the applicant to the same right to medical assistance as government employees and, in some cases, provides more extensive coverage.

The term "PP" stands for *pro pauper* - for the poor, an unfortunate term we would directly recommend changing to a different terminology.

Interestingly, the "poverty" threshold for eligibility for a PP card is set at a monthly income of ANG 3,758, an amount which is equivalent to the [average monthly household income](#) of about 68% of households on the St. Maarten.² Classifying two-thirds of households (based on monthly income) as "pro pauper" does not strike us as appropriate.

The most crucial element in this report is an annual budget shortfall of approximately ANG 10 million per year, which taxpayers must bear.

We examined the possible causes for these structural and material budget overruns. How can there have been overruns of such large amounts for years (via the budget) with, apparently, complacent approval of the government, the Parliament, and the Cft?

Whenever such budgetary deficits arise, one should immediately sound the alarm as part of good financial management. Our national legislation also requires this:

"Impending overruns of budgeted amounts are prevented to the extent possible by taking appropriate and timely measures in the interests of budgetary discipline."

It seems that this rule does not apply to medical assistance.

The General Audit Chamber conducted a compliance audit to investigate the causes of substantial annual deficits and to identify measures taken, where possible, to prevent the deficits from occurring. Furthermore, we investigated the risks of irregularities.

¹ AB 2013, GT no. 68

² 2019 Labour Force Survey, Department of Statistics, April 4th, 2019, page 28 (latest survey available).

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SUMMARY

The National Ordinance on Medical Assistance provides medical coverage for people who meet certain criteria. Those eligible include individuals with Dutch nationality or a residence permit, earning a monthly income of ANG 3,758.30 or less, and lacking adequate medical coverage. Job seekers can also qualify. The validity of the PP card is typically one year, but for the elderly, disabled, and children up to the age of 17, it can be valid for up to five years. The medical expenses of eligible persons are fully covered under this ordinance.

The Head of the Labor Department makes decisions on applications on behalf of the minister, but there is no reporting as per the applicable mandate. The execution lies with SZV, which oversees costs, despite a structural budget deficit. Unfortunately, no recent annual reports are available, and financial information is unclear.

There is an annual budget deficit of about ANG 10 million due to the government's failure to adjust the budget based on the previous actual budget results. Additionally, the lack of basic financial information makes financial management difficult.

The provision of medical assistance involves three types of requests: standard, urgent, and abbreviated. However, urgent care poses a higher risk of irregularities and miscommunication. The communication between SZV and VSA is inadequate, leading to a lack of understanding of the costs and the actual number of PP cardholders. As a result, financial and oversight problems need to be addressed.

Inadequate financial management, lack of transparency, and ineffective communication complicate the current financial situation and implementation of medical assistance. These deficiencies pose risks, such as budget overruns and irregularities, and limit the capacity to effectively manage and oversee medical costs. Given the materiality, urgent action is needed to address the identified issues and improve transparency and oversight of the medical assistance program.

RECOMMENDATIONS

The following are our recommendations to the government and the Minister of VSA:

- 1. Review the annual budget:** review the budget process and adjust the budget based on previous actual results and cost overruns. Preventing annual budget deficits is important to ensure financial stability.
- 2. Improve reporting requirements and transparency:** Establish a clear reporting system that meets the mandate of the Head of the Labor Department. Financial reports, including detailed cost statements, should be made available to relevant government agencies. This helps in oversight, monitoring, and management of expenditures.

Basic information, such as the number of PP cardholders, was unavailable at the time of the audit from the Labor Department, the Office of the Minister of VSA, the Financial Controller, and SZV.

