

Subcommittee on Health and Human Services
Government Efficiency Task Force

401 Senate Office Building

April 20, 2012

9:00 a.m. – 11:00 a.m.

- 1) Call to Order
- 2) Roll Call
- 3) Recommendations on State Employee Health Insurance
- 4) Presentation on State Procurement of Mental Health and Substance Abuse Services
Noah McKinnon, Government Efficiency Task Force
- 5) Member discussion of State Procurement of Mental Health and Substance Abuse Services
- 6) Adjourn



Florida Government Efficiency Task Force

Subcommittee on Health and Human Services

Recommendations

Subject Matter: State Employee Health Insurance Benefits

Subcommittee Members: Bob Rohrlack (Chair), Frank Attkisson, Larry Cretul, Julie Fess, and Bob Stork

RECOMMENDATION SUMMARY

The Subcommittee on Health and Human Services met on April 3rd and April 13th and makes the following recommendations to the Government Efficiency Task Force:

- Establish uniform premium contribution amounts for all classes of state employees.
- Set contributions for all employees at the current contribution levels of Career Service employees. Equalizing contributions at these levels is estimated to save **\$34 million** per year.
- Implement a defined contribution (DC) model for state employee health insurance benefits. A DC model is estimated to save **\$250-300 million** per year.
- Consider multiple DC options when designing a new DC structure for state employee health insurance.
- Review the state's contribution and adjust for changes in health care costs at a minimum of every three years.

FULL RECOMMENDATION(S) ANALYSIS

I. BACKGROUND

A. STATE EMPLOYEE HEALTH INSURANCE:

State Employee Health Insurance Program

The State Employee Health Insurance Program (program) is governed by s. 110.123, F.S. The program is administered by the Division of State Group Insurance (DSGI) within the Department of Management Services (DMS or department).

The program is an optional benefit for all state employees, including state agencies, state universities, the court system and the Legislature. The program includes health, life, dental, vision, disability, and other supplemental insurance benefits.

As implemented by the department, the program offers four types of health plans: a standard statewide Preferred Provider Organization (PPO) Plan, a Health Investor PPO Plan, a standard Health Maintenance Organization (HMO) Plan, and a Health Investor HMO Plan.

The State Employees' PPO plan is a self-insured health plan administered by Blue Cross Blue Shield of Florida and available to employees across the state.¹ Each HMO is a self-administered, pre-paid health plan that provides health services to people who live or work within the HMO's service area. Six HMOs provide coverage in various geographic regions.²

The program also offers two high-deductible health plans (HDHP) with health savings accounts (HSA). The Health Investor PPO Plan is the statewide, high deductible health plan administered by Blue Cross Blue Shield of Florida. The Health Investor HMO Plan is a high deductible health plan in which the state has contracted with multiple state and regional HMOs.

A state employee participating in either Health Investor plan is eligible to receive contributions into the employee's health savings account.³ The participant may draw upon these funds to meet out-of-pocket medical and pharmacy expenses.

Employee premiums for Health Investor plans are lower, and every year since the high-deductible option has been offered, the state has contributed \$500 and \$1,000 into the HSA for employees with individual or family coverage, respectively. The contribution has annually been reinstated each year in a budget implementing bill.⁴

¹ The administrator is responsible for processing health claims, providing access to a Preferred Provider Care Network, and managing customer service, utilization review, and case management functions.

² State contracted HMO plan providers are Aetna, AvMed, Capital Health Plan, Coventry Health Care of Florida, Florida Health Care Plans, and United Health Care. Department of Management Services, *State of Florida Employee and Retiree Benefits Guide*, September 2011. http://www.myflorida.com/mybenefits/pdf/BenefitsGuide_2012.pdf (last visited 04/18/2012).

³ The state makes a \$500 per year contribution to the health savings account for single coverage and a \$1,000 per year contribution for family coverage. These contributions are not subject to federal income tax on the employee's income. *Id.*

⁴ A budget implementing bill makes statutory changes that are only effective for one year. HB 5009, passed during the 2012 Regular Session, will establish the HSA employer contributions in permanent law, if approved by the Governor.

Employer and Employee Contributions

The State Personnel System (SPS) is divided into categories, including Career Service (CS), Selected Exempt Service (SES), and Senior Management Service (SMS). As of June 30, 2011, Career Service employees comprised 81.7 percent of the SPS.⁵

Employee health insurance premium contributions differ according to coverage selected and employee category. The State of Florida health program currently offers three tiers of enrollment for employees: individual employee, employee plus family, and spouse. Employees are divided into two general categories based on class and personnel system. CS employees are categorized separately from SES and SMS employees, as well as those employed by the Department of Lottery, Legislature, and Executive Office of the Governor, and personnel in other state employment systems.

Employee contribution levels are not adjusted for variances in benefit value or projected total cost of the chosen plan. The employee contribution and level of benefits are fixed, and the state absorbs any differences in total cost. The chart below details the monthly health insurance contributions for the state and employee.

