

oppaga Progress Report



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Agencies Are Following Through by Consolidating Administrative Services

at a glance

The Department of Health and the Department of Children and Families have continued to consolidate administrative services. The Department of Health has expanded its use of multi-county administrative consortia, achieved a \$669,221 cost avoidance, and cut 14.65 administrative positions. The Department of Children and Families has created an Administrative Service Center to provide administrative functions for five districts and plans to centralize these functions for two additional districts by February 2001, but data on potential savings are not yet available.

The 2000 Legislature authorized the Department of Children and Families to create a prototype region that consolidates Districts 5 and 6 and a part of District 8 and involves consolidating all administrative services functions. If these efforts are successful, the department plans to continue with statewide consolidation and centralization of its administrative services functions.

Florida's five health and human services agencies have developed baseline information on administrative services costs and have established performance measures for these functions. This will enable the agencies to determine the cost-effectiveness of providing in-house administrative services.

Purpose

In accordance with state law, this progress report informs the Legislature of actions taken by the states' five social service agencies—the Agency for Health Care Administration and the Departments of Children and Families, Elder Affairs, Juvenile Justice, and Health—in response to a 1998 OPPAGA report.^{1, 2} This report presents our assessment of the extent to which the departments have addressed the findings and recommendations included in our report.

Background

Prior to 1991, most of Florida's health and human services programs were administered by a single state agency, the Department of Health and Rehabilitative Services (DHRS). In Fiscal Year 1990-91, DHRS was the single largest employer of state workers, with 37,000 FTE employees and an annual budget exceeding \$7.4 billion. DHRS administered a broad

¹ Section 11.45(7)(f), *F.S.*

² *Review of the Provision of Administrative Services in Florida's Health and Human Services Agencies*, OPPAGA Report No. 98-20, November 1998.

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range of programs, including the state's Medicaid program; alcohol, drug abuse and mental health programs; public health services; child protective investigations; services to families and elders; public assistance; and juvenile justice programs.

Beginning in 1991, the Legislature divested DHRS of many of its programs and created four new agencies to achieve more effective program management. By 1997, five separate agencies were responsible for administering most of Florida's health and human services programs. (See Exhibit 1.)

Exhibit 1

The Legislature Established Four New Health and Human Services Agencies During the Years from 1991 to 1997

Year	Agency Established
1991	Department of Elder Affairs (DOEA) ¹
1992	Agency for Health Care Administration (AHCA)
1994	Department of Juvenile Justice (DJJ)
1997	Department of Health (DOH)
1997	DHRS renamed the Department of Children and Families (DCF)

¹ Effective January 1, 1992.

Source: OPPAGA.

Each new agency established its own administrative service infrastructure to provide services such finance and accounting, personnel administration, management information systems, and purchasing. Our 1998 review was conducted because the Legislature requested information about the effects of the DHRS breakup and whether it had increased state administrative costs.

Prior Findings

In Fiscal Year 1996-97, Florida's health and human services agencies reported spending \$277 million for administrative services, which represented 2% of these agencies' total appropriations. Three-fourths of administrative services expenditures were

for management information system services and administrative support functions.

Establishing the smaller agencies with more narrowly defined program responsibilities produced several positive effects. The agencies cited improved management control and accountability over their programs and enhanced management information systems that were more responsive to each agency's needs.

Creating the new agencies did not appear to have increased administrative staffing. Overall, the ratio of administrative services staff to total agency staff remained constant at 6.2% both before and after the breakup of DHRS. Three agencies—the Department of Juvenile Justice, the Department of Elder Affairs, and the Agency for Health Care Administration—largely centralized their statewide administrative functions rather using a decentralized district-based structure as formerly used by DHRS. The Department of Health and the Department of Children and Families continue decentralized administrative services.

We concluded that further consolidating administrative services within the Department of Health and the Department of Children and Families would produce cost avoidance and staffing savings. After divestiture, some county health departments had established consortia to assist each other with providing administrative support functions previously provided by DHRS. Similarly, the Department of Children and Families had established an administrative service center within District 2 (Tallahassee) to provide consolidated services for four other districts that found it impractical to provide their own administrative services. We recommended that the Legislature mandate both agencies to implement further consolidation of administrative services. We also recommended that the five health and

human services agencies establish baseline information on their current administrative costs. The agencies should also establish performance measures to assess the effectiveness and efficiency of their administrative services.

Current Status —————

Since our prior report, both the Department of Health and the Department of Children and Families have continued efforts to consolidate administrative services. The five agencies have also worked to identify their unit costs for administrative services.

The Department of Health has expanded its use of multi-county administrative services consortia and reported a cost avoidance of \$699,221 and a reduction of 14.65 full-time equivalent (FTE) administrative positions.³ As of August 2000, 61 county health units were obtaining at least one administrative service through a consortium (an increase from 49 county health units as of June 1998).

The Department of Children and Families has expanded its administrative service center in Tallahassee to provide additional administrative services. As of August 2000, the service center was performing invoice processing, purchasing, general accounting, payroll, and time and attendance functions for Districts 2, 12, 13, 14, and 15, as well as for Florida State Hospital in Chattahoochee and Sunland Center in Marianna. Department officials said that although consolidation had resulted in a more efficient administrative services provision, it was too early to quantify the results. By February 2001, the department plans for the Tallahassee center to also provide these functions for Districts 5 and 6. Department officials reported that cost savings estimates would be available at that time. If

centralizing these functions results in increased efficiencies and cost savings, the department plans to centralize these functions for the remaining districts beginning in July 2001.

The Department of Children and Families also plans to consolidate other administrative services within regions. The 2000 Legislature authorized the department to create a prototype region that consolidates Districts 5 and 6 and a part of District 8 and will involve consolidation of all administrative services functions. Department officials expect to complete this consolidation effort by July 1, 2001. If the consolidation effort proves successful, the department plans to further expand the consolidation of administrative services functions in other parts of the state. Department officials also said that the feasibility of statewide centralization and consolidation of administrative services functions would continue to be examined for the remaining districts.

The five health and human services agencies said that they are developing internal processes and systems to collect cost data for their administrative services. These agencies also reported establishing performance measures to assess the effectiveness and efficiency of their administrative services. Examples of these agencies' internal performance measures include

- timeliness of processing invoice payments,
- accuracy of payroll warrants processed, and
- timeliness of processing of purchase requisitions.

In OPPAGA [Report No. 99-01](#), August 1999, we identified a set of proposed performance measures for administrative and support services to serve as a starting point for consideration by the Legislature and the

³ The Department of Health reported eliminating 8.65 FTE positions and reassigned 6 FTE positions as a result of its consolidation efforts.

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Governor's Office of Policy and Budget. A uniform set of performance measures would enable the Legislature to reach conclusions about the relative efficiency and effectiveness of agencies' provision of administrative and support services. Our proposed performance measures included efficiency measures such as the cost of processing an invoice and outcome measures such as the percentage of personnel actions processed correctly by the personnel function and the percentage of purchases that were processed without error.

In the Long-Range Program Plan (LRPP) instructions for Fiscal Years 2001-02 through 2005-06, the Governor's Office of Policy and Budget requires agencies to report total costs for each applicable activity within the administrative services function. These activities include finance and accounting, personnel, purchasing, and contract administration services.

Valid cost and performance measurement systems will enable these agencies to determine the cost-effectiveness of providing in-house administrative services through their current processes, and will enable the Legislature to determine whether it would be cost-effective to privatize and/or mandate further consolidation of these services.

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