

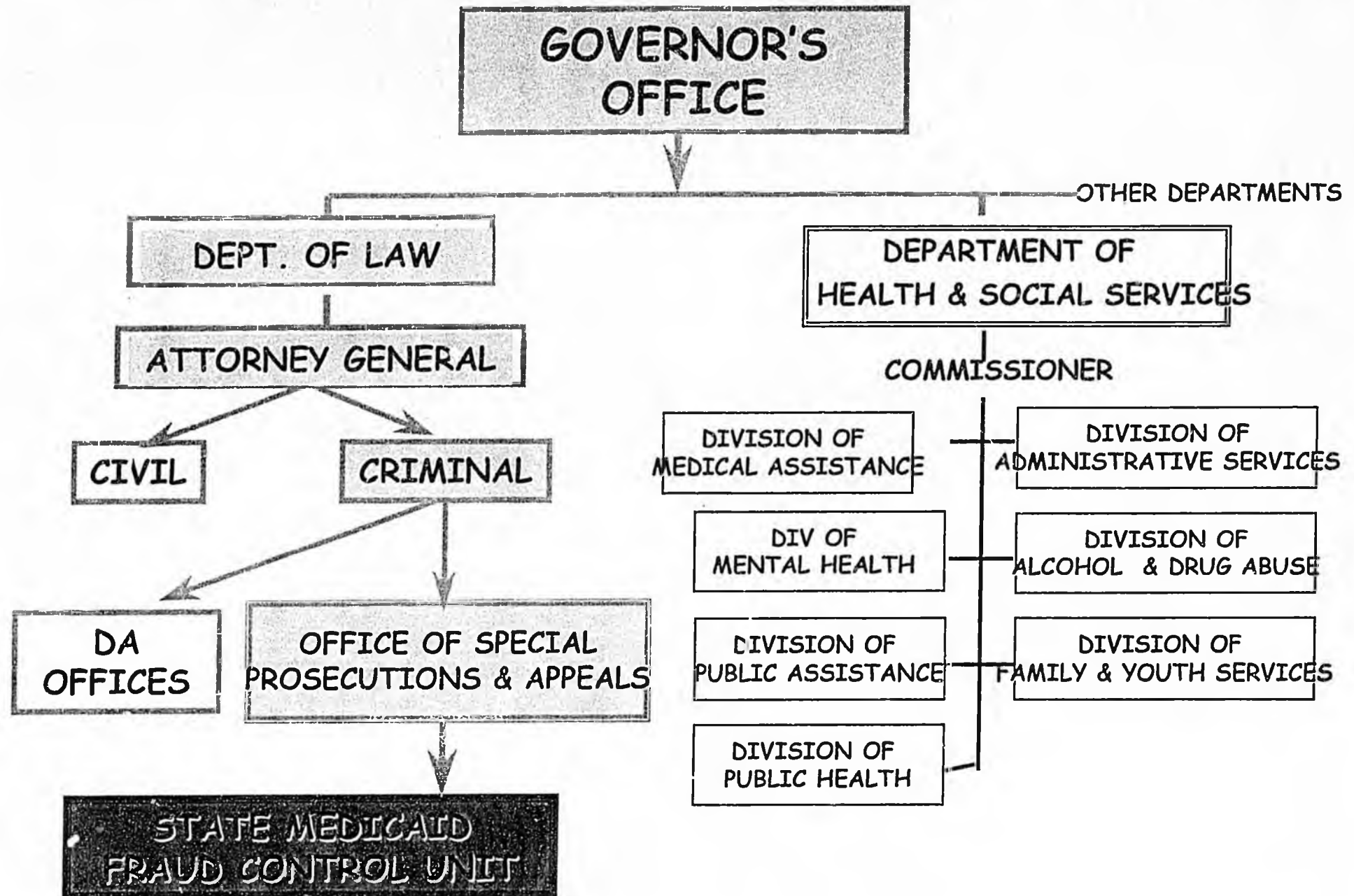
ALASKA LEGISLATURE COMMITTEE FILES 2001-2002 8672

10526 SENATE HEALTH EDUCATION & SOCIAL SERVICES

# ALASKA'S MFCU CREATED IN 1992

- ~75/25% FEDERALLY FUNDED
- ~TWO INVESTIGATORS
- ~ONE INTERNAL AUDITOR-CPA
- ~ONE PROSECUTOR  
(CROSS DESIGNATED STATE/FED)
- ~STATEWIDE JURISDICTION

# THE STATE MEDICAID FRAUD CONTROL UNIT IS WITHIN THE OFFICE OF SPECIAL PROSECUTIONS AND APPEALS



# ALASKA MEDICAID PROGRAM

## FY 1999 STATISTICS

- Total Number of Participating Providers=  
3,787
- Total Number of Recipients= 79,777  
(94,504 eligible)
- Claims Lines Processed- 3,091,484

TOTAL REIMBURSEMENTS PAID=  
\$378,451,845 MILLION  
EQUALS=\$4,743.87 PER RECIPIENT

# ALASKA MEDICAID PROGRAM

FY 2000 STATISTICS

- Total Number of Participating Providers=

-10,345 enrolled- - 4,414 participating

- Total Number of Recipients= 92,103  
(111,083 eligible)

- Claims Lines Processed= 4,683,421

TOTAL REIMBURSEMENTS PAID=

\$467 MILLION

EQUALS=\$5070.41 PER RECIPIENT

**Medicaid Statistics: FY95 - FY99**

	FY 95	% Change (FY95 to FY96)	FY 96	% Change FY96 - FY97	FY 97	% Change FY97 - FY98	FY 98	% Change FY98 - FY99	FY 99
Eligibles	86,445	0.8%	87,159	0.9%	87,977	0.3%	88,210	7.1%	94,509
Recipients	69,739	-0.2%	69,608	2.3%	71,179	3.8%	73,859	8.0%	79,777
Pct. of Eligibles Participating	80.7%	-1.0%	79.9%	1.3%	80.9%	3.5%	83.7%	0.8%	84.4%
Cost Per Recipient	3686.20	9.0%	4,016.19	1.5%	4,077.75	6.7%	4,349.43	9.1%	4,743.87
Cost per Eligible	2,973.82	7.9%	3,207.46	2.9%	3,299.16	10.4%	3,641.81	10.0%	4,004.40
Providers Participating	2,887	8.0%	3,119	7.0%	3,337	6.3%	3,547	6.8%	3,787
Payment Per Participating	\$89,045	0.7%	\$89,631	-3.0%	\$86,979	4.1%	\$90,568	10.3%	\$99,934
<b>Total Reimb. for Claims Paid**</b>	<b>257,071,900</b>	<b>8.7%</b>	<b>279,559,000</b>	<b>3.8%</b>	<b>290,250,300</b>	<b>10.7%</b>	<b>321,244,383</b>	<b>17.8%</b>	<b>378,451,845</b>
Claim Lines Processed*	2,067,963	10.7%	2,281,111	10.5%	2,514,757	13.9%	2,851,484	13.9%	3,091,484
Paid Claim Lines	1,807,111	10.5%	1,991,111	10.5%	2,255,370	10.5%	2,492,840	10.5%	2,492,840
Processed Claim Lines Paid	87.5%	-2.9%	87.3%	-2.9%	89.7%	-2.9%	86.7%	-2.9%	80.6%
Payment Per Recipient	\$151.82		\$151.82		\$151.82		\$151.82		\$151.82
Paid Claim Lines	\$31.2		\$31.2		\$31.2		\$31.2		\$31.2

