

MAINE STATE LEGISLATURE

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**STATE OF MAINE
116TH LEGISLATURE
FIRST REGULAR SESSION**

**Report of the
ADMINISTRATIVE COSTS
TASK FORCE**

December 1993

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Sen. Phillip E. Harriman
Sen. Bonnie L. Titcomb
Rep. Joseph Bruno
Rep. George J. Kerr
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EXECUTIVE SUMMARY

Origin:

Private and Special Law 1993, Chapter 48, established the Administrative Costs Task Force "to develop a method for the State to define and measure administrative costs in contracted services". The task force was comprised of five legislators, four community based agency representatives and four state department representatives.

Background:

The task force was required to consider, among other things, the advisability of limiting the amount of non-client related costs in contracts with agency providers to the lesser of 12% of the total contract or the percentage of those costs authorized in fiscal year 1989-90 contracts and an alternative approach that would limit departments' ability to fund specific costs such as legal fees, incentives, state dues and memberships. The task force was also asked to consider whether the current contracting practice could be changed in a manner that would address both fiscal and performance standards.

Issues:

The task force discussed the methods currently used by the various state departments to purchase social services, previous efforts to limit administrative costs, the audit function, the request for proposal process and the use of performance measures. Outside guests were invited for discussions about performance measures, the Maine Uniform Accounting and Auditing Practices Act and the state's request for proposal process. During these deliberations, the task force identified several areas of concern with the current processes and unanimously agreed that there is room for improvement.

Focus:

The task force elected to focus primarily on the use of performance-based contracts as the most effective method to increase the accountability for state administered funds for purchased social services.

Recommendations:

The task force is recommending that the Departments of Human Services, Mental Health and Mental Retardation and Corrections, the Office of Substance Abuse within the Executive Department and the Southern Maine Regional Mental Health Board phase in performance-based contracting over a four-year period. Recommended legislation requires that all OSA agreements entered into on or after July 1, 1995,

be performance-based, all Board agreements entered into on or after July 1, 1996, be performance-based and all departmental agreements entered into on or after July 1, 1997, be performance based. The recommended approach provides for planning and development stages and stresses the importance of involving consumers and providers of these services in the development of the expected outcomes and performance measures and in the regular assessment of the quality of the service provided. The task force is also recommending the establishment of an Oversight Committee to monitor the progress of the board and affected agencies in implementing performance-based contracting.

I. Background

It is common practice for the State acting through its various departments and offices to contract with outside entities to provide certain goods and services instead of providing those goods and services directly itself. Social services are among the more frequently contracted-for services. Typically, those services are provided through an expense-based contract. In such an arrangement, the state department agrees to pay to a provider agency a certain amount of money in return for that agency offering a certain level of service, e.g. a certain number of hours of counselling or the availability of a certain number of beds, to eligible client populations.

In recent years, as the level of state funding for many programs and services has declined and the competition for available funding has increased, many policy makers have looked for ways to maintain the highest possible level of direct services under these contracts while reducing spending in related areas. In addition, accountability for the use of state funds has increasingly become an issue. As competition for scarce state dollars has heightened, it is vitally important that the recipients of those funds be accountable for the results of their use.

In 1991, the Legislature took an initial step to attempt to control certain costs in state contracted services. That year's biennial budget bill (PL 1991, c. 591, Part II) amended the Maine Accounting and Auditing Practices Act (MAAP) to limit the ability of state departments to fund certain administrative and other costs in their contracts with nonprofit agencies. A copy of c. 591 is attached as Appendix A. Four hundred thousand dollars was deappropriated from various state departments and agencies in each year of the biennium and the affected departments were directed to report to the Joint Standing Committees on Human Resources and Appropriations and Financial Affairs.

In reporting, as required by c. 591, the departments reported a number of administrative, technical and policy problems with the approach embodied in that law. As provided by the terms of the original law, the statutory restrictions on use of state dollars for administrative costs were repealed at the end of fiscal year 1991-92. As a result of experience under c. 591, some of the affected state departments incorporated part of the contract restrictions into their rules regulating service contracts or into the terms of the contracts themselves.

In 1993, LD 555, "An Act to Limit Administrative Costs in Contracted Services", was introduced and referred to the Joint Standing Committee on Human Resources for consideration. LD 555 proposed to amend provisions of law governing the operations of the Office of Substance Abuse (OSA), Department of Human Services (DHS), Department of Corrections (Corrections) and Department of Mental Health and Mental Retardation (DMH/MR) to limit the amount of nonclient-related costs in contracts with agency providers to the lesser of 12% of the contract total or the percentage of those costs authorized in FY 1990 contracts. LD 230, also referred to the Human Resources Committee, proposed a 10% limit on the administrative costs of the designated state advocacy

agency (Maine Advocacy Services). Copies of LD 555 and 230 are attached as Appendixes B & C.¹

During its deliberations on LD 555, the Human Resources Committee heard testimony from many agency providers. While supporting the goal of LD 555 -- to enhance the availability of money for direct services to clients -- most providers opposed the bill for one or more of several reasons. Several opponents took exception to the definition of "nonclient-related costs" saying it was too broad or too narrow or that its application to their agencies would inhibit the accomplishment of the agency's mission. Other opponents felt the approach of LD 555 was too inflexible in that it treated the administrative costs of all agencies alike, regardless of size, funding source, location or type of service provided. Another group of opponents testified that the requirements imposed by LD 555 would be costly for them to comply with and would not, in the end, result in a higher level of services being provided. Potential conflict with federal regulations was also raised by some opponents to LD 555. Finally, some opponents felt that the entire approach of the bill was misdirected. Those people felt that rather than merely tinkering with the current or expense-based contracting system where payment and oversight is based on unit cost and number of units of service provided, it would be more efficient to move to a outcome-based contracting system where payment is based on meeting carefully established performance standards.

In the committee amendment to LD 555, the Human Resources Committee rewrote the entire bill. The amendment which was enacted as P&SL 1993, c. 48 established the Administrative Costs Task Force to look at the current process by which social services are purchased. The Task Force consists of five legislators, four contracting agency representatives and four state department representatives. A copy of c. 48 is attached as Appendix D; the list of task force members is Appendix E. Among other things, the task force was directed by chapter 48 to examine various approaches to defining and limiting administrative costs in state contracted services and efforts in this and other states to implement performance-based contracting.

II. Task Force Deliberations

The task force met a total of nine times during the late summer and fall to carry out its responsibilities. From department member representatives and a representative of the Department of Corrections, the committee heard descriptions of the current methods used to purchase social services by the Department of Human Services, the Department of Mental Health and Mental Retardation and the Department of Corrections. The committee also received an explanation of the outcome-based contracting system being implemented by the Office of Substance Abuse from Jereal Holley of that office. J. Harper, of DMH/MR, offered observations on moving to a performance-based contracting system for direct client services. Both Nancy Gowler and Ed Karass, of the Department of Administrative and Financial Services, and private CPA Jim Wilson, members of the MAAP advisory group, discussed the Maine Accounting and Auditing Practices Act. The task force met with Dick Thompson of the

¹ LD 230 was reported unanimously Ought Not to Pass by the Human Resources Committee.

Bureau of General Services to discuss the request for proposal process. Task force member Sandy Harper, also a member of the performance budgeting steering committee, presented information on performance budgeting, updating members on efforts in Maine and other states. Dr. Tony Cahill, of the Margaret Chase Smith Center for Public Policy at the University of Maine, summarized efforts in other states to implement performance-based contracting and discussed possible approaches the state might take if it were to adopt such a system. Finally, the task force discussed cost estimates and possible methods of implementing performance-based contracting with OSA, DHS, DMH/MR and Corrections representatives. As the task force was finalizing its recommendations, it met with Dr. Jonathan Keck, the recently named Executive Director of the Southern Maine Regional Mental Health Board, to discuss implementation of performance-based contracting within Region V.

During its discussions, the task force identified several areas of concern with the current process by which social services are purchased by the state. One area of concern was that needs assessments are infrequently, if ever, conducted to determine if current programs continue to be necessary. Another problem identified by the task force was that not all state departments are complying with the law requiring periodic requests for proposals. Furthermore, that law is incomplete in that it requires periodic RFP's for OSA and certain bureaus or divisions within DMH/MR but not for DHS and Corrections. The task force also found that not all state departments have adopted rules governing auditing of their contracts as required by MAAP. Perhaps the greatest problem identified by the task force is the lack of accountability in the current system. In some cases, it is difficult or impossible to determine if money is being spent for the purposes intended, or whether clients are being helped by the services they receive.

