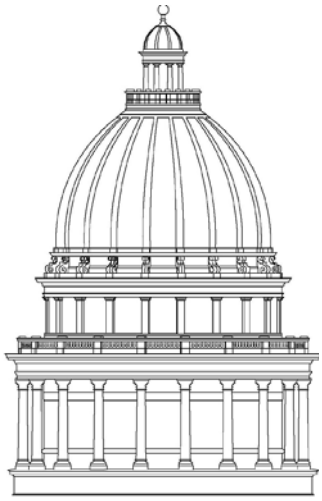
REPORT TO THE

UTAH LEGISLATURE

Number 2009-19



A Performance Audit
Of
DWS Eligibility Determination Services

December 2009

Office of the
LEGISLATIVE AUDITOR GENERAL
State of Utah

STATE OF UTAH
Office of the Legislative Auditor General

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JOHN M. SCHAFF, CIA
AUDITOR GENERAL

December 22, 2009

TO: THE UTAH STATE LEGISLATURE

Transmitted herewith is our report, **A Performance Audit of DWS Eligibility Determination Services** (Report #2009-19). A digest is found on the blue pages located at the front of the report. The objectives and scope of the audit are explained in the Introduction.

We will be happy to meet with appropriate legislative committees, individual legislators, and other state officials to discuss any item contained in the report in order to facilitate the implementation of the recommendations.

Sincerely,

John M. Schaff

John M. Schaff, CIA
Auditor General

JMS/lm

Digest of
A Performance Audit DWS
Eligibility Determination Services

The annual cost for determining medical assistance eligibility increased $28.1 million since the functions were consolidated from the Department of Health (DOH) to the Department of Workforce Services (DWS) in July 2007. DWS has addressed some areas of concern to reduce inefficiencies since our previous audit in 2008. This audit addresses additional areas of concern.

Chapter II: DWS Cost Allocation System Inaccuracy Increases State Costs

A Random Moment Time Sample (RMTS) Is Used to Allocate Eligibility Determination Costs. DWS eligibility workers determine eligibility for 14 major public assistance programs. The RMTS is designed to allocate program costs based on the amount of time eligibility workers spend on each program. Each quarter of fiscal year 2009, DWS randomly sent out 4,500 RMTS to eligibility workers to determine what they were doing at the exact time they receive the inquiry.

RMTS Pool Composition Inflates State Contribution. DWS could have reduced state costs by almost $500,000 in fiscal year 2009 by direct charging Medicaid-specific eligibility workers. Currently, 57 eligibility workers who determine eligibility for only Medicaid are included in the RMTS pool. The RMTS pool should only include eligibility workers who determine eligibility for multiple programs.

Inaccurate Time Reporting Lessens the Reliability of Cost Allocation System. Eligibility workers took longer than one hour to respond to RMTS inquiries 35 percent of the time, and 30 percent of eligibility workers do not believe their RMTS responses accurately reflect how they spend their time. Fifteen percent of the time, DWS included responses in its cost calculations that took longer than one day. Utah is the only one of seven sampled states that includes responses that take more than one day.

DWS Management Should Increase Emphasis on Timely RMTS Response. Management could increase RMTS response timeliness by requiring immediate electronic notification of receipt of an RMTS inquiry, notifying supervisors if responses take longer than one hour, including RMTS timeliness on performance evaluations, and providing regular RMTS response training.

Chapter III: DWS Financial Controls Have Been Taxed By Medical Assistance Consolidation

Medical Assistance Consolidation Increased State's Eligibility Determination Costs. The state's share of eligibility costs has increased from 24.3 percent to 32.6 percent of all eligibility determination costs since the medical assistance eligibility determination consolidation. The increase in the state's share of eligibility determination costs can be attributed primarily to eligibility workers spending more time on programs with a higher state contribution (such as Medicaid).

Legislature Should Reassess DWS Funding. In-kind contributions from third parties used as part of the state's Temporary Assistance for Needy families' maintenance-of-effort payment have freed up $16.1 million in state funds. DWS plans to use these freed up state funds to address its $10 million, fiscal year 2009 deficit that was partially created by reliance on surpluses from previous years that were not available to begin fiscal year 2009. DWS is funded under a single line item, which allows the department to shift funds among programs without legislative approval. The Legislature should determine how this freed up funding should be used.

Chapter IV: DWS Service Delivery Improvements Could Reduce State Costs

Coordination with Community Partners Could Enhance Service and Reduce Costs. DWS should actively seek to increase partnerships with community organizations that share similar goals. Other states have saved millions of dollars and enhanced eligibility determination services by partnering with community organizations.

DWS Should Reevaluate the Need for Some Buildings. DWS could eventually save the state $530,000 per year by eliminating four underutilized buildings in Castle Dale, Kanab, Logan, and Woods Cross. DWS should also consider downsizing three additional buildings in Nephi, Panguitch, and Tooele.

DOH Should Regularly Calculate Disproportionate-Share hospitals. DWS is responsible for placing outstation eligibility workers in or near disproportionate-share hospitals; however, DOH has not calculated which hospitals are disproportionate share. DOH should also consider the adequacy of their current policy for outstation eligibility workers in disproportionate-share hospitals.

REPORT TO THE

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Report No. 2009-19

A Performance Audit

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Chapter I
Introduction

Prior to fiscal year 2008, eligibility for Utah's public assistance programs was determined by either the Department of Workforce Services (DWS or department) or the Department of Health (DOH). This changed in July 2007, when 253 eligibility workers were transferred from DOH to DWS in a plan to eliminate duplication of effort and save the state $3.5 million to $4 million per year by fiscal year 2012. Two years after the consolidation, however, medical assistance eligibility determination costs have more than doubled.

DWS now is responsible for determining eligibility for 14 major food and financial, medical, and employment assistance programs. At the end of fiscal year 2009, the department employed 1,326 eligibility workers and employment specialists to work with applicants and recipients to determine if they qualify for assistance programs.

The Office of the Legislative Auditor General conducted a limited review of medical assistance eligibility determination costs in 2008. The review raised concerns with the accuracy of DWS' cost allocation system and recommended this audit be conducted to address these concerns. Since the limited review, DWS has implemented several of the initial report's recommendations that address inefficiencies.

Medicaid Eligibility Costs Increased After Transfer to DWS

The cost for determining eligibility for medical assistance programs has doubled since the eligibility consolidation in FY 2008.

Eligibility determination for medical assistance programs was transferred from DOH to DWS in July 2007. The annual cost for determining medical assistance eligibility increased $28.1 million in the first two years since the consolidation, despite the expectation that the state would eventually save $3.5 million to $4 million per year. Some of the increased cost is due to DOH administrative costs remaining the same after the consolidation.

DWS management claims that an increase in Medicaid cases is the main reason for the cost increase; however, case growth does not appear to be a major factor. Cases for other eligibility programs, such

as Food Stamps, increased at a much higher rate than Medicaid but did not experience such a dramatic cost increase. Due to the DWS cost allocation plan, an increase in cases for a given program does not necessarily impact the cost of determining eligibility for that program. DWS' cost allocation plan is discussed in more detail in Chapter III.

Medical Assistance Costs Have Increased Disproportionately Since the Consolidation

Medicaid cases increased 15 percent since FY 2008, while eligibility determination costs increased 114 percent.

Medical assistance eligibility determination costs have increased at a disproportionate rate compared to other eligibility programs. Total Medicaid eligibility determination costs increased 114.1 percent, while Medicaid cases increased 14.8 percent since the eligibility determination consolidation in fiscal year 2008. In contrast, Food Stamps cases increased 57.7 percent since the beginning of fiscal year 2008, while costs increased only 14.5 percent during the same time. Figure 1.1 shows the costs to determine eligibility for Medicaid, the Children's Health Insurance Program (CHIP), and Primary Care Network (PCN).

Figure 1.1 Medical Assistance Eligibility Costs Increased an Average of 51 Percent per Year Since Being Transferred from DOH. Medicaid costs increased an average of 49 percent since the transfer.

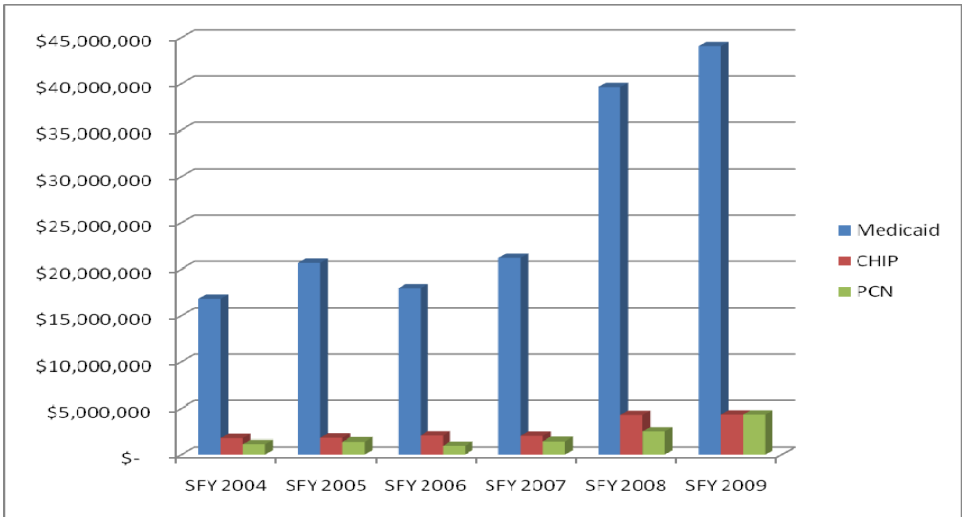


Figure 1.1 shows that eligibility determination costs increased for all medical assistance programs since the eligibility determination consolidation at the beginning of fiscal year 2008. During the four years before the consolidation, total medical assistance eligibility

determination costs and Medicaid eligibility determination costs each increased an average of 9 percent per year.

While part of the cost to determine eligibility for medical assistance programs can be attributed to an increase in cases, we do not believe it contributed to the majority of the cost increase. Due to the DWS cost allocation plan, an increase in cases will only increase a program's cost if more time is spent determining eligibility for that specific program relative to other eligibility programs. DWS' cost allocation plan is discussed in greater detail in Chapter II of this report.

The DWS cost allocation plan allocates program cost based on reported staff time spent rather than the number of cases.

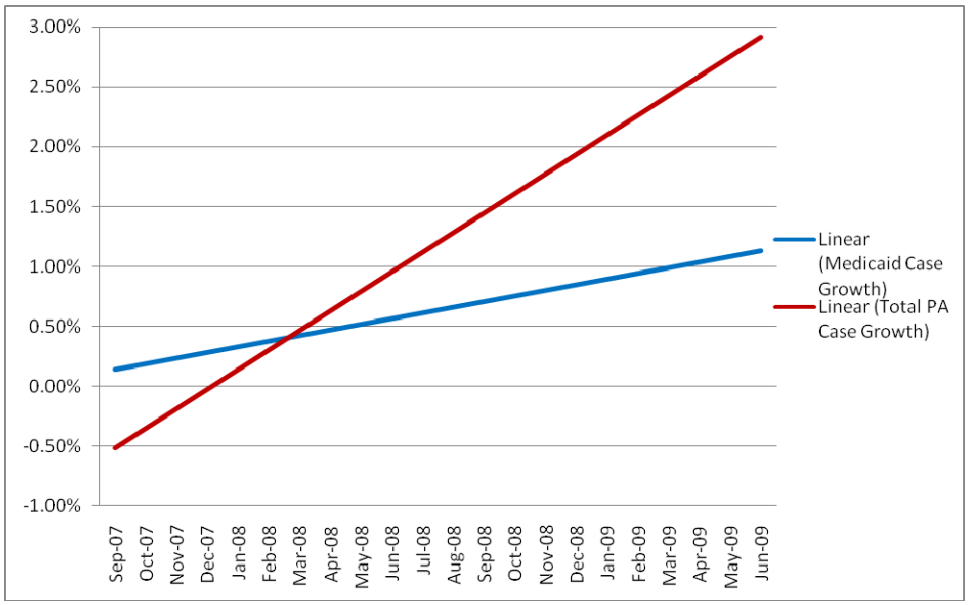
The doubling of medical assistance determination costs occurring after the eligibility determination consolidation has an effect on state costs. The state's share has increased due to redistribution of costs from programs that receive a higher federal match, such as Temporary Assistance for Needy Families (TANF) and child care, to programs that receive a lower federal match, such as Medicaid. Redistribution of costs is addressed in greater detail in Chapters II and III of this report.