**Total reimbursements:**

FY 95	FY 96	FY 97	FY 98	FY99
257,071,900	279,559,000	290,250,300	321,244,383	378,451,845
	+ 8.7%	+3.8%	+10.7	+17.8

**FY 00= 467 MILLION= +18.96%**

Nationally it is estimated that 10 to 20  
percent

of health care dollars spent go to

**FRAUD, WASTE and ABUSE.**

For **ALASKA** this equates to

**Approx. 39 MILLION TO 76  
MILLION DOLLARS  
of our FY 99 Medicaid Budget.**

# THE FLOW OF MONEY.....

**THE ALASKA MEDICAID PLAN IS  
ADMINISTERED BY THE STATE HSS-  
DIVISION OF MEDICAL  
ASSISTANCE.**



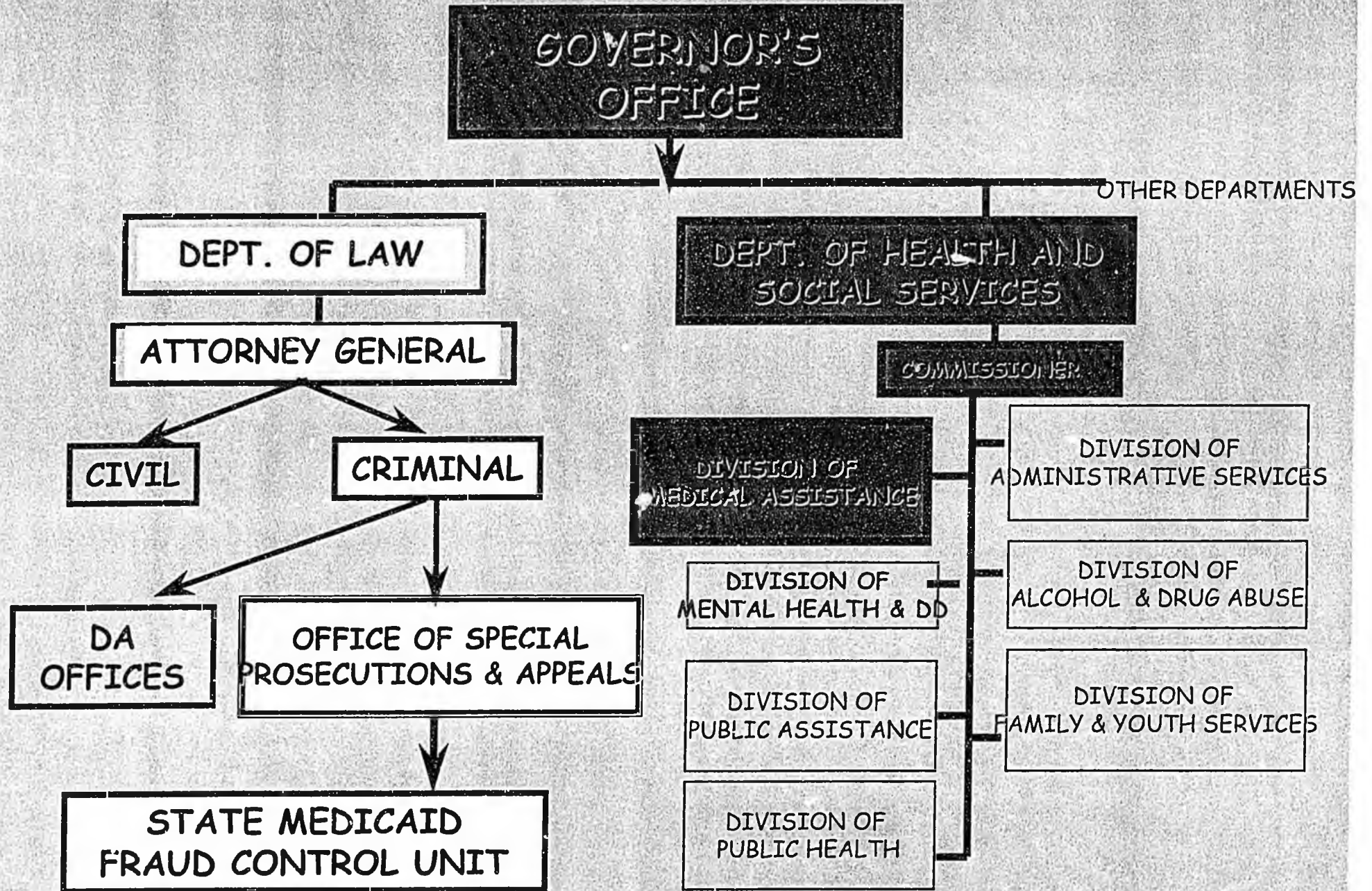
**FEDERAL FUNDS  
=\$ 60%**

**ALASKA STATE  
FUNDS=40%**



**ALASKA DIVISION OF MEDICAL ASSISTANCE =  
Alaska Medicaid For FY 99 \$378.4 MILLION**

# THE DIVISION OF MEDICAL ASSISTANCE OF DHSS ADMINISTERS THE ALASKA MEDICAID PROGRAM

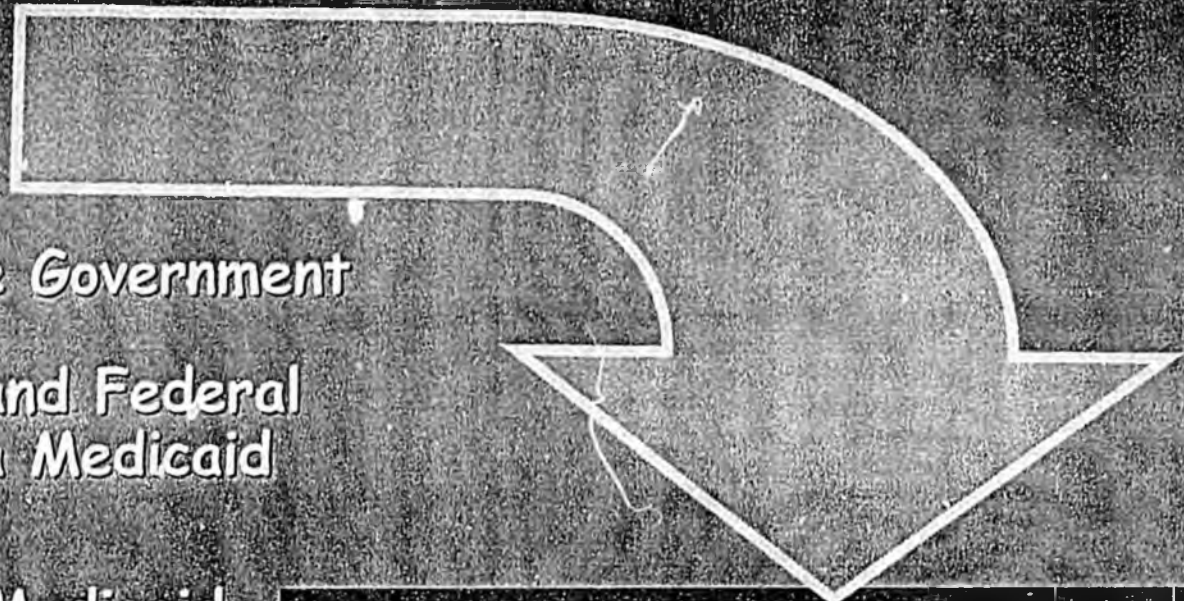


# DMA CONTRACTS WITH A FISCAL AGENT TO PROCESS MEDICAL CLAIMS

## DMA



- Division of State Government
- Receives State and Federal Funds for Alaska Medicaid Program
- Administers AK Medicaid Program
- Sets Medicaid policies and procedures
- Determines Reimbursement Rates
- Contracts with First Health Services Corp.



**First Health Services Corp  
FISCAL AGENT**

- Private Corporation
- Enrolls Medicaid Providers
- Processes Medicaid claims
- Make payments to Providers

# HOW PROVIDERS GET PAID



FEDERAL FUNDS  
60%

STATE OF ALASKA  
TREASURY  
40%

DIVISION OF  
MEDICAL ASSISTANCE

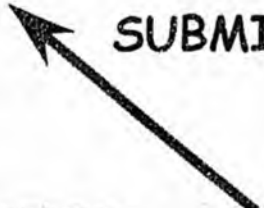
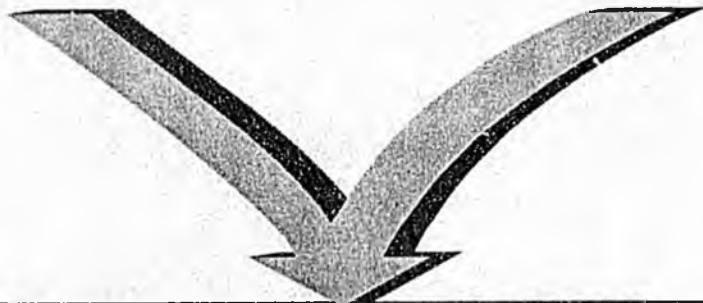
FIRST HEALTH CORP.

"CLAIM"  
SUBMITTED

CHECK SENT

PROVIDER'S  
BANK

PROVIDER



# MAJOR COMPONENTS OF A MEDICAID PROVIDER'S CLAIM

- RECIPIENT NUMBER ("MEDICAID NUMBER")- ASSIGNED BY DIVISION OF PUBLIC ASSISTANCE TO MEDICAID RECIPIENTS
- PROVIDER NUMBER -ASSIGNED BY FIRST HEALTH TO A PROVIDER OF HEALTH CARE SERVICES
- DATE OF SERVICE-THE DATE A MEDICAID RECIPIENT RECEIVES HEALTH CARE SERVICES FROM AN ENROLLED PROVIDER
- DIAGNOSIS (WHAT WAS WRONG?)-DETERMINED BY THE PROVIDER IN ACCORDANCE WITH AMA CODE BOOKS
- PROCEDURE CODE-(WHAT TREATMENT WAS PROVIDED?) DETERMINED BY THE PROVIDER IN ACCORDANCE WITH AMA CODE BOOKS
- REIMBURSEMENT-BILLED BY PROVIDER-PAYMENTS MADE ACCORDING TO A DMA SCHEDULE AND WITHIN PRE-ESTABLISHED LIMITS

**MEDICAID IN ALASKA IS  
BASED ON A "FEE FOR  
SERVICE" BASIS NOT A  
MANAGED CARE SYSTEM**

**PRESCRIPTIONS ARE  
REIMBURSED ON A POS  
SYSTEM**

REGARDLESS OF THE AMOUNT BILLED  
BY THE PROVIDER  
DMA WILL ONLY PAY THE  
REIMBURSEMENT AMOUNT  
FOR THE CPT CODE SELECTED BY THE  
PROVIDER  
IN HIS BILLING.

IF THE PROVIDER BILLS LESS THAN  
THE ALLOWED  
AMOUNT, DMA WILL PAY THAT LESSER  
AMOUNT.