FINDING #1: The current contracted services system by which most social services are provided in this State does not work well in some circumstances; and there is room for improvement.

The deliberations described above served as background for the task force in considering the specific duties delegated to it in its authorizing legislation, P&SL 1993, chapter 48. The task force was charged with addressing the following issues in an attempt to find areas where the current contract for services system could be improved and modified.

A. The reports submitted by state agencies in accordance with Public Law 1991, chapter 591, Part II, section 3.

As described above, c. 591, amended MAAP to limit state departments in contracts with nonprofit agencies from funding certain administrative costs, such as membership dues, lobbying charges, excess legal costs, bonuses and incentives. Four hundred thousand dollars was deappropriated from various state departments and agencies in fiscal years 1991-92 and 1992-93 and the affected departments were directed to report to the Joint Standing Committees on Human Resources and Appropriations and Financial Affairs.

After review of the departmental reports, the task force concluded that amending MAAP at this time is an imprecise approach to restrict administrative costs or to make other needed improvements in the process of contracting for services.

FINDING #2: General amendments of MAAP to limit administrative costs are not effective at this time to achieve the necessary changes in the state contract for services process.

B. The advisability of implementing the policy contained in LD 555 and LD 230 as originally presented to the First Regular Session of the 116th Legislature and efforts in other jurisdictions to define and limit administrative costs.

As noted earlier, both LD 555 and LD 230 attempted to restrict administrative or nonclient-related costs in contracts between state departments and agency providers. LD 555 applied those limits to DHS, OSA, DMH/MR and Corrections contracts; LD 230 limits Maine Advocacy Services administrative costs.

The task force decided early on to focus only on the services provided under the authority of DHS, OSA, DMH/MR and Corrections (the LD 555 approach). During its deliberations, the task force discussed anecdotal reports of excesses in administrative costs on the part of some agency providers – excesses which if systematic and widespread would reduce the amount and impact of money available for direct client services. Since the task force's authorizing legislation assumes the need to limit administrative costs and directs the task force to study ways to do so, the task force did not attempt to specifically identify instances of excessive administrative costs or to scientifically document the extent to which such excesses exist.

In its analysis of LD 555, the task force concluded that, although such an approach is technically feasible, direct limitations on administrative costs presents several difficulties. The first is the problem of defining terms and setting an appropriate limit. It is not clear that a single definition and percentage limitation would have a consistent, desirable effect on all agency providers, regardless of size, location and service provided.

The second question raised for the task force by the LD 555 approach is whether a limitation imposed by state law will have a uniform and meaningful impact on agencies, many of whom are funded by multiple sources. For those agencies, the possibility exists for shifting any costs (including administrative) to other federal or private funding streams and, thereby, avoiding the expected impact of the restriction.

The task force was told that limiting administrative costs, no matter how completely and fairly that term is defined, would complicate the auditing process for those programs. That would increase the time and, therefore, the cost of agency audits. This is the third problem identified by the task force with the LD 555 approach.

The final concern identified by the task force is that restricting administrative costs does not address the real problem with the current system which is one of accountability -- whether the state dollars accomplishing the purpose for which they were intended. For all of the reasons described in this section, the task force concluded that, while it

may be possible to develop a consistent, uniform and fair limitation on administrative costs, to do so presents a number of problems. As a result, the task force did not examine in detail the efforts of other jurisdictions to define and limit administrative costs, one of its other charges. A West Law computer search of other state laws was conducted which yielded no positive results. That may indicate no restrictions exist or, if they do, they are imposed by rule rather than statute.

FINDING #3: Focusing solely on limiting administrative costs in contracted services presents several significant technical problems and does not comprehensively address the important issue of accountability.

C. Whether a unified cost-finding system should be implemented through the contracting system

Provider agencies utilize, and generally accepted accounting practices permit, a wide variety of methods to allocate program costs. These variations affect the departments' ability to compare costs across agencies within discrete categories of service. The task force examined the unit cost calculation for an agency that receives funding from the Department of Mental Health and Mental Retardation.

FINDING #4: The method an agency uses to define and allocate program costs affects, but does not necessarily determine, the unit cost the state negotiates to pay.

FINDING #5: The state has limited, if any control over the way provider agencies internally allocate program costs, both direct and indirect.

D. The efforts of the Executive Department and of other jurisdictions to implement performance-based contracting

As a starting point, the task force accepts the following definition of the term "performance-based contracting":

Performance-based contracting is a client-centered, outcome-oriented process through which the purchase of direct client services is based on measurable performance indicators and desired outcomes. An integral part of this process is the inclusion of the affected consumers and provider agencies in defining the desired outcomes and in the regular assessment of the quality of service provided.

The task force discussed OSA's development over the past three years of performance-based contracting for substance abuse treatment services and reviewed a draft of the "Maine Office of Substance Abuse Performance-based Contracting System: A Report by the Technical Assistance Team". The report was favorable and contained several recommendations to enhance the system OSA has developed, including the elimination of special population categories as a specific part of performance-based contracting in favor of a priority list for treatment services and the creation of a management council to assist with problem

solving and policy follow-through. The report also stressed the importance of open on-going communication among various OSA staff, Medicaid staff and treatment providers.

FINDING #6: The performance-based contracting system OSA has developed is an effective one, incorporating "an integration of data systems, reporting processes and, perhaps most importantly, internal and external communication networks".

The task force also reviewed the performance indicators utilized by the Department of Mental Health and Mental Retardation's Bureau of Children with Special Needs in day treatment contracts. Day treatment is the only DMH/MR category of service that incorporates performance indicators into the specifications of services to be provided.

FINDING #7: The Department of Mental Health and Mental Retardation is better able to monitor progress toward a therapeutic goal as a result of the information generated by the use of performance indicators in Day Treatment contracts.

The task force also heard from Dr. Tony Cahill, Department of Public Administration and Margaret Chase Smith Center for Public Policy, on his experience and research on outcomes assessment. In addition to a historical perspective on the use of outcomes assessment, Dr. Cahill provided the task force with information about what is required to implement a successful outcome-based system, what outcomes assessment can and can not accomplish and a suggested approach for implementation of an outcome-based program, such as performance-based contracting.

FINDING #8: The experiences of other states can provide valuable information in the area of outcomes measurements.

FINDING #9: Performance-based contracting holds promise for more cost effective, efficient and accountable provision of contracted social services. Experiences of OSA and in other states support this finding.

FINDING #10: A carefully implemented performance-based contracting system offers the greatest possibility of providing information (which is largely lacking currently) to policymakers and the public on how well social service programs are working and of assuring accountability in the use of public funds for those services. Such a system also provides client-centered information about the quality of the service provided to assist in establishing program priorities.

FINDING #11: There are several common ingredients and steps to implementing a performance-based contracting system.

- 1. Involve the affected parties, including providers, consumers and legislators, and provide sufficient time for development of the system***
- 2. Identify appropriate goals and outcome measures***
- 3. Design an information management system to include appropriate performance indicators***

4. *Establish prototype or pilot programs prior to broad implementation and establish a hold harmless clause to protect provider agencies during initial implementation*
5. *Provide outreach and technical assistance to affected parties, including state departments, agency providers, consumers and policymakers*
6. *Perform ongoing review and assessment to improve the system*

III. Recommendations.

Based on the deliberations and findings discussed above, the task force is making recommendations in the following three areas:

A. Performance-based Contracting

Recommendation #1: The task force recommends that certain state departments implement a performance-based contracting system as part of all agreements for direct client services in accordance with a schedule outlined in accompanying legislation, including a hold harmless provision for the first contract period or 12 month period, whichever is greater.

This recommendation envisions a phased-in approach similar to the approach taken by OSA to date and recommended by Dr. Cahill. Specifically, the task force is recommending legislation (suggested legislation is found at Appendix F) to require the Departments of Human Services, Mental Health and Mental Retardation and Corrections to phase in performance-based contracting over a four year period and to require the Office of Substance Abuse to expand its system across all categories of service by fiscal year 1995-96.