Case Growth Is Not a Major Factor in Medicaid Cost Increase

DWS management believes that Medicaid case growth is the main cause for costs being redistributed to Medicaid; however, this does not appear to be the case. While Medicaid cases have increased since the medical assistance consolidation in fiscal year 2008, cases for other public assistance programs have increased at a higher rate. Figure 1.2 shows linear trend lines for percent case growth per month for total public assistance programs compared to Medicaid.

Medicaid cases have not increased as much as other eligibility program cases.

Figure 1.2 Medicaid Cases Are Increasing at a Lesser Rate than Total Public Assistance Program Cases. Case growth does not necessarily mean costs have increased.



Case growth does not necessarily mean higher eligibility determination cost.

The trend lines in Figure 1.2 show that, while Medicaid cases are increasing, cases for other public assistance programs are increasing at a higher rate. Medicaid cases increased 14.8 percent from September 2007 to June 2009, while all other cases increased 35.5 percent.

Based on the state cost allocation plan, case growth does not necessarily translate into increased cost. Program cost is determined by the percent of time eligibility workers spend determining eligibility for that specific program, not by the number of cases. In other words, case growth would generally only increase program costs if eligibility workers needed to spend more time on that specific program and less time on other programs.

Some policy changes have taken place during the last three years that may have added some duties in determining Medicaid eligibility, while other policies have streamlined the process. None of the changes appear to be abnormal or to necessitate spending more time determining eligibility for Medicaid than in the past. We are concerned that eligibility workers are spending more time determining eligibility for Medicaid than in the past, yet Medicaid cases increased at a lower rate than total public assistance programs. Chapters II and III elaborate on this concern.

DWS Has Addressed Some Areas of Concern

Since the previous audit, DWS has created the Eligibility Services Division (ESD) to increase consistency among eligibility workers, spread caseloads across all eligibility workers in the state to better utilize staff, and separated the random moment time sample (RMTS) into separate samples for employment and eligibility services. These steps have laid the groundwork for program improvements.

Eligibility Services Division Increases Uniformity

The newly created Eligibility Services Division addresses some previous concerns.

Reporting inconsistencies among eligibility workers were a concern during our limited review of eligibility determination. Prior to the creation of the ESD, the department consisted of five regions that each operated independently and uniquely. Each region had its own procedures for determining eligibility, which led to inconsistency of recipient treatment.

The ESD is led by one management team, which provides for consistent training and dissemination of information. While DWS management could do more to train eligibility workers, we believe that the creation of the ESD is an essential step in creating greater consistency and allowing eligibility workers to be more efficient.

Portable Caseloads Spread Workload Among Staff

The ESD allows for cases to be routed anywhere in the state.

The ESD has created a greater level of consistency among eligibility workers throughout the state and has enabled DWS to route calls to any eligibility worker in the state, thus creating portable caseloads. During our previous review, we were concerned that eligibility workers in urban regions had almost twice as many cases as eligibility workers in rural regions.

DWS is now able to route eligibility inquiries to any eligibility worker in the state. Additionally, DWS is able to allow more eligibility workers in rural areas to telecommute, thus decreasing the demand for state buildings. We believe this organizational change will allow DWS to operate more efficiently and serve recipients in a more effective and timely manner.

Separate RMTS Pool Created For Employment Specialists

DWS has recently created separate RMTS pools for eligibility and employment programs.

DWS has created a separate RMTS pool that includes all employment specialists, instead of including eligibility workers and employment specialists in the same pool. This change alleviates some of our concern regarding the overall accuracy of the cost allocation system. The separation of the RMTS pool, along with adequate training, will allow DWS to more accurately account for eligibility costs. Remaining concerns with the accuracy of the cost allocation system are addressed in Chapter II of this report.

Audit Scope and Objectives

This audit was requested by the Legislative Audit Subcommittee in response to the report *A Limited Review of Medical Assistance Eligibility Determination Costs*. We were asked to review all aspects of eligibility determination by DWS. Specifically, this audit focuses on the following objectives:

- Determine the accuracy of the cost allocation plan for determining eligibility.
- Determine the effect of cost redistribution occurring after the transfer of medical assistance eligibility.
- Review any other areas in which greater efficiency can be achieved or costs can be reduced.

To address these objectives, we took a random sample of RMTS results from fiscal year 2009 to determine the accuracy of the cost allocation system. We also surveyed eligibility workers regarding their responses to RMTS inquiries. Seventy-nine percent DWS eligibility workers responded to the survey. We also reviewed potential steps that could be taken to reduce costs, including direct charging eligibility workers who determine eligibility for only one program and eliminating and downsizing seven leased buildings.

Chapter II addresses inaccuracies with the RMTS system. Chapter III cites concerns with the medical assistance eligibility determination consolidation and budgeting practices. Chapter IV discusses areas in which enhancements to the service delivery model improve efficiency.

Chapter II
DWS Cost Allocation System Inaccuracy Increases State Costs

In fiscal year 2009, the Department of Workforce Services (DWS or department) allocated $125 million in state and federal eligibility determination costs by using a random moment time sample (RMTS). DWS could have reduced state costs by almost $500,000 in fiscal year 2009 by direct-charging eligibility workers who determine eligibility solely for medical assistance programs rather than including them in the RMTS. The department could realize additional savings by modifying its cost allocation for eligibility workers who only determine eligibility for medical assistance programs.

Reliance on the RMTS system is concerning because one-third of eligibility workers do not believe the RMTS accurately accounts for how they spend their time. An additional concern is that 15 percent of RMTS program responses took longer than one day—a generally accepted time frame for an allowed response—in fiscal year 2009. DWS management should do more to encourage eligibility workers to respond to RMTS inquiries as quickly as possible and should not accept responses that take longer than one business day.

DWS management has not adequately trained eligibility supervisors or eligibility workers on how to respond to RMTS inquiries. Thirty-two percent of eligibility workers said they have guessed on an RMTS response, while 22 percent claim superiors told them to select a specific program each time they were unsure how to respond. DWS management should ensure that eligibility workers are adequately trained on responding accurately to RMTS inquiries.

An RMTS Is Used to Allocate Eligibility Determination Costs

DWS administers eligibility determination for 14 major state and federally funded public assistance (PA) programs, including medical assistance, food and financial assistance, and employment assistance. Most eligibility workers determine eligibility for a variety of PA programs throughout the workday. Identifying which program is

The Random Moment Time Sample (RMTS) is used to account for time in public assistance programs.

being worked on is important because each PA program is funded by a unique mix of state and federal funds. In order to account for time spent in each program, DWS uses the RMTS to charge eligibility determination costs among the various programs.

Since most PA programs receive federal funds, the use and implementation of the RMTS must be approved by the U.S. Department of Health and Human Services Division of Cost Allocation (DCA). According to DCA, an RMTS is

> A work sampling technique for statistically determining the amount of effort spent by a group of employees on various activities. An [RMTS] study consists of a number of individual observations of employee activities taken at randomly selected points in time. Based on these observations, the total effort of a group of employees can be estimated with a measurable degree of confidence and precision that the results approximate those had the employees been observed 100% of the time.

The RMTS observes employee activities at randomly selected moments in time.

The department cost allocation plan requires that only eligibility workers who work with multiple PA programs should be included in the RMTS pool. Each quarter, 4,500 RMTS inquiries are randomly e-mailed to eligibility workers during work hours. The eligibility worker is encouraged to respond to the inquiry by selecting the program that he or she believes most accurately reflects what he or she was doing at the moment the e-mail was received. Only program responses are included in allocating eligibility costs; responses from eligibility workers who were on a break when they received the RMTS inquiry, for example, are not included in the cost allocation.

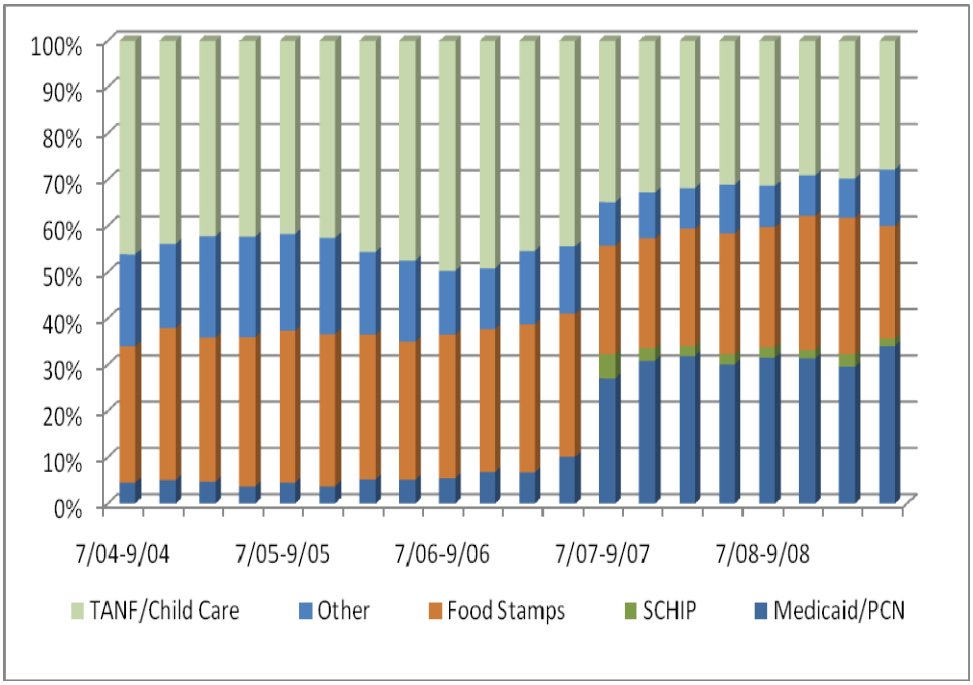
4,500 RMTS inquiries were e-mailed to eligibility workers in each quarter during FY 2009.

The DCA states that a minimum of 2,000 valid responses per sample period be must obtained. A valid observation is defined as any observation other than a non program response. A non program response occurs whenever a selected employee could not be contacted at the selected moment because he or she was on a break, for example.

Costs for eligibility workers, and both executive and administrative staff are allocated based on the results of this department cost allocation plan, which includes the RMTS and costs for all direct

charge eligibility workers. Figure 3.1 shows the RMTS responses for eligibility programs from 2004 to through fiscal year 2009.

Figure 2.1 RMTS Responses. The results of the RMTS, combined with employee costs that are direct charged, determined the allocation of over $125 million in fiscal year 2009.



Eligibility workers are spending more time determining eligibility for programs with a lower state share of the costs.

As shown, eligibility workers' reporting of time clearly changed with the medical assistance eligibility determination consolidation in July 2007. Because DWS allocates approximately $125 million of state and federal dollars based primarily on these responses, it is essential that responses to inquiries are returned timely and accurately.

Eligibility determination cost $125 million in state and federal funds in FY 2009.

RMTS Pool Composition Inflates State Contribution

DWS could have reduced state costs by more than $500,000 in fiscal year 2009 by direct-charging Medicaid-specific eligibility workers instead of including them in the RMTS pool. Specifically, DWS should direct charge all long-term-care eligibility workers and adjust the cost allocation plan for outstation medical assistance eligibility workers in order to increase cost allocation accuracy and maximize federal funds.

Inclusion of Long-Term-Care Teams Inflates Medicaid Responses

Long-term-care eligibility workers accounted for 10 percent of all Medicaid RMTS responses in FY 2009.

The state's share of eligibility costs would have decreased approximately $318,000 in fiscal year 2009 if DWS had direct charged long-term-care eligibility workers, eligibility workers who only determine eligibility for Medicaid, instead of including them in the RMTS pool. Though these eligibility workers comprised only two percent of the RMTS pool, they accounted for 10 percent of all Medicaid RMTS responses in fiscal year 2009. DWS should remove these eligibility workers from the RMTS pool and direct charge them to Medicaid to increase cost allocation accuracy and save the state money.

An RMTS should only include employees who determine eligibility for multiple programs.

According to the DWS cost allocation plan, direct charged costs are costs associated with employees assigned to work on specific contracts or programs. Including eligibility workers in the RMTS pool who only determine eligibility for one specific program increases costs for that program, because responses from the specialized eligibility workers are projected onto the entire population of the RMTS pool.