EVALUATION AND MANAGEMENT CPT CATEGORY	CPT CODE	SERVICE CATEGORY	DESCRIPTION OF HISTORY, EXAMINATION & DECISION MAKING	MAXIMUM AID RATE EFFECTIVE 2/1/97
<b>OFFICE OR OTHER OUTPATIENT SERVICES</b>				
<u>NEW PATIENT</u>	99201	BRIEF	Problem focused H & E, Straightforward decision making	\$44.73
	99202	LIMITED	Expanded problem focused H & E, Straightforward decision making	\$69.79
	99203	INTERMEDIATE	Detailed H & E, Decision making of Low Complexity	\$95.34
	99204	EXTENDED	Comprehensive H & E, Decision making of Moderate Complexity	\$142.20
	99205	COMPREHENSIVE	Comprehensive H & E, Decision making of High Complexity	\$177.30
<u>ESTABLISHED PATIENT</u>	99211	MINIMAL	Presenting Problems are Minimal	\$21.59
	99212	BRIEF	Problem focused H & E, Straightforward decision making	\$37.93
	99213	LIMITED	Expanded problem focused H & E, Decision making of Low Complexity	\$53.52
	99214	INTERMEDIATE	Detailed H & E, Decision making of Moderate Complexity	\$81.95
	99215	COMPREHENSIVE	Comprehensive H & E, Decision making of High Complexity	\$129.62
<b>CONSULTATIONS (NEW OR ESTABLISHED PATIENT)</b>				
<u>OFFICE CONSULTATIONS</u> (Requires documentation of the request from referring physician, services performed or ordered by the consultant & communication to the requesting physician)	99241	BRIEF	Problem focused H & E, Straightforward decision making	\$72.01
	99242	LIMITED	Expanded problem focused H & E, Straightforward decision making	\$110.57
	99243	INTERMEDIATE	Detailed H & E, Decision making of Low Complexity	\$142.02
	99244	EXTENDED	Comprehensive H & E, Decision making of Moderate Complexity	\$198.16
	99245	COMPREHENSIVE	Comprehensive H & E, Decision making of High Complexity	\$267.47
<u>CONFIRMATORY CONSULTATIONS</u> (Requires documentation of the request from referring physician, services performed by the consultant and communication to the requesting physician)	99271	BRIEF	Problem focused H & E, Straightforward decision making	\$72.67
	99272	LIMITED	Expanded problem focused H & E, Straightforward decision making	\$92.79
	99273	INTERMEDIATE	Detailed H & E, Decision making of Low Complexity	\$130.64
	99274	EXTENDED	Comprehensive H & E, Decision making of Moderate Complexity	\$171.04
	99275	COMPREHENSIVE	Comprehensive H & E, Decision making of High Complexity	\$236.65
<b>HOME SERVICES</b>				
<u>NEW PATIENT</u>	99341	BRIEF	Problem focused H & E, Straightforward decision making	\$94.05
	99342	LIMITED	Expanded problem focused H & E, Decision making of Low Complexity	\$122.50
	99343	INTERMEDIATE	Detailed H & E, Decision making of Moderate Complexity	\$160.19
	99344	EXTENDED	Comprehensive H & E, Decision making of Moderate Complexity	No Fee Listed
	99345	COMPREHENSIVE	Comprehensive H & E, Decision making of High Complexity	No Fee Listed
<u>ESTABLISHED PATIENT</u>	99347/99351	BRIEF	Problem focused H & E, Straightforward decision making	\$73.23
	99348/99352	LIMITED	Detailed H & E, Decision making of Low Complexity	\$93.24
	99349/99353	INTERMEDIATE	Detailed H & E, Decision making of Moderate Complexity	\$117.77
	99350	COMPREHENSIVE	Comprehensive H & E, Decision making of Moderate to High Complexity	No Fee Listed
<b>PREVENTIVE MEDICINE SERVICES</b>				
<u>NEW PATIENT</u>	99381	Routine E & M	Infant - Under 1 year of age	\$119.51
	99382	Routine E & M	Early Childhood - Age 1 through 4 years	\$120.09
	99383	Routine E & M	Late Childhood - Age 5 through 11 years	\$118.98
	99384	Routine E & M	Adolescent - Age 12 through 17	\$115.13
	99385	Routine E & M	Age 18 - 39 years	\$169.18
	99386	Routine E & M	Age 40 - 64 years	Not Covered
	99387	Routine E & M	65 years and over	Not Covered
	<u>ESTABLISHED PATIENT</u>	99391	Routine E & M	Infant - Under 1 year of age
99392		Routine E & M	Early Childhood - Age 1 through 4 years	\$107.33
99393		Routine E & M	Late Childhood - Age 5 through 11 years	\$105.12
99394		Routine E & M	Adolescent - Age 12 through 17	\$108.44
99395		Routine E & M	Age 18 - 39 years	\$150.71
99396		Routine E & M	Age 40 - 64 years	Not Covered
99397		Routine E & M	65 years and over	Not Covered

# A MAJOR GLITCH IN THE SYSTEM: NO EOB'S

ALL RECIPIENTS ARE NOT ROUTINELY SENT  
EXPLANATION OF BENEFIT (EOB) FORMS

- A RANDOM SAMPLE OF 400 EOB'S (OUT OF THOUSANDS OF RECIPIENTS) ARE SENT OUT MONTHLY BY DMA
- NO REQUIREMENT THAT THEY FILL OUT AND RETURN THE FORMS
- HISTORICALLY VERY FEW RESPONSES
- THE SYSTEM RELIES HEAVILY ON THE GOOD FAITH OF THE PROVIDER

# **EXCLUSIONS:**

**MEDICAID WILL NOT PAY FOR EXPENSES  
WHICH ARE**

- NOT REASONABLY NECC. TO THE  
DIAGNOSIS/TREATMENT**
- ITEMS/SERVICES NOT PROPERLY Rx'ed**
- SCHOOL CHECK-UP's**
- COSMETIC THERAPY/SURGERY**
- TELEPHONE CONSULTATIONS**
- SEX CHANGE OPERATIONS**
- INMATES WHO ARE IN CUSTODY**
- WEIGHT LOSS THERAPHY**

# FEDERAL CRIMES

- FALSE CLAIMS ACT: -18 USC sec. 287
- MAKING OR PRESENTING A CLAIM THAT IS FALSE, FICTICIOUS OR FRAUDULENT
- TO A DEPARTMENT OR AGENCY OF THE UNITED STATES
- KNOWING THAT IT IS FALSE, FICTICIOUS OR FRAUDULENT
- 5 YRS/\$250 K PER COUNT

# FEDERAL CRIMES

- FALSE STATEMENTS:-18 USC sec. 1001
- FALSE REPRESENTATION OF A MATERIAL FACT,
- CONCEALMENT OF A MATERIAL FACT,
- USE OF A WRITING OR DOCUMENT
- 5 YRS/\$250 K PER COUNT

# FEDERAL CRIMES

- MAIL FRAUD: -18 USC sec. 1341
- DEVISING A SCHEME /ARTIFICE TO DEFRAUD OR FOR OBTAINING MONEY OR PROPERTY VIA A FALSE OR FRAUDULENT PRETENSE,
- USE OF THE MAIL
- 5 YEARS/\$1000 PER COUNT (IF VIOLATION AFFECTS FINANCIAL INSTITUTION= 1 M OR 30 YRS OR BOTH)

# FEDERAL CRIMES

- WIRE FRAUD: 18 USC sec. 1343
- DEVISING A SCHEME OR ARTIFICE TO DEFRAUD OR FOR OBTAINING MONEY OR PROPERTY BY MEANS OF FALSE OR FRAUDULENT PRETENSES,
- INTERSTATE USE OF WIRE, RADIO OR TELEVISION COMMUNICATION
  - 5 YEARS/\$1000 PER COUNT

# FEDERAL CRIMES

- MEDICARE AND MEDICAID FRAUD: 42  
USC sec. 1320(a)-7b(a)(1)
- KNOWINGLY AND WILLFULLY,
- MAKES OR CAUSES TO BE MADE A FALSE STATEMENT OR REPRESENTATION OF A MATERIAL FACT,
- IN A CLAIM FOR PAYMENT UNDER A FEDERAL HEALTH CARE PROGRAM
- 5 YEARS/\$25K OR BOTH

# FEDERAL CRIMES

- MONEY LAUNDERING: 18 USC sec.1956
- ENGAGING IN A FINANCIAL TRANSACTION
- KNOWING THE PROCEEDS COME FROM SOME FORM OF "UNLAWFUL ACTIVITY"
- CONDUCT INTENDED TO PROMOTE THE "UNLAWFUL ACTIVITY" or ENGAGE IN TAX FRAUD/EVASION or CONCEAL CONDUCT or AVOID A REPORTING REQ. 5 YRS/\$250K PER CT.

• RICO : (RACKETEER INFLUENCED & CORRUPT ORGANIZATIONS) 18 USC sec. 1961 *et seq*

- DEFENDANT INVESTED IN "ENTERPRISE" MONEY FROM RACKETEERING ACTIVITY, or
- DEF. OBTAINED CONTROL OF "ENTERPRISE" THROUGH PATTERN OF RACKETEERING ACTIVITY, or
- DEF. WHO WAS EMPLOYED BY OR ASSOCIATED WITH "ENTERPRISE" CONDUCTED BUS. AFFAIRS THROUGH PATTERN OF RACKETEERING ACTIVITY, or
- CONSPIRED TO DO ANY OF THE ABOVE

# RICO PENALTIES

- DEF. CONVICTED SUBJECT TO JAIL UP TO 20 YRS. AND "SHALL"
- FORFEIT INTERESTS/PROPERTY OBTAINED IN VIOL. OF RICO,
- ANY PROPERTY DERIVED
- COURTS MAY RESTRAIN FUTURE VIOL. BY ORDERING DIVESTITURE OF PROPERTY OR IMPOSING RESTRICTIONS ON ACTIVITIES.

