



STATE OF VERMONT  
OFFICE OF THE STATE AUDITOR

March 26, 2015

Members of the Senate Committee on Health and Welfare  
Members of the House Committee on Healthcare  
Members of the House Committee on Human Services

Dear Colleagues,

Through fiscal year 2014, \$675 million of combined state and federal funding has been spent as MCO Investments. A recent report by the Agency of Human Services (AHS) regarding MCO Investments<sup>1</sup> highlights that performance measurement to monitor the effectiveness of the investments has not been robust for all investments. This report influenced my office's decision to delay an audit of whether MCO Investments have achieved measurable positive results consistent with intended purposes.<sup>2</sup> Because of the significance of the AHS report subject matter and our decision to postpone an audit, I am bringing the findings and recommendations of the AHS report to your attention. I also explain the rationale for postponing an audit.

**AHS report findings**

The AHS report<sup>3</sup> resulted from an internal review conducted at the behest of the Secretary of AHS. Among other items, the review was expected to determine if existing AHS MCO investment<sup>4</sup> expenditures realized optimal outcomes, including whether appropriate measures were in place and the investments had performed to expectations.

Based on the findings and conclusion in the report, it appears the internal review team was able to assess whether appropriate measures were in place for the 36 MCO Investments reviewed. However, the team's assessment of whether the MCO investments performed to expectations was limited to less than half (15 of 36) due to departments' failure to track actual results. My office has summarized AHS's findings, but we have not independently verified the data in the report.

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<sup>1</sup> MCO investments are a component of the State's Medicaid Waiver, the Global Commitment to Health. See Attachment 1 for an overview.

<sup>2</sup> The purposes are outlined in the State's Medicaid Waiver (See Attachment 1). AHS uses the purposes as criteria to determine whether a program qualifies as an MCO Investment. The scope of our planned audit does not include reviewing AHS's original determination that an investment qualified under one of the four criteria, rather whether it had the intended effect.

<sup>3</sup> See Attachment 2 for the report.

<sup>4</sup> The scope of the review covered AHS department MCO Investments greater than \$500,000. This resulted in the review of 36 of the 87 FY2014 MCO Investments

The internal review team concluded that most of the MCO Investments had performance measures, but noted significant shortcomings with regard to establishing targets and tracking actual results.

Specifically,

- Performance measures existed for 80 percent (29 of 36) of the investments.
- Measures were complete and well developed for 56 percent (20 of 36) of investments.
- Targets were established for 33 percent of the objectives associated with MCO Investments.
- Actual results were tracked for 44 percent of investments (16 of 36).
- Performance improved for 93 percent of the 15 investments for which actual results were tracked for 2 or more points in time.

The Vermont Department of Health had targets for about 82 percent of the objectives for its MCO Investments and tracked results for about 90 percent of its performance measures. The Department of Aging and Independent Living had no targets and did not track actual results. The Department of Corrections and Department of Children and Families had no targets, but did some tracking of results.

Targets are essential to performance measurement and improvement. Without targets, it is not possible to assess whether expected results were achieved. Additionally, the failure to track actual results for performance measures prevents an assessment of whether progress has been made towards achieving goals and objectives.

### **AHS report recommendations**

The internal review recommendations included the following:

- 1) As Phase II of the internal review, collect data for MCO Investments where no data was available to review.
- 2) Departments should develop appropriate performance measures for all MCO Investments.
- 3) MCO Investment application should be updated to include SMART<sup>5</sup> objectives, performance measures, and a plan for monitoring performance.
- 4) AHS Performance Accountability Committee or other existing performance accountability work groups or committees should be utilized to develop a checklist to support development of performance targets and benchmarks and to develop agency wide investment performance measure criteria or a performance measure development tool.
- 5) AHS may need to coordinate and/or integrate data analysis functions agency-wide. Further, the agency needs to continue to develop an effective performance monitoring and evaluation system, including the development and implementation of agency-wide standards, tools for measuring and monitoring, and training on performance accountability principles.

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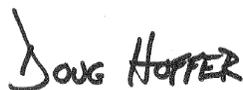
<sup>5</sup> SMART stands for Specific, Measurable, Achievable, Realistic, and Time-bound activities.

### **SAO decision to delay audit**

My office decided not to conduct an audit at this time because the AHS internal review disclosed significant issues that would prevent us from assessing whether MCO Investments had achieved the purposes outlined in the State's Medicaid waiver. We believe it would be more appropriate to conduct an audit once AHS has had a chance to implement the corrective actions recommended in the report and remediate these issues.

A timeline for correction was not specified in the report. However, we will obtain an update of the Agency's progress at some point in the next fiscal year.

Best regards,

A handwritten signature in black ink that reads "DOUG HOFFER". The letters are in all caps and have a slightly cursive, informal style.

Doug Hoffer  
Vermont State Auditor