A cost allocation system such as the RMTS is necessary for the eligibility function because most eligibility workers administer several programs that have unique funding sources. Medicaid eligibility determination, for example, receives a 50 percent federal government match. Other eligibility programs, such as Temporary Assistance for Needy Families (TANF) receive a much higher federal match. Figure 2.2 shows the federal matches for programs in the RMTS pool.

Figure 2.2 Federal Matches for Programs in the RMTS Pool. Eligibility programs differ in their federal match requirements, complicating cost allocation.

Program	MOE*	State Share After MOE*	Federal Share After MOE
Medicaid	N/A	50.00%	50.00%
PCN	N/A	50.00	50.00
CHIP	N/A	20.48	79.52
Food Stamps	N/A	50.00	50.00
Child Care	$4,474,923	29.29	70.71
TANF	$20,414,111	0.00	100.00
General Assistance	N/A	100.00	0.00

**MOE is a maintenance-of-effort that the state must meet before it can receive federal funding.*

Eligibility programs have varying funding sources. Two programs, child care and TANF, have a maintenance-of-effort (MOE) requirement that the state must meet before it will receive any federal funding.

A result of the decreased accuracy of the cost allocation method is that the state has also lost out on federal match money by including long-term-care eligibility workers in the RMTS pool. Medicaid should be the only program that long-term-care eligibility workers select in response to an RMTS inquiry. By including the long-term-care eligibility workers in the RMTS pool, their Medicaid responses are projected onto the entire sample. This projection increased the percent of Medicaid RMTS responses for all eligibility workers included in the RMTS pool in fiscal year 2009, thus artificially increasing the reported overall cost of determining Medicaid eligibility.

The state's share of costs was increased because long-term-care eligibility workers were included in the RMTS pool.

The effect that including long-term-care eligibility workers had on the RMTS responses for fiscal year 2009 is shown below.

Figure 2.3 RMTS Responses for Medicaid Would Have Decreased 2.19 Percent if Long-Term-Care (LTC) Teams Were Direct Charged in Fiscal Year 2009. In contrast, the percent of responses for other programs with a higher federal match would have increased.

Program	Reported Responses	LTC Responses	Reported Responses Minus LTC Responses	Difference in RMTS Percent
Medicaid	2,485	248	2,237	-2.19%
PCN	258	0	258	0.11
Child Care	339	0	339	0.14
Food Stamps	2,239	5	2,234	0.86
TANF	2,210	1	2,209	0.90
SF Programs	244	0	244	0.10
CHIP	182	0	182	0.08
Total Eligibility Responses*	**7,968**	**254**	**7,714**	

**Does not include 10,032 non-eligibility and non-program responses*

Long-term-care eligibility workers only make up 2 percent of the RMTS pool.

Figure 2.3 shows that Medicaid RMTS responses would have been 2.19 percent fewer than reported if long-term-care eligibility workers had not been included in the RMTS pool. Thus, the responses for

programs with a higher federal match, such as TANF and child care, would have increased by .90 percent and .14 percent, respectively.

DWS' cost allocation plan allocated approximately $125 million in state and federal funds in fiscal year 2009. Figure 2.4 shows an estimated allocation of those funds had long-term-care teams been excluded from the RMTS pool.

Medicaid eligibility determination costs would have decreased $3.2 million, excluding direct costs, if long-term-care eligibility were excluded from the RMTS pool.

Figure 2.4 Cost Allocation for Medicaid Would Have Decreased by $3.2 Million if Long-Term-Care Teams Were Direct Charged in Fiscal Year 2009. The cost to direct charge long-term-care eligibility workers would have cost approximately $1.7 million, saving the Medicaid program $1.6 million.

Program	Estimated Eligibility Cost	Estimated Cost If LTC Teams Were Direct Charged	Discrepancy
Medicaid	$39,022,000	$35,789,000	($3,233,000)
PCN	4,051,000	4,128,000	77,000
Child Care	5,323,000	5,423,000	71,000
Food Stamps	35,159,000	35,741,000	582,000
TANF	34,704,000	35,341,000	637,000
SF Programs	3,832,000	3,904,000	72,000
CHIP	2,858,000	2,912,000	54,000

Medicaid costs allocated through the RMTS would have decreased by approximately $3.2 million in fiscal year 2009 if this group of eligibility workers had been direct charged.

It would have cost the Medicaid program $1.7 million to direct charge long-term-care eligibility workers.

It would have cost approximately $1.7 million in salaries, benefits, and overhead costs for DWS to direct charge long-term-care eligibility workers in fiscal year 2009. Figure 2.5 below shows how federal funding would have changed if these eligibility workers had been direct charged in fiscal year 2009.

Figure 2.5 The State Would Have Saved $318,000 if Long-Term-Care Eligibility Workers Had Been Direct Charged in Fiscal Year 2009. The long-term-care eligibility workers represented 10 percent of all Medicaid RMTS responses in fiscal year 2009.

Program	Change Minus Direct Costs	Federal Match	Change in Federal Share
Medicaid	($1,425,000)	50.00%	($762,000)
PCN	71,000	50.00	38,000
Child Care	93,000	100.00	71,000
Food Stamps	551,000	50.00	291,000
TANF	591,000	100.00	637,000
SF Programs	67,000	0.00	0.00
CHIP	50,000	79.52	43,000
	Total		**$318,000**

Figure 2.5 estimates that federal funding would have increased by $318,000 in fiscal year 2009 if DWS had direct charged long-term-care eligibility workers to Medicaid instead of including them in the RMTS pool.

DWS should direct charge all eligibility workers who only determine eligibility for one program.

DWS agrees that direct-charging long-term-care eligibility workers would increase the cost allocation system's accuracy and would have saved the state money in fiscal year 2009; however, the department does not believe that these savings would be consistent each year. For example, DWS believes it could have saved $206,000 during just the fourth quarter of fiscal year 2008, yet it also believes that the state would not have saved any money during the fourth quarter of fiscal year 2009. We recommend that DWS direct charge all eligibility workers who only determine eligibility for one program, including all long-term-care eligibility workers.

Outstationed Eligibility Workers Should Be Reassessed

DWS includes 29 non-seeded outreach eligibility workers who only determine eligibility for medical assistance program in its RMTS pool.

The state's share of eligibility costs would have decreased an additional $174,000 in fiscal year 2009 if DWS had direct charged all state-paid outreach eligibility workers in fiscal year 2009. DWS includes 29 eligibility workers in the RMTS pool who are placed in outstationed locations, such as medical clinics and hospitals. However, DWS direct charges to Medicaid 31 third-party-paid eligibility workers in other outstationed locations. DWS could decrease the state's costs by adjusting the cost allocation plan for medical assistance eligibility workers.

DWS Could Have Saved the State $174,000 by Direct-Charging Outreach Eligibility Workers in Fiscal Year 2009. Twenty-nine state-paid eligibility workers, located in hospitals and medical clinics throughout the state, were included in the RMTS pool in fiscal year 2009. It would be less costly and more accurate for them to be direct charged to medical assistance programs. Medical assistance costs were inflated because the responses of these 29 eligibility workers were projected onto the entire RMTS response pool, creating an inaccurate representation of the total cost of determining medical assistance.

However, DWS direct charges 31 other eligibility workers whose salaries are partially paid for by third parties and are also located in outreach locations. A third-party-paid eligibility worker is under contract with the outreach location to administer only Medicaid, but performs the same functions as state-paid outreach eligibility workers. We believe the 29 state-paid outstation eligibility workers who are included in the RMTS pool should be direct charged similarly to the way third-party-paid eligibility workers are direct charged.

State-paid outreach eligibility workers accounted for 6% of all Medicaid responses and 10% of all CHIP responses in FY 2009, yet they only represented 2% of the RMTS pool.

The state would have saved at least $174,000 in fiscal year 2009 if DWS would have direct charged these eligibility workers to medical assistance programs instead of including them in the RMTS pool. These savings would have been realized in a similar manner as the long-term-care eligibility workers mentioned previously. State-paid outreach eligibility workers who are included in the RMTS pool accounted for six percent of all Medicaid responses and 10 percent of CHIP responses during fiscal year 2009, though they only represented 2 percent of all eligibility workers in the RMTS pool.

DWS Should Adjust the Cost Allocation Plan for Outreach Eligibility Workers. Department staff report that third-party-paid eligibility workers also determine eligibility for the Children's Health Insurance Program (CHIP) and Primary Care Network (PCN) programs that are part of the medical assistance program. DWS direct charges these eligibility workers to the Medicaid program, however CHIP receives a higher federal match than Medicaid.

DWS could reduce the state's obligation by including time that outreach eligibility workers spend determining CHIP eligibility in its cost allocating plan.

If third-party-paid outreach eligibility workers determine eligibility for CHIP in addition to Medicaid, DWS would be able to increase federal funding by adjusting the current cost allocation plan and better

accounting for the time the eligibility workers spend working with each of these medical assistance programs.

Though considered a medical assistance program, CHIP receives a 79.52 percent federal match while Medicaid and PCN receive a 50 percent federal match. We are not able to determine how the third-party-paid outreach eligibility workers spend their time because they are not part of the RMTS pool; however it appears that they are determining eligibility for all medical assistance programs, including PCN and CHIP. State-paid outreach eligibility workers reported 8.8 percent of their time was spent determining eligibility for CHIP in fiscal year 2009.

DOH accounted for CHIP eligibility determination costs before the consolidation.

Before the consolidation of medical assistance eligibility determination in fiscal year 2008, the Department of Health (DOH) allocated costs for outreach eligibility workers by dividing total CHIP costs by total Medicaid costs. This ratio was then multiplied by the administrative costs for the outreach eligibility workers to determine how to fund these eligibility workers. The department could increase federal contributions through more accurate identification of work on CHIP eligibility determination if DWS adjusted its cost allocation plan for medical assistance eligibility to be more like that of DOH before the consolidation.

In order to account for CHIP costs of outstation employees, DWS and DOH would need to reevaluate their interagency contract that requires DOH to only reimburse CHIP costs of up to 3.4 percent of medical assistance eligibility determination costs. We recommend that DWS and DOH reassess the amount that DWS could be reimbursed for CHIP eligibility determination costs in order to maximize federal funds.

Inaccurate Time Reporting Lessens the Reliability of Cost Allocation System

A more timely response to RMTS inquiries is needed to ensure the accuracy of the cost allocation system. Eligibility workers took longer than one hour to respond to RMTS inquiries 35 percent of the time and longer than one workday 15 percent of the time. Additionally, 30

percent of eligibility workers reported they do not believe their RMTS responses accurately reflect how they spend their time.

Worker response times should be monitored to assure responses are as close to the random moment as possible.

The DCA states

> The [cost allocation plan] should describe the controls in place to monitor workers' responses to the [RMTS] to assure that responses provided are complete and are provided in a timely manner. It is imperative that worker response times be monitored to assure that the responses are as close to the random moment as possible.

We are concerned that untimely responses have led to the inaccurate allocation of $125 million in state and federal funds in fiscal year 2009.

Cost Allocation System's Timeliness Controls Are Inadequate

Untimely RMTS responses detract from the accuracy of the sampling methodology and can result in inappropriate funding allocations. A large percentage of Utah's responses exceed acceptable limits and would not be used by surveyed states.

Utah's Cost Allocation Plan Allows Slow Responses. Of 255 RMTS randomly sampled responses, over one-third took longer than one hour for a response. Of those responses that took longer than one hour, 43 percent took longer than one workday. Figure 2.6 shows the statistically valid RMTS sample results.

Figure 2.6 Eligibility Workers Took Longer Than One Business Day to Respond to RMTS Inquiries 35 Percent of the Time in Fiscal Year 2009. 255 sampled responses resulted in 143 program responses and 112 non-program, administrative/overhead responses

Response Time	Responses	Percentage
< 1 Hour	92	64.3%
1-3 Hours	21	14.7
3-5 Hours	4	2.8
5-10 Hours	4	2.8
10+ Hours*	22	15.0
Total Responses**	**143**	**100.0%**

**10 hours equals one business day*
***90 percent confidence interval with +/- 3% error rate.*

35 percent of RMTS responses took longer than one hour in FY 2009.

Of the 255 randomly chosen RMTS responses, 143 were responses for specific programs. The 112 non-program responses were administrative responses that do not have a unique source of funding and are not considered in allocating costs.

Other States Require RMTS Responses Within 24 Hours.