**IN AREA OF HEALTH CARE  
FRAUD RICO HAS BEEN USED  
TO PROSECUTE:**

- PHYSICIANS WHO CONSPIRE WITH ATTORNEYS AND PATIENTS TO SUBMIT FALSE CLAIMS TO INSURERS FROM FICTITIOUS AUTO ACCIDENTS,**
- DR'S WHO DISPENSED UNNECC. RX'S**
- DR'S WHO CONSPIRED TO SUBMIT FALSE CLAIMS FOR MEDICAL SERVICES NOT RENDERED.**

# RECENTLY ENACTED (1996) CRIMES UNDER HIPPA (Health Insurance Portability and Accountability Act)

- HEALTH CARE FRAUD- 18 USC sec1347
- THEFT/EMBEZZLEMENT IN  
CONNECTION WITH HEALTH CARE-18  
USC sec. 669
- FALSE STATEMENTS RELATING TO  
HEALTH CARE MATTERS 18 USC sec.  
1035

# OTHER FEDERAL CRIMES

- CONSPIRACY
- THEFT OF GOVERNMENT PROPERTY
- OBSTRUCTION OF JUSTICE
- DISPOSING OF ASSETS TO OBTAIN MEDICAID COVERAGE
- ANTI-KICKBACK STATUTES

# STATE OF ALASKA STATUTES

## THEFT - AS 11.46.100 through AS 11.46.180

-FIRST DEGREE	B FELONY	\$25,000 OR MORE
- SECOND DEGREE	C FELONY	\$500 TO \$25,000
- THIRD DEGREE	A MISDEMEANOR	\$50 TO \$500
- FOURTH DEGREE	B MISDEMEANOR	OVER \$50

## FORGERY-SECOND DEGREE- AS 11.46.500 through AS 11.46.510 - C FELONY

## SCHEME TO DEFRAUD -AS 11.46.600-B FELONY INTENT TO DEFRAUD \$10,000 OR 5 PERSONS

## FALSIFYING BUSINESS RECORDS - AS 11.46.630 - INTENT TO DEFRAUD C FELONY

## MISCONDUCT INVOLVING A CONTROLLED SUBSTANCE- AS 11.71 PENALTIES RANGE FROM UNCLASSIFIED FELONIES, A,B,C,MISDEMEANORS

# SOME COMMON RIP-OFFS

- BILLING FOR GOODS/SERVICES NOT PROVIDED
- BILLING FOR PHANTOM PATIENT VISITS
- UPCODING
- UNBUNDLING
- DOUBLE BILLING
- BILLING FOR MED. UNECC. SERVICES OR TESTS
- BILLING FOR NON-COVERED SERVICES
- BILLING MEDICAID HIGHER THAN OTHER PAYERS
- KICKBACKS

**CRIMES AGAINST PERSONS-PATIENT ABUSE or NEGLECT**

**ASSAULT 1 through RECKLESS ENDANGERMENT**

**AS 11.41.200 through 250**

**Class A Felony through A Misdemeanor**

**SEXUAL ASSAULT AND SAM -**

**AS 11.41.410 through 460**

**Unclassified Through C Felony**

**MURDER THROUGH CRIM. NEGLIGENT HOMICIDE**

**AS 11.41.100-130**

**Unclassified felony through class C felony**

**ENDANGERING THE WELFARE OF A VULNERABLE  
ADULT**

**AS 11.51.200 through 210**

**First Degree C FELONY**

**Second Degree -A Misdemeanor**

**HARASSMENT -AS 11.61.120 B Misdemeanor**

# EXCLUSION OF INDIVIDUALS AND ENTITIES FROM HEALTH CARE PROGRAMS

- MANDATORY- GENERALLY 5 YEARS  
UPON CONVICTION FOR PROGRAM  
RELATED FELONY CRIMES-STATE OR  
FEDERAL.
- PERMISSIVE-GENERALLY UPON  
CONVICTION FOR MISDEMEANOR  
PROGRAM RELATED CRIMES
- CORP. INTEGRITY AGREEMENTS

# INVESTIGATIVE TOOLS

**MMIS** - Medicaid Management Information System -  
Provider Billing History Database

**MOTZNIK** - Public Records Database

**AP SIN** - Alaska Public Safety Information Network - Crim. Hist/Outstanding BW's

**SEARCH WARRANT** - Issued by Court upon showing of probable cause

**AUDITS** - of Provider Billing, Medical, and Other Records

**EXPERT WITNESSES** - Reports and Testimony

**SURVEILLANCE** - of Provider and /or Recipient Activity

**UNDERCOVER** - Visits to Provider - WIRES

**INTERVIEWS** - of Provider, Recipients, Employees or other Witnesses or Informants

**REVIEW** - of Other Tangible Medical Evidence such as X-rays, Rx's,  
Lab Reports by Expert or Staff

**COOPERATION** - and Information Sharing Between Program and Other  
Law Enforcement Agencies - FBI - DEA - AST - APD - IRS - POSTAL INSP.

42 CFR 455.2 of the  
CODE OF FEDERAL REGULATIONS  
DEFINITIONS

**FRAUD** -means an intentional deception or misrepresentation made by a person with the knowledge that the deception could result in some unauthorized benefit to himself or some other person.

**ABUSE** means provider practices that are inconsistent with sound fiscal, business, or medical practices, and result in unnecessary cost to the Medicaid program, or in reimbursement for services that are not medically necessary or that fail to meet professionally recognized standards for health care.

FEDERAL LAW REQUIRES MOU  
BETWEEN DHSS & DOL

NEW ONE SIGNED IN OCTOBER 1999  
BETWEEN DOL AND HSS

~ Commissioner Karen Perdue

~ Atty Gen. Bruce Bothelo

~ DMA Director Bob Labbe

~ Stephen Branchflower Ak. MFCU

• OLD ONE DATED BACK TO 1992

"THE PREVENTION, DETECTION,  
AND  
ELIMINATION OF ALL MEDICAID  
CRIMES AND ALL ABUSIVE AND  
IMPROPER PRACTICES IN  
THE MEDICAID PROGRAM, ARE  
PRIMARILY THE RESPONSIBILITY  
OF DHSS"

"THE INVESTIGATION AND  
PROSECUTION OF MEDICAID  
PROVIDER CRIMES  
ARE THE PRIMARY  
RESPONSIBILITY OF  
THE FRAUD UNIT"

UNDER FEDERAL LAW:

MFCU

33 INVESTIGATIONS

- ~INVESTIGATES ALL REFERRAL'S FROM DHSS
- ~HAS EQUAL ACCESS TO ALL MEDICAID RECORDS AS DOES DHSS
- ~MFCU CAN PRE-EMPT THE RESOLUTION OF A CASE UNDER INVESTIGATION BY DHSS
- ~NEITHER AGENCY HAS AUTHORITY OVER EACH OTHER'S EMPLOYEES

# INVESTIGATING AND PROSECUTING HEALTH CARE FRAUD REFERRALS

- Private Citizen
- Providers
- Website
- Hotline 269-6279
- National TV Ads

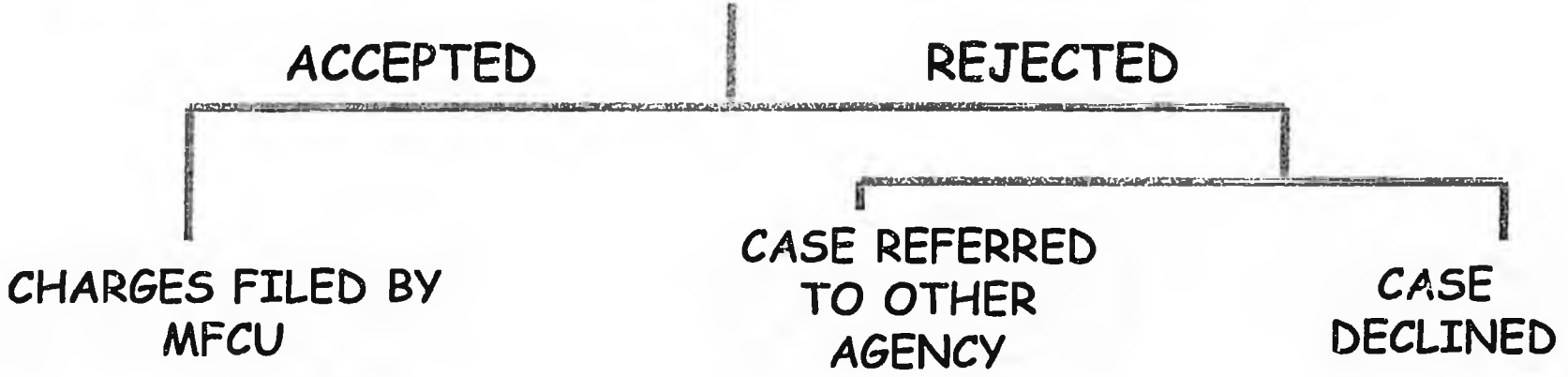
STATE or FEDERAL AGENCIES  
DMA-SURS-DURS-NAMFCU