Florida State Employee and Employer Insurance Contributions

Category	Coverage	Standard Plan PPO/HMO			Health Investor Health Plan PPO/HMO		
		Employer	Enrollee	Total	Employer ⁶	Enrollee	Total
Career Service	Single	499.80	50.00	549.80	499.80	15.00	514.80
	Family	1,063.34	180.00	1,243.34	1,063.34	64.30	1,127.64
	Spouse ⁷	1,243.32	30.00	1,273.32	1,097.64	30.00	1,127.64
SES/SMS/EOG/ LEG/Lottery/other	Single	541.46	8.34	549.80	506.46	8.34	514.80
	Family	1,213.34	30.00	1,243.34	1,097.64	30.00	1,127.64

A. Employer Insurance Trends:

Average Contributions

Differences in premium amount, copays and deductibles, coverage levels, and other cost-sharing variables present challenges when comparing health benefits between government and private employers. Even within a single employer, each plan type may contract with multiple carriers and value of access varies by carrier and geographic location.⁸

⁵ Department of Management Services, *State Personnel System Annual Workforce Report: FY 2010 – 2011*, p. 13 http://www.dms.myflorida.com/human_resource_support/human_resource_management/for_state_hr_practitioners/reports (last visited 4/18/12).

⁶ Includes employer tax-free HSA contribution - \$500 per year for single coverage and \$1,000 per year for family coverage.

⁷ Contributions for all employees in the spouse program are the same, regardless of category.

⁸ For example, the federal benefits standard family Humana Medical Plan for South Florida requires a \$271.87 per month employee contribution versus \$310.59 for the same standard family Humana Medical Plan coverage in the Tampa area. United States Office of Personnel Management, *The 2012 Guide to Federal Benefits For Federal Civilian Employees*, November 2011, p. 42. <http://www.opm.gov/insure/health/planinfo/2012/guides/70-1.pdf> (last visited 04/18/2012).

According to a 2010 study by The Segal Group surveying all 50 states and Washington, DC, over half of state plans are subsidized by the employer at 80% or higher.⁹ Employers offering HMOs and HDHPs provide higher premium subsidies than PPOs, which is generally linked to the reduction in the employer's claim cost liability.

A 2011 survey of state employee health benefits by the National Conference of State Legislators (NCSL) found that states paid an average of 89% for individual coverage and 80% for family coverage.¹⁰ The State of Florida's contribution for CS employees is 91% of the standard premium and 97% of the health investor plan premium. NCSL found that Florida's employer contribution for individual coverage was \$499.80 per month, compared to a national average of \$519.13. Florida's contribution for CS employees is 86% of the standard premium and 94% of the health investor plan premium. NCSL found that Florida's employer contribution for family coverage was \$1,063.34 per month, compared to a national average of \$1,096.63.¹¹

DSGI contracted with Mercer Consulting to prepare a Benchmarking Report¹² (report) for the state group insurance program. The report compares Florida's state group insurance program to the programs of other large employers¹³, both in the public and in the private sectors.

The report found that State of Florida contributes a higher percentage of the premium to employee health benefits than other states and private employers. For example, the report found that Florida paid 84% of the monthly premium for a family PPO plan, compared to a 69% average for large national employers. At the time of the study, the average family plan premium for large national employers was \$361, while the monthly premium for a family PPO plan for a Florida state employee was \$180.¹⁴

The report also found that the average monthly employee contribution for individual coverage with a State of Florida employer was \$50, compared to \$93 and \$56 for PPO and HMO coverage, respectively, in other states.¹⁵ The average employee contribution for large employers in Florida was \$112 and \$104 for PPO and HMO coverage, respectively. Mercer's findings are summarized in the following charts comparing monthly employee contributions by dollar amount and as a percentage of premium.¹⁶

⁹ The Segal Group, *2010 Study of State Employee Health Benefits*, Winter 2011, p. 3.

<http://www.segalco.com/publications/surveysandstudies/2010statestudy.pdf> (last visited 04/18/2012).

¹⁰ National Conference of State Legislatures, *2011 State Employee Health Benefits: Monthly premium costs (family and individual coverage)*, September 2011, pp. 3, 5. <http://www.ncsl.org/Portals/1/documents/health/StateEHBenefits2011.pdf> (last visited 04/18/2012).

¹¹ *Id.* at pp. 2, 4.

¹² Mercer Consulting, *State of Florida Benchmarking Report*, March 24, 2011.

http://www.dms.myflorida.com/media/dsgi/sb_2000/2010_benchmarking_report_for_state_of_florida (last visited 04/18/2012).

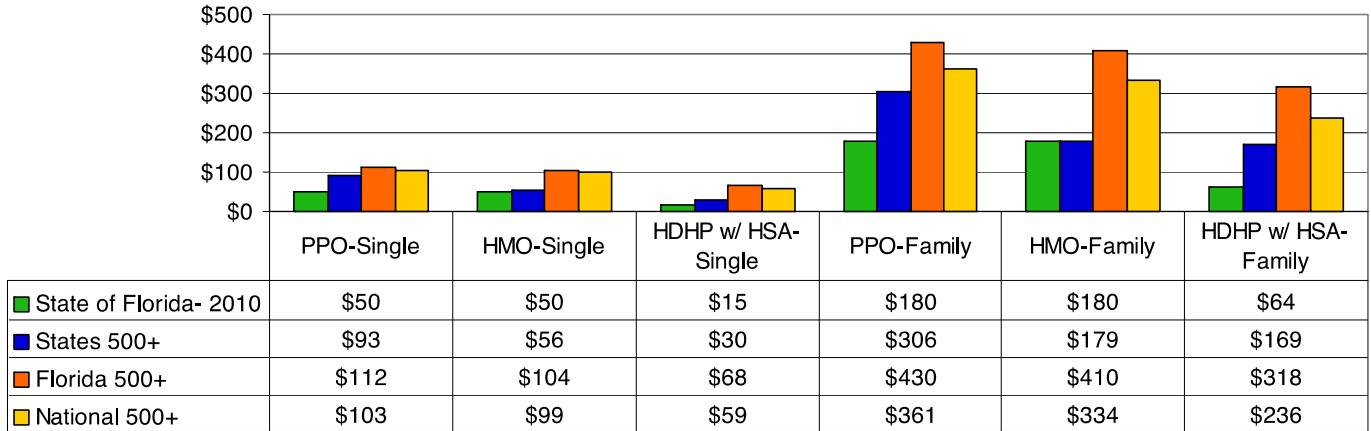
¹³ For the purpose of the report, "large employers" had 500 or more employees. *Id.*