The legislation requires the Department of Mental Health and Mental Retardation to enter into a performance-based contract with the Board, established pursuant to PL 1991, c. 781, Part C in any agreement entered into on or after July 1, 1994. The Board, in turn, would be required to develop outcome indicators and implement performance-based contracting on a schedule that provides for: (1) planning and development to begin by July 1, 1994; (2) partial implementation of selected, but significant categories of service or client population groups by July 1, 1995; and (3) full implementation in all agreements between the Board and its providers by July 1, 1996.

The balance of DMH/MR service categories, and the Departments of Human Services and Corrections would be governed by the following schedule:

- July 1, 1994 - June 30, 1995. A pre-planning year to allow for staff training and a liaison function among the affected departments.
- July 1, 1995 - June 30, 1996. A development year to identify the services to be phased in first and to develop the desired outcomes and performance indicators.

- July 1, 1996 - June 30, 1997. A partial implementation year, requiring performance-based agreements for a selected, but significant number of categories of service or client population groups.
- July 1, 1997. Full implementation of performance-based agreements across all service categories.

The Legislation requires each affected department to develop performance-based contracting systems, including the identification of desired outcomes and measurable performance indicators, in a manner that provides for:

- A shared responsibility among the affected parties, including consumers, providers, legislators and various state agencies.
- A technical assistance component to assist during the development and implementation stages.
- A monitoring system to evaluate whether programs are having the desired results.
- Sufficient flexibility to meet the agreed-upon outcomes.
- A "hold-harmless" provision during the first contract period or for 12 months, whichever is greater, to ensure that a provider agency is not penalized for failure to meet any given performance indicator during the phase-in period.
- Sufficient time for provider agencies to adjust to an outcome-oriented approach.

Since the task force is recommending an aggressive schedule for implementing performance-based contracting, it is not, at this time, recommending any other approach to improve accountability, i.e. placing specific restrictions on the use of funds (the c. 591 or LD 555 approach) or requiring a uniform cost-finding review or needs assessment.

B. Establishment of review committee

Recommendation #2: The task force recommends expanding the membership and extending the life of the Administrative Costs Task Force to provide oversight for the implementation of a performance-based contracting system.

The revamped and renamed review committee would monitor the progress of the various agencies in implementing an effective performance-based contracting system over the next 4 years. The review committee would continue to include representatives of the Legislature, state departments and providers and would be expanded to include consumers and a member of the Joint Select Committee on Corrections and a representative of the Department of Corrections.

The task force recommends that the new committee focus primarily on performance-based contracting, but that it also continue to examine the advisability of pursuing other ways to limit administrative costs that provides for increased accountability.

C. Technical assistance

Recommendation #3: The oversight committee shall request assistance from any organization or individuals with relevant expertise.

The task force has identified a number of individuals and groups, both inside and outside of state government, with expertise in the area of outcome assessment and performance-based contracting. The oversight committee should continue to call on the experience of these people and organizations.

IV. Conclusions

The original impetus to the formation of this task force and one of its major charges was to examine ways to limit administrative costs in the process by which the State contracts for the provision of social services. However, the authorizing legislation also directed the task force to look at other related issues, including the application of a performance-based contracting system between state departments and provider agencies.

After reviewing the current contracting process, the task force agreed unanimously that improvements are necessary in the current system. Following discussion of issues surrounding requests for proposals, needs assessments and auditing practices, the task force decided to focus on an outcome-oriented approach. We did not conclude that limitations on administrative costs are unnecessary or impossible. However, our feeling, at this time, is that a performance-based approach offers a better possibility of affecting comprehensive improvements in the system, including assuring a measure of accountability for state monies which is currently lacking.

The task force is proposing a performance-based system of agreements to provide direct client services between DMH/MR, DHS, Corrections and OSA and their provider agencies. That system is to be phased in over four years and provides time for the necessary planning and development stages. OSA will expand its performance-based contracting system to encompass all categories of service by July 1, 1995. DMH/MR will utilize performance-based contracting in its agreement with the Region V Board by July 1, 1994. The balance of DMH/MR service categories and the Departments of Human Services and Corrections will be on a consistent, but slower pace, allowing a full year for planning, a year for development and a year for the conversion of selected categories of service resulting in complete conversion by July 1, 1997. The Region V Board will begin to phase in performance-based contracting with provider agencies beginning July 1, 1995, all agreements entered into on or after July 1, 1996, will be performance-based.

We are recommending the continuation of the life of the task force with a new name and expanded membership to oversee and coordinate the implementation of this ambitious schedule. The state departments and the Region V Board will regularly meet with and report to the new oversight committee. The committee will assess implementation progress and effectiveness and is authorized to introduce legislation to widen, narrow, retard or hasten the implementation phase. A final report is due December 1, 1998, including a final assessment and recommendation of whether performance-based contracting

should be applied to other state agencies and services. The task force may request assistance in carrying out its duties from individuals or groups with expertise in this area.

#254STUDY

APPENDIX A
P.L. 1991, C. 591, Part II

PART II

Sec. II-1. 5 MRSA §1659 is enacted to read:

§1659. Limitations on department funding of administrative costs

1. Limitation. A department shall require in all agreements with a community agency for the provision of a service that state administered funds may not be used for the following purposes, unless authorized by the head of the department for justifiable situations:

A. Dues and memberships:

B. In-state travel that exceeds \$1,000 or the average of the last 3 years, whichever is less, that is not for:

(1) Direct client services:

(2) Training required for licensing or certification of the community agency. Funds may not be used for individual licensing or certification; or

(3) Training required by the department:

C. Out-of-state travel that is not for direct client services unless prior approval is given by the head of the department:

D. Nonpersonnel advertising, excluding public education materials that have the approval of the department:

E. Subscriptions:

F. Lobbying:

G. Bonuses and incentives:

H. Legal fees that exceed \$1,000 or the average of the last 3 years, whichever is less, unless approved by the department:

I. Purchase, rental or lease of vehicles that are not required for direct client services;

J. Donations:

K. Nonclinical consultants:

L. Salary increases for persons with salaries over \$50,000 for that portion of the salary that is attributable to administrative functions; and

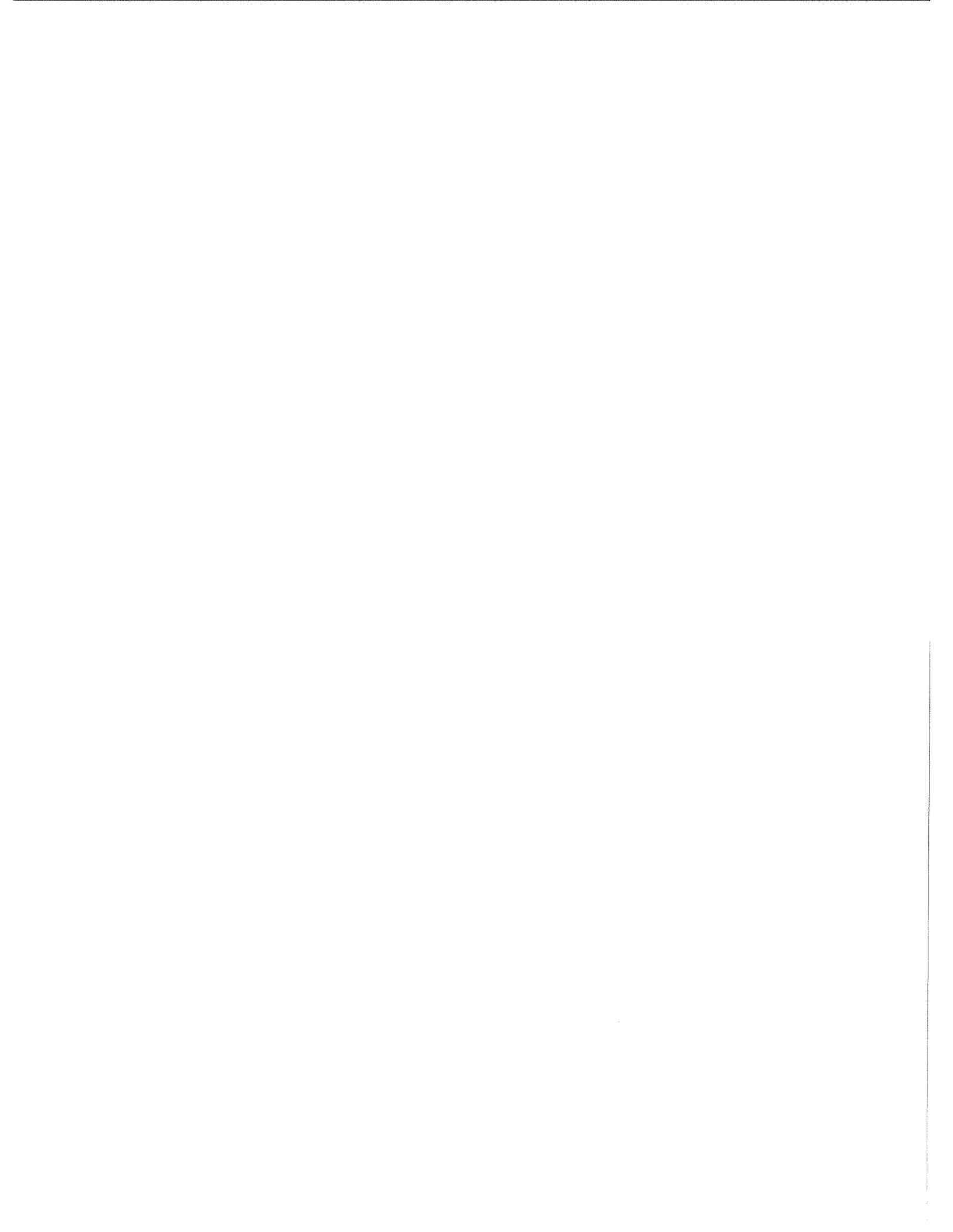
M. Administrative costs that are greater than the statewide average for community agencies' administrative costs during 1988-89.