## INVESTIGATED BY MFCU VIA:

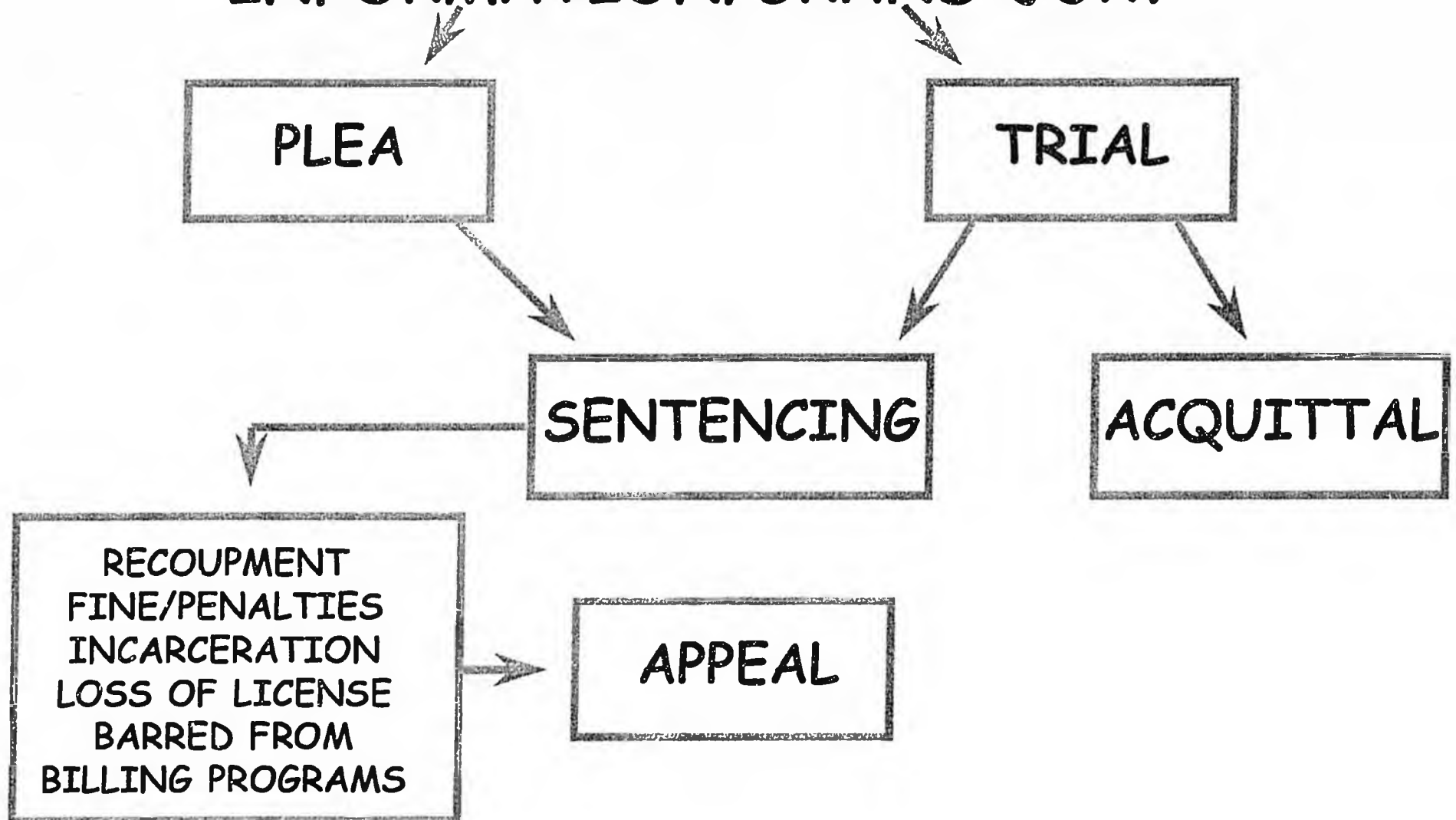
- SEARCH WARRANTS
- INTERVIEWS-EMPLOYEES-RECIPIENTS
- AUDIT OF PROVIDER RECORDS
- LAB WORK
- INTERACTION WITH OTHER AGENCIES APD, AST, DEA

**STANDARD=PROOF BEYOND REASONABLE DOUBT**



# THE PROSECUTION

CRIMINAL CHARGES INITIATED  
INFORMATION/GRAND JURY



QUESTIONS?

THE END

WELFARE  
REFORM

# Welfare Reform Status Report

Year Four

Fiscal Years 1998-2001  
(July 1, 1997 – June 30, 2001)

## INSIDE THIS REPORT

Introduction	1
Four Year Statistics	2
Partnerships	3
Evaluation	3
The Future	4

## INTRODUCTION

With four years of welfare reform behind it, Alaska has remained successful at moving Alaskans off welfare and into work. The caseload has dropped, millions of benefit dollars have been saved and most families are better off than they were on welfare. This success is not without challenge, however, as families will soon reach their 60-month lifetime limit on welfare benefits.

Federal and state laws implemented in 1997 made fundamental changes to welfare programs that had been in place for decades. The new Temporary Assistance program has a strong emphasis on work. At the same time it remains an essential safety net program for poor Alaskan families.

In Alaska, several families will hit the time limit in July of 2002. An estimated 180 families may be removed from the program during the year after that date. About 7,000 families now receive

benefits in Alaska through state and Native run programs.

Alaska has many tools to help families on welfare find independence before their 60-month limit runs out. Each year, the State reinvests millions of welfare savings to assist families toward self-sufficiency. Strong partnerships between state and community agencies provide case management, childcare, workforce development and other supportive services.

Native organizations play an increasing role in delivering welfare services in Alaska. Tanana Chiefs Conference, Tlingit & Haida, and the Association of Village Council Presidents have taken over welfare services for Native families in their regions.

Currently, the State is partnering with the University of Alaska to study long-term recipients



with the greatest barriers to employment. The results of this study will help the State better understand what steps to take to help low-skilled welfare recipients into employment before their clock runs out.

This year's *Welfare Reform Status Report* is an abbreviated version a similar report that has been published for the past three years. Copies of earlier reports are available from the Division of Public Assistance.

## WELFARE REFORM IN ALASKA

Welfare reform laws have changed welfare by:

- Imposing a 5-year lifetime limit on benefits
- Requiring most recipients to be in a work activity within two years
- Diverting families from welfare by addressing immediate needs
- Reducing benefits to two-parent families in the summer and to families with low housing costs
- Requiring recipients to develop a family self-sufficiency plan
- Allowing families more earned income so that it pays to work
- Penalizing recipients for quitting or refusing a job
- Enabling communities to play a greater role in the delivery of welfare-to-work services
- Requiring minor parents to live with their parents or safe home, and finish high school

Four Year Statistics

## FOUR YEAR STATISTICS

Welfare Caseload Down

**39%**  
(FY97-FY01)

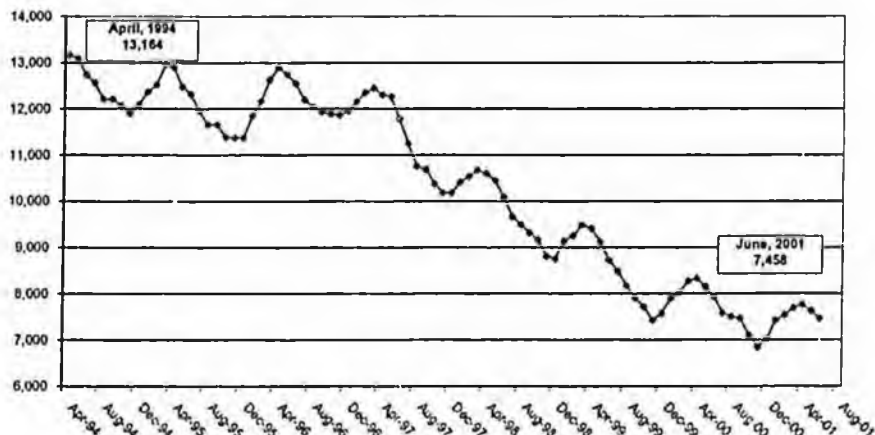


### HIGHLIGHTS

- The average caseload for FY01 was 39% below FY97, the year before welfare reform was implemented.
- In November of 2000, the caseload dropped 48% below the historic high in April of 1994.
- In FY01, the percent of Alaska's population on welfare declined to approximately 3.5%, down from 6.2% in FY94.
- Annual savings in welfare cash benefits reached \$55 million in FY01. The FY02 budget shows a \$48 million state general fund savings due to welfare reform.
- In June of 2001, 35% of the adult Temporary Assistance caseload was working with an additional 30% assigned to other activities leading to work. The average wage of working recipients was \$8.88/hr.
- Over \$27 million is invested in FY02 to help recipients find work, receive childcare, eliminate barriers, and stay on the job. Twenty-nine community organizations are helping the welfare-to-work effort.
- Childcare assistance has increased from \$19 to \$30 million in four years.
- Denali KidCare provides over 18,000 children from low-income working families with health insurance.
- Child support collections have increased from \$50 million in FY93 to \$91 million in FY01.