¹⁴ *Id.*

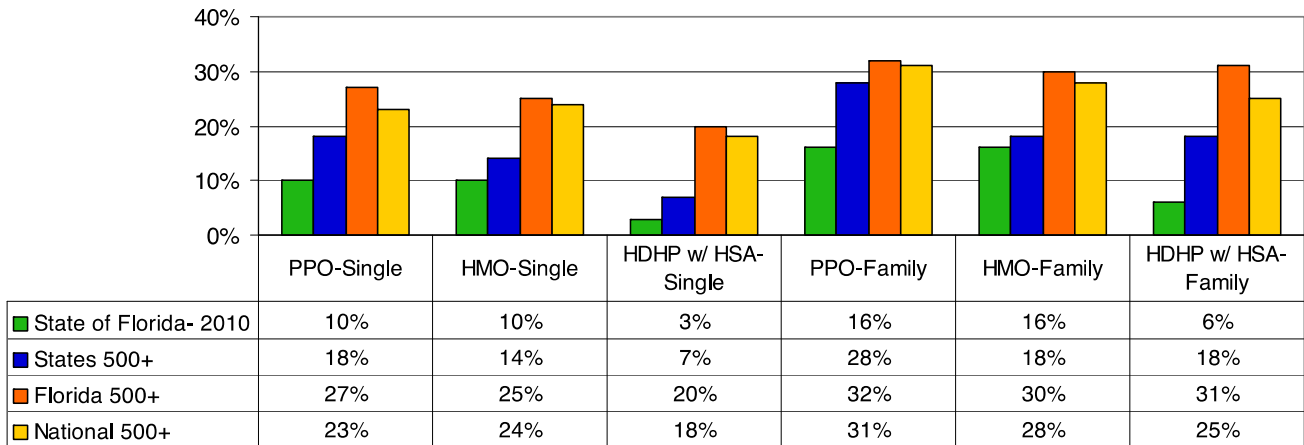
¹⁵ State of Florida compared with other states with 500+ employees. *Id.*

¹⁶ *Id.*

Monthly Employee Contribution Benchmarks (dollars)



Monthly Employee Contribution Benchmarks (percentage)



The federal government offers Preferred Provider Organization, Health Maintenance Organization, Point-of-Service, Consumer Driven, and High Deductible Health Savings Account or Health Reimbursement plans. Government agencies pay the lesser of: 72% of the average total premium of all plans weighted by the number of enrollees in each, or 75% of the premium for the specific plan chosen by the employee. For purposes of comparison, the federal employee contribution for Capital Health Plan coverage is \$102.27 for individuals and \$271.01 for families.¹⁷ State employee participants in Capital Health Plan contribute \$50 for individual coverage and \$180 for family coverage.

The State of Florida contributes approximately 90% toward the total annual premium for active employees, for a total of \$1.43 billion of the total premium of \$1.59 billion for FY 2011-2012.¹⁸ The state program is estimated to spend \$1.9 billion in FY 2011-2012 in health benefit costs.¹⁹

¹⁷ United States Office of Personnel Management, *The 2012 Guide to Federal Benefits For Federal Civilian Employees*, November 2011, p. 42. <http://www.opm.gov/insure/health/planinfo/2012/guides/70-1.pdf> (last visited 04/18/2012).

¹⁸ Fiscal information provided by DSGI.

¹⁹ Department of Management Services, *State Employees' Group Health Self-Insurance Trust Fund, Report on the Financial Outlook*, January 4, 2012. <http://edr.state.fl.us/content/conferences/healthinsurance/HealthInsuranceResults.pdf> (last visited 04/18/2012).

Change and Efficiency

The Subcommittee recommends establishing uniform premium contribution amounts for all classes of state employees. Currently, SES and SMS employees, as well as those employed by the Department of Lottery, Legislature, Executive Office of the Governor, and other state personnel outside SPS, are contributing lower amounts for the same insurance coverage as CS employees. The current categories for monthly contribution levels do not correlate to average employee salary. On average, SPS employees in the lower monthly contribution category are earning higher salaries than CS employees.²⁰

The Subcommittee recommends setting contributions for all employees at the current contribution levels of Career Service employees: \$50 per month for standard individual coverage, \$180 per month for standard family coverage, \$15.00 per month for individual Health Investor plan coverage, and \$64.30 per month for Health Investor plan family coverage. Employee contributions for CS employees are currently below the averages for employees of large state governments, large Florida employers, and large national employers. Equalizing contributions at these levels is estimated to save **\$34 million** per year.

Recommendations:

- The Subcommittee recommends establishing uniform premium contribution amounts for all state employees.
- The Subcommittee recommends setting contributions for all employees at the current contribution levels of Career Service employees.