2. Repeal. This section is repealed June 30, 1992.

Sec. II-2. Redirection of money saved through limitation of administrative costs. Each department shall identify the amount of administrative costs that would not have been funded for each community agency in fiscal year 1990-91 if the limitations of the Maine Revised Statutes, Title 5, section 1659 had been in effect. That amount must be assumed to be unnecessary to maintain the community agency's level of effort for direct services in agreements entered into during fiscal year 1991-92 and must be withheld from those agreements.

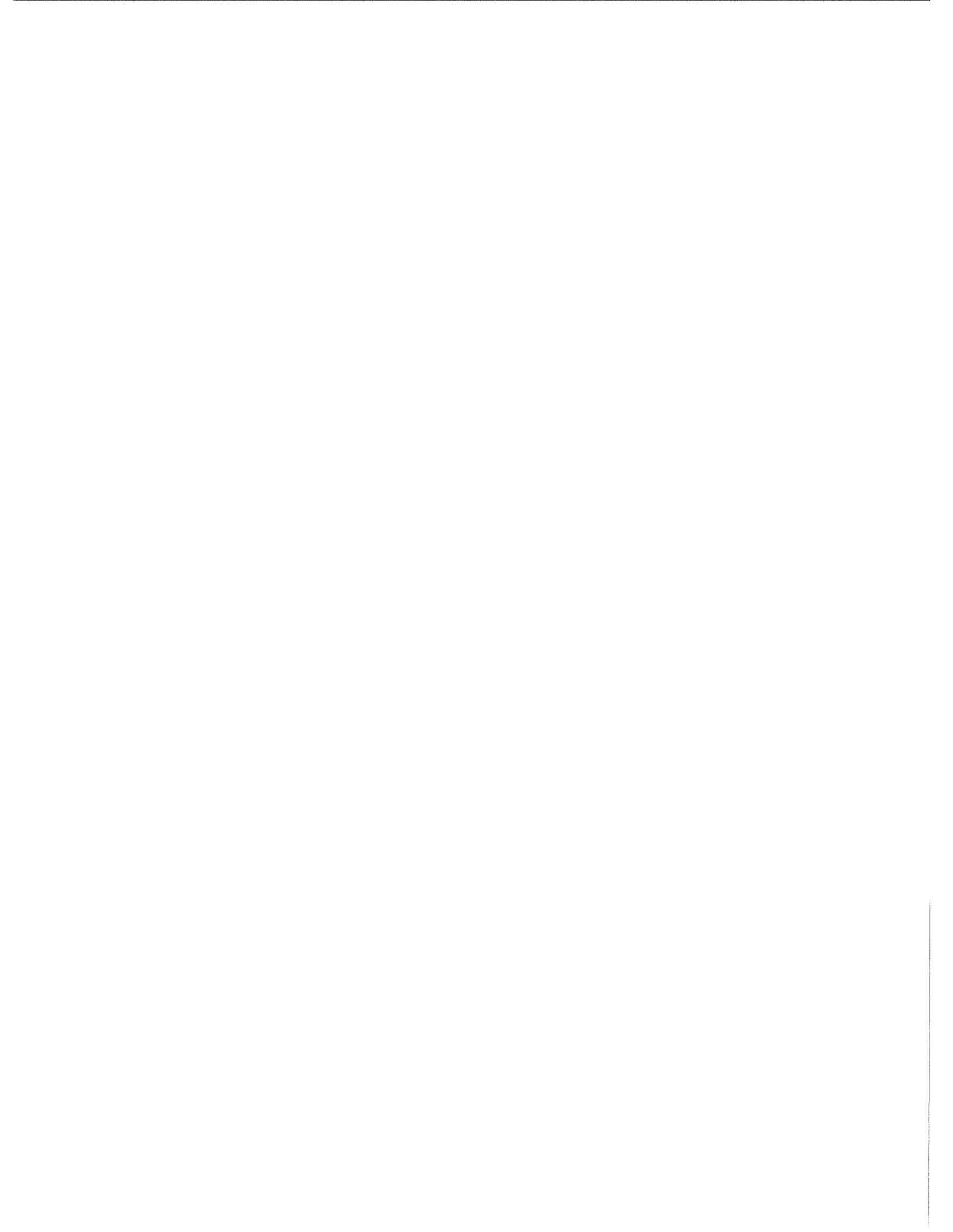
Sec. II-3. Report. By January 1, 1992, each department shall submit a report to the Joint Standing Committee on Appropriations and Financial Affairs and the Joint Standing Committee on Human Resources, identifying the amounts that are saved as a result of the requirements of this Part by community agency and type of service along with each exception granted by the head of a department and a rationale for each exception granted.

Sec. II-4. Appropriation. The following funds are appropriated from the General Fund to carry out the purposes of this Act.



APPENDIX B

L.D. 555





116th MAINE LEGISLATURE

FIRST REGULAR SESSION-1993

Legislative Document

No. 555

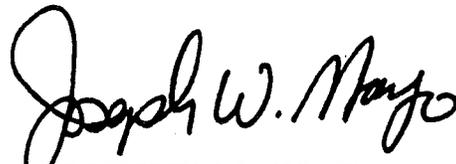
H.P. 436

House of Representatives, February 18, 1993

An Act to Limit Administrative Costs in Contracted Services.

(EMERGENCY)

Reference to the Committee on Human Resources suggested and ordered printed.


JOSEPH W. MAYO, Clerk

Presented by Representative GEAN of Alfred.
Cosponsored by Representative: MARTIN of Eagle Lake.

2 **Emergency preamble.** Whereas, Acts of the Legislature do not
become effective until 90 days after adjournment unless enacted
as emergencies; and

4 Whereas, the State provides funds to community agencies,
6 some of which are not operated efficiently; and

8 Whereas, scarce resources that should be supporting clients
are being used to support inappropriate administrative expenses;
10 and

12 Whereas, contracts for the next fiscal year take effect on
July 1, 1993; and

14 Whereas, in the judgment of the Legislature, these facts
16 create an emergency within the meaning of the Constitution of
Maine and require the following legislation as immediately
18 necessary for the preservation of the public peace, health and
safety; now, therefore,

20 **Be it enacted by the People of the State of Maine as follows:**

22 **Sec. 1. 5 MRSA §20005-A is enacted to read:**

24 **§20005-A. Limitations on administrative costs of contractors**

26 **1. Definitions.** As used in this section, unless the
28 context otherwise indicates, the following terms have the
following meanings.

