



Scoping Statement

Overview

The Department of Health and Human Services has a mission of providing integrated health and human services to the people of Maine to assist individuals in meeting their needs, while respecting the rights and preferences of the individual and family, within available resources. The services provided by the Department range from programs to support older adults and their families to programs working to improve nutrition and increase physical activity in Maine families.

Agreements with third party providers are a significant and essential part of how DHHS delivers health and human services to the citizens of Maine. The Department estimates 1780 such agreements were in place for State fiscal year 2007. Throughout this audit, OPEGA will use the term "contracts" to refer to these agreements.

DHHS's contracts for services take many forms, such as fee for service, where DHHS pays the provider an agreed upon fee per unit of service, and cooperative agreements, which involve joint participation between the Department and the University of Maine to both provide services to the people of the State and further the teaching, research, and public service missions of the University.

The contracts are supported by multiple funding streams, including State General Fund, Federal Funds, and State Special Revenue Funds. For State fiscal year 2007, DHHS reported approximately \$187 million dollars encumbered for all agreements: \$74 million encumbered from the General Fund, and \$90 million from federal funds. This total encumbered amount appears to include most, but not all of the contracts that OPEGA would include in the scope of this audit.

This review is currently in progress

2007

October ~ SR-CHSS-07

Performance Audit: Costs of Contracting for Health and Human Services

A responsibility of Maine's Department of Health & Human Services

Audit Question

Are there opportunities for General Fund cost savings in the agreement development, oversight, or financial close-out phases of DHHS's contracting for health and human services?

Discussion

OPEGA identified a number of previously existing concerns related to DHHS contracting for health and human services:

- Several repeat Single Audit findings over successive years related to controls around payments to providers, sufficiency of sub-recipient and provider monitoring, and underlying grant management.
- Legislators expressed concerns about oversight of DHHS contracts and appropriateness of administrative costs included in those contracts.
- The 1st session of the 123rd Legislature passed LD499 with sections directing DHHS to convene three work groups: one to address administrative burdens on mental health providers, one to identify potential General Fund savings achievable by redesigning elements of the community mental health system, and a final group to develop a framework for standardization of rates for behavioral health services.
- DHHS identified a need to increase communication and coordination between fiscal and program staff in order to improve the effectiveness and efficiency of processes in all phases of contracting. They have just begun to implement steps to address this and related issues, and expect significant progress by the end of this calendar year.

OPEGA's preliminary research also identified potential concerns in other areas including process efficiency, risks associated with contractors that have large numbers of varied contracts with the Department's different program areas, coding and reporting of financial data, competitive bidding, monitoring of contractor performance, actions taken to enforce compliance and performance requirements, and rate setting.

The Government Oversight Committee has directed OPEGA to focus its current biennial workplan on opportunities to improve the State General Fund's position. In keeping with this direction we will conduct this audit with the objective of identifying as many savings opportunities as possible for presentation to the GOC during the next Legislative session. Our work will begin in those areas where any General Fund savings identified might be realized more promptly, and will move on to potential increases in productivity and efficiency as times allows. Other areas of concern identified will be considered as potential topics for future OPEGA performance audits.