Cost and Trends

The state contributes approximately 90% toward the total annual premium for active employees, for a total of \$1.43 billion of the total premium of \$1.59 billion for FY 2011-2012.²¹ The state program is estimated to spend \$1.9 billion in FY 2011-2012 in health benefit costs.²² Projected total expenses under the State Employees Group Health Program are expected to increase by \$800 million over four years, from just over \$1.8 billion in FY 2011-2012 to just over \$2.6 billion in FY 2014-2015.²³ Medical and pharmacy costs alone are projected to increase an average of 9.2% each year through Fiscal Year 2015-2016.²⁴

Health insurance contributions for state employees have not kept pace with annual increases in premium costs. The state has absorbed most of previous cost increases and employee contributions have remained relatively flat, as illustrated by the chart on the following page.²⁵ From FY 2002-2003 to FY 2011-2012, the total cost of the policy premium for standard family coverage increased \$7,002. Over that time, the Career Service employee's contribution increased by \$348, with the state contributing the remaining \$6,654 of the premium increase. The employee contribution has not risen

²⁰ As of June 30, 2011, the average salary for Career Service employees was \$34,119. The average salary for Selected Exempt Service employees was \$53,136, and the average salary for Senior Management Service employees was \$109,054. Department of Management Services, *State Personnel System Annual Workforce Report: FY 2010 – 2011*, p. 37 http://www.dms.myflorida.com/human_resource_support/human_resource_management/for_state_hr_practitioners/reports (last visited 04/18/12).

²¹ Fiscal information provided by DSGI.

²² Department of Management Services, *State Employees' Group Health Self-Insurance Trust Fund, Report on the Financial Outlook*, January 4, 2012, p. 1. <http://edr.state.fl.us/content/conferences/healthinsurance/HealthInsuranceResults.pdf> (last visited 04/18/2012).

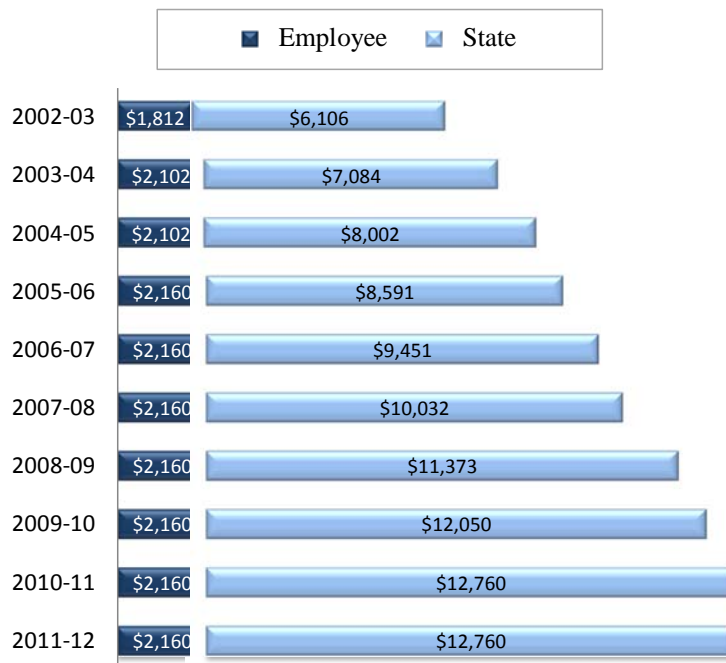
²³ Fiscal information provided by DSGI.

²⁴ *Id.*

²⁵ *Id.*

since 2005. Over the same time period, the cost of the standard family coverage premium has risen \$4,169, and the full cost of the premium increase has been born by the state.

Career Service Family Coverage Yearly Premium



Compared to employees of other state governments, large public and private employers in Florida, and large public and private employers across the country, State of Florida employees are currently paying lower rates for their health insurance coverage. State of Florida employees' lower contribution rates are evident when compared both in terms of the dollar amount of monthly contributions and in the total percentage of the premium. These lower rates translate to an increased cost to the state for health insurance benefits for state employees.

Change and Efficiency

The state employee health insurance program is a defined benefit (DB) program, in which the employer provides a specific benefit package to employees. Another option for providing health insurance benefits is the defined contribution (DC) model, in which the employer provides a specific contribution amount toward an employee's health coverage. The employee pays the remainder of the cost of the premium. The cost to the employee varies according to his or her choice of coverage and level of benefits.

The Subcommittee recommends implementing a defined contribution model for state employee health insurance benefits. A DC model would give employees more control over their health benefits and, depending on the model implemented, provide increased choice for the employee. The cost of employee health benefits to the state would be more predictable and the state's financial exposure would be limited. The end result is health care that is both better suited to individual employees' needs and more cost efficient for the state. A DC model is estimated to save **\$250-300 million** per year.

The Subcommittee recommends considering multiple DC options when designing a new DC structure for state employee health insurance. DC plans may be implemented in numerous ways, including:

- The employer offers a range of benefit options at varying price levels. The employer contribution is typically set in relation to the lowest cost plan in order to ensure that all employees have access to benefits. The employee pays the difference in premium if he or she chooses a more expensive plan.
- The employer provides a specified contribution toward a medical savings account, intended to be used for low-severity services, and an insurance plan, generally a high-deductible plan intended to cover high-severity and emergency services.
- The employer provides health benefits to employees through an intermediary or purchasing group. The purchasing group or intermediary facilitates the relationship between employers, health plans, and employees, and may be involved at some level in plan and provider selection, contracting, and employee enrollment.
- The employer removes itself from administering benefits and provides the employee its contribution in the form of a voucher, tax credit, or other type of financial transfer. The employee uses the employer contribution to purchase the coverage of his or her choice.
- Various hybrids of the above models.