## CASELOAD AND SPENDING STILL DECLINING

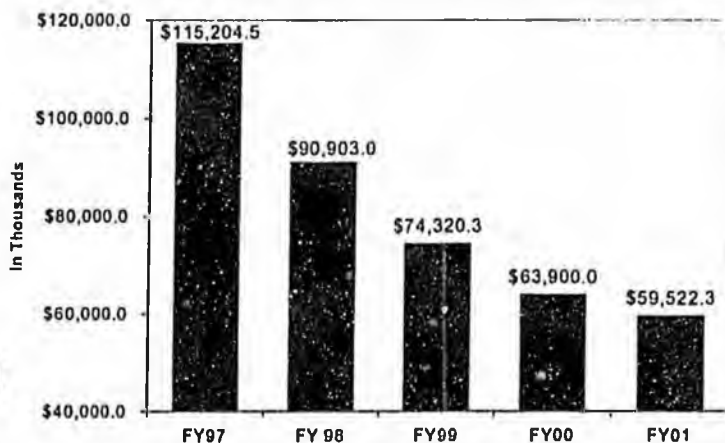
AFDC/TANF Caseload FY94-FY01



The state's TANF caseload was down 39% in FY01 compared to FY97, the year before welfare reform took effect. In November of 2001, the caseload for TANF programs in Alaska declined to 6,847 families, a 48% reduction from the historic high of 13,164 in April of 1994. These figures include the state's Temporary Assistance program and three Native TANF programs.

The percentage of Alaskans receiving cash welfare benefits has declined, from 6.4% in FY94 to 3.5% in FY01.

Temporary Assistance Cash Benefit Expenditures



Spending on welfare payments continues to decline. In FY01, cash benefit expenditures dropped to \$59.5 million, down 48% from the \$115.2 million spent in FY97. This is attributed to recipients leaving welfare for work, fewer applicants, more recipients working, and seasonal benefit cuts to two-parent families.

Welfare reform has saved the state millions of general fund dollars. The general fund savings for FY02 alone is \$48 million when compared to FY97.

## PARTNERSHIPS

Welfare reform in Alaska has been successful because of strong partnerships:

**COMMUNITY PROVIDERS** are critical to providing case management and supportive services to welfare recipients. Over 50% of welfare families receive services from 29 separate organizations through grants or contracts with the Division of Public Assistance (DPA). These providers are knowledgeable about the local economy, jobs, social services, and needs of their communities. Native organizations are key partners in service delivery.

**CHILD CARE** is essential to the success of welfare reform. The Department of Education and Early Development in partnership with DPA and local administrators assist hundreds of families in their move from welfare to work. Continued efforts are underway to increase the availability of safe, nurturing and developmentally appropriate childcare.

**WORK SERVICES** is a partnership between DPA

and the Division of Employment Security, which provides services designed to move Alaskans from welfare to work. This includes work search, transportation, ESL, vocational training programs, and job retention, development, and advancement. Effective case management is the core of work services.

**ONE-STOP JOB CENTERS** provide welfare recipients with professional and convenient resources to find work. Job Centers combine under one roof various state and community services geared to assist job seekers with workforce development and social services. Key partners include DPA, Employment Security and Vocational Rehabilitation, the Workforce Investment Act agencies and local non-profit organizations.

**WORKSTAR** is a business-led initiative created by Governor Tony Knowles to connect welfare reform and employers. It is operated by the Alaska Human Resource Investment Council with funding from DPA.

Exemplary employers who have hired welfare recipients are recognized at an annual event. WorkStar also hosts job fairs statewide and provides an avenue for the state to receive advice from employers in the design of welfare-to-work programs.

**DENALI KIDCARE** provides health care for over 18,000 children of low-income working parents and is administered jointly by the Divisions of Medical Assistance, Public Assistance, and Public Health. Parents are more comfortable leaving welfare for work when they know their children will have health coverage.

**CHILD SUPPORT** collections are essential to the long-term success of welfare reform. The Division of Child Support Enforcement helps to ensure that both parents live up to the responsibility, within their means, of providing financial support for their children. A portion of child support collections are used to reimburse the state for welfare payments provided to poor families.

### Partnerships and Evaluation

#### Community Service Providers

- Adult Learning Programs of Alaska
- AK Vocational/Training Center
- Aleutian Pribilof Island Assoc.
- Assoc. of Village Council Presidents
- Bristol Bay Native Assoc.
- CARTS, Inc.
- Catholic Social Services
- Catholic Comm. Services - Juneau
- Center for Community
- The Child Care Connection
- Cook Inlet Tribal Council
- Delta Mine Training Center
- Fairbanks Borough School District
- HRC, Inc.
- Job Ready Inc.
- Kenai Alternative HS
- Kodiak Area Native Association
- Kodiak Island Borough
- Love INC
- Maniilaq Manpower
- MASCOT
- Metlakatla Indian Community
- Nine Star Enterprises
- SE Regional Resource Center
- Tanana Chiefs Conference
- Tanana Valley Community College
- Tlingit and Haida
- U of A - Adult Learning Center
- Valley Women's Resource Center

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## EVALUATION

**WELFARE "LEAVER" STUDY:** A comprehensive study of 694 former welfare recipients has found that most who leave the welfare rolls stay off and find employment. The "leaver" study assessed those who left after welfare reform began in 1997. Highlights:

- The average wage for people who had worked was \$10.52/hour in 1999;
- Health problems, disabilities, and child care

problems were frequent challenges to working;

- Thirty percent of respondents reported at least one family member with no medical coverage;
- Over 80% agreed people on welfare should be required to work;
- Only 18% reported their household received child support payments.
- Seventy-five percent of

the "leavers" have worked since leaving welfare;

- Over half of respondents said their lives were better after leaving welfare;
- Almost 90% of recipients who left welfare were female and the typical family included two children.

The study was conducted by UAA's Institute for Circumpolar Health Studies with support from DPA.



## THE FUTURE

### WELFARE REFORM: WHAT'S NEXT



While welfare reform in Alaska has met with significant success, serious challenges lay ahead.

**THE 60-MONTH LIMIT:** Welfare recipients with employment barriers such as mental illness, drug and alcohol abuse, learning disabilities and family violence represent a higher proportion of the caseload.

The 60-month time limit for many families will run out in July 2002. In the past year a number of efforts have been underway to plan for families reaching the 60-month time limit:

- Community meetings were held to solicit input on welfare reform policy and possible solutions to challenges in the future.
- The Division of Public Assistance developed enhanced partnerships with other agencies and organizations to collaborate on providing services.
- Criteria were developed for allowing extensions based on the language in state law.

- The state has developed processes to ensure families are fully assessed and referred for services they need, and to determine if they should receive extended time on assistance if they meet the criteria provided in law.

The state will insure that a safety net remains for families who reach 60-months, but face circumstances that would make them eligible for an exemption to the limit.

**STUDY OF LONG-TERM RECIPIENTS:** The Division of Public Assistance and the UAA Institute for Circumpolar Health Studies are continuing efforts to learn more about why some families have a difficult time leaving public assistance. A new phase of research will focus on families who have received Temporary Assistance benefits for 40 months or longer.

The purpose of this study is to discover the factors associated with long-term reliance on Temporary Assistance and the degree to which they are being

addressed so that the State can continue to develop effective policy and service responses. Some of the factors to be studied include work history, employment barriers, screening and assessment activities and client perceptions.

**REAUTHORIZATION:** At the same time Alaska is preparing for the imposition of the 60-month limit, Congress will be debating reauthorization of the federal welfare reform law.

The entire law may be reconsidered including the purpose, funding levels, work requirements and time limits.

States will undoubtedly want to retain their current federal funding and the flexibility that has allowed them to be so successful. Reauthorization of Native TANF will be an important issue in Alaska.

While four years of welfare reform have yielded positive results, only if families escape poverty and reach self-sufficiency can Alaska's welfare reform efforts truly be considered a success.

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 Jim Nordlund, Director  
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American Institute *for*  
**Full Employment**

**ASSESSMENT  
OF  
ALASKA'S WELFARE REFORM  
PROGRAM**

**Prepared by:**

**The American Institute for Full Employment**

**For:**

**Senator Lyda Green**

**Chair, Senate Health, Education & Social Services Committee**

**and**

**Representative Fred Dyson**

**Chair, House Health, Education & Social Services Committee**

**September 2001**

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## **Introduction**

Responding to a Welfare Reform Progress Report prepared by the American Institute for Full Employment (AIFE), and a subsequent presentation, Senator Lida Green and Representative Fred Dyson requested that the AIFE assess Alaska's welfare reform efforts. This report contains our assessment of Alaska's welfare reform program, and includes recommendations for improvements.

It is important to point out that although the purpose of this report is to recommend changes, we were for the most part very impressed both with the design of Alaska's welfare reform program and with Alaska's attempts to implement a program based on work-first principles. We met with dedicated, knowledgeable staff at all levels; reviewed policies that are in general conducive to a program that will be successful in assisting families toward self sufficiency; and found service delivery methods that clearly constitute best practices. In particular, we found that staff at all levels are committed to a work-first approach and believe that the great majority of welfare recipients are capable of self-support. Thus, although much of the report discusses problems and recommends solutions, we believe that the main programmatic elements of Alaska's program are valid, and that sound management practices have been used to implement the program. At the same time, we saw significant variations in the levels and kinds of services provided, and found gaps in the provision of services.