30 **A. "Agency" means any organization, association, firm,**
32 partnership or corporation that delivers a human service, is
34 not an administrative unit of the Federal Government or
State Government and is not a health care facility.

36 **B. "Client-related cost" means the cost of direct**
38 interaction with a client through personal contact,
40 telephone contact or correspondence; the cost of interaction
42 with other agencies, professionals or family members that is
44 directly related to the welfare of an individual client,
46 including, but not limited to, participation in
interdisciplinary team meetings, case management activities
and interaction with a client's family members; and the cost
of materials, supplies, communication or transportation that
is used directly by a client, including, but not limited to,
a client's clothing, food, housing, telephone and
transportation.

2 C. "Health care facility" means a facility with a primary
4 purpose of delivering health care services, including, but
6 not limited to, a hospital, a psychiatric hospital, a
nursing facility, a rehabilitation facility, an ambulatory
surgical facility, a physician's office, a dental clinic and
a health maintenance organization.

8 D. "Nonclient-related cost" means any cost that is not a
10 client-related cost. "Nonclient-related cost" includes, but
12 is not limited to, staff time and staff travel not related
14 to an individual client; office supplies, telephone and
16 facsimile transmission charges not directly related to
18 clients; conferences; dues and memberships that are not
20 required to perform a direct client service; public
22 relations costs; subscriptions; lobbying activities; legal
fees that are not directly related to an individual client;
vehicles that are not used solely to transport clients;
bonuses, incentive payments and any payment in excess of
\$50,000 per year made to staff whose prorated client-related
costs are less than 75% of their salaries; donations; and
consultants who do not provide clinical advice directly
related to a client.

24 2. Limitation on nonclient-related costs. When entering
26 into a contract with an agency, the office shall limit the amount
28 of nonclient-related costs reimbursed by the office to the lower
of:

30 A. Twelve percent of the total contract; or

32 B. If the office had a contract with the agency in fiscal
34 year 1989-90, the percentage allowed by the office for
nonclient-related costs in that year.

36 Sec. 2. 22 MRSA §12-A is enacted to read:

38 §12-A. Limitations on administrative costs of contractors

40 1. Definitions. As used in this section, unless the
42 context otherwise indicates, the following terms have the
following meanings.

44 A. "Agency" means any organization, association, firm,
46 partnership or corporation that delivers a human service, is
not an administrative unit of the Federal Government or
State Government and is not a health care facility.

48 B. "Client-related cost" means the cost of direct
50 interaction with a client through personal contact,
telephone contact or correspondence; the cost of interaction

2 with other agencies, professionals or family members that is
3 directly related to the welfare of an individual client,
4 including, but not limited to, participation in
5 interdisciplinary team meetings, case management activities
6 and interaction with a client's family members; and the cost
7 of materials, supplies, communication or transportation that
8 is used directly by a client, including, but not limited to,
9 a client's clothing, food, housing, telephone and
10 transportation.

11 C. "Health care facility" means a facility with a primary
12 purpose of delivering health care services, including, but
13 not limited to, a hospital, a psychiatric hospital, a
14 nursing facility, a rehabilitation facility, an ambulatory
15 surgical facility, a physician's office, a dental clinic and
16 a health maintenance organization.

17 D. "Nonclient-related cost" means any cost that is not a
18 client-related cost. "Nonclient-related cost" includes, but
19 is not limited to, staff time and staff travel not related
20 to an individual client; office supplies, telephone and
21 facsimile transmission charges not directly related to
22 clients; conferences; dues and memberships that are not
23 required to perform a direct client service; public
24 relations costs; subscriptions; lobbying activities; legal
25 fees that are not directly related to an individual client;
26 vehicles that are not used solely to transport clients;
27 bonuses, incentive payments and any payment in excess of
28 \$50,000 per year made to staff whose prorated client-related
29 costs are less than 75% of their salaries; donations; and
30 consultants who do not provide clinical advice directly
31 related to a client.

32
33 2. Limitation on nonclient-related costs. When entering
34 into a contract with an agency, the department shall limit the
35 amount of nonclient-related costs reimbursed by the department to
36 the lower of:

37
38 A. Twelve percent of the total contract; or

39
40 B. If the department had a contract with the agency in
41 fiscal year 1989-90, the percentage allowed by the
42 department for nonclient-related costs in that year.

43
44 Sec. 3. 34-A MRSA §1206-A is enacted to read:

45
46 §1206-A. Limitations on administrative costs of contractors
47
48

1. Definitions. As used in this section, unless the context otherwise indicates, the following terms have the following meanings.

A. "Agency" means any organization, association, firm, partnership or corporation that delivers a human service, is not an administrative unit of the Federal Government or State Government and is not a health care facility.

B. "Client-related cost" means the cost of direct interaction with a client through personal contact, telephone contact or correspondence; the cost of interaction with other agencies, professionals or family members that is directly related to the welfare of an individual client, including, but not limited to, participation in interdisciplinary team meetings, case management activities and interaction with a client's family members; and the cost of materials, supplies, communication or transportation that is used directly by a client, including, but not limited to a client's clothing, food, housing, telephone and transportation.

C. "Health care facility" means a facility with a primary purpose of delivering health care services, including, but not limited to, a hospital, a psychiatric hospital, a nursing facility, a rehabilitation facility, an ambulatory surgical facility, a physician's office, a dental clinic and health maintenance organization.

D. "Nonclient-related cost" means any cost that is not a client-related cost. "Nonclient-related cost" includes, but is not limited to, staff time and staff travel not related to an individual client; office supplies, telephone and facsimile transmission charges not directly related to clients; conferences; dues and memberships that are not required to perform a direct client service; public relations costs; subscriptions; lobbying activities; legal fees that are not directly related to an individual client; vehicles that are not used solely to transport clients; bonuses, incentive payments and any payment in excess of \$50,000 per year made to staff whose prorated client-related costs are less than 75% of their salaries; donations; and consultants who do not provide clinical advice directly related to a client.

2. Limitation on nonclient-related costs. When entering into a contract with an agency, the department shall limit the amount of nonclient-related costs reimbursed by the department to the lower of:

- 2 A. Twelve percent of the total contract; or
4 B. If the department had a contract with the agency in
6 fiscal year 1989-90, the percentage allowed by the
 department for nonclient-related costs in that year.

8 Sec. 4. 34-B MRSA §1208-A is enacted to read:

10 §1208-A. Limitations on administrative costs of contractors

12 1. Definitions. As used in this section, unless the
14 context otherwise indicates, the following terms have the
 following meanings.

16 A. "Agency" means any organization, association, firm,
18 partnership or corporation that delivers a human service, is
 not an administrative unit of the Federal Government or
 State Government and is not a health care facility.

20 B. "Client-related cost" means the cost of direct
22 interaction with a client through personal contact,
24 telephone contact or correspondence; the cost of interaction
26 with other agencies, professionals or family members that is
28 directly related to the welfare of an individual client,
30 including, but not limited to, participation in
32 interdisciplinary team meetings, case management activities
 and interaction with a client's family members; and the cost
 of materials, supplies, communication or transportation that
 is used directly by a client, including, but not limited to,
 a client's clothing, food, housing, telephone and
 transportation.

34 C. "Health care facility" means a facility with a primary
36 purpose of delivering health care services, including, but
38 not limited to, a hospital, a psychiatric hospital, a
 nursing facility, a rehabilitation facility, an ambulatory
 surgical facility, a physician's office, a dental clinic and
 a health maintenance organization.

40 D. "Nonclient-related cost" means any cost that is not a
42 client-related cost. "Nonclient-related cost" includes, but
44 is not limited to, staff time and staff travel not related
46 to an individual client; office supplies, telephone and
48 facsimile transmission charges not directly related to
50 clients; conferences; dues and memberships that are not
 required to perform a direct client service; public
 relations costs; subscriptions; lobbying activities; legal
 fees that are not directly related to an individual client;
 vehicles that are not used solely to transport clients;

2 bonuses, incentive payments and any payment in excess of
3 \$50,000 per year made to staff whose prorated client-related
4 costs are less than 75% of their salaries; donations; and
5 consultants who do not provide clinical advice directly
6 related to a client.

7 2. Limitation on nonclient-related costs. When entering
8 into a contract with an agency, the department shall limit the
9 amount of nonclient-related costs reimbursed by the department to
10 the lower of:

11 A. Twelve percent of the total contract; or

12 B. If the department had a contract with the agency in
13 fiscal year 1989-90, the percentage allowed by the
14 department for nonclient-related costs in that year.

