

Report Highlights

OPEGA Report No.
SR-CDS-11

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Child Development Services – Implementing Comprehensive Program Management, Encouraging Responsible Stewardship of Resources, and Developing Data to Support Management Decisions Could Improve Efficiency and Cost Effectiveness

Issues OPEGA noted during this review:

- Organizational structure and limited capabilities in key management functions hinder comprehensive management, transparency and oversight of program.
- MDOE and CDS have not placed sufficient emphasis on ensuring efficient and cost-effective use of resources in the implementation of the CDS program.
- MDOE has not adequately monitored CDS' finances nor ensured that CDS' biennial budgets reflect projected actual resource needs.
- CDS does not track actual service units provided by its direct service staff against children's Plans and does not consistently monitor staff productivity.
- Electronic data necessary, or useful, for managing the program is not always reliable or captured in a consistent manner.
- Contract management is decentralized and professional administrative services are not always competitively procured.
- Program revenue sources have not been maximized.
- Lack of coordination between MDOE, CDS and DHHS creates risk of potential fraud and abuse in the MaineCare program associated with billing for CDS program services.

Office of Program Evaluation & Government Accountability
of the Maine State Legislature

July

2012

1. *What entities have a role in overseeing and managing the CDS program and what is each role? Which entities have responsibilities with regard to budget development and monitoring? How effectively does each carry out those responsibilities? Are there any gaps or overlaps/duplications in oversight or management that could negatively impact finances, or transparency and accountability?*

The organizational structure of the CDS System is unlike any OPEGA has encountered in Maine State Government, and is particularly atypical for State-administered, federal programs that require such significant General Fund support. MDOE is the lead agency responsible for the CDS program. The program is managed and implemented, however, by other entities with varying degrees of statutorily defined independence from MDOE.

OPEGA identified a number of issues that hinder the clear and comprehensive management of the CDS program on a statewide basis. These issues include: lack of strong accountability mechanisms; blurring of roles and responsibilities; weaknesses in processes for developing and monitoring the program budget; and weaknesses in key management functions resulting from limited reliable data, as well as limited analytic and fiscal management capabilities. These same issues also impair transparency and effective oversight, particularly at the legislative level.

Recent statutory changes approved by the Legislature in April 2012 address some of the structural and accountability issues OPEGA noted in this review. However, additional systemic changes are needed to improve the management and oversight of the CDS program and the System through which it is implemented.

2. *What processes and controls does CDS use to manage and contain program costs when establishing plans and providing services to children? Are they sufficient to assure that services are reasonable and necessary to produce the desired outcome, and that related billings are accurate and appropriate? Do they assure CDS' human and financial resources are utilized efficiently and productively, and that costs are otherwise minimized to the extent possible?*

Defining what is appropriate and necessary for producing desired outcomes can be challenging as each child's situation is unique. The federal Individuals with Disabilities Education Act requires that "appropriate" services be provided. Under the law, there is a broad range of what might be considered an appropriate level of service in any particular case. IDEA also requires a child's service plan be established through consensus of the child's "Team" which must include the child's parents or guardians, a CDS representative with authority to commit funds, and certain other specialists depending on the child's needs.

The level of planned services agreed to, and decisions about how they will be delivered, are key cost drivers in the CDS program. Consequently, the culture and philosophy at CDS, as well as the knowledge and skill level of the CDS Team members and the level of guidance provided to them are important factors for ensuring the provision of appropriate services and responsible stewardship of State and federal resources.

OPEGA found the culture throughout the CDS System is appropriately focused on compliance and quality service for children, but does not place sufficient emphasis on fiscal impacts in the provision of services. Adequate support mechanisms are not in place to help ensure that reasonable desired outcomes for children are achieved in an efficient and cost-effective manner. Processes and controls are generally adequate to ensure that payments to providers and insurance billings for CDS staff time are accurate and appropriate. However, processes and controls are not adequate to ensure the efficient and productive use of financial and human resources. Therefore, CDS does not minimize costs to the extent possible in determining and delivering appropriate services.

3. *How much of the funding for CDS is expended on administrative costs versus service delivery costs? What are the primary components of service delivery costs for direct delivery of services? How do administrative and service delivery costs compare among CDS sites? What are the reasons for any significant trends or differences in costs and do they suggest any opportunities to reduce costs?*

OPEGA determined that administrative expenses accounted for 16.9% of all CDS program expenses in the time period FY2009 - FY2011.¹ Expenses associated with service delivery accounted for 78.4% during the period, encompassing expenses for both case management and direct service, which accounted for 12.5% and 65.9% of total expenses respectively.

The direct services expense category is not only the primary cost component, but also the component that increased the most over the three year period. The two largest expense lines within the direct services category, and for CDS program expenses overall, were contracted provider services and salaries and benefits. Expenses for contracted provider services, not including transportation, increased by \$3.8 million, or about 44%, between FY09 and FY11 and most of that increase appears related to a 2010 MaineCare rule change. Salaries and benefits expenses for direct services increased \$3.7 million, or about 50%, in that same time period with the increase primarily due to additional CDS direct services staff.

OPEGA conservatively estimates the annual fiscal impact of the MaineCare rule change on the CDS program as at least \$7.6 million given impacts on both revenue and expenses. Our analyses show that revenue and/or expenses for four of the nine CDS regional sites were not as significantly impacted by the change as the others. While this may be due to factors that are unique to these sites and types of services they provide, further exploration of the reasons why these four were not as impacted may identify some opportunities to mitigate the financial impact to the CDS program system-wide.

¹ The scope of this review was FY07 – FY11. Limited detailed financial data for FY07 and FY08 confined OPEGA's analysis of expenses to the three year period FY09 – FY11.