The recommendations in this report result from a very quick review of Alaska's program. We interviewed DPA central office management officials, and both management officials and line staff in each Regional office. Both urban and rural program operators and line staff were interviewed, and review staff traveled to remote locations to view program operations. In addition, administrators of two native TANF programs were interviewed. We also reviewed Alaska's statute, regulations, program manual, TANF State Plan, organization charts, data reports,

Welfare Reform Status Reports, Implementation Memoranda, proposals from potential contractors, Tribal Grant Awards, budgetary material, and Alaska's study of welfare leavers.

In addition, we attempted to review descriptions and evaluations of welfare reform program aspects for other states and the nation produced by researchers and technical experts. However, the limited time for the onsite review did not permit us to actually attend and assess the eligibility interview process, case management sessions, or Work Search classes; and interviews with line staff members were limited in both time and number. In addition, we were not able to talk to work program participants to gain their perceptions of the services they were receiving.

Despite these limitations, we hope that our understanding of Alaska's TANF program and of the delivery of Alaska Temporary Assistance Program (ATAP) services is correct, and apologize if we misinterpreted any facet of program rules or delivery mechanisms.

We also want to thank DPA officials and line staff for their cooperation in fitting our visit into their already busy schedules and for the openness with which they conversed with us. We hope that these recommendations will assist Alaska to deliver an even better welfare reform program.

## **1. Work-First**

### **1.1 Background/Findings: Using Work-First Principles**

The "work-first" philosophy is consistently espoused by managers, workers, and contractors, and this is an important accomplishment. We were also impressed with workers' understanding of work-first principles. In the one-stops we visited, we found the Department of Labor and Workforce Development (DOL) staff as well as Alaska Temporary Assistance Program (ATAP) staff working together, and this, combined with the clients' ability to access employment related-resources immediately, certainly promotes the work-first message. However, in practice, we found considerable variation in the actual application of work-first principles, and we believe that there are additional steps that Alaska can take to ensure that work-first is more consistently employed.

One of the key principles of work first is that the labor market is the best test of employability. A strong diversion program utilizing structured work search is necessary to achieve this principle. There is an existing policy for diversion in Alaska, which allows a lump sum payment of up to two months benefit to enable a potential applicant to avoid opening a grant. However, it is rarely used. We provide recommendations for enhancing the use of diversion elsewhere in this report.

#### **1.1.1 The Up-Front Process and Assignment of Case Managers**

Despite the philosophy of work first, Alaska's up-front process continues to have eligibility for the cash ATAP benefit as the primary focus instead of employment and self-sufficiency. To some extent this is unavoidable when: (1) separate workers handle eligibility and case management; (2) eligibility is the first activity; and (3) case managers are not always assigned immediately. Time frames range anywhere from a few days to six weeks from first day of contact until a client is engaged in the contracted Work Search class.

Both the assignment of a case manager as well as the assessment process used to determine if clients should be referred to the Work Search class vary greatly from area to area and from worker to worker. In Ketchikan, clients are assigned a case manager at the same time they have their eligibility interview. In this office, clients meet with their case manager on the same day as their eligibility interview, a Family Self Sufficiency Plan (FSSP) is developed, and they are referred immediately

to the Work Search class. Often clients will be attending Work Search class even prior to the actual opening of the ATAP grant.

However, in other areas, the assignment of a case manager and the length of time before a client meets with the case manager is much more haphazard. While the Division of Public Assistance's (DPA) goal is to have 100% of non-exempt clients case managed, we visited areas where not all clients were working with a case manager. For example, we found clients on a waiting list for case management in Juneau. In addition, clients in only five of the Nome area villages have case managers; in the Kotzebue villages, most clients are not being regularly served by a case manager.

While the policy is that virtually all clients should be referred to the Work Search class as the first activity, some areas report that a number of applicants are actually not being referred to Work Search class as a first activity because of perceived barriers.

In summary, the determination of who to refer and when by case managers varies greatly, not just from office to office, but within the same office, and there does not appear to be any uniform guidance or assessment form to assist case managers in this determination.

### ***1.1.2 Work Activities Versus "Barrier Removal"***

Another principle of the work-first philosophy is that assessments should focus on an individual's and family's strengths and build upon those rather than presume that there are numerous barriers which must be overcome before the family can make any movement forward. While DPA administration clearly endorses a strength-based assessment approach, some of the case management and Work Search class staff and managers with whom we met appear to be moving away from this approach. For example, Work Search class staff in Ketchikan and a case manager in Sitka informed us that most clients now have so many barriers that a great deal of assessment must be done first, followed by barrier removal rather than employment activity, or at least a combination of barrier removal and employment. As a result, we were told that fewer clients are being referred to the Work Search class.

In Fairbanks, we were advised that orientations are now being done only every other week and that only one individual is in the newest Work Search class. In addition, once in the class, fewer clients are actually

looking for work or engaging in actual work activities versus "barrier removal" activities. "Barrier removal" activities include obtaining a driver's license, mental health counseling, and working on family issues.

While some of these activities may be necessary to move the individual to employment, they do not need to be done to the exclusion of work activities for most people. Because of this "barrier-based" view of clients, some of the Work Search classes have moved away from a standardized curriculum to a more individualized approach.

While there are no data to quantify the exact number of referrals to vocational rehabilitation services, anecdotal information from case managers creates the impression that referrals are high relative to other states' experience. This may be another sign that there is too great a concentration on barriers to employment. Traditionally, vocational rehabilitation services tend to be much longer term and more expensive than other welfare-to-work services.

### ***1.1.3 On-the-Job Training/Community Service***

A third principle of the "work first" philosophy is that on-the-job training is often the most productive method of training. To this end, DPA is implementing several new on-the-job training approaches. Since these are just being implemented, it is too early to assess their effectiveness. However, some areas believe that the wage reimbursement level, i.e. one-half the wage for OJT, and the requirement that employers make a good faith agreement to hire the participant, will not attract many employers. This is especially the case in the rural areas.

In the extremely rural areas, where there is very little employment, a greater use of community service, e.g. helping at the local school, should be possible. Often because of lack of resources, these communities have significant infrastructure issues which clients could help meet. However, some staff raised concerns that in small communities clients assigned to perform such unpaid community services will be stigmatized.

### ***1.1.4 Exemptions from Work Participation***

State policies providing exemptions to work participation requirements also prevent full implementation of work-first principles. Alaska's statute was recently changed to require adults exempt because of physical or mental limitations to complete a self-sufficiency plan. However, Alaska's

regulation still provides that individuals automatically qualify for an incapacity exemption even if the individual is able to work part-time (7AAC45.235(a)(2)).

Even individuals who are physically or mentally incapacitated can take steps toward self-sufficiency and should be obligated to agree to appropriate activities. Although the inability to perform full-time work may prevent an individual from participating to the level where his/her activities are countable in calculating participation, such individuals should not be totally exempted from work participation. A similar issue concerns individuals with mental health and substance abuse problems. Currently Alaska cannot require that such clients include treatment as a FSSP activity. In addition, even where a client agrees to treatment, there are waiting lists for substance abuse treatment in some areas. We understand that DPA is already addressing these problems.

Although parents with children under 12 months of age are required to complete FSSPs, such individuals are permitted to be exempt from work participation requirements for this total period (Section 47.27.035). This exemption is only allowed one time per parent(s). Most workers with whom we met believe that the 12-month exemption period is too long; several related their own experiences in this area, advising that they had been required to and had successfully returned to work 16 weeks after the birth of a child.

Experience in other states varies widely in this area. Thirty states provide at least a 12-month exemption after childbirth, 11 states provide a three-month exemption, one state exempts parents for six months, one for four months, one for 13 weeks, while six states provide no exemption in such cases (Urban Institute, Welfare Rules Data Book: State TANF Policies as of July 1999). Although work-first principles support a reduction in the exemption period, there are other considerations in determining appropriate policy. Elsewhere in this report we advise that some areas in Alaska report there is already a shortage in infant care and this would be exacerbated were the exemption period to be reduced. In addition, Alaska has just added funding to child care to eliminate a large child care waiting list. Both these issues need to be considered in revising exemption policies.

### **1.1.5 ATAP Clients Filing for Disability Benefits**

Although only peripherally related to this section on work-first, we note that Alaska does not require individuals receiving ATAP but claiming a disability to file for federal disability benefits (Title II and SSI). Although disabled individuals are not subject to Alaska's 60-month time limit, federal policy does not exempt such individuals from the 60-month federal time limit for receipt of cash benefits provided using TANF funding. DPA did point out that even without the requirement, it has moved approximately 500 individuals from ATAP to SSI. However, Alaska's failure to require disabled individuals to file for federal disability benefits may increase the state's risk of being subject to a federal penalty because more than 20% of recipients have received benefits more than 60 months.