- 3. Stricter oversight for urgent assistance:** The process for providing urgent medical assistance is in need of revision. Currently, the National Ordinance on Medical Assistance does not provide the legal basis to provide persons without a valid residence permit with ("emergency medical assistance").
- 4. Independent financial oversight:** Ensure that the OZR fund is audited by the Government's Accountant. The most recent audit was done for the year 2015. In addition, consider engaging an independent financial auditor to verify financial transactions related to the medical assistance program.
- 5. Differentiate PP and OZR:** Separate the budget and expenses for medical assistance and OZR. Currently, medical assistance expenses are covered by the OZR fund. It is not clear what the actual costs are for medical assistance.
- 6. Improve communication:** An effective and permanent communication structure should be established between SZV, the Ministry of VSA, and other relevant agencies. This will help track the number of PP cardholders, share relevant cost information, and identify individuals who are no longer eligible for medical assistance.
- 7. Thorough evaluation of costs:** A thorough review of the actual costs of the medical assistance program should be conducted. This includes assessing the cost per PP cardholder and identifying the reasons for systematic budget overruns. Such an evaluation can inform modifications to the program and more efficient cost control.
- 8. Change the term "pro pauper":** Use of the term "pro pauper" may be considered insulting or derogatory because the word "pauper" has historically been used to describe a person living in poverty or need. In fact, using this term in the context of a policy or strategy can create the impression that those needing assistance or support are treated in a patronizing or dismissive way.
- 9. Amend the minimum income for medical assistance (pro pauper card):** One requirement for eligibility for a pro pauper card is that the applicant has a monthly income below ANG 3,758. We advise reconsidering this amount. This is because the amount mentioned corresponds to the average monthly income of about 68% of the population.

1. OUR AUDIT

In Chapter 1, we explain our audit methodology. We describe the basis, objective, and main and secondary questions we seek to answer. In addition, we outline our audit framework and the topics covered in subsequent chapters.

1.1 The basis

This audit is a compliance investigation. Our authority to investigate the medical assistance process is regulated by Chapter 3 of the National Ordinance on the [General Audit Chamber](#).

1.2 Audit objective

The government's 2019, 2020, and 2021 Financial Statements show that the annual medical assistance budget is consistently overspent by approximately ANG 10 million. This audit intends to identify the reasons for this and offer recommendations to prevent such shortfalls. To this end, we are analyzing the process from application to issuance and checking for any risks of irregularities as well.

1.3 Main and secondary audit questions

The main audit question is:

"What are the reasons behind recurrent budget overruns in medical assistance?"

To answer the main question, we need to ask the following secondary questions:

1. What does the law state?
2. What is the procedure for applying for the PP card?
3. Who are the actors in this process?
4. What are the responsibilities of the actors in this process?
5. Does internal practice deviate from the law?
6. What is the administrative organization and how is it monitored internally?
7. How many people legitimately have a PP card in 2022?
8. What are the costs at the end of 2020, 2021, and 2022 for medical assistance?
9. What accounts for the systematic gap between the budget and the actual expenditure?
10. How are the deficits covered?
11. Are there risks of irregularities?
12. What are the measures to prevent risks of irregularities?

1.4 Reading Guide

In Chapter 2, we discuss the legal framework that applies to medical assistance. This chapter covers the responsible parties, the laws that apply, the process according to the law, and the conditions for eligibility. Chapter 3 provides a financial overview of the budgets, revealing deficits and other important financial information. Chapter 4 presents an overview of the practical process and the responsibilities of each actor involved. Lastly, Chapter 5 covers our epilogue.

2. LEGAL FRAMEWORK

[The National Ordinance Medical Assistance](#) provides medical coverage for those who -because of their situation- are eligible. It covers 100% of medical assistance.³ An applicant:⁴

- Holds the Dutch nationality (or holds a permanent residence permit or has been a resident for at least 5 years);
- Has a monthly income that is either equal to or less than ANG 3,758.30;⁵
- Is not (fully) covered by their medical care.

In addition, the eligible applicants include:

- Job seekers who, in the opinion of the Minister, have no or low income, no medical benefits, are demonstrably seeking employment, and are registered with the National Employment Services Center;
- Persons, (or the legal guardian if they are children under three months of age), who have been residents for at least three months prior to applying for health insurance or a PP card.