15 **Sec. 5. Joint rules.** By July 1, 1993, the Department of Human
16 Services, the Department of Mental Health and Mental Retardation,
17 the Department of Corrections and the Office of Substance Abuse
18 shall adopt joint rules to implement this Act. The Commissioner
19 of Human Services shall coordinate the development and adoption
20 of the joint rules.
21

22 **Sec. 6. Effective date.** Sections 1 to 4 of this Act take effect
23 July 1, 1993.

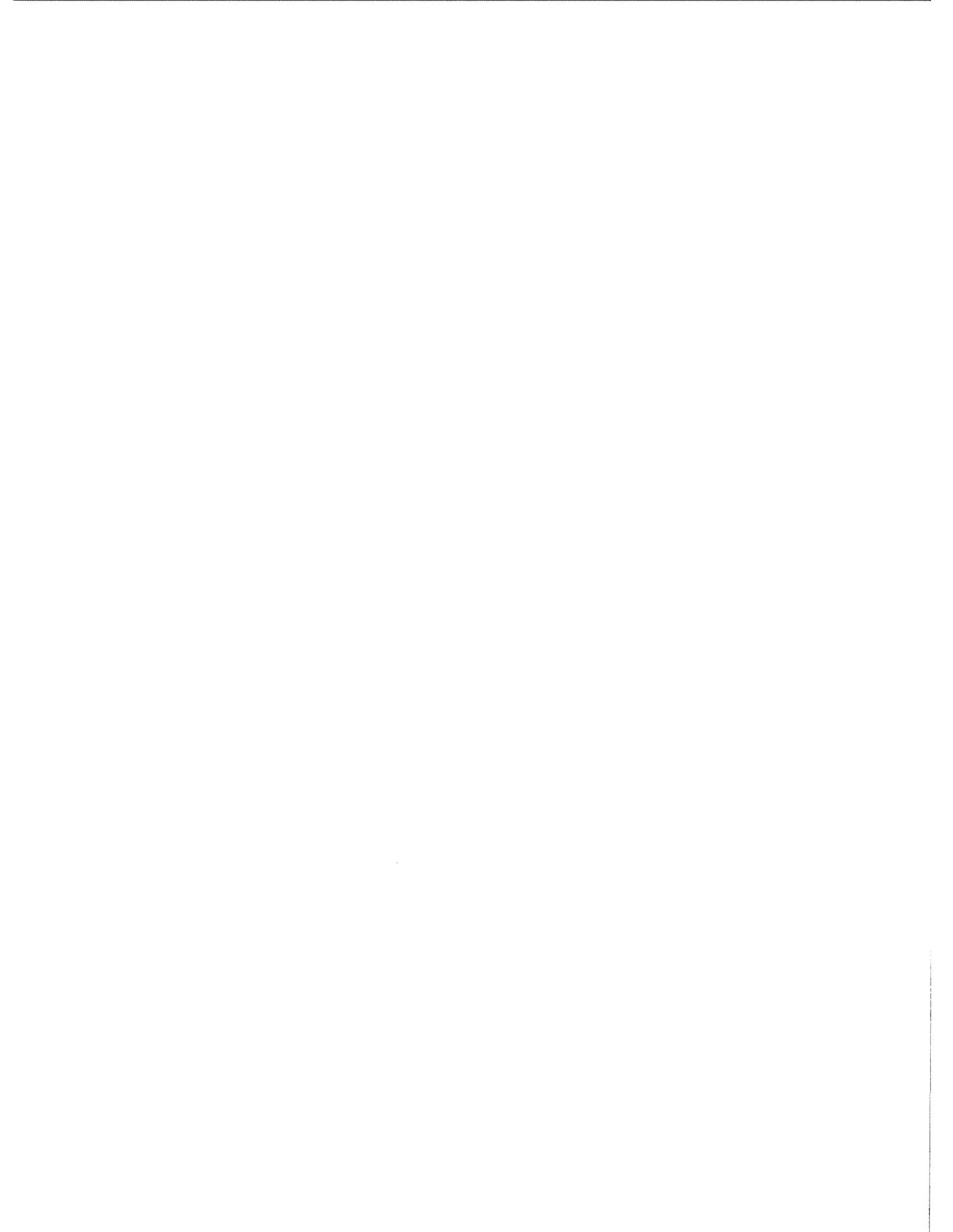
24 **Emergency clause.** In view of the emergency cited in the
25 preamble, this Act takes effect when approved.
26

27 STATEMENT OF FACT

28 This bill defines client-related costs and nonclient-related
29 costs. When the Department of Human Services, the Department of
30 Mental Health and Mental Retardation, the Department of
31 Corrections and the Office of Substance Abuse enter into
32 contracts with community agencies, they must ensure that
33 nonclient-related costs do not exceed 12% of the contract. The 4
34 state agencies are required to adopt joint rules to implement
35 these contract restrictions by July 1, 1993.
36
37
38
39
40

APPENDIX C

L.D. 230





116th MAINE LEGISLATURE

FIRST REGULAR SESSION-1993

Legislative Document

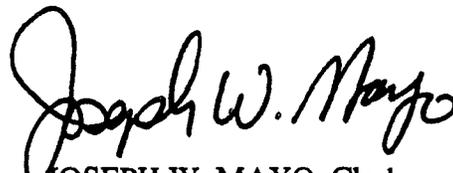
No. 230

H.P. 178

House of Representatives, February 1, 1993

**An Act to Restrict Administrative Costs of the Designated Protection and
Advocacy Agency.**

Reference to the Committee on Appropriations and Financial Affairs suggested and ordered printed.


JOSEPH W. MAYO, Clerk

Presented by Representative WINN of Glenburn.
Cosponsored by Representative BEAM of Lewiston and
Representative: LIBBY of Buxton, Senator: PARADIS of Aroostook.

APPENDIX D

P.L. 1993, c. 48



APPROVED

CHAPTER

JUL 13 '93

48

BY GOVERNOR

P & S LAW

STATE OF MAINE

IN THE YEAR OF OUR LORD
NINETEEN HUNDRED AND NINETY-THREE

H.P. 436 - L.D. 555

An Act to Limit Administrative Costs in Contracted Services

Emergency preamble. Whereas, Acts of the Legislature do not become effective until 90 days after adjournment unless enacted as emergencies; and

Whereas, the State provides funds to community agencies, some of which are not operated efficiently; and

Whereas, scarce resources that should be supporting clients are being used to support inappropriate administrative expenses; and

Whereas, a task force must be created as soon as possible in order that its recommendations be ready for consideration in the next regular session of the Legislature; and

Whereas, in the judgment of the Legislature, these facts create an emergency within the meaning of the Constitution of Maine and require the following legislation as immediately necessary for the preservation of the public peace, health and safety; now, therefore,

Be it enacted by the People of the State of Maine as follows:

Sec. 1. Administrative Costs Task Force established. The Administrative Costs Task Force, referred to in this Act as the "task force," is established to develop a method for the State to define and measure administrative costs in contracted services. To the greatest extent possible, the method recommended by the task force must:

1. Reduce costs;
2. Have no negative impact on service recipients;
3. Be flexible enough to recognize the unique characteristics and missions of individual agencies;
4. Be equitable; and
5. Be administered simply and efficiently.

Sec. 2. Duties. In preparing its recommendation, the task force shall consider at least the following:

1. The advisability of implementing the policy contained in this document as originally presented to the First Regular Session of the 116th Legislature;

2. The advisability of implementing the policy contained in Legislative Document 230 as originally presented to the First Regular Session of the 116th Legislature;

3. The reports submitted by state agencies in accordance with Public Law 1991, chapter 591, Part II, section 3;

4. The efforts of other jurisdictions to define and limit administrative costs;

5. The efforts of the Executive Department, Office of Substance Abuse and of agencies in other jurisdictions to implement performance-based contracts;

6. Whether current contracting procedures can be changed in a manner that would enable both fiscal and performance standards to be addressed; and

7. Whether a unified cost-finding system should be implemented through the contracting system.

Sec. 3. Membership. The task force consists of the following members:

1. One member of the Senate and 2 members of the House of Representatives from the Joint Standing Committee on Human Resources, appointed by the presiding officers of their respective legislative bodies;

2. One member of the Senate and one member of the House of Representatives from the Joint Standing Committee on

Appropriations and Financial Affairs, appointed by the presiding officers of their respective legislative bodies;

3. Four members representing private agencies that provide services under contracts with the State, 2 appointed by the President of the Senate and 2 appointed by the Speaker of the House of Representatives; and

4. Four members representing state departments, appointed by the Governor.

At least one of the legislative members appointed by the President of the Senate and one of the legislative members appointed by the Speaker of the House of Representatives must be from the minority party.