Several states utilize cost allocation methods similar to the one DWS uses. All six states that we reviewed have more stringent guidelines in place to minimize untimely responses. Figure 2.7 summarizes RMTS reporting requirements in sampled states that use cost allocation methods similar to Utah's system.

Other states do not include responses that take longer than one day.

Figure 2.7 Other States Do Not Include RMTS Responses That Take More Than One Day. The DCA requires that "responses are as close to the random moment as possible."

State	Time Requirement for Inclusion
Alaska	24 Hours
Colorado	24 Hours
Idaho	24 Hours
Ohio	24 Hours
Texas	24 Hours
Utah	*72 Hours*
Wisconsin	24 Hours

While other states that were not surveyed may have similar cost allocation systems and may allow more response time, Utah was the only state surveyed that allows RMTS responses of more than 24 hours.

In Idaho, if an RMTS inquiry does not receive a response within two hours a "nag" message is sent to the worker and his or her survey coordinator. In Wisconsin, a supervisor must explain why a specific employee returns a large number of administrative responses. Oklahoma requires that each county director be responsible to ensure each employee responds to the RMTS immediately upon receipt. We believe that Utah should do more to encourage more timely responses.

Untimely responses could lead to a misallocation of $125 million.

We are concerned that a timely RMTS response has not been a higher priority for DWS management. We believe that DWS management should adhere to the DCA requirement of monitoring employees "to assure that the responses are as close to the random moment as possible." Untimely responses reduce the reliability of the responses, decrease the accuracy of the cost allocation plan, and could lead to the misallocation of $125 million in state and federal funds.

Delayed Responses Reduce RMTS Accuracy

RMTS results decrease in accuracy when response times increase. Eligibility workers are more apt to report working on multiple programs if they are unsure on which program they were working. Additionally, superiors have told 22 percent of eligibility workers to select a certain program each time they are unsure which program to select, which is one reason 31 percent of eligibility workers do not believe their responses accurately represent how they spend their time.

Because it appears that eligibility workers are less sure what they were doing just one hour after receiving the RMTS inquiry, workers should respond as soon as possible. To demonstrate the need for a quick response, Figure 2.8 compares the distribution of program responses that took longer than one hour with those that took less than one hour for a response.

Figure 2.8 Eligibility Workers Are More Likely to Select "Multi-Program" if Their Responses Take Longer than One Hour. A representative sample of RMTS responses shows that eligibility workers selected "multi-program" as an RMTS response 69 percent more if the response took longer than one hour.

Program	Responses <1 Hour	Responses >1 Hour
Individual Programs		
CHIP	3.3%	2.0%
Child Care Assistance	4.3	3.9
Food Stamps	23.9	13.7
FS/Employee Training	0.0	2.0
Medicaid	27.2	17.6
State-Funded Program	2.2	3.9
TANF	19.6	21.6
Target App. Emp.	0.0	2.0
Universal Application	3.3	5.9
Multi-Program	*16.3*	*27.5*

Eligibility workers are more likely to choose multi-programs if response is greater than one hour.

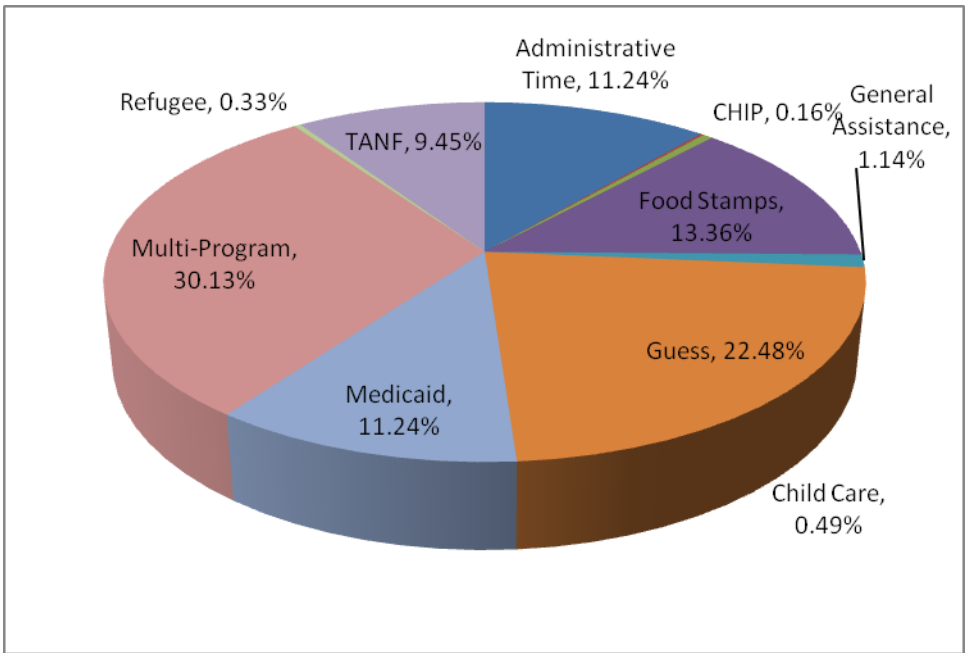
Figure 2.8 shows that multi-program responses represented 16 percent of responses received within one hour, compared to 28 percent of responses received after an hour.

Multi-program responses are not included for cost allocation purposes because they do not have a unique source of funding. However, the eligibility workers recalled that they were working on an eligibility program when they received the RMTS inquiry, thus we included these responses with program responses.

Many eligibility workers told us that they would select the multi-program option if they were unsure what they were doing when they received the RMTS inquiry. The audit surveyed all 1,326 eligibility workers in the RMTS pool. 1,044 eligibility workers, or 79 percent, responded to the 10-question survey. Figure 2.9 shows how employees told us they would respond if they were unsure what they were doing at the time they received the RMTS inquiry.

One-third of eligibility workers surveyed selected the multi-program option if unsure what they were doing when receiving RMTS e-mail.

Figure 2.9 Over 30 Percent of Eligibility Workers Said They Would Select "Multi-Program" if They Were Unsure. An additional 22 percent said they would guess.



Responses that take more than one hour increase uncertainty among eligibility workers.

As shown in Figure 2.9, almost one-third of eligibility workers would select the multi-program response if they were unsure what they were doing when they received the RMTS inquiry.

We believe that the 69 percent increase in multi-program responses sent an hour or more after the inquiry is due to an increase in uncertainty among eligibility workers. We recommend that DWS management do more to encourage eligibility workers to respond to RMTS inquiries in a timelier manner.

Superiors have told eligibility workers to select specific programs if they were unsure what they were doing when they received the RMTS inquiry.

Twenty-Two Percent of Eligibility Workers Were Told to Report a Specific Program if Unsure. Some eligibility workers stated a superior told them to select the multi-program option if they did not remember what they were doing when they received the RMTS inquiry. Other workers reported they were told to select a specific program when unsure. This type of instruction lowers the accuracy of the cost allocation system, creates confusion among eligibility workers, and contributes to a misallocation of $125 million in state and federal funds.

DWS management acknowledges that supervisors and trainers have previously told eligibility workers to select specific RMTS response options if unsure. They claim to have taken action to discontinue this practice; however, some eligibility workers have admitted that superiors have recently advised them to select specific programs each time they are unsure which program to select.

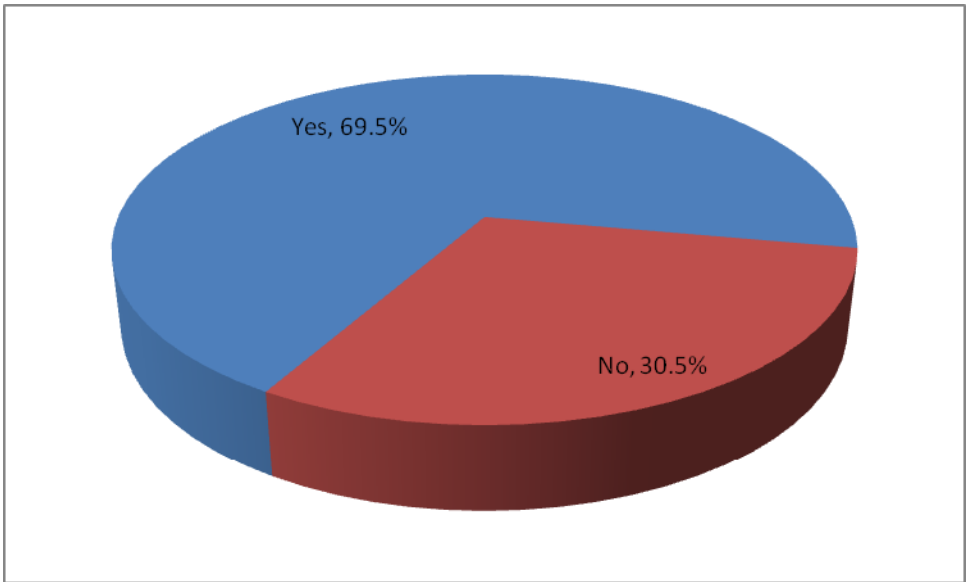
The DCA states that "an [RMTS] which is poorly designed, improperly implemented, or where [RMTS] participants are inadequately trained can adversely affect the [RMTS] results and cost reimbursement under Federal programs." We are concerned that inadequate training and supervision has contributed to the inaccuracy of the DWS cost allocation plan.

Selecting either multi-program or supervisor-selected options violates the intent of the system. Multi-program selections do not have a unique source of funding and are thus counted the same way as an administrative response. Supervisor-advised selections result in misleading counts and sample bias. This misguided supervision may be one reason why eligibility workers do not think their RMTS responses accurately represent how they spend their time. DWS management should direct supervisors and trainers not to advise eligibility workers to select certain programs.

Many Eligibility Workers Do Not Think Their RMTS Responses Are Accurate. Thirty-one percent of eligibility workers do not believe their RMTS responses accurately reflect how they spend their time. Figure 2.10 illustrates how eligibility workers responded to our survey question, asking if they believe their RMTS responses accurately reflect how they spend their time.

One-third of eligibility workers do not believe the RMTS accurately describes how they spend their time.

Figure 2.10 More than 30 Percent of Eligibility Workers Do Not Believe their RMTS Responses Accurately Reflect How They Spend Their Time. Nearly 85 percent of eligibility workers responded to our survey.



Regular training would increase cost allocation accuracy.

We believe that many eligibility workers are not confident in their responses because they are not selecting the appropriate response to RMTS inquiries in a timely manner. We believe that an increased emphasis on timely responses and training on how to properly respond to RMTS inquiries will increase cost allocation accuracy.

DWS Management Should Increase Emphasis on Timely RMTS Responses

DWS management can do more to increase the accuracy of the RMTS responses. More than 25 percent of eligibility workers do not have their GroupWise Notifier set up to alert them when they receive an RMTS e-mail. Management has not adequately trained eligibility workers on the importance of their RMTS responses, nor has it held eligibility workers accountable for the timeliness of their responses.

Some simple requirements could help improve both timeliness and accuracy of the RMTS system. First, management should require that all eligibility workers in the RMTS pool activate the GroupWise Notifier so that they are notified immediately when they receive an RMTS e-mail. Second, supervisors should be notified if an eligibility

worker has not responded to an RMTS inquiry within one hour. Third, DWS management should consider including RMTS response timeliness in eligibility worker performance appraisals. Fourth, DWS management should do a better job of training eligibility workers how to properly respond to an RMTS inquiry and the implications of inaccurate responses.

GroupWise Notifier Should Be Required for All Eligibility Workers

The state e-mail system has a tool, called GroupWise Notifier that enables employees to know when they receive an e-mail. A small box appears on the screen when an e-mail is received. Only 75 percent of eligibility workers said they have this feature enabled. The other 25 percent rely on occasionally checking their e-mail to discover whether an RMTS inquiry has come in, which lowers the chance that they will remember exactly what they were doing at the moment they received the e-mail.

Activating GroupWise Notifier will alert eligibility workers the moment they receive an RMTS inquiry.

Without immediate notice, eligibility workers have a reduced likelihood of responding to an RMTS inquiry in a timely way. Also, it is more likely the eligibility workers will not remember exactly what they were doing at the moment they received the e-mail.

Idaho's Department of Health and Welfare requires all eligibility workers in its RMTS pool to use a similar notification tool. Idaho also requires eligibility workers to open the RMTS e-mail "as soon as possible in order to minimize reliance on memory of your activity at the moment of contact." We believe that the RMTS results in Utah would be more accurate if DWS had similar policies and procedures.