### **1.2 Work-First Recommendations: Take Further Steps To Incorporate the Work-First Philosophy Into ATAP Operations**

We recommend a number of enhancements/changes to ensure that the work-first philosophy is carried out in practice. First, the "up front" process should be strengthened. On a consistent basis, clients should be interacting with a case manager on or as close to the first day of contact as possible. This will send a clearer message that public assistance is as much about obtaining employment as it is about providing cash benefits. The Ketchikan office is potentially a good model to follow in this area.

Second, DPA should provide stronger, more consistent guidance with regard to assessment. As a start, a statewide assessment form should be developed to assist case managers and work search staff, and case managers should be trained to utilize a strength-based approach in completing assessments. The emphasis should be on utilizing the labor market as the best test of employability and the key presumption should be that all individuals are capable of moving themselves and their families forward. Only one week of basic training is routinely provided to case managers although some additional topic-specific trainings are also provided, e.g. domestic violence. The materials presented in this training should be reviewed to ensure that a family strength-based approach is utilized versus an over-emphasis on predetermining family barriers. Additionally, the curriculum of the Work Search classes should be reviewed to assure there is a consistent strength-based, work-first approach.

Our third recommendation deals with participation activities for individuals who do not obtain unsubsidized jobs through their participation in a Work Search class. Where appropriate, actual work activities such as subsidized employment, work experience and community service should be more uniformly utilized from the outset. In this regard, Alaska should consider piloting a more complete subsidized employment program than is now being implemented through OJT or Trial by Hire. Oregon has demonstrated that a subsidized work program can be effective in promoting economic development. In Sitka, staff believed that if employers could be reimbursed for somewhat more than 50% of the wage, they could be motivated to hire clients during the slower winter months. In addition, where neither unsubsidized nor subsidized jobs exist, particularly where infrastructure needs are great, such as in rural Alaska, the utilization of community service should be increased. Alaska should look at how successful mass work experience/community service programs in other states (e.g. West Virginia) overcame or mitigated the issue of stigma where it existed.

Finally, Alaska should revise its policies and practices for treating individuals limited by incapacity from full participation in work activities.

Such individuals should be required to complete FSSPs that include activities appropriate to the individual's condition; actual work activities should be required for individuals able to participate on a part-time basis; and Alaska should require fully disabled persons to file for and pursue applications for federal disability benefits. Entitlement to ATAP should be on a contingency basis for such individuals, with federal benefits when approved used to reimburse the state for ATAP funds provided in the interim. Clients should be required to access substance abuse and/or mental health treatment where needed. We understand that DPA is already taking steps to resolve most of these issues. We also recommend that Alaska obtain and analyze data on referrals to vocational rehabilitation to determine the appropriateness of referrals and the achievement of clients served. In addition, if additional child care dollars and resources can be found, Alaska should consider reducing the 12-month exemption period for parents of infants.

## **2. Diversion Program**

### **2.1 Background/Findings Related to the Current Diversion Program**

Statutory Section 47.27.026 is explicit in providing that a lump-sum diversion payment may only be offered to an ATAP applicant if the family appears to be eligible for benefits, the adult applicant is job ready, and the family is determined to need only short-term financial assistance. The amount of diversion assistance that can be provided cannot exceed two months of ATAP benefits and must be sufficient to meet the family's immediate needs. Alaska Regulations (7AAC 45.266) provide that three factors shall be considered in deciding whether to offer a lump-sum diversion payment to an applicant for ATAP: "(1) the job readiness of the applicant; (2) the family's critical financial needs...; (3) other resources available to the family...". Job ready is defined as "currently working or having prospects for employment within 30 days."

Diversion is rarely used in Alaska because of the extremely limited circumstances under which diversion can be offered and the limited cash diversion benefits that are available. Yet workers report that a more open diversion program could assist a significant number of families while avoiding dependency on cash ATAP benefits. Workers advised that, even when diversion is appropriate, it is often not offered because of the long waiting period to obtain an appointment to apply for PASS III child care. Processing the application for ATAP provides the family with immediate PASS 1 child care.

#### **2.1.1 Broader Diversion Options Are Available**

A broader and more responsive diversion program could be effectively used to assist families to avoid dependency on cash benefits while providing them with the resources they need to obtain and/or retain employment and support their families. Because the amount of cash benefits provided would be very limited, a greater use of diversion would also save TANF program dollars. Successful diversion programs in other states provide several months of benefits that may be used for a number of purposes that would prevent dependency. Some states even provide vouchers to enable an individual to purchase an automobile. Other states use PRWORA options including Social Security Act Section 1931 to ensure that diverted families are eligible for Medicaid and transitional Medicaid; and provide other "transitional" benefits, such as child care and transportation, to diverted families.

**2.2 Diversion Program Recommendation: Revise Diversion Program to Offer More Useful Diversion Benefits/Services and Provide Diversion Option as an Up-Front Activity**

We recommend that diversion be an up-front option that is presented to applicants at or near the beginning of the eligibility process, as soon as the worker can determine that the family appears to be eligible for ATAP. Although Alaska's monthly ATAP benefits are the highest in the nation, the cost of living is also quite high. We, therefore, believe that DPA should request statutory authority to increase the maximum amount of cash benefits that can be provided as a diversion payment to the equivalent of three months of cash ATAP benefits. In addition to a cash payment, workers should be able to provide the same transitional benefits, such as child care and six months of transportation assistance, to diverted families as are available to families leaving ATAP for employment. The delay in access to PASS II and PASS III child care must be eliminated to make child care available immediately. In addition, Alaska should use available PRWORA options to provide Medicaid or transitional Medicaid to diverted families.

### **3. Performance Goals and Performance Monitoring**

#### **3.1 Background/Findings Related To Performance Goals and Performance Monitoring**

The Division of Public Assistance (DPA) has developed and utilizes performance measures to assess the state's welfare reform progress, and this use of an ongoing system of performance measures as a management tool puts Alaska ahead of many other states. DPA also collects and analyzes additional caseload data. However, to mirror TANF's legislative expectations, additional performance measures need to be added. In addition, we suggest that performance measures should be turned into performance expectations, with performance standards established for DPA and contractor staff.

Although the PRWORA legislation doesn't list performance goals per se, they can be readily ascertained through program requirements, penalties that can be assessed, and bonus opportunities. Clearly participation in work activities is a TANF goal, since minimum participation requirements are provided and states that do not meet the requirements are financially penalized. Two separate factors can be used to conclude that caseload reduction is also an important goal. First, work participation rate requirements are reduced by a state's caseload reduction percentage, making it easier for states with larger reductions to meet work participation requirements. In addition, the 60-month TANF time limit for cash benefits confirms that states are supposed to assist recipients to exit cash assistance.

The TANF bonus categories can also be used to determine important goals. Bonuses are provided to the top performing states in job entry and job success, as well as to the states with the biggest improvements in these measures. Job entries can be claimed for adult recipients who enter employment for the first time in the performance year. Job success consists of two measures that are equally weighted in determining whether a state qualifies: job retention, for the first and second quarters following employment; and earning gains, also measured for the two quarters following employment. Additional bonus categories that have been announced for future years are: rates of family formation, enrollment in Medicaid and state Children's Health Insurance Programs, Food Stamp enrollment, and providing child care to working families.

Twenty eight states received a bonus in fiscal year 2000 based on their 1999 performance in one or more of the four current categories: job entry, job success, improvements in job entry, or improvements in job success. Alaska was not one of the states awarded a bonus in any of these categories, and Alaska's performance ranked in the middle third of states in each category.<sup>1</sup>

### ***3.1.1 Current Performance Data Collected and Reported by DPA***

The Division's Monthly Caseload and Benefit Summary Reports provide a wide range of statewide data, including:

- Monthly caseload comparisons with percentage changes since the implementation of welfare reform in April, 1997;
- Expenditure comparisons;
- Families served by child care and child care wait list;
- Initial application comparisons;
- All-family and two-parent family work participation rate;
- Months remaining on the TANF time limit for non-exempt families.

Performance measurement data compiled by DPA and published by region and offices within each region, include the following data reports:

- Average and Median Hourly Wage of Employed Temporary Assistance Adults;
- Families that Left Temporary Assistance with Income and Child Support;
- Temporary Assistance Families with Income and Child Support;
- Average and Median Months on AFDC and/or Temporary Assistance;
- Federal Work Participation Rates;

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<sup>1</sup> Table 1, *High Performance Bonus: FY2000 Awards by Category Amount, 12/14/2000*, <http://www.acf.dhhs.gov/programs/opre/hpb/table 1.htm>.

- Food Stamp Payment Accuracy Rates;
- Customer Service Survey - Benefit Timeliness (1999); and
- Percent of Temporary Assistance Clients Working >30 Hours Per Week.

### ***3.1.2 Current Use of Data Reports***

DPA administrators with whom we met in Juneau are very aware of Alaska's current performance in each area for which data is collected and compiled, and advise that they do use the data to identify problem areas.

The reports that DPA field managers reported they frequently used were monthly data providing:

- Overall Participation Rate by JAS Office;
- Two-Parent Participation Rate by JAS Office; and
- Adults with Earned Income.

However, based on the information provided to us, even though field managers are required to submit weekly reports, they are not required to address their performance specifically related to the data measured in these reports. The regional reports we were given discussed regional activities and issues, but these reports varied in content and did not appear to be designed to be responsive to any of the performance data cited above. Reports are organized into four to six sections, but none of the reports we reviewed for the week ending June 8 directly addressed performance goals. In addition, since data in the reports were not