The card is valid for one year, except for individuals aged 60 and over, those with disabilities, and children under 17.⁶ A card remains valid for a maximum of 5 years for those individuals.

The Minister of VSA may terminate or revoke the card if the cardholder no longer meets the requirements or if the PP card was issued based on incorrect information. If the applicant, interested party, or his/her representative disagrees with a written decision, they may file a notice of appeal to the Minister of VSA within 6 weeks, on which the Minister will decide within 2 months of the filing of the appeal.⁷

2.1 Order of Mandate to the Head of Labor Department

The Labor Department is charged with work in social welfare. In accordance with the [mandate dated October 23, 2020 \(number 1291/2020\)](#), the Head of Labor is authorized to render decisions on behalf of the Minister of VSA regarding applications for medical assistance (PP cards). The mandate specifies that the Head of Department shall report (monthly) to the Minister on administrative and financial matters. When we asked the Head of Labor, who, in her opinion bears responsibility, after repeated requests, we received no response.

Reporting is not carried out in accordance with the terms of the mandate. We have been given to understand that one reason for not reporting is due to lack of manpower.⁸ As such, we conclude that it is impossible for the Minister to maintain oversight of the administrative and financial outcomes. Therefore, the Minister cannot make adjustments where necessary. According to article 48 of the [National Accountability Ordinance](#), budgetary overruns should be monitored, and action should be taken in a timely manner to prevent such overruns. In this case, this is not being done.

2.2 SZV's role

SZV acts as the administering agency for costs arising from the National Ordinance on Medical Assistance. SZV registers persons, issues PP cards, arranges for medical assistance, and advances funds to cover medical costs, which are then sent to the government. Each year, SZV advises the government on the budget needed for PP cards.

Medical expenses are covered by the government health insurance (OZR) fund, which is intended for government employees and people who cannot cover their medical expenses. SZV manages one bank account for both OZR and PP cards, with no segregation. However, there is a structural gap between

³ Conversation with Department of Labor dated March 17, 2023

⁴ Article 4, of the [National Ordinance Medical Assistance](#)

⁵ [National Decree, containing general measures, establishing the amount referred to in Article 1, paragraph 1, subsection b, of the National Ordinance on Medical Assistance](#)

⁶ Article 11 of the National Ordinance Medical Assistance

⁷ Article 17 of the National Ordinance Medical Assistance

⁸ Interview Cabinet VSA, dated May 17, 2023

budgeted and actual costs. SZV receives a monthly payment based on the budget, but there always appears to be a gap at the end of the year. This recurring situation has resulted in a significant backlog.

Each year, SZV publishes an annual report on its website that presents the financial statements of health insurance funds, except for OZR expenses. With regard to OZR, no audited financial statements have been available for years. We have not been able to determine the reason for this.⁹ Moreover, we attempted to obtain the latest available (or unaudited) financial statements from both SZV and VSA. Unfortunately, we were unable to secure these during the audit.

Where financial statements are not available, we consider this worrisome. The lack of audited financial statements for OZR expenses prevents transparent accountability for these financial matters. Consequently, this creates uncertainty about the accuracy and lawfulness of expenditures within the fund.

⁹ Email SZV, topic: verification OZR costs, dated June 27, 2023.

3. SYSTEMATIC BUDGET OVERRUNS

There is a structural annual budget overrun of approximately ANG 10 million in costs for medical assistance. This chapter provides a financial overview of the past years.