Supervisors Should Be Notified If Workers Do Not Respond Quickly

Currently, a supervisor will receive an e-mail if the eligibility worker has not responded to the RMTS inquiry 24 hours after it was sent. We believe that RMTS accuracy could be increased if an e-mail is sent after to the supervisor after one hour passes without an eligibility worker response. As previously mentioned, Idaho sends the supervisor an e-mail after two hours. However since RMTS accuracy decreases after just one hour without a response, we recommend that supervisors be notified in one hour.

Supervisors should receive a notification from an administrator if an eligibility worker has not responded to an RMTS request within one hour.

Performance Appraisals Should Evaluate RMTS Response Time

DWS management should evaluate RMTS response timeliness on regular performance appraisals.

The current eligibility worker performance appraisal does not include RMTS response time as a performance factor. As mentioned previously, Wisconsin requires supervisors to explain why their employees have an excessive number of administrative responses. We believe that DWS management should hold workers and their supervisors more accountable for timely and accurate responses to RMTS inquiries.

RMTS Training Can Improve Response Timeliness and Accuracy

Management needs to clearly define to eligibility workers how to respond to an RMTS request.

Due to the percentage of eligibility workers who said they have guessed or that it was suggested to them to choose a specific program if in doubt, we believe DWS management needs to clearly define what eligibility workers should do when they receive an RMTS inquiry. Clearly defining the process on responding to an RMTS inquiry and providing worker training on the correct response procedure will help increase overall accuracy of the cost allocation system.

Additionally, DWS management should consider providing more frequent training on responding to RMTS inquiries. North Carolina, for example, requires that each eligibility worker and supervisor is trained on its RMTS plan each quarter. The North Carolina cost allocation plan also specifically defines what is considered as a "moment."

The cost allocation system will be more reliable if management will take an active role in ensuring greater timeliness and accuracy in the data gathering phase of the RMTS system.

Recommendations

1. We recommend that DWS exclude all eligibility workers who only determine eligibility for one program from the RMTS pool, including the following workers:

    a. Long-term-care eligibility workers
    b. Outstationed eligibility workers who only administer Medicaid eligibility
    c. Any other eligibility worker who only administers eligibility for one program

2. We recommend that DWS and the Department of Health reassess the amount that DWS could be reimbursed for CHIP eligibility determination costs in order to maximize federal funds.

3. We recommend that DWS exclude all RMTS responses that take longer than one working day for a response.

4. We recommend that DWS regularly train all eligibility workers in the RMTS pool how to respond to inquiries accurately and timely.

5. We recommend that DWS management refrain from encouraging eligibility workers to respond to certain programs if the eligibility workers are unsure what they were doing.

6. We recommend that DWS modify its cost allocation plan for outreach eligibility workers who only determine eligibility for medical assistance programs.

7. We recommend that DWS management encourage eligibility workers to respond as soon as possible after receiving a RMTS inquiry by doing the following:

    a. Requiring all employees to activate GroupWise Notifier
    b. Notifying supervisors if the eligibility worker has not responded within one hour of sending the RMTS inquiry

c. Including RMTS timeliness on the annual performance appraisals for eligibility workers
d. Requiring supervisors to explain why certain eligibility workers have a high number of non program responses

Chapter III
DWS Financial Controls Have Been Taxed By Medical Assistance Consolidation

Consolidating the Department of Health's (DOH) medical assistance eligibility function with the Department of Workforce Services' (DWS or department) program has increased the state's cost for determining eligibility. While some of the cost increase can be attributed to billing differences between the departments, much of it is due to the increase in time spent working on programs that are partially funded by the federal government as compared to programs that are fully funded. The effect of the redistribution of costs on the state's share of eligibility costs should be reevaluated at the end of each fiscal year until 2012 to determine if the promised medical assistance costs savings are realized.

DWS has been given a great deal of latitude in using state-appropriated funds. Due to the complexity of DWS' federal funding sources, the Legislature appropriates state funds as a single line item, allowing DWS to freely allocate departmental state funds among its programs.

Medical Assistance Consolidation Increased State's Eligibility Determination Costs

The state's share of eligibility determination costs has increased since the medical assistance eligibility consolidation at the beginning of fiscal year 2008. One reason for this increase is that cases in programs with higher state-payment shares have increased more rapidly than cases in programs with lower state shares.

The state's share of determining eligibility increased since the medical assistance consolidation.

The medical assistance consolidation has also played a large role in the increase of the state's share of eligibility costs. Medicaid cases have increased 14.8 percent since the consolidation, which has increased the time that eligibility workers report spending on Medicaid. State costs would not have increased as disproportionally had Medicaid eligibility determination remained in the DOH.

State Costs for Eligibility Increased Since Consolidation

In FY 2009, eligibility workers spent more time on cases that are funded at a higher state share than in previous years.

The state's share of eligibility determination costs increased significantly since the fiscal year 2008 medical assistance consolidation. In fiscal year 2009, eligibility workers spent more time determining eligibility for medical assistance programs, which receive a lower federal share than the other eligibility programs administered by DWS, than they spent in previous years.

The number of cases for programs that require higher state funding has increased at a higher rate than programs with lower state funding. Food Stamp cases have increased 57.7 percent since the beginning of fiscal year 2008, while Medicaid cases have increased 14.8 percent. Meanwhile, cases for programs that are fully federally funded only increased 4.1 percent since the beginning of fiscal year 2008. The increase in state costs due to case increases in programs that receive a higher percentage of state funds was one reason that DWS operated at a deficit in fiscal year 2009.

As shown in Figure 3.1, the shift in the time spent on eligibility programs due to the medical assistance eligibility consolidation affects the state's share of the eligibility costs. The increase in Medicaid cases impacts the overall time spent determining eligibility for a program with a higher state share.

Figure 3.1 The State's Share of Eligibility Determination Costs Has Increased Since Fiscal Year 2007. The medical assistance consolidation increased eligibility determination cost to the state.

The state's share of eligibility costs has increased each of the last three years.

Fiscal Year	Estimated State Share
2007*	24.34%
2008	30.66
2009	32.61

**FY 2007 Does not include Medicaid eligibility costs from the Department of Health*

Figure 3.1 shows that the state's estimated share of eligibility costs has increased over each of the last three years. While a change in the state's share should be expected with the consolidation of medical assistance eligibility determination, we are concerned that the high cost to the state caused by the consolidation was neither anticipated nor supported by actual enrollments.

Medical Assistance Eligibility Determination Costs Increased Since the Consolidation

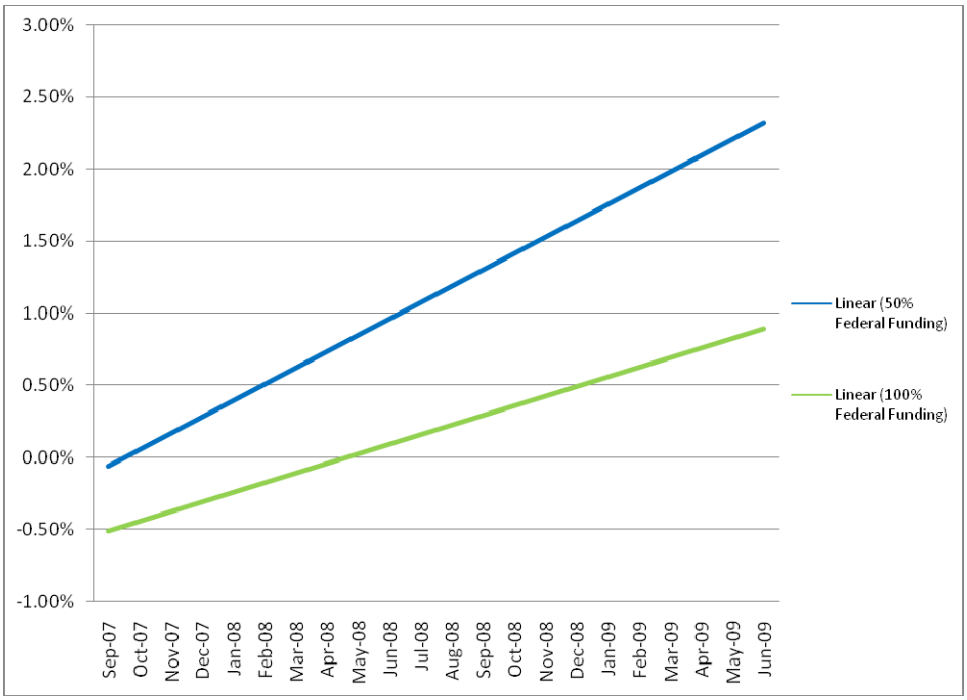
The cost of determining medical assistance eligibility in Utah increased $28.1 million the first two years after the consolidation. This additional cost contrasts with the expectation presented to the Legislature that the state could save $3.5 million to $4 million per year by fiscal year 2012; however, part of the increased cost appears to be due to the fact that DOH maintained the same level of administrative staff even though 253 eligibility workers were transferred from DOH to DWS. Some of the cost increase is due to the inclusion of DWS administrative and executive costs in its cost allocation plan. Inclusion of these functions increases the impact to the state when eligibility for a program with a higher state contribution, such as Medicaid, is determined by DWS' existing eligibility workers.

The Medical Assistance Eligibility Consolidation Redistributed Costs from Programs with a Lower State Share to Programs with a Higher State Share of Costs. Cases for programs that are equally funded by the federal and state governments increased 27.9 percent from the beginning of fiscal year 2008 to the end of fiscal year 2009 while cases for programs that are funded fully by the federal government have only increased by 4.1 percent. Cases for the Children's Health Insurance Program (CHIP), which are federally funded at approximately 80 percent, increased 37 percent.

The consolidation of medical assistance eligibility determination increased the state's share of eligibility costs.

It appears that some of the increase in the state's share of eligibility costs is due to the disproportionate increase in cases requiring a higher share of costs, such as Medicaid, compared to programs that have a lower state share. Figure 3.2 compares trend lines for the monthly case increases for programs that receive 50 percent of their funding from the state with increases for program that receive 100 percent federal funding. (Programs with a state maintenance-of-effort (MOE) requirement are considered to be fully federally funded because the MOE is a fixed cost the state must pay.)

Figure 3.2 Cases for Programs Partially Funded By the State Are Increasing Relative to Cases That Are Fully Federally Funded. Tracking the monthly percentage changes in cases shows that cases for programs that are 50 percent state funded increased at a higher rate that cases that are funded entirely by the federal government.



Cases that are fully funded by the federal government are increasing at a lesser rate than those that are only partially funded by the federal government. The discrepancy in case growth rates partially explains the decrease in federal funding since fiscal year 2007.

Medicaid case growth would not have increased state costs before the consolidation.

The cost of determining Medicaid eligibility would not have had such an effect on the state's share of eligibility costs if the eligibility determination had been done by the DOH. Medicaid eligibility determination costs were a fixed cost in the DOH, regardless of the number of cases. Since the consolidation, however, the increase in Medicaid cases impacts the overall time spent determining eligibility for a program with a higher state share. The cost allocation plan's methodology projects the effects of this extra time spent to determine Medicaid eligibility on to all 1,326 eligibility workers.

DWS' cost allocation plan assigns costs based on the time reported on each program rather than on the number of cases. While the

change in overall case composition contributes to the increase in the state's share of the costs, it does not appear to be the only factor.

DWS Assigns Costs Differently than DOH. As mentioned previously, DWS' random moment time sample (RMTS) determines how eligibility costs are allocated. The department uses the results of the RMTS combined with eligibility workers who are direct charged to allocate costs for department executive and administrative staff.

The inclusion of administrative and executive costs in the DWS cost allocation plan contributed to an increase in medical assistance eligibility determination costs.

In contrast, DOH had both a homogeneous funding mechanism and a specific bureau, the Bureau of Eligibility Services (BES), which previously determined eligibility for all stand-alone medical assistance cases. All medical assistance eligibility determination costs were direct charged by BES to medical assistance programs.

DOH costs were accounted for through a different charging mechanism that also bills Medicaid. The consolidation did not affect DOH administration and support charges to either the state or the federal Medicaid program. In fact, the only change was the reallocation of DWS administration and support costs which shifted costs from federal to state funds.