Sec. 4. Appointment deadline; first meeting. Appointments must be made within 30 days of the effective date of this Act. The task force shall hold its first meeting, called by the Executive Director of the Legislative Council, before August 1, 1993.

Sec. 5. Report. The task force shall report its findings, along with any necessary legislation, to the Joint Standing Committee on Human Resources and the Joint Standing Committee on Appropriations and Financial Affairs no later than November 5, 1993.

Sec. 6. Staff. Upon request of the task force, the Legislative Council shall provide staff to the task force.

Sec. 7. Expenses. The legislative members of the task force are entitled to receive expenses and legislative per diem for meetings attended. Other members are reimbursed for their expenses, except that representatives from state departments receive no reimbursement. The Legislative Council shall absorb the costs of the task force within existing resources.

Sec. 8. Chair. The President of the Senate and the Speaker of the House of Representatives shall appoint jointly a chair from among the legislative members of the task force.

Emergency clause. In view of the emergency cited in the preamble, this Act takes effect when approved.



APPENDIX E

Administrative Costs Task Force Members

ADMINISTRATIVE COSTS TASK FORCE

(Chapter 48, P&S 1993)

Membership List

Legislative Members

| | |
|----------------------------------|---|
| Honorable Phillip E. Harriman | Human Resources Committee |
| Honorable Bonnie L. Titcomb | Appropriations & Financial Affairs Committee |
| Honorable Donald H. Gean (Chair) | Human Resources Committee |
| Honorable Joseph Bruno | Human Resources Committee |
| Honorable George J. Kerr | Appropriations & Financial Affairs Committee |

Public Members

| | |
|--------------------------------------|---|
| Sally Buckwalter Orland, Maine | (by Senate President - resigned 10/1/93) |
| Kevin Baack Portland, Maine | (by Senate President) |
| Thomas Nelson Sanford, Maine | (by Speaker of the House) |
| Reynold Raymond Eagle Lake, Maine | (by Speaker of the House) |

State Government Members

| | |
|--------------------------------|---------------|
| Sandy Harper Budget Office | (by Governor) |
| Ron Martel MHMR | (by Governor) |
| Marlene McMullen-Pelsor OSA | (by Governor) |
| Meris Bickford DHS, BCFS | (by Governor) |

APPENDIX F
Suggested Legislation



OFFICE OF THE REVISOR OF STATUTES

12-20-93
to DCE
FINAL
KWR

BILL DRAFT SUMMARY

LR #: 3095 ITEM #: 1 TYPE: O

TITLE:

An Act to Establish a System of Performance-based Agreements
for the Provision of Certain Social Services

SPONSOR:

COSPONSORS:

LEGEND: Submitted by the Administrative Costs
Task Force pursuant to Private and
Special Law 1993, chapter 48.

AUTHORITY FOR INTRODUCTION: PLW

DRAFTER: DCE TECH: SCS PROOF: KWR REVIEWER:

DATE/TIME LAST PRINTED: 12/20/93 08:41

LAST ACTION: PRF/RVDRFT 12/17/93

2 Be it enacted by the People of the State of Maine as follows:

4 Sec.1. 5 MRSA §20005-A is enacted to read:

6 §20005-A. Performance-based contracts

8 In addition to other applicable requirements and unless
10 precluded by other restrictions on the use of funds, the director
12 shall manage all funds available for the provision of alcohol or
14 other drug abuse services in accordance with the provisions of
16 this section.

18 1. Definitions. As used in this section, unless the
20 context otherwise indicates, the following terms have the
22 following meanings.

24 A. "Agreement" means a legally binding written document
26 between 2 or more parties, including such documents as are
28 commonly referred to as accepted application, proposal,
30 prospectus, contract, grant, joint or cooperative agreement,
32 purchase of service or state aid.

34 B. "Performance-based contract" means an agreement for the
36 purchase of direct client services employing a
38 client-centered, outcome-oriented process that is based on
40 measurable performance indicators and desired outcomes and
42 includes the regular assessment of the quality of services
44 provided.

46 2. Performance-based contract. The director shall ensure
48 that all agreements to purchase alcohol or other drug abuse
50 services entered into on or after July 1, 1995 are
performance-based contracts.

3. Rules. The director shall adopt rules to implement this
section, including, but not limited to, the establishment of
program goals, outcome measures, an information management system
to collect and manage contract data, a system of ongoing
assessment of program effectiveness and hold-harmless guidelines
for provider agencies during the first contract period or 12
months, whichever is greater.

Sec.2. 22 MRSA §12-A is enacted to read:

§12-A. Performance-based contracts

In addition to other applicable requirements and unless
precluded by other restrictions on the use of funds, the
commissioner shall manage all funds available for the provision
of social services in accordance with the provisions of this
section.

2 1. Definitions. As used in this section, unless the
4 context otherwise indicates, the following terms have the
6 following meanings.

8 A. "Agreement" means a legally binding written document
10 between 2 or more parties, including such documents as are
12 commonly referred to as accepted application, proposal,
14 prospectus, contract, grant, joint or cooperative agreement,
16 purchase of service or state aid.

18 B. "Performance-based contract" means an agreement for the
20 purchase of direct client services employing a
22 client-centered, outcome-oriented process that is based on
24 measurable performance indicators and desired outcomes and
26 includes the regular assessment of the quality of services
28 provided.

30 2. Performance-based contract. The commissioner shall
32 ensure that all agreements to purchase social services entered
34 into on or after July 1, 1997 are performance-based contracts.

36 3. Rules. The commissioner shall adopt rules to implement
38 this section, including, but not limited to, the establishment of
40 program goals, outcome measures, an information management system
42 to collect and manage contract data, a system of ongoing
44 assessment of program effectiveness and hold-harmless guidelines
46 for provider agencies during the first contract period or 12
48 months, whichever is greater.

50 Sec. 3. 34-A MRSA §1206-A is enacted to read:

§1206-A. Performance-based contracts

In addition to other applicable requirements and unless
precluded by other restrictions on the use of funds, the
commissioner shall manage all funds available for the provision
of human services in accordance with the provisions of this
section.

1 1. Definitions. As used in this section, unless the
2 context otherwise indicates, the following terms have the
3 following meanings.

4 A. "Agreement" means a legally binding written document
5 between 2 or more parties, including such documents as are
6 commonly referred to as accepted application, proposal,
7 prospectus, contract, grant, joint or cooperative agreement,
8 purchase of service or state aid.

2 B. "Performance-based contract" means an agreement for the
4 purchase of direct client services employing a
6 client-centered, outcome-oriented process that is based on
measurable performance indicators and desired outcomes and
includes the regular assessment of the quality of services
provided.

8 2. Performance-based contract. The commissioner shall
10 ensure that all agreements to purchase human services entered
into on or after July 1, 1997 are performance-based contracts.

12 3. Rules. The commissioner shall adopt rules to implement
14 this section, including, but not limited to, the establishment of
16 program goals, outcome measures, an information management system
18 to collect and manage contract data, a system of ongoing
assessment of program effectiveness and hold-harmless guidelines
for provider agencies during the first contract period or 12
months, whichever is greater.

20 Sec. 4. 34-B MRSA §1208-A is enacted to read:

22 §1208-A. Performance-based contracts

24 In addition to other applicable requirements and unless
26 precluded by other restrictions on the use of funds, the
28 commissioner shall manage all funds available for the provision
of human services in accordance with the provisions of this
section.

30 1. Definitions. As used in this section, unless the
32 context otherwise indicates, the following terms have the
following meanings.

34 A. "Agreement" means a legally binding written document
36 between 2 or more parties, including such documents as are
38 commonly referred to as accepted application, proposal,
prospectus, contract, grant, joint or cooperative agreement,
purchase of service or state aid.

