OVERVIEW

Study on the Privatization of the Child and Adolescent Mental Health Program

Report No. 99-12, March 1999

Summary

The Child and Adolescent Mental Health Division of the Department of Health is responsible for providing, and coordinating the effective and efficient delivery of, mental health services to children and youth up to age 17. The division is heavily involved in the State's efforts to comply with the 1994 *Felix v. Waihee* consent decree. This federal court decree required the State to create a "system of care" of educational and mental health services for eligible children and adolescents, consisting of programs, services, and placements and an organizational and managerial infrastructure capable of supporting the system.

From FY1992-93 to FY1996-97, total appropriations for the Child and Adolescent Mental Health Division more than tripled, from over $17 million to over $57 million.

The state General Appropriations Act of 1997 and Supplemental Appropriations Act of 1998 directed the State Auditor to conduct a study on the privatization of the child and adolescent mental health program. In this study, we used the definition of privatization set forth by the U.S. General Accounting Office, that is, any process aimed at shifting functions and responsibilities, in whole or in part, from the government to the private sector.

With much of the State's child and adolescent mental health program being implemented through private organizations, we concluded that the program is highly privatized. The Child and Adolescent Mental Health Division administered over 50 contracts with 26 private and other public providers of services, totaling nearly $30 million—about 50 percent of its total appropriations for FY1996-97. The division's response to the *Felix* decree includes three demonstration projects: the Big Island Pilot Project; the Hawaii Ohana Project; and the Model School Complex (Mokihana Project). These projects have offered varying systems of care to children and adolescents through contracts and subcontracts with private providers. The Big Island Pilot Project contract was recently terminated.

We found that the Child and Adolescent Mental Health Division needs to manage privatized services more effectively. The division has begun restructuring the way it delivers services. To implement the new system, which emphasizes public-private partnerships, the division has decentralized administrative tasks, developed policies and procedures and a contract manual, provided training for staff, and redescribed staff positions. However, consent decree compliance will need continued attention. The division does not yet provide quality assurance or regularly assess the system's programs and services for effectiveness. Staff need additional training and the division's Child and Adolescent Mental Health Management Information System (CAMHMIS) may not meet its needs.

We also found that the inability of the Child and Adolescent Mental Health Division to effectively manage its contracts with private providers is an ongoing problem. Poor contract management controls leave no assurances that quality services are delivered effectively and efficiently by outside providers. The division's new performance-based method of contracting requires increased oversight for which the division is not adequately prepared. The division may not be able to compel contractor performance because it did not finalize clinical treatment standards before issuing its FY1997-98 request for proposals for contracted services. On-site monitoring of all contracts is not conducted regularly, and private providers are not giving the division the information necessary to assess whether services are required or provided.

Also, the division has been remiss in managing the Big Island Pilot Project, Hawaii Ohana Project, and Mokihana Project, raising additional doubts about the division's ability to provide services effectively and efficiently through privatization. Working relationships were unclear, payments were made without proper support, reporting requirements were not enforced, and the division arbitrarily set a contract amount.

Finally, we found that the division has been unable to analyze and control the cost of private provider contract services. An in-house analysis was never conducted to determine the cost-effectiveness of privatization. Also, the division has been unable to project accurately the number of children and adolescents who will require services. Without accurate information, the division cannot determine the costs and benefits of privatization.

Recommendations and Response

We recommended that the director of health ensure that the chief of the Child and Adolescent Mental Health Division takes the steps necessary to ensure effective privatization. Key elements should include a comprehensive evaluation system for quality assurance; additional staff training; and an interagency management information system. The division should also ensure that service authorization requests are valid and that authorized services are actually delivered; finalize clinical standards for assessing the quality of services; coordinate monitoring activities; and require sufficient information from providers.

The division should strengthen its oversight of the Hawaii Ohana and Mokihana projects by clarifying management responsibilities and working relationships. The division should also conduct an analysis of in-house costs to determine if its contracted services are cost-effective, and should improve its method of projecting the population to accurately determine its funding needs.

In its response, the Department of Health primarily provided comments on our findings and on recent reform efforts of the department and the Child and Adolescent Mental Health Division. We are encouraged by some of the efforts that the department reports are underway.

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