The Subcommittee recommends reviewing the state's contribution and adjusting for changes in health care costs at a minimum of every three years. Health insurance premium costs should be periodically reviewed for recent changes and future projections in total costs. The state should adjust its contribution so that both employer and employee have a share of premium cost increases and savings resulting from rate changes.



Florida Government Efficiency Task Force

Subcommittee on Health and Human Services

Background Brief

Subject Matter: State Procurement of Mental Health and Substance Abuse

Subcommittee Members: Chair Bob Rohrlack, Frank Attkisson, Larry Cretul, Julie Fess, and Bob Stork

ISSUE SUMMARY

- For FY 2010-11 \$1.27 billion was spent on mental health and substance abuse services by the State of Florida.
- Five state agencies contract with providers to deliver mental health and substance abuse services to eligible populations: the Agency for Health Care Administration, and the Departments of Children and Families, Corrections, Juvenile Justice, and Health.
- Competitively procured substance abuse and mental health contracts accounted for 52% of the \$1.27 billion spent in FY 2010-11.
- Unit prices for same or similar services vary by agency and contract.
- For FY 2010-11, 84 of the total 641 contracts included escalation clauses.
- There is an opportunity to leverage state's purchasing power to increase efficiency in the procurement of these services.

FULL ISSUE(S) ANALYSIS

A. BACKGROUND

Mental health and substance abuse services are provided by the State of Florida to many of its residents.¹ These services are provided through a variety of programs and agencies. Many of these services are outsourced through contracts with for profit and not-for-profit vendors.

The Florida Legislature's Office of Program Policy Analysis and Government Accountability (OPPAGA) conducted research on *State Contract Management Review of Mental Health and Substance Abuse Services* in 2011.² As described by OPPAGA's research, for Fiscal Year 2010-11, the state held contracts totaling \$1.27 billion for mental health and substance abuse services.³ Five state agencies contract with providers to deliver mental health and substance abuse services to eligible populations: the Agency for Health Care Administration (AHCA), and the Departments of Children and Families (DCF), Corrections (DOC), Juvenile Justice (DJJ), and Health (DOH).⁴ As shown in Exhibit 1, the five agencies held a total of 641 contracts in Fiscal Year 2010-11, with the number of contracts per agency ranging from 11 for DOH to 368 for DCF. Not included in this figure are the costs of services provided by managed care under the Medicaid program. This is because blended rates are paid to managed care organizations for health and behavioral health care such as mental health and substance abuse services. For the most part, institutional costs are only included when the mental health and substance abuse services could be isolated from other costs and were contracted as opposed to state operated. Of the \$1.27 billion in total annual value of the contracts for Fiscal Year 2010-11, 41% was funded by federal and state trust funds, and 59% was funded by general revenue.⁵ The total contract amount for each agency ranged from \$2.9 million for DOH to \$629.9 million for DCF.⁶ The typical contract length was 3 years, but the length ranged from 4 months to 11 years.⁷ Approximately 61% (392) of the contracts will end before Fiscal Year 2012-13.⁸ The total lifetime value for the current Mental Health and Substance Abuse contracts, including escalators and extensions, is \$5.7 billion.⁹

Exhibit 1

For Fiscal Year 2010-11, Five State Agencies Held Contracts for Mental Health and Substance Abuse Services Totaling \$1.27 Billion¹⁰

Agency	Number of Contracts	Total Contracted Amount for Fiscal Year 2010-11		
		Trust Fund	General Revenue	Total
Agency for Health Care Administration	31	\$288,595,478	\$158,054,191	\$446,649,669
Department of Children and Families	368	195,548,935	434,394,242	629,943,178
Department of Corrections	77	1,760,977	37,347,963	39,108,940
Department of Juvenile Justice	154	27,317,281	124,437,096	151,754,377
Department of Health	11	2,678,119	227,902	2,906,021
Total	641	\$515,900,791¹	\$754,461,395¹	\$1,270,362,186¹

¹Totals may differ due to rounding.

¹ Mental health and substance abuse services may include: prevention programs, crisis stabilization, detoxification, residential and transitional housing support services, and outpatient treatment.

² OPPAGA *Substance Abuse and Mental Health Contracting*, September 28, 2011 (Copy on file with Government Efficiency Task Force staff).

³ *Id.* at p. 1.

⁴ The scope of this research was to analyze the State Contract Management System database. The judicial branch also contracts for mental health services. In Fiscal Year 2010-11, the Justice Administrative Commission paid \$6.3 million for contracts with approximately 400 mental health experts for assessments. The state court circuits paid \$5.6 million for contracts with approximately 600 experts for assessments and testimony. *Id.*

⁵ OPPAGA *Substance Abuse and Mental Health Contracting*, September 28, 2011, p. 1-2 (Copy on file with Government Efficiency Task Force staff).

⁶ *Id.* at p. 2.

⁷ *Id.*

⁸ *Id.*

⁹ *Id.*

¹⁰ Source: OPPAGA analysis of State Contract Management System database. *Id.* at p. 2.

Exhibit 2 describes the types of services provided and populations served by these agencies.

