

**State of New Jersey
Department of Children and Families**

Contract Workgroup

STATUS REPORT

January 14, 2010

BACKGROUND

The Contract Workgroup was convened in August 2009 by Commissioner Kimberly Ricketts to examine the Department of Children and Families' (DCF) contracting practices, develop recommendations for its improvement, and serve in an on-going advisory capacity to the Commissioner.

The membership was selected to reflect the cross-cutting nature of the Department's public/private contracting partnership and consists of both DCF staff and representatives of the service provider community. DCF members include staff with programmatic, fiscal, and contracting knowledge and experience. The external members reflect an array of contracted service agencies with extensive experiences and unique perspectives of the DCF provider community.

In part of her initial charge to the group, Commissioner Ricketts asked that its work be centered on the following broadly stated goals:

- To formalize a process for ongoing dialogue between provider agencies and DCF on contract issues
- To ensure that DCF funds are utilized to meet the Department's direct service requirements
- To introduce and formalize a communication process between DCF and its contract providers
- To streamline DCF contracting policies and practices
- To support the implementation of performance based contracting
- To address the organizational needs of provider agencies
- To consider specific programmatic requirements and their interplay with the contracting process.

MEMBERSHIP

Co-Chairs:

Karen Baldoni, Deputy Administrator
DCF Business Operations

Jerome Johnson, President/CEO
Family Service Association of Atlantic Co.
(representing NJAMHA)

DCF Participants:

Catherine Schafer, DCF Office of Auditing

Jim Dolan, DCF Budget Office
 Linda Refi, DCF Metropolitan Business Office
 Marsha Hannah, Division of Youth and Family Services
 Nadezhda Robinson, Division of Child Behavioral Health Services
 Brian Hancock, Division of Child Behavioral Health Services
 Philip Frigerio, Division of Child Behavioral Health Services (Business Office)
 Michael Higginbotham, Division of Prevention and Community Partnerships

External Participants:

Julio Coto, Catholic Charities (representing all Dioceses)
 Stanford Brown, Family Service Association of New Jersey
 Megann Anderson, NJ Alliance for Children and Families
 Paloma Amar-Coleman, Safe Horizons of Somerset County
 Fatima DeLuccia, representing the Hispanic Directors Association
 Joseph Masciandaro, Care Plus NJ

WORKGROUP ACTIVITIES

Prior to its first full meeting on August 27, 2009, the membership identified both broad and specific areas that it hoped to address in the course of its work. To help focus its discussions, Workgroup participants projected either short or long-term timeframes to review each issue and draft recommendations for improvement.

In the four meetings that have been held since it was initially convened, the Workgroup has sought to balance its need to address short-term practical matters with more far-reaching issues that impact the larger contracting community (see attached meeting minutes).

RECOMMENDATIONS

Although Workgroup deliberations continue, a summary of identified issues and preliminary recommendations follows:

- Scope of the Issues:

- Administrative Efficiencies
- Contract Management
- Fundamentals

- Deliberations and Preliminary Recommendations:

The prevailing theme of the Workgroup's discussions has been the need for consistency in all aspects of contracting, including execution, modification, renewal, timeframes, definitions, outcomes, monitoring, and the assignment of contract staff. Moreover, there is an overwhelming need to ensure the uniform application of policy and practice between all DCF Divisions, Business Offices and contract administrators.

Another common theme among Workgroup participants focuses on the programmatic aspects of contracting and the need to ensure that the Department's contracting system supports the delivery of services to DCF clients. To that end, the Contract Workgroup has noted the following suggestions:

1. Administrative Efficiencies: The Workgroup recommends that the Department of Children and Families streamline its contract execution process in the following areas:

Contract Documents:

The required submission of relevant contract documents and accompanying DCF policies should be revised to reflect a more efficient and “user friendly” process that encompasses the execution of initial, modification and renewal processes. It is therefore recommended that the Commissioner adopt the attached draft revisions to the Required Documents Checklist that currently appears in the Contract Annex A.

Electronic Submissions:

The feasibility of electronic submissions and the establishment of a central depository for agency documents that are common to all DCF contracts should be examined and implemented where and to the extent possible.

A more detailed and accurate discussion is required with individuals knowledgeable in the field of information technology. Key points that need to be considered include: mechanisms for central storage given the lack of a DCF central server; use of shared drives; electronic signatures; and security issues.

The Commissioner has indicated conceptual support for both recommendations as indicated in her November 30, 2009 correspondence to the DCF provider community (attached).

Annex A:

The Department should review and continue to refine its standard Annex A template in order to provide a clearer, more concise program description that sets forth operational requirements, performance expectations and the roles and responsibilities of all parties. Although specific recommendations are not yet available, the Workgroup recognizes this as a priority issue to be addressed due to its impact on other areas, including required documents, electronic submissions, contract monitoring, contract processing, performance outcomes, etc.

2. Contract Management: The Workgroup recommends that the Department establish consistency among and between its respective Business Offices regarding the management and administration of its service contracts, including:

Contract Monitoring:

Standard contract monitoring procedures should be established and implemented by all Departmental components and Area Business Offices. The Workgroup is in the process of reviewing the draft Contract Monitoring tool that is currently being developed by an internal DCF committee.

To date, discussions have focused on the need to coordinate contract reviews that involve multiple Divisions and offices, including the Office of Licensing; to avoid/resolve conflicting program requirements; recognize and accept licenses and accreditations from other review boards; and to improve coordination between DCF program and fiscal/contract staff, particularly around expectations regarding the delivery of services.