3.1 Budget versus Actuals

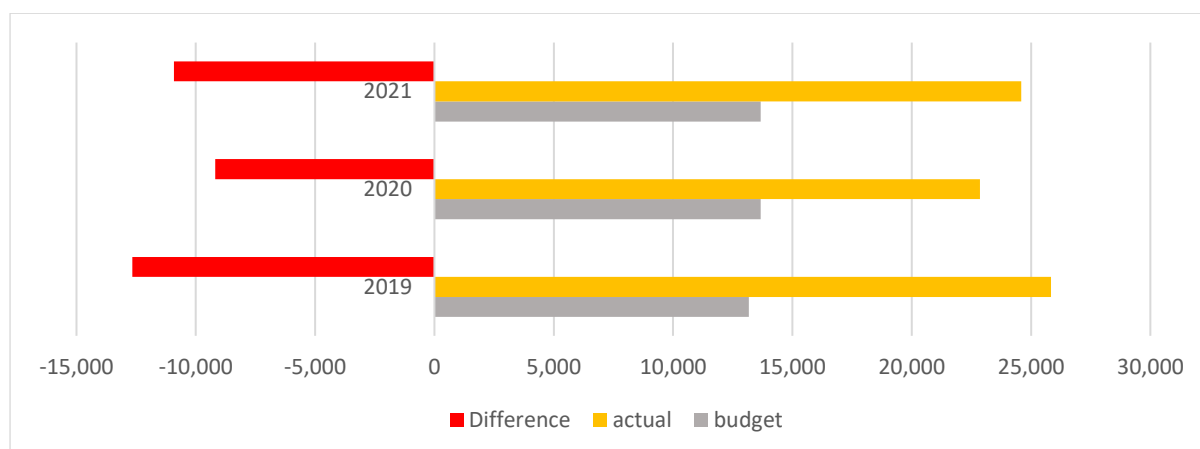
The [Government's 2021 Financial Statements](#) report actual expenditures of ANG 22.8 million versus a budget of ANG 13.7 million for PP cards in 2021.¹⁰ We have observed that the 2023 National Budget mentions an expenditure of ANG 24.6 million in 2021. It is unclear why there is a discrepancy between the budgeted amount and the actual realization in 2021, which exceeds a negative amount of ANG 11 million. This difference, without a proper explanation, indicates a deficiency in financial management.¹¹ The year 2021 is no exception. Table 1 shows the budget and actual expenditures, including the gap for fiscal year 2019.¹²

Table 1: Budget vs. actuals medical assistance (in ANG x million, Source: Government's Financial Statements 2019-2021)

Year	Budget OZR	Actual Realization	Difference
2019	13.2	25.8	-12.6
2020	13.7	22.9	-9.2
2021	13.7	24.6 ¹³	-10.9

Notably, the government chooses not to adjust the budget yearly to match the previous year's actual realization. As a result, a material budget deficit is created each year. What is also striking is that both Parliament and the Council for Financial Supervision (Cft) in the end, authorize these deficits by approving the budget. Figure 1 shows the budget (gray) versus the realization (yellow). The deficit is highlighted in red.

Figure 1: comparison of budget and actual realization Medical Assistance: 2019 - 2021 (in thousands ANG)



The lack of differentiation between OZR costs and PP card expenditures complicates insight, transparency, and accountability of SZV system expenditures. This constitutes an audit problem. We were not informed of any issues in separating OZR and PP cards to allow for a transparent review of expenses (and thus the required budget).

¹⁰ Government Financial Statements 2021, Section C.7.8.

¹¹ National Budget Ordinance 2023 (AB 2023, No. 17)

¹² Year-end figures for fiscal year 2022 were not available at the time this report was prepared.

¹³ Projected expenditures 2021, National Budget Ordinance 2023 (AB 2023, No. 17)

3.2 Absence of basic financial information

We made several requests, as part of this audit, to the Labor Department, Cabinet of the Minister of VSA, and SZV. Despite receiving information, we did not receive answers to our straightforward question concerning the number of individuals who are in possession of valid PP cards at the end of 2022. None of the involved parties provided any information regarding the actual costs.