**Exhibit 2
Agencies with Substance Abuse and Mental Health Contracts Provide Various Services¹¹**

Agency	Description of Contracted Services
Agency for Health Care Administration	These contracts include the prepaid mental health plans that serve Medicaid recipients, and the Statewide Inpatient Psychiatric Program that serves Medicaid recipients 17 years of age or younger who require placement in a psychiatric residential setting due to serious mental illness or emotional disturbance. The data does not include expenditures for behavioral health care provided by Health Maintenance Organizations or Provider Service Networks, but does include prepaid mental health plans. The agency also has a contract for utilization management and a small number of research contracts with state universities.
Department of Children and Families	These contracts primarily are for a range of community-based services, including alcohol prevention programs in schools and Florida Assertive Community Treatment (FACT) teams that serve to prevent psychiatric hospitalizations. ¹ They also include a limited number of contracts at the state mental health institutions for both direct services, such as therapists, and indirect services, such as food services, and a limited number of contracts for indirect services, such as training for personnel who are involved in involuntary commitment of individuals into the mental health system. The contracts also include the managing entity organizations, which are organized in a regional system of care for substance abuse and mental health clients. ²
Department of Corrections	These contracts primarily provide services, such as group therapy, to offenders on community supervision. A limited number of contracts provide mental health services to inmates in correctional facilities.
Department of Juvenile Justice	These contracts provide services, such as psychiatric evaluations, for juveniles in detention centers and services such as crisis intervention, psychotropic medication management, and suicide prevention for juveniles with a mental health diagnosis at residential facilities.
Department of Health	These contracts provide a range of community-based services including interventions for medical licensees with substance abuse or mental health problems, group counseling for HIV/AIDS patients, and home-based visits for mothers of children at risk of abuse or neglect.

¹ Individuals served by FACT teams must meet the definition of mental illness as specified in Chapter 394, F.S.

² These entities will replace the department's current substance abuse and mental health contracts, thereby reducing the overall number of department contracts.

B. ISSUES

Exhibit 3 shows that in Fiscal Year 2010-11, a total of 369 vendors held the 641 contracts with the five agencies (an average of 1.7 contracts per vendor).¹² The average number of contracts per vendor ranged from 1 for DOH to 2.1 for DJJ. In addition, 48 of these vendors had contracts with multiple agencies. While most of these vendors had only two contracts, one vendor held 20 active substance abuse and mental health contracts with two agencies in Fiscal Year 2010-11.¹³

**Exhibit 3
In Fiscal Year 2010-11, 369 Vendors Held 641 Substance Abuse and Mental Health Contracts¹⁴**

Agency	Number of Contracts	Number of Vendors	Average Number of Contracts per Vendor
Agency for Health Care Administration	31	21	1.5
Department of Children and Families	368	267	1.4
Department of Corrections	77	50	1.5
Department of Juvenile Justice	154	74	2.1
Department of Health	11	11	1
Total	641	369¹	1.7

¹ The total number of vendors does not equal the sum of the number of agency vendors. The total is adjusted so that there is not a duplicate count of vendors that have contracts with multiple agencies.

¹¹ Source: OPPAGA analysis of State Contract Management System database and interviews with agency staff. OPPAGA *Substance Abuse and Mental Health Contracting*, September 28, 2011, p. 2 (Copy on file with Government Efficiency Task Force staff).

¹² The Florida Accounting and Information Resource (FLAIR) System included the tax status for 262 of the vendors in this study. Of these, 178 (68%) have a status of not-for-profit. *Id* at p 3.

¹³ *Id* at p. 3.

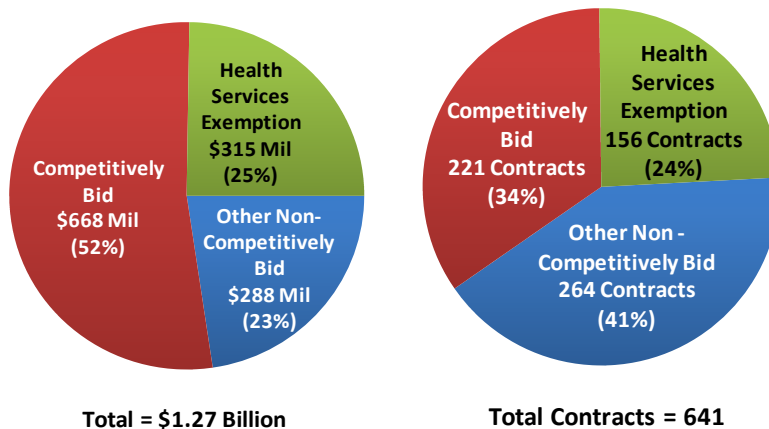
¹⁴ Source: OPPAGA analysis of State Contract Management System database and agency data. *Id* at p. 3.

Competitively procured substance abuse and mental health contracts account for 52% of \$1.27 billion. Section 287.057, F.S., provides that unless otherwise authorized by law, all contracts for the purchase of commodities or contractual services in excess of \$35,000 shall be awarded by competitive procurement. The dollar value of the contracts held in Fiscal Year 2010-11 that were competitively procured was \$668 million, or 52% of the \$1.27 billion worth of contracts identified in the State Contract Management System.¹⁵ State agencies made most of these competitive procurements through methods such as requests for proposals.

Florida law also provides specific exemptions from competitive procurement, including a “health services exemption.”¹⁶ The health services exemption is designated for commodities or contractual services for health services involving examination, diagnosis, treatment, prevention, medical consultation, or administration. In Fiscal Year 2010-11, 24% of all substance abuse and mental health contracts were executed under the health services exemption. The dollar value of the contracts held in Fiscal Year 2010-11 that were executed under the health services exemption was \$315 million.¹⁷ A variety of procurement methods are used for mental health and substance abuse (see Exhibit 4).