40 B. "Performance-based contract" means an agreement for the
42 purchase of direct client services employing a
44 client-centered, outcome-oriented process that is based on
measurable performance indicators and desired outcomes and
includes the regular assessment of the quality of services
provided.

46 2. Performance-based contract. The commissioner shall
48 ensure that any agreement with the board of the regional
50 authority for Region V established pursuant to Public Law 1991,
chapter 781, Part C entered into on or after July 1, 1994 is a

2 performance-based contract. The commissioner shall ensure that
3 all agreements to purchase human services entered into on or
4 after July 1, 1997 are performance-based contracts.

6 3. Rules. The commissioner shall adopt rules to implement
7 this section, including, but not limited to, the establishment of
8 program goals, outcome measures, an information management system
9 to collect and manage contract data, a system of ongoing
10 assessment of program effectiveness and hold-harmless guidelines
11 for provider agencies during the first contract period or 12
12 months, whichever is greater.

14 **Sec. 5. Regional mental health authority board.** The regional mental
15 health authority board for Region V established pursuant to
16 Public Law 1991, chapter 781, Part C shall implement a
17 performance-based system of agreements for the provision of
18 direct client services within the region according to the
19 following schedule.

21 1. On or after July 1, 1994, the regional mental health
22 authority board for Region V shall enter into an agreement with
23 the Department of Mental Health and Mental Retardation that is
24 performance-based in nature.

26 2. The year from July 1, 1994 to June 30, 1995 is a
27 planning and development year to allow for staff training,
28 identification of services to be phased in first and development
29 of desired outcomes and performance indicators.

31 3. The year from July 1, 1995 to June 30, 1996 is a partial
32 implementation year, requiring performance-based agreements for a
33 significant number of selected categories of services or client
34 populations.

36 4. On July 1, 1996, the regional mental health authority
37 board for Region V shall begin full implementation of
38 performance-based agreements across all categories of services
39 and client populations.

41 **Sec. 6. Oversight Committee on Performance-based Contracting.** The
42 Oversight Committee on Performance-based Contracting, referred to
43 in this section as the "committee," is established.

45 1. **Membership.** The committee consists of the following 17
46 members:

48 A. The 13 members of the former Administrative Costs Task
49 Force established pursuant to Private and Special Law 1993,
50 chapter 48 may serve on the committee, including:

2 (1) One member of the Senate and 2 members of the
4 House of Representatives from the Joint Standing
6 Committee on Human Resources, appointed by the
presiding officers of their respective legislative
bodies;

8 (2) One member of the Senate and one member of the
10 House of Representatives from the Joint Standing
12 Committee on Appropriations and Financial Affairs,
appointed by the presiding officers of their respective
legislative bodies;

14 (3) Four members representing private agencies that
16 provide services under contracts with the State, 2
appointed by the President of the Senate and 2
18 appointed by the Speaker of the House of
Representatives; and

20 (4) Four members representing state departments,
22 appointed by the Governor;

24 B. One representative of the Department of Corrections
appointed by the Governor;

26 C. One member of the Joint Select Committee on Corrections
28 appointed jointly by the President of the Senate and the
Speaker of the House of Representatives; and

30 D. Two representatives of the public who are consumers of
32 social services, at least one of whom is a primary consumer,
one appointed by the President of the Senate and one
34 appointed by the Speaker of the House of Representatives.

36 At least one of the legislative members appointed by the
President of the Senate and one of the legislative members
38 appointed by the Speaker of the House of Representatives must be
from the minority party.

40 Any necessary appointments, including any vacancies in the
42 membership of the Administrative Costs Task Force must be filled
by the appropriate appointing authority no later than 30 days
44 following the effective date of this Act. The Executive Director
of the Legislative Council must be notified by all appointing
46 authorities once the selections have been made. The President of
the Senate and the Speaker of the House of Representatives shall
48 jointly appoint the chair of the committee. Members may serve as
long as eligible for the position to which appointed. Vacancies
50 must be filled by the appropriate appointing authority within 30
days.

2 2. Duties of committee; responsibility of departments. The
committee is responsible for oversight, coordination and
4 evaluation of the implementation of performance-based agreement
systems for the provision of direct client services by the state
6 departments provided in this Act, including establishing
departmental goals for the provision of social services,
8 identifying appropriate outcome measures for those goals,
creating an information management system to track services
10 provided to clients and setting up a system to assess the
effectiveness with which the services are provided.

12 The schedule for implementation of performance-based agreement
14 systems for the provision of services must be in accordance with
sections 1 to 4 of this Act. In addition, the committee shall
16 apply an intermediate schedule of implementation for the
Department of Human Services, Department of Corrections and
18 Department of Mental Health and Mental Retardation, other than
services provided through the mental health authority board for
20 Region V, as follows.

22 A. The year from July 1, 1994 to June 30, 1995 is a
preplanning year to allow for staff training and a liaison
24 function among the affected departments.

26 B. The year from July 1, 1995 to June 30, 1996 is a
development year to identify the services to be phased in
28 first and to develop the desired outcomes and performance
indicators.

0 C. The year from July 1, 1996 to June 30, 1997 is a partial
implementation year, requiring performance-based agreements
2 for a significant number of selected categories of service
4 or client groups.

6 D. On July 1, 1997, there must be full implementation of
performance-based agreements across all service categories.

8 In carrying out its duties, the committee shall ensure that the
performance-based systems of agreements for the provision of
0 social services developed by the state departments provide for a
shared responsibility among all affected constituencies,
2 including consumers, providers, Legislators and affected state
4 agencies, especially in development of goals and outcome
measures; a technical assistance component to assist the
6 departments; a monitoring system, including an information
management system, to evaluate whether programs are having the
8 desired results; sufficient flexibility to meet the agreed-upon
outcomes; a hold-harmless provision for provider agencies during

2 the first contract period or for 12 months, whichever is greater;
and sufficient time for affected persons and groups to adjust to
4 an outcome-oriented approach.

6 The committee shall complete its work by January 1, 1999. The
committee shall meet as necessary to complete its duties and is
8 authorized to use grants and other funds obtained from private
organizations, the Federal Government and other non-General Fund
10 sources. The committee may request assistance in carrying out
its duties from qualified individuals or organizations inside or
12 outside of State Government. The committee may request staffing
assistance from the Legislative Council.

14 The state departments and the mental health authority board of
Region V shall meet with and report to the committee as
16 determined necessary by the committee to coordinate
implementation of this Act.

18
20 3. Compensation. The members of the committee who are
Legislators are entitled to receive their expenses and the
22 legislative per diem, as defined in the Maine Revised Statutes,
Title 3, section 2, for each day's attendance at committee
24 meetings. Other members are reimbursed for their expenses,
except that representatives from state departments receive no
26 reimbursement. Notwithstanding this subsection, a member may
receive compensation for attendance at no more than 6 committee
28 meetings in any fiscal year.

30 4. Report; legislation. The committee shall submit a final
report, together with any necessary implementing legislation, to
32 the First Regular Session of the 119th Legislature no later than
December 1, 1998. The report must include an assessment of the
34 effectiveness of the performance-based agreement system and
recommendations on whether it should be continued, including
36 whether its application should be narrowed or broadened to
include other state departments or categories of contracted-for
38 services. During its existence, the committee is authorized to
submit legislation to any regular session of the Legislature.

42 STATEMENT OF FACT

44 This bill implements the unanimous recommendations of the
Administrative Costs Task Force established in Private and
46 Special Law 1993, chapter 48. Specifically, this bill requires
the Department of Human Services; the Department of Mental Health
48 and Mental Retardation; the Department of Corrections; the Office
of Substance Abuse within the Executive Department; and the
50 regional mental health authority board for Region V, established

2 pursuant to Public Law 1991, chapter 781 to utilize
performance-based contracts to purchase direct client services.
4 This bill requires a phased-in approach allowing time for
planning, development and partial implementation before a
6 complete conversion to a performance-based system. This bill
also establishes the Oversight Committee on Performance-based
Contracting to monitor the progress of the affected agencies.
8

10 _____
12
14 This document has not yet been reviewed to determine the
need for cross-reference, stylistic and other technical
16 amendments to conform existing law to current drafting standards.