The increase in medical assistance eligibility determination costs since the consolidation is partially due to the inclusion of administrative and executive costs in the cost allocation plan. The responses from eligibility workers who determine Medicaid eligibility are projected onto all 1,326 eligibility workers in DWS as well as department administrative and executive staff.

As mentioned in Chapter II, we believe that the department could be more accurate in allocating costs. We also believe that the consolidation has inadvertently increased costs due to the duplication of administrative functions. We recommend that the Legislature review the effect of the medical assistance determination consolidation on the state's share of eligibility costs at the end of each fiscal year until 2012 to determine if Medicaid eligibility determination should remain at DWS.

Legislature Should Reassess DWS Funding

The recent economic downturn has resulted in DWS developing what we believe to be supplemental funding and that DWS believes it can use to address the $10 million deficit for fiscal year 2009. According to the department, this deficit is caused by an increase in caseloads in programs that receive state funds, a decrease in fiscal year 2009 Temporary Assistance for Needy Families (TANF) pre-payment, and the operation of dual case management systems.

The additional funding comes from federal regulations that allow DWS to identify third-party contributions within the state share of TANF. This allowance releases $16.1 million of state funding that was necessary for the state's TANF maintenance of effort (MOE). DWS believes that the funding should be used within the department to fund its budgetary shortfall. We believe, however, that the department, as well as all other state departments, should be responsible and work within the state's budgetary constraints; allocation of additional or released state funds is the responsibility of the Legislature.

Third-Party Contributions Release State Funds for Other Uses

Third-party contributions free up $16.1 million in state funds.

Third parties in the state have agreed to allow DWS to use their in-kind contributions to fulfill part of the state's TANF MOE. These agreements release $16.1 million of state funds that normally would have been used to pay for the state's share of TANF. DWS plans to use this money to offset its fiscal year 2009 deficit, prepay TANF for fiscal year 2010, and offset the cost of increased caseloads.

DWS operates under one line item, which allows department management to shift funds from one program to another without legislative knowledge or approval. As evidenced by DWS' decision to use the released funds within their organization, we are concerned that operating under a single line item decreases DWS accountability and transparency.

In-Kind Contributions Account for $16.1 Million of State's Share of TANF. TANF is a fully federally funded program after the

state fulfills its MOE of $20.4 million. TANF policy allows states to use in-kind contributions and expenditures from third parties to fulfill its MOE, as long as the third parties use the claimed contributions for TANF-related assistance. According to TANF policy, TANF-related assistance includes the following:

- Cash assistance
- Child care assistance
- Activities designed to increase self-sufficiency, job training, and work
- Nonmedical treatment for alcohol/drug abuse
- Pro-family activities

TANF policy allows states to use in-kind contributions from third-parties to count towards the state's TANF MOE.

DWS recently signed several memoranda of understanding (MOU) with both private and public third parties that allow the department to use the in-kind contributions of these organizations as part of the state's share of TANF MOE costs. Use of these agreements results in the release of $16.1 million of state-appropriated general funds. Due to these agreements, the funds allocated by the Legislature for the TANF MOE will be used to fund other DWS programs and initiatives. Figure 3.3 shows third parties who have signed MOUs with DWS.

Several community groups have signed agreements to allow DWS to use their in-kind contributions to fulfill $16.1 million of the state's TANF MOE.

Figure 3.3 Several Third Parties Allow DWS to Identify $16.1 Million in In-Kind Contributions to Fulfill the State's Share of TANF. These agreements free up funds that could be returned to the General Fund, but DWS plans to use the funds internally.

Third-Parties	MOU Amount
Non-Profit Organizations	$11,011,000
Other State Agencies	5,075,000
Community Advocates	17,000
Total	**$16,103,000**

DWS plans to use $16.1 million that was appropriated as part of the TANF MOE to offset its fiscal year 2009 deficit, pre-pay TANF for fiscal year 2010, and offset projected fiscal year 2010 caseload growth in state-funded programs, as shown in Figure 3.4.

DWS plans to use $16.1 million that was appropriated for the TANF MOE to offset its FY 2009 deficit, pre-pay TANF for FY 2010, and offset projected FY 2010 caseload growth.

Figure 3.4 DWS Has Elected Use Third-Party Contributions and Expenditures to Offset Current and Future Years' Deficits. DWS plans to use state funds appropriated to pay for fiscal year 2010 TANF MOE to fund other programs and pre-pay its fiscal year 2010 TANF obligation.

Expenditure	Amount
Offset FY 2009 Deficit	$10,000,000
Pre-Pay TANF for FY 2010	3,000,000
Offset FY 2010 Caseload Growth	3,100,000
Total	**$16,100,000**

Two of the proposed expenditures identified in Figure 3.4 are particularly concerning. First is the use of funds to address the fiscal year 2009 deficit. DWS exceeded its budget and now relies on funding that previously did not exist. Second, we believe that using these funds in a tight budget year to pre-pay expenditures for a following year is a luxury that is difficult to defend.

These expenditures are possible because DWS is able to shift funds from program to program without Legislative oversight. We believe the Legislature should determine how this money should be spent. We also believe that greater Legislative oversight is needed to ensure that DWS funds are being spent in accordance with legislative intent.

DWS operates under a single line item and is not required to report how it uses state-appropriated funds.

The Use of a Single Line Item Appropriation Reduces Accountability. Due to the complexity of its multiple funding sources, DWS is funded under one line item. While this flexibility allows the department to allocate costs to programs that receive unusually high RMTS responses in one quarter, we are concerned that the limited reporting requirement of a single line item budget can allow DWS use funds outside of Legislative oversight

Demand for assistance programs can be difficult to predict, thus creating the need for greater simplicity in budgeting. As mentioned in Chapter II, some of the increases in state costs are due to redistribution of costs from other programs. We believe that the redistribution of costs has led to an increase in the state's contribution and is one of the reasons the department operated at a deficit in fiscal year 2009.

Department management believes it would be overly burdensome to approach the Legislature each quarter to request increased funding for programs whose RMTS responses have increased and return appropriations for programs whose RMTS responses have decreased. However, agencies in Colorado and New Mexico that determine eligibility for public assistance programs receive annual legislative appropriations for each individual program. These states must return surpluses to the states' legislatures.

Public assistance agencies in Colorado and New Mexico have separate line items for each program.

We believe that DWS needs to be more transparent in how it shifts funds from one program to another within its single line item budget. DWS should make the Legislature aware of how eligibility funds are being spent, including changes in the initial appropriation of state funds. We recommend that DWS report the results of its cost allocation plan quarterly to the Legislative Fiscal Analyst.

DWS needs more accountability in how it uses state-appropriated funds.

DWS' $10 Million Deficit Is Concerning

We are concerned that DWS is operating at a deficit. DWS was not able to meet its fiscal year 2009 obligation for a number of reasons. First, cases that receive a higher percentage of state funding received a greater percentage of RMTS responses in fiscal year 2009 than in previous years, which created an increased obligation of state funds. Second, DWS did not pre-pay TANF as much as it has in previous years (Utah is the only intermountain state that pre-pays TANF). Third, DWS is operating two case management systems.

Redistribution of Program Costs Increased the State's Share of Costs. As discussed in Chapter II, eligibility workers spent more time determining eligibility for programs requiring a higher percentage of state funding in fiscal year 2009 than they did in previous years. Additionally, the transfer of medical assistance eligibility programs from the DOH has increased the overall percentage of state contributions for all DWS staff.

Cases for programs that are fully federally funded increased at a lower rate than partially federally funded programs in FY 2009.

As an example, the percentage of total RMTS responses for Food Stamps and Medicaid (programs funded 50 percent by the state) increased from 51.7 percent of all RMTS responses in fiscal year 2008 to 55.8 percent of all RMTS responses in fiscal year 2009. Meanwhile, the percentage of total RMTS responses for TANF and child care, programs which receive a higher federal match after the

state's MOE, decreased from 32.6 percent in fiscal year 2008 to 29.5 percent in fiscal year 2009.

Redistribution of program costs is a concern that should have been addressed well before the end of the year. By the end of the second quarter, DWS knew that Medicaid and Food Stamps cases were increasing and taking more eligibility workers' time than in previous years. This issue could have been addressed at that time if the Legislature had been made aware of the funding issues. DWS should report the results of its cost allocation to the Legislature at the end of each quarter.

DWS uses department surpluses to pay for TANF expenses for the ensuing year.

The Decrease in the Fiscal Year 2009 TANF Pre-Payment Increased Demand for Fiscal Year 2010 Funds. DWS management claims that $4.5 million of their fiscal year 2009 operating deficit was due to a decreased TANF payment at the beginning of the federal fiscal year. For the last several years, DWS has used its $5 million operating surplus to pay for TANF expenses for the ensuing year. The department has counted on this $5 million surplus to pay for obligations during the next year and was thus $4.5 million short in fiscal year 2009 because it only had a $0.5 million surplus. The department does not receive a discount for pre-paying TANF.

Utah is the only intermountain state that pre-pays the TANF MOE, as shown in Figure 3.5.

Figure 3.5 Utah Is the Only Intermountain State That Pre-Pays TANF. DWS claims they operated at a deficit in fiscal year 2009 because they were only able to prepay TANF $0.5 million instead of $5.0 million they have pre-paid in the past.

State	Prepay TANF?
Arizona	No
Colorado	No
Idaho	No
Nevada	No
New Mexico	No
Utah	*Yes*
Wyoming	No

Surrounding states do not allow the public assistance agency to pre-pay TANF.

We are concerned that DWS is relying on surpluses in current years to pay for a future year's TANF obligation. We recommend that DWS only use current year appropriations to pay for current year expenses instead of relying on the previous year's surplus. Additionally, DWS should defer the state's TANF MOE payments as long as allowable.

Operation of Dual Case Management Systems Was Not Funded. DWS management plans to operate its old case management system, Public Assistance Case Management Information System (PACMIS), through fiscal year 2010 while it brings the new case management system, e-Rep, online. DWS was funded for the cost of PACMIS; however, it was not funded the $6 million cost of operating e-Rep simultaneously. DWS management claims that the simultaneous operation of the two case management systems contributed to their fiscal year 2009 operating deficit.

DWS is operating its old case management system simultaneously with the new system.

Recommendations

1. We recommend that the Legislature review the effect of the medical assistance determination consolidation on the state's share of eligibility costs at the end of each fiscal year until 2012 to determine if Medicaid eligibility determination should remain at DWS.

2. We recommend that the Legislature determine how to use the $16.1 million that was appropriated for the TANF MOE but will not be needed for that purpose.

3. We recommend that DWS report the results of its cost allocation plan quarterly to the Legislature.

4. We recommend that DWS only use current year appropriations to pay for current year expenses instead of relying on the previous year's surplus.

5. We recommend that DWS defer TANF payments as long as possible.

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Chapter IV
DWS Service Delivery Improvements Could Reduce State Costs

The Department of Workforce Services (DWS or department) can reduce its costs by streamlining some of its service delivery functions. DWS can enhance service delivery and reduce costs by increasing its coordination with community organization that share similar objectives. Utilizing these non-standard service delivery systems has created significant savings for other states.

Further savings of nearly $530,000 are possible by consolidating staff from four underutilized buildings. An additional three buildings, each of which averages more than 625 square feet per employee, could be downsized or shared with other state agencies.

The Department of Health (DOH) needs to identify which hospitals have a disproportionate share of low-income patients in order for DWS to place their federally mandated outstationed eligibility workers. This necessary step was not done at the time of the medical assistance consolidation in 2007, nor had it been done for several years prior to the consolidation. DOH should regularly evaluate hospitals to determine which should be considered disproportionate-share hospitals and should amend the State Plan to reflect its intent for eligibility worker placement in outstationed locations.

Coordination with Community Partners Could Enhance Service and Reduce Costs

DWS could learn from other states' coordination with community partners.

DWS can improve the delivery of eligibility services and reduce costs by increasing coordination with community organizations that share similar goals. Several states currently coordinate with community entities, such as nonprofit organizations and local government agencies, which has allowed them to significantly reduce eligibility determination costs. Florida claims to have reduced its spending by 25 percent, saving $73 million per year, by improving coordination with community organizations in the state.

Community partnerships, combined with online application access, could allow DWS to streamline the application process and help reduce application barriers for public assistance benefits. DWS should actively seek community partners and offer training to willing community organizations to assist in the initial application process for public assistance benefits. Fostering a relationship with community organizations can potentially lead to a more efficient and less costly eligibility determination process.