Exhibit 4
Percent of Contract Dollars By Agency By Procurement¹⁸

Agency	Competitive Bid	Health Services Exempt	Other Non-Competitive	Total
DCF	20 %	40%	40%	\$630 Million
AHCA	85%	14%	1%	\$447 Million
DJJ	87%	0%	13%	\$152 Million
DOC	67%	0%	33%	\$39 Million
DOH	1%	99%	0%	\$2.9 Million
Total	52%	25%	23%	\$1,270 Million



As shown in Exhibit 5, two agencies, DCF and DOC, manage 84 contracts that include escalation clauses (28 and 56, respectively).¹⁹ These clauses stipulate that the value of a contract will increase each year, typically by a percentage between 2% and 5%; most of these contract increases are not subject to the appropriations process. While agencies have historically included escalation clauses in their contracts, the two agencies report that they are using escalators in only 16 of the 84 contracts in Fiscal Year 2011-12; the cost increases due to these 16 escalators total \$615,730. If the agencies continue to use these 16 escalators over the next

¹⁵ OPPAGA *Substance Abuse and Mental Health Contracting*, September 28, 2011, p. 4 (Copy on file with Government Efficiency Task Force staff).

¹⁶ See s. 287.057(3)(f)5., F.S.

¹⁷ The remaining agency spending for Fiscal Year 2010-11 was on substance abuse and mental health contracts that were procured using other exemptions. OPPAGA *Substance Abuse and Mental Health Contracting*, September 28, 2011, p. 4 (Copy on file with Government Efficiency Task Force staff)

¹⁸ Source: Analysis of State Contract Management System database. Data provided by Senate Budget Office.

¹⁹ Some escalators are designed to address changes in vendor operating costs, while some reward vendor performance. OPPAGA *Substance Abuse and Mental Health Contracting*, September 28, 2011, p. 5. (Copy on file with Government Efficiency Task Force staff).

five years, the estimated cost increase would be \$2.4 million. However, if the agencies used all 84 escalators over the next five years, the estimated cost increase would be \$17.1 million.²⁰

Exhibit 5
The Departments of Children and Families and Corrections Are Using Escalators in 16 Contracts in FY 2011-12²¹

Agency	Number of Contracts	Number of Contracts with Escalators	Fiscal Year 2011-12 Dollar Value of Escalators		Estimated Value of Escalators Over the Next Five Years	
			Non-Suspended Escalators	All Escalators	Non-Suspended Escalators	All Escalators
Department of Children and Families	368	28 (8%)	\$13,380 (1 contract)	\$2,894,770 (28 contracts)	\$13,380 (1 contract)	\$12,190,798 (28 contracts)
Department of Corrections	77	56 (73%)	\$602,350 ¹ (15 contracts)	\$1,013,132 (56 contracts)	\$2,369,003 (15 contracts)	\$4,911,778 (56 contracts)
Total	445	84 (19%)	\$615,730	\$3,907,902	\$2,382,384	\$17,102,576

¹ Department of Corrections staff report the department will request its community vendors whose Fiscal Year 2011-12 contract rates increased due to escalators revert to their Fiscal Year 2010-11 rates.

In order to assess the range of prices for these services, OPPAGA reviewed a sample of 87 contracts from DCF, DOC, and DJJ.²² The analysis focused on services in each agency using that agency’s service definitions. Prices paid for the same service varied within each agency (see Exhibit 6). In some cases, the prices were different due to factors related to the level of care required by the recipient and the type of security each agency needs to provide. For example, the price of bed days ranged from \$19 for adults who voluntarily received substance abuse services while residing at a religious organization’s facility to \$338 for 24-hour intensive services provided to adolescent girls with mental health and substance abuse issues at a secure facility.

As shown in Exhibit 6, agencies sometimes paid different unit prices for similar types of services. For example, DOC held a contract that paid \$14 per person for adults receiving mandatory community-based outpatient group counseling for substance abuse but also held another contract that paid \$24 per person for this service. Exhibit 6 shows the range of prices for the 14 service categories that were included in five or more contracts.²³

²⁰ These estimates assume that expiring contracts that include escalator clauses will be renewed with escalators. OPPAGA *Substance Abuse and Mental Health Contracting*, September 28, 2011, p. 5 (Copy on file with Government Efficiency Task Force staff).

²¹ Source: OPPAGA analysis of State Contract Management System database and agency data. *Id* at p. 5.

²² The Agency for Health Care Administration was from this sample because 11 of its contracts will not be renewed due to changes in state Medicaid law and 15 contracts are for Statewide Inpatient Psychiatric Program services, for which policy options may not apply due to federal requirements the facilities must meet. The Department of Health had a relatively small number of contracts; policy options would still apply to the department. *Id* at p. 3.

²³ OPPAGA compared charges for Medicaid’s fee-for-service behavioral health services to unit costs for services presented in Exhibit 4 and found comparable service categories for four services: group and individual counseling, intake-screening, and treatment plan review. Medicaid reimbursement rates were higher than the maximum costs for group and individual counseling and treatment plan review. Rates for intake-screening fell within the range of unit prices paid by other agencies. *Id* at p. 3-4.