Based on the mandate granted to the Head of Labor, there is an obligation to report on financial matters, but this is not being done.¹⁴ The Department Head does not know what the costs are (periodic or otherwise). The Cabinet of the Minister of VSA was also unable to provide this information and referred us to the financial controller and SZV. The Financial Controller also failed to give us a full breakdown of the actual costs.

In accordance with article 48 of the Accountability Ordinance, an obligation to prevent impending overspending exists. It is clear that this obligation has not been fulfilled.

We are unable to verify whether the costs involved in PP cards reported in the Government's 2021 Financial Statements (and before) are accurate. However, the compiler of the Financial Statements within the Ministry of Finance informed us that the figures were verified with SZV.¹⁵

We did not receive a clear explanation from the Ministry of VSA regarding the cause of the budget overruns. It was not clear whether the overruns were due to budget cutbacks or imposed by the Ministry of Finance to comply with budget rules.¹⁶

Basically, the government does not verify the actual costs, it does not know if the costs are accurate (audited financial statements are missing), and yet the government is expected to pay SZV's invoice. What remains unknown from SZV is whether the final invoice presented to the government is correct. No one has been able to clarify the most basic issues regarding PP cards, namely:

- How many people held a PP card in 2022?
- What, according to the government, were the actual costs related to PP cards in 2022?
- What, according to SZV, were the actual costs regarding PP cards in 2022?
- What is the reason for the systemic budget overruns?

Until the number of people who hold PP cards is known and there is no proper insight in the actual costs, it is impossible to draw a conclusion about the average cost.

After analyzing the government's latest available Financial Statements for 2021, it appears that ANG 24.6 million has been allocated to PP cards. This indicates that either a large number of people hold PP cards, or a smaller number of cardholders generate disproportionately high costs. Despite annual budget overruns of around ANG 10 million, the government has been unable to provide clarification on the matter, which highlights a clear lack of effective financial management.

By comparison, the total annual [road tax revenue](#) is equal to the annual budget deficit (approximately ANG 10 million) incurred as a result of PP cards. Although we observed sincere efforts by the Labor Department to help applicants in an orderly manner, we believe that the 'higher ups' (policymakers) need to prioritize dealing with budget deficits. In our opinion, this area has been neglected for years, as evidenced by consistent shortfalls and a lack of evidence to the contrary.

¹⁴ Interview Cabinet VSA, dated May 17, 2023.

¹⁵ Email compiler of the Financial Statements dated July 1, 2023.

¹⁶ Interview Cabinet VSA, dated May 17, 2023.

4. IMPLEMENTATION OF MEDICAL ASSISTANCE IN PRACTICE

The procedure for requesting medical assistance is described in this chapter, including the "non-standard" methods for urgent assistance. While the National Ordinance Medical Assistance specifies one procedure for application for medical assistance, the Labor Department distinguishes between 3 different types of (applications for) medical assistance:

- Standard request for medical assistance;
- Urgent medical assistance; and
- Abbreviated procedure for medical assistance.

The standard application for medical assistance is described in the law and the relevant Labor Department work instructions.

4.1 Standard procedure for application of medical assistance

The application starts by submitting the '*social assistance application form*'. The form lists the requirements the applicant (or interested party) must meet to be eligible for medical assistance. The applicant must provide supporting documents. Figure 2 depicts (in general terms) the procedure for medical assistance.

Figure 2: Medical assistance application process (in general terms)



After the application is submitted, it goes through a thorough review process based on a checklist. Once reviewed, the advice is generated, and the Head of Department makes the final decision. If the recommendation for medical assistance is approved, it is known as 'registration' and sent to SZV for further processing. SZV will only check if the applicant already has insurance. If not, they can collect their PP card from the counter located at the government building. It takes approximately one month to complete the process, from submitting the application to receiving the medical assistance card.¹⁷

4.2 Deviation from the law: abbreviated procedure medical assistance

Two types of medical assistance differ from the defined regulations and procedures for obtaining medical assistance:

- Abbreviated medical assistance procedure: applicants already known in the medical assistance system. Frequently this is an extension.
- Urgent medical assistance: from a humanitarian perspective, care is provided to individuals without health insurance who need urgent medical attention.