Coordination with Community Advocates Improves Service and Reduces Costs in Other States

Many organizations share DWS' goals and can help the agency with eligibility determination.

Other states have found that community organizations, such as nonprofit groups, medical clinics, and food banks, can be valuable access points and information centers for prospective clients who may qualify for and need public assistance. Many individuals who are eligible for public assistance programs—often prospective clients using one community resource—are unaware of the options that may exist with various public assistance programs.

We reviewed the coordination between state agencies and community organizations from five states that claim to have improved eligibility services success by enhancing coordination with community organizations. Some of the benefits realized by other states are summarized in Figure 4.1.

Figure 4.1 Community Partnerships in Other States Have Helped State Agencies Streamline Their Eligibility Services for Public Assistance. Community organizations can be useful partners in the eligibility determination process.

Other states have realized savings in determining eligibility by coordinating efforts with community organizations.

State	Benefits of Community Partnerships
Florida	Some community organizations offer computers, fax machines, and staff to assist with initial application for eligibility.
Texas	The San Antonio Food Bank uses its media contacts to help advertise at no charge.
Nevada	Employees for Northern Nevada Food Bank do the initial interview for eligibility determination.
California	Efforts of community organizations are used to draw down the federal match for the Food Stamp program.
Oregon	Community organizations assist prospective applicants apply for benefits.

Figure 4.1 shows that community partners in other states assist in the application process and also provide additional support to state agencies.

In Texas, one community partner was able to establish a relationship with the state to assist applicants applying for benefits. Texas has since seen a reduction in application errors. In Nevada, applications received from the Northern Nevada Food Bank have a lower error rate than other food banks in the state because this food bank's employees assist with the application process.

Candidates for coordination, such as a food banks or nursing homes, are generally located within the communities and can readily assist and educate prospective applicants. In Texas and California, food banks are liaisons between the community and state agencies in administering public assistance programs. They help prospective applicants complete applications and answer questions about public assistance programs.

Florida reduced eligibility staff by 43 percent through increased coordination with community partners.

Florida is one example of effective coordination between a state agency and community advocates to accomplish similar goals. The Florida Department of Children and Families reduced eligibility staff by 43 percent at the same time that applications increased 50 percent. Florida met this increasing demand through coordination with and a strong, innovative use of community effort to increase online applications. The state actively recruited community partners and allowed them to decide what level of service they wanted to provide. They refer to their recruited partners as the "community partners' network." Figure 4.2 shows the service levels of community partners in Florida.

Figure 4.2 "Community Partners Network" in Florida Offers Varying Levels of Service. Community organizations can choose what level of service they wish to provide when assisting prospective applicants in applying for public assistance benefits.

Services	Partner	Bronze	Silver	Gold
Paper Application	X	X	X	X
Computer Access		X	X	X
Telephone Access		X	X	X
Printer Access			X	X
Fax/Copy Machine				X
Staff Assistance				X

67 percent of Florida's community partners provide staff to assist people applying for public assistance.

Florida currently has 2,495 community partners, 67 percent of which are "gold-level" partners. The following types of entities are examples of community organizations that partner with Florida:

- Social services agencies
- Hospitals/county health departments
- Faith-based organizations
- Aging resource centers
- Homeless services providers
- Food banks
- Early childhood centers
- Libraries

Florida has partnered with 2,495 community groups who share similar objectives as the public assistance agency.

Florida believes that there are two primary reasons an organization would want to be a partner. First, the state agency's objective is similar to the organization's mission. Second, the state provides nominal financial incentives or resources. For example, Florida donates computers that they no longer use to community partners to assist in the application process.

DWS currently has relationships with community organizations dispersed throughout the state. However, partnerships with these organizations can be strengthened and expanded to benefit both DWS and community organizations. DWS should consider following the examples of other states by:

DWS could provide better and more efficient service by increasing its coordination with community organizations.

- Actively recruiting partnerships with organizations who share similar objectives
- Increasing advertising with community partners that direct applicants to apply online
- Training staff of partnering organizations on how they can assist in the eligibility process
- Placing eligibility workers in partnering organizations for specified days
- Soliciting feedback from community partners on how to improve the eligibility determination process

By developing active community partners, DWS could streamline the eligibility process, provide better service, and potentially reduce application errors. DWS should work to establish relationships with potential community partners to enhance education and accessibility.

DWS Should Encourage Applicants to Apply Online

DWS should do more to encourage public assistance program applicants to apply online instead of going to an employment center. Only 36 percent of all applications were completed online during fiscal year 2008. We believe that DWS could reduce costs and improve service by placing a greater emphasis on online applications.

In order to maximize the benefit of coordination with community partners, DWS should encourage online applications.

Increased online applications would decrease traffic in employment centers and reduce interview waiting times. Currently, many applicants choose to go to an employment center to apply for public assistance programs. We believe that the department could downsize or possibly eliminate some employment centers as more applicants apply online. Despite increased demand for services, Florida reduced the number of state-operated buildings by 43 percent since 2004, largely by encouraging online applications. As of fiscal year 2007, more than 85 percent of applications were submitted electronically in Florida.

Applying for public assistance benefits online can be done in any location that has Internet access. DWS recently received a federal grant to place Internet-accessible computers and fax/copy machines in select food pantries throughout the state. The equipment provided by this grant must be used to assist prospective recipients in the initial application process. This is a positive step DWS is taking to encourage online benefit applications and thus improve their eligibility services.

We believe that the department could reduce traffic in its buildings and reduce operating costs by properly utilizing technology. We recommend that DWS do more to encourage online applications.

DWS Should Reevaluate the Need for Some Buildings

DWS currently operates seven underutilized buildings.

DWS could save almost $530,000 by eliminating underutilized buildings. The department should consider eliminating four buildings and downsizing an additional three. Staffing could be addressed by reassigning the displaced eligibility workers with other state agencies

and nearby centers or increasing the employees' ability to telecommute.

Four Buildings Do Not Appear to Be Necessary

DWS could save the state $530,000 by eliminating four underutilized buildings.

We analyzed all leased employment centers that DWS operates and believe the department could save $530,000 per year by eliminating its buildings in Logan, Kanab, South Davis, and Nephi. Figure 4.3 shows cost and usage data for these four buildings.

Figure 4.3 DWS Could Save the State Almost $530,000 per Year by Eliminating Underused Buildings. The department could allow the employees to telecommute, collocate them with other state agencies that have available space, or relocate them to nearby employment centers.

Center	Lease	Square Feet	Employees	Applications Per Month
Emery County	$126,000	7,442	6	128
Kanab	83,000	4,887	2	50
Logan	72,000	4,139	0	0
South Davis	249,000	10,994	29	108
Total Cost	**$530,000**			

Since the implementation of DWS' Eligibility Services Division (ESD) in June 2009, eligibility workers do not need to meet with applicants in person and many telecommute from home. The department currently has 287 eligibility workers throughout the state who telecommute. DWS management should consider placing the staff in underused state-owned or state-leased buildings or relocating them to nearby employment centers.

The Emery County Employment Center could be consolidated with the adjacent DHS building.

Emery County Workers Could Share DHS Office Space. The employment center in Castle Dale serves Emery County in central Utah. Six DWS employees occupy the 7,422-square foot building which includes four open offices, 13 open cubicles, and a seldom-used large conference room. The lease in Emery County expires in November 2010.

We believe DWS could coordinate with the Department of Human Services (DHS) to share office space in Emery County. DHS leases a smaller building adjacent to the DWS-leased building. The

DHS building currently has two open offices. DWS should attempt to share the DHS-leased building and eliminate its current lease.

Large Kanab Facility Houses Just Two Staff. DWS currently leases a 4,887-square-foot building in Kanab that houses one eligibility worker and one employment specialist. The center contains a large conference room that has a separate entrance from the employment center. Community groups frequently use the conference room at no cost. The lease will expire September 2010. We believe the department should terminate the current lease. DWS could require the eligibility worker to telecommute and place the employment specialist in another state building in Kanab or in a less-costly building.

Only two employees occupy a 4,887-square-foot building in Kanab.

DWS Is Leasing a Vacant Building in Logan. This building's lease was transferred to DWS with the consolidation of the medical assistance eligibility determination and the office space is no longer needed. Currently DWS conducts its operations in its state-owned employment center in Logan. The lease for the transferred space expires June 30, 2011. We recommend that DWS either terminate this lease or sublease the office space for the remainder of the lease.

A DWS-leased building in Logan is vacant.

South Davis Facility Is Close to Four Other Employment Centers. The South Davis Employment Center is located near the Salt Lake-Davis County border. Four other centers are located within 25 miles of this center: two are in Salt Lake City, one is in Roy, and one is in Clearfield. Due to the low number of applications processed by the employees in this center and its proximity to other employment centers, we believe the eligibility workers and employment specialists could be reassigned to work in nearby centers or telecommute. The lease for this building expires in 2010.

Four DWS buildings are within 20 miles of the South Davis Employment Center.

DWS Should Downsize Three Employment Centers

In addition to eliminating four centers, three other buildings could be downsized. Employment centers in Nephi, Tooele, and Panguitch appear to have more space than needed. The average office space per employee in DWS-operated buildings is 391 square feet. Figure 4.4 compares the size of these employment centers with the department average.

Figure 4.4 Three Employment Centers Should Be Downsized. DWS could be more efficient in how it utilizes its office space.

Center	Lease	Square Feet	Employees	Sq. Ft./Employee
Nephi	$56,448	3,150	5	630
Panguitch	36,613	2,169	3	723
Tooele	151,781	8,121	12	677
DWS Statewide Average				**391**

Figure 4.4 shows that the three leased buildings could be downsized and we believe, on a square-foot basis, represent nearly $100,000 per year in unnecessary lease charges. We recommend that DWS determine the feasibility of downsizing these three buildings.

Employments centers in Nephi and Panguitch could be reduced to store front buildings.

Nephi Employment Center Is Larger than Necessary. Four eligibility workers and one employment specialist work in the Nephi Employment Center. One of the four eligibility workers was recently transferred from the Spanish Fork Employment Center, 33 miles to the north.

We believe DWS could find a smaller, less-costly building for the employment specialists, such as a storefront location. DWS could require the four eligibility workers stationed at the center to either transfer to the Spanish Fork Employment Center or telecommute.

DWS employees use less than half of their available building space in Panguitch.

Panguitch Center Uses Less than Half its Leased Office Space. DWS shares a leased building with DHS in Panguitch; however it has much more space than it needs. Three workers are housed in office space consisting of eight offices, four bathrooms, and one seldom-used conference room. DWS should consider requiring the two eligibility workers to telecommute and requiring the employment specialist to be collocated with another state agency or placed in a less-costly alternative, such as a storefront location.

The Tooele Employment Center is much larger per employee than other DWS buildings in the state.

Tooele Center Has Nearly 300 Square Feet More than Average. While the Tooele Employment Center appears to have a high number of customers compared to other DWS employment centers, DWS management should justify why such a large building is needed. We believe the employment center should be downsized, or DWS should attempt to sublease some of its extra space.

We recommend that DWS determine if it would be possible to reassign employees in these three buildings to other state-operated buildings and eliminate their leases. Additionally, DWS should regularly evaluate the need for its buildings.

DOH Should Regularly Calculate Disproportionate-Share Hospitals

The Department of Health (DOH) has not calculated which hospitals are considered to have a disproportionate share of low-income patients. According to the *U.S. Code of Federal* Regulation (CFR), the state is required to either place an eligibility worker at each hospital that qualifies as disproportionate share or provide an alternate plan of action in the State Plan. DOH should regularly evaluate which hospitals are considered disproportionate share and report that information to DWS to ensure the federal requirements are met.

DOH has not calculated disproportionate-share hospitals for several years.

DOH has not followed requirements in the *CFR*, *The Social Security Act*, and the Utah State Plan that require the Medicaid agency to determine which hospitals are disproportionate share. A hospital is deemed a disproportionate share hospital in Utah if one of the following conditions is met:

- The hospital's Medicaid inpatient utilization rate (MIUR) is at least one standard deviation above the mean MIUR.
- The hospital's MIUR exceeds 14 percent.
- The hospital's low-income utilization rate exceeds 25 percent.
- The hospital's Medicaid assistance program (MAP) participation is at least 10 percent of the total hospital MAP patient care charges.
- There is not another hospital within 29 miles.

The *CFR* requires that an eligibility worker be placed at or near each disproportionate share hospital or that the states submit an alternate plan to accommodate patients at these hospitals.