Exhibit 6
Agencies Pay Different Unit Prices for Similar Services²⁴

Service Category	Agency	Mean	Minimum	Maximum
Comprehensive Evaluations Level II ²	DJJ	\$450	\$350	\$550
Comprehensive Evaluations Level III ²	DJJ	717	550	750
Mental Health and Substance Abuse Treatment Services	DJJ	57	25	200
Residential Level II (Intensive Mental Health and Substance Abuse Care) ³	DCF	156	83	213
Comprehensive Evaluations Level I ²	DJJ	267	250	350
Outpatient (Individual or Group Therapy) ¹	DCF	53	12	84
Individual Counseling (Community-Based Outpatient Substance Abuse)	DOC	41	11	56
Community-Based Residential Program (Short-Term/Non secure)	DOC	40	19	53
Treatment Plan Review (Community-Based Outpatient Substance Abuse)	DOC	28	10	42
Intake-Screening (Community-Based Outpatient Substance Abuse)	DOC	50	42	53
Group Counseling (Community-Based Outpatient Substance Abuse)	DOC	20	14	24
Substance Abuse Education and Life Skills Training	DOC	19	14	24
Aftercare Groups (Counseling After Completing a Treatment Program)	DOC	19	14	24
Outreach (Education and Engagement of At-risk Groups)	DCF	44	42	46

¹ Outpatient services provide a therapeutic environment designed to improve the functioning or prevent further deterioration.

² Comprehensive evaluations levels depend on the need level of youth served; level I evaluations are for lowest-need youth. Evaluations are a service many vendors provide to state agencies in different forms and for a range of unit costs. The Department of Children and Families pays vendors a maximum unit cost of \$85.91. The Justice Administrative Commission pays vendors to provide pre-trial competency or sanity evaluations, pre-trial forensic exams, evaluations for departure hearings, and psychological evaluations for juvenile cases; the rates per evaluation range from \$150 to \$625. While Florida's State Courts System contracts for evaluations, staff could provide costs. In addition, the Agency for Health Care Administration sets Medicaid fee-for-service evaluation rates at a maximum unit cost of \$150 if conducted by non-physician staff and \$210 if conducted by a physician.

³ Residential Level II facilities are licensed, structured rehabilitation-oriented group facilities that provide supervision 24 hours per day, seven days per week. Persons who live in Level II facilities have significant deficits in independent living skills and need extensive support and supervision.

²⁴ Source: OPPAGA analysis of contracts in the State Contract Management System database. OPPAGA *Substance Abuse and Mental Health Contracting*, September 28, 2011, p. 4 (Copy on file with Government Efficiency Task Force staff).



State Procurement of Mental Health and Substance Abuse

Government Efficiency Task Force
April 20, 2011



State Procurement of Mental Health and Substance Abuse

At the direction of the Florida Legislature, the Office of Program Policy Analysis and Government Accountability (OPPAGA) was requested to:

- Review the data in the State Contract Management System; and
- Analyze a sample of state agency contracts for mental health and substance abuse for opportunities to improve the procurement of these services.



State Procurement of Mental Health and Substance Abuse

- Using the State Contract Management System, the Florida Legislature's OPPAGA found that:
 - \$1.27 billion is spent on mental health and substance abuse services.
 - Five agencies purchased these services: Department of Children and Families, Agency for Health Care Administration, Department of Juvenile Justice, Department of Corrections and Department of Health.
 - There is an opportunity to leverage state's purchasing power to increase efficiency in the procurement of these services.



State Procurement of Mental Health and Substance Abuse

Agency	Examples of Client Populations, Services, and Providers
Department of Children and Families	<ul style="list-style-type: none">• Range of community-based services, e.g., alcohol prevention programs in schools, competency restoration services to juveniles, support services to prevent hospitalization of persons with psychiatric disabilities, and crisis support hotlines• Managing entity organizations• Direct and indirect services at state mental health institutions
Agency for Health Care Administration	<ul style="list-style-type: none">• Prepaid mental health plans• Statewide Inpatient Psychiatric Program that serves Medicaid recipients 17 years of age or younger• Utilization management and research contracts with state universities
Department of Juvenile Justice	<ul style="list-style-type: none">• Services for juveniles in detention centers, such as psychiatric evaluations• Services, such as crisis intervention, psychotropic medication management, and suicide prevention for juveniles with a mental health diagnosis at residential facilities
Department of Corrections	<ul style="list-style-type: none">• Substance abuse services, such as group therapy, to offenders on community supervision• Substance abuse and mental health services for inmates in correctional facilities
Department of Health	<p>All contracts provide community-based services</p> <ul style="list-style-type: none">• Mental health assessments• Group counseling for HIV/AIDS patients• Interventions for health professional licensees with substance abuse or mental health problems

Source: OPPAGA analysis of State Contract Management System database and interviews with agency staff.



State Procurement of Mental Health and Substance Abuse

Some Agency Contracts Have Built-In Escalation Clauses

Agency	Number of Contracts	Contracts with Escalators	Fiscal Year 2011-12		Estimated Value of Escalators Over the Next Five Years	
			All Escalators	Escalators Currently in Effect	All Escalators	Escalators Currently in Effect
Department of Children and Families	368	28 (8%)	\$2,894,770 (28 contracts)	\$13,380 (1 contract)	\$12,190,798 (28 contracts)	\$13,380 (1 contract)
Department of Corrections	77	56 (73%)	\$1,013,132 (56 contracts)	\$602,350 (15 contracts)	\$4,911,778 (56 contracts)	\$2,369,003 (15 contracts)
Total	445	84	\$3,907,902	\$615,730	\$17,102,576	\$2,382,383



State Procurement of Mental Health and Substance Abuse

Agencies Pay Different Prices for Similar Services

Service Category	Agency	Mean	Minimum	Maximum
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Source: OPPAGA analysis of a sample of 87 contracts obtained from DCF, DJJ, and DOC. These were contracts that were included in the State Contract Management System database.