Contract Processing:

Citing how delays in processing impact agencies' ability to maintain current documents in the contract file, the Workgroup recommends that the Department

maintain adequate staffing levels and ensure the timely execution of contract activities (establishing initial contracts and facilitating modifications or renewals).

Workgroup participants recognize that delays in finalizing approvals are tied to a number of factors, including: the timeliness of renewals; contracts that cross DCF Divisions; the inclusion of multiple and varied service components; changes in Annex A documents and budgets; etc. In an effort to expedite processing, the Workgroup recommends that:

- Annex A documents across DCF divisions should be standardized whenever possible. Any programmatic changes should be specified in writing, approved by the DCF office responsible for administering the program and clearly communicated to all parties
- Any anticipated or unresolved issues between the Department and the service provider should be identified in the contract renewal letter
- Procedures should be developed for handling situations when documents become out-dated after contracts are submitted for initial review or renewal. The Workgroup has not finalized its recommendations regarding this issue and is currently considering the following suggestions:
 - All contract documents should be reviewed based on the “stamp date” that the package is received in the Business Office
 - DCF should provide preliminary approval and issue conditional contracts for 2 – 3 months pending the submission of any outstanding items
 - DCF Business Offices should prioritize their review (i.e. Program Narrative vs. Budget vs. other considerations such as consultant contracts, etc.)
 - Contract agencies should submit Annex A renewal documents early and then follow-up with the Budget at a later date closer to the start of the new term

Performance Based Contracting:

The Workgroup recommends that DCF approach the first year of performance based contracting as a pilot initiative with flexible parameters that promote dialogue and permit on-going refinement. Deliberations regarding the issue continue, however in deference to the timelines specified in the Modified Settlement Agreement, the Workgroup offers the following preliminary suggestions to help guide the initial roll-out:

- When similar programs perform at very different levels, DCF must be able to understand why and identify the factors that contribute to that disparity
- DCF should be aware of and understand that performance is often related to other services, resources and systems that are beyond the agency’s control
- DCF and the provider community must work together to ensure that assigned outcomes do not conflict with each other

- Clear relationships between the Annex A program description and performance outcomes must be established
- * Workgroup members agreed to help facilitate focus groups at the regional/local level to ensure clear communication and stimulate provider input into the process.

Dispute Resolution: DCF should establish a standard process for the timely resolution of contract issues. The Workgroup is in the process of reviewing written guidelines and expects to release an initial draft for the Department's consideration within the near future.

3. Fundamentals: The Workgroup recommends that DCF examine a variety of issues related to the overall administration of its contracts and its impact on the service provider community.

General and Administrative Costs: The workgroup recognizes the complexity of General and Administrative Costs (G&A). The Department should review the "global" issue of G&A and establish reasonable cost thresholds that recognize and balance the administrative needs of service providers and the budgetary needs of the Department

Workgroup deliberations are on-going and will require additional discussion before its recommendations are finalized. Preliminary discussions have yielded the following preliminary suggestions:

- "Reasonable, Allowable and Allocable" cost principles should be applied when determining G&A. Broad parameters should be used when applying these principles, particularly when determining what is "reasonable"
- Understanding that G&A costs vary from agency to agency depending on their relative size and the availability of other resources, DCF should be guided by each provider's Schedule of Functional Expenses when determining reasonable costs
- Definitions of direct, indirect, general and administrative costs should be consistent
- DCF should initiate discussions and coordinate G&A requirements with other State departments, including the Department of Human Services, when contracting with the same agencies

Process for Managing Cost Reductions: The Workgroup plans to recommend a process/protocol for identifying cost saving initiatives, including strategies for communicating with and involving service providers in the process. Discussions to date have produced the following preliminary recommendations:

- The concept of multi-year contracting should be explored further
- Non-profit provider agencies should be afforded a "State approved vendor status" making them eligible to purchase operational items at discount prices (i.e. fleet sales, information technology equipment, office supplies, health insurance, etc.)

Policy Development: The Contract Workgroup recommends that all DCF policies be promulgated through formal processes and be included in the Contract Policy and Information Manual that is currently posted on the DCF web site.

- Remaining Issues to be Addressed

While the Workgroup has made great strides in a short period of time, it recognizes that its work is not done. Priorities for 2010 include:

1. Finalizing its recommendations regarding the issues identified in the preceding section, particularly in the areas of electronic submissions, refining the Annex A template, contract monitoring, performance based contracting, G&A, and identifying a process for managing cost reductions. A significant amount of work has been done in each of these areas and Workgroup members are confident that they will be able to fully address the issues within the next few months.
2. Assisting the Department in its efforts to implement performance based contracting by facilitating focus groups at the regional/local level in order to promote information exchange, broker confidence and stimulate provider input into the process.
3. Continuing to serve the Commissioner's Office in an advisory capacity regarding issues that impact the service provider community, including but not limited to contract reform practices, the development of contract policy and joint problem solving.
4. Addressing the remaining issues that were identified by the membership in August 2009, including:
 - Exploring the possibility of developing automated reporting forms that capture essential programmatic information
 - Reviewing various contract models and payment methods to identify the most desirable elements and develop a new contracting mechanism or select a single modality that best meets the needs of all parties (hybrid, fixed rate, cost reimbursement, performance-based, etc.)
 - Reviewing the inter-dependence of the Department's and its provider agencies' roles and responsibilities around program requirements and service delivery methods as they relate to contracted performance outcomes
 - Establishing common definitions for relevant contract terms such as "outcomes", "objectives", "services", etc.
 - Discussing the role of DCF in providing oversight and having administrative purview over program services or slots that are not fully funded by the Department
 - Examining the process for establishing, recognizing and accepting contract exceptions