For urgent cases, the standard requirements listed in the law are waived.¹⁸ The person in need qualifies for medical assistance without (at the time) being required to complete the necessary paperwork. In such cases, it is a life-or-death situation, according to VSA. We are not aware whether a medical specialist decides when such a situation arises, or whether the parties decide themselves.

An individual in medical need receives medical assistance for 45 days. The person's family must report to the Labor Department within 45 days to complete the paperwork and begin the regular application process for medical assistance. There is no notification to the Labor Department if the person continues in medical need after 45 days.¹⁹

SZV determines the specific fund to which a person is covered. If the person is a resident of St. Maarten, without a job, and not insured, the National Ordinance Medical Assistance is applied. If "undocumented persons" are in dire need of medical assistance, the Minister of VSA will guarantee payment of costs for the person. Such individuals will be granted 'PP-card health insurance' for a short period.²⁰

¹⁷ Interview Head of Department of Labor dated March 17, 2023.

¹⁸ Memo tour of Labor Department dated June 5, 2023.

¹⁹ Interview Department of Labor dated March 17, 2023.

²⁰ Interview SZV, dated May 30, 2023.

4.3 Analysis of the risk of irregularity

In emergency care, the regular procedure is deviated from in order to act quickly in the interests of the person in need. This deviation must be used with care to ensure that the legality of medical assistance provided is properly checked, regardless of who is authorized to approve it.

The lack of effective communication regarding the number of pp card holders and the lack of insight into the actual costs creates the possibility that individuals wrongly obtain a pp card, without the Ministry of VSA being aware of this. This underlines the importance of regular and effective communication between all parties involved.

4.4 Communication between SZV and VSA

We found that the Labor Department and the Cabinet of the Minister of Health, Social Development, and Labor (VSA) do not possess sufficient insight into the total number of PP cardholders. Furthermore, VSA has no clear knowledge of the expenses involved, and SZV has not provided specifications.

VSA's financial controller is not adequately informed of all transactions between the two parties.²¹ Maintaining accurate financial records is crucial, and lack of communication and information transfer between VSA's financial controller and other parties can have serious consequences. To improve this, we recommend establishing regular meetings to promote discussion and coordination on medical assistance. This will enhance cooperation and information-sharing, ultimately contributing to the ability to maintain accurate financial records. We also recommended the establishment of standardized reporting procedures and providing reports to the government to ensure transparency and accountability. Building trust and complying with regulations is essential, and this action will facilitate that.

The audit found that spending on medical assistance has exceeded budgetary estimates for a considerable time and that the VSA Ministry does not have adequate management and oversight of these expenses.²² While VSA has insight into monthly OZR expenditures using the Power BI program, it cannot review individual medical expenses or associated documentation. This procedural problem hinders access to the underlying documentation, such as detailed medical charges.²³ Moreover, all costs are included under the heading of OZR expenses, making it impossible in practice to verify which cardholder received medical treatment at what time. There is no adequate verification mechanism, especially regarding 'crisis aid'.

²¹ Interview report Ministry of VSA dated March 17, 2023.

²² Idem.

²³ Idem.

5. OUR EPILOGUE

As part of our reporting process, we offer the relevant minister(s) an opportunity to respond before publishing our findings. We requested a response from the Minister of VSA on September 22, 2023, with a deadline of October 6, 2023. Unfortunately, we did not receive a response.

Our report reveals critical issues concerning the legal compliance, efficiency and effectiveness of the medical assistance program and highlighted the urgent need for a comprehensive evaluation and reform of the current system.

We identified several shortfalls, including systemic and material budget overruns, lack of financial transparency, and communication problems that must be addressed to reform the healthcare system. Therefore, we urge the government to take our recommendations seriously and undertake the necessary actions to address the issues related to medical assistance.



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