As the single state Medicaid agency, DOH should regularly calculate which hospitals are disproportionate share. However, DOH has not calculated disproportionate-share hospitals for several years and was not able to justify the placement of outstationed eligibility

workers at the time of the consolidation of medical assistance programs in 2007.

DOH should regularly calculate disproportionate-share hospitals so that DWS can ensure compliance with the State Plan.

In addition to regularly calculating which hospitals are disproportionate share, DOH should communicate this information to DWS. Additionally, DOH should determine if all disproportionate-share hospitals should have an outstationed eligibility worker, or it should submit an alternate in the State Plan in order to ensure compliance with the *CFR*.

Recommendations

1. We recommend that DWS actively develop partnerships with community organizations that share similar objectives.

2. We recommend that DWS encourage applicants to apply online by doing the following:

    a. Seeking out partnerships with public facilities that have internet access
    b. Encouraging applicants who call to apply for public assistance programs online
    c. Providing community partners with written instructions on how to apply online that they can give to applicants
    d. Training community partners to assist in the application process

3. We recommend that DWS management determine the feasibility of eliminating the following buildings: Emery County, Kanab, Logan, and South Davis.

4. We recommend that DWS management consider the feasibility of downsizing the following buildings: Nephi, Panguitch, and Tooele.

5. We recommend that DWS regularly evaluate the need for all buildings.

6. We recommend that the Department of Health regularly determine which hospitals should be considered disproportionate share.

7. We recommend that the Department of Health determine if all disproportionate-share hospitals should have an outstationed eligibility worker or submit an alternate in the State Plan.

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Agency Response

State of Utah

GARY R. HERBERT
Governor

GREG BELL
Lieutenant Governor

Department of Workforce Services

KRISTEN COX
Executive Director

CHRISTOPHER W. LOVE
Deputy Director

GREGORY B. GARDNER
Deputy Director

December 17, 2009

To the Utah State Legislature:

"The mission of the Utah Department of Workforce Services (DWS) is to strengthen Utah's economy by supporting the economic stability and quality of our workforce."

DWS is committed to customer service. We vigorously strive to optimize resources to ensure maximum funds are available for direct assistance and services. Focused on continuous improvement and a new Demand Driven philosophy, DWS utilizes a customer-oriented, integrated service model. Central to our customer-orientation is the recently consolidated Eligibility Services Division (ESD) which has streamlined the customer experience, redesigned the deployment of staffing resources and reduced costs.

Because of the DWS focus on continuous improvement, we welcomed review of our agency's Eligibility Determination Services by the Office of the Legislative Auditor General (OLAG). In particular, we commend John Schaff, Tim Osterstock, David Pulsipher and Jesse Martinson for their consistently professional and cooperative efforts to accurately represent facts and make appropriate recommendations.

Following is DWS' response to key recommendations made within "Report No. 2009-19, A Performance Audit of DWS Eligibility Determination Services." The overview contains our general comments and response. Further detail and documentation is available upon request.

Thank you for the opportunity to review and improve DWS processes and services. I look forward to meeting with the Audit Subcommittee of the Legislative Management Committee on December 22 to further discuss the recommendations of this audit.

Regards,

Kristen Cox

Kristen Cox

DEPARTMENT OF WORKFORCE SERVICES

Office of the Legislative Auditor General's
Performance Audit of DWS Eligibility Determination Services
12.17.09

Department of Workforce Services' Response
to the Office of the Legislative Auditor General's Recommendations

Recommendations – Page 25-26

1. DWS should exclude all eligibility workers that determine eligibility for one program from the RMTS pool.

DWS Response
We concur. Select eligibility specialists could direct charge their services and be taken out of the RMTS pool. There are an estimated 54 staff in eligibility long term care and outreach that could direct charge immediately. Other eligibility positions are also being considered, each being evaluated individually to determine if it makes sense, based on the programs/ services provided by that staff member.

2. DWS and DOH should reassess the amount that DWS could be reimbursed for CHIP eligibility determination costs in order to maximize federal funds.

DWS Response
We concur and are willing to investigate options with DOH.

3. DWS should exclude all RMTS responses that take longer than one working day to respond.

DWS Response
We concur. DWS is exploring the implications of requiring staff to respond to RMTS inquiries within one working day. One plan under consideration requires staff to respond to RMTS inquiries within 24 hours (Monday, Tuesday and Wednesday). The plan stipulates that if the employee receives an RMTS inquiry on the last business day of the week (Thursday), the employee will be expected to have the RMTS response completed by close of business, 6:00 P.M. the same day. If the response is not received within the 24 -hour time frame (Monday, Tuesday and Wednesday) or by 6:00 P.M. Thursday it will be excluded.

4. DWS should train all eligibility workers in the RMTS pool how to respond to inquiries accurately and timely.

DWS Response
We concur. DWS currently provides new employee and ongoing training. In addition, DWS will implement several changes. RMTS training will be mandatory annual training for all staff in the RMTS pool, including supervisors. Furthermore, DWS will train new employees on RMTS during their first week of training on the job and then again at six months. DWS will also create RMTS training for new employees (training unit) and update the current training for incumbent staff.

5. DWS management should refrain from encouraging eligibility workers to respond to certain programs if they are unsure what they are doing.

DWS Response
We concur. The issue will be addressed at the yearly RMTS training (see above response) and with supervisors. Please note: such a practice violates current department policy.

6. DWS should modify its cost allocation plan for outreach eligibility workers who only determine eligibility for medical assistance programs.

DWS Response
We concur in principle where individuals are working on only one program.

7. DWS management should encourage eligibility workers to respond as soon as possible after receiving the RMTS inquiry.

DWS Response
We concur with recommendations a-d. Current policy encourages eligibility workers to respond as soon as possible. Steps will be taken to ensure employees respond more quickly and more accurately. These mandatory changes, including activation of each employee's GroupWise notification and a change of the email title to include an RMTS notification, will be included in training for all staff in the RMTS pool no later than July 2010. While one day seems to be a reasonable time frame, other states are moving away from such requirements and DWS needs to better understand and explore options.

Recommendations – Page 37

1. The Legislature should review the effect of the medical assistance determination consolidation on the state's share of eligibility costs at the end of each fiscal year until 2013 to determine if Medicaid eligibility determination should remain at DWS.

DWS Response
We concur. DWS will report regularly regarding the status of the BES consolidation. Despite growing caseloads, DWS can demonstrate cost savings and recommends this be a component of our dashboard for the Legislature.

2. The Legislature should determine how to use the $16.1 million that was appropriated for the TANF MOE but will not be needed.

DWS Response
We disagree. From the onset, DWS informed the LFA of this matter. Further, this statement is incorrect when it states funding will not be needed. The funding has been and will be used to address caseload growth.

DWS is confronted with fluctuating, challenging economic variables, and needs the ability to effectively manage caseloads in a cost-effective manner without compromising structural efficiencies and organizational integrity. DWS appreciates the Legislature's inherent prerogative to set budgets and appropriate funding. Likewise, DWS hopes the Legislature recognizes DWS' commitment to sound budgeting practices, streamlined processes, minimal administrative cost and optimal service delivery. There was no DWS intent to circumvent Legislative authority. Rather, we demonstrated due diligence and good faith by communicating immediately with our LFA analyst. It was a proactive solution, aligned with legislative intent, to meet huge increases in caseload while sustaining internal reductions and the elimination of 97 FTEs in the Eligibility Services Division.

As part of our LFA/DWS workgroup effort to develop a data reporting tool or dashboard, DWS is committed to addressing the Legislative Fiscal Analyst's three core needs:

A) Improved reporting with consistent accounting methods, consistent reporting formats and timely access to data;
B) Enhanced organizational budget transparency through the ability to track expenditures over time and clear definitions of indirect administrative costs, direct administrative costs, client services, and direct financial assistance; and
C) Control of spending or re-directing significant remaining balances or excess appropriations.

3. DWS should report the results of its cost allocation plan quarterly to the Legislature.

DWS Response
We concur. Please note: DWS already meets monthly with the LFA to report costs and coordinate issues.

4. DWS should use current year appropriations to pay for current year expenses instead of relying on previous year's surplus.

DWS Response
We concur. DWS has consistently done so.

5. DWS should defer TANF payments as long as possible.

DWS Response
We concur. Given the economic volatility which impacts DWS caseloads and services, DWS strives for reliable and stable budgetary practices.

Recommendations – Pages 48-49

1. DWS should actively develop partnerships with community organizations that share similar objectives.

DWS Response
We concur. Partnering with community agencies is a key element of the new eligibility business process. DWS actively pursued coordination with community partners and other agencies in conjunction with the launch of the online supportive service application in October 2008. DWS' goal is to develop access points with community partners, places that DWS could reach like customers that would possibly benefit from or be eligible for Food Stamps and other programs. Many of these sites also participate as a Food Stamp Participation Grant site. They can receive grant monies that will place computer equipment on-site so the customer can apply for supportive services, such as Food Stamps. DWS currently has 17 active community partner sites across the state and four pending the signed agreement. DWS, specifically the Eligibility Services Division, will continue in its efforts to partner with community agencies. Our goal is to double the partnering access sites to 34 by October 2010.

2. DWS should encourage applicants to apply online by doing the following: a-d

DWS Response
We concur. As noted above, DWS currently has 17 active community partners and four others with pending signed agreements. DWS will reach out to more community partners in the future.

a. DWS will continue to seek out community agencies and access sites with which to partner, but will also actively pursue those public facilities that have internet access and request they advertise online services offered by the Department of Workforce Services.

b. The online supportive service application was launched statewide on October 7, 2008. In the one year since making the 24/7 online application available on the World Wide Web, educating community agencies, educating customers and improving our online services, the number of customers accessing the online supportive service application has jumped to 70%.

c/d. DWS will continue to educate community partners about online access to DWS services. DWS will continue to distribute material that advertises DWS online services, including the online eligibility application, eQuery - my case, and a payment portal for customer to pay spend-downs and other medical payments. DWS also provides on-site training to community partners regarding DWS services and how to assist the customer with the online application. These outreach efforts will continue as currently chartered.

3. DWS management should determine the feasibility of eliminating the following buildings: Emery County, Kanab, Logan, and South Davis.

DWS Response
We concur. As part of DWS' Demand Driven initiative, the agency will regularly reassess infrastructure needs and costs in light of customer-driven solutions and efficiencies. In Logan we have made significant attempts to terminate or sublease the Golf Course Road office without results. DWS has no intention of renewing that lease at expiration. Also, the Department has already taken action to reduce the Kanab space to 1,850 square feet. The consolidation of Roy and South Davis may make sense, but not with each other. The geographic distance is too great and the Clearfield office, which sits between them, might be a more reasonable point of consolidation.

4. DWS management should consider the feasibility of downsizing the following buildings: Nephi, Panguitch, and Tooele.

DWS Response
We concur. As part of DWS' Demand Driven initiative, the agency will regularly reassess infrastructure needs and costs in light of customer-driven solutions and efficiencies. In light of the Department reorganization, DWS plans to develop a long-term facility management plan which considers statutory requirements, federal guidelines, fluctuating demographics, customer service, enhanced technology and improved management systems.

5. DWS should regularly evaluate the need for all buildings.

DWS Response
We concur. DWS began with 106 locations and has reduced its physical presence to 48 facilities, 34 of which are employment centers. There are only four facilities that DFCM considers regional centers. As part of DWS' Demand Driven initiative, the agency will regularly reassess infrastructure needs and costs in light of customer-driven solutions and efficiencies.

Many of the facilities identified are under review and consideration is being made to reduce space or relocate several of the facilities. Current reviews are ongoing on the Roy and South Davis offices and the respective leases were renewed for one year to allow analysis to be made. The Park City lease is in a final year and is being reviewed. The Beaver, Nephi, and Emery County offices are also under review. The Heber office lease has been re-negotiated for three years at a reduced rate. The department is negotiating with the Spanish Fork landlord to significantly reduce the lease cost or reduce the square footage occupied. All of these actions demonstrate the Department's ongoing commitment to properly utilize space.

6. DOH should regularly determine which hospitals should be considered disproportionate-share.

DWS Response
DWS has no position on this recommendation.

7. DOH should either determine if all disproportionate-share hospitals should have an out-stationed eligibility worker or submit an alternate in the State Plan.

DWS Response
DWS has no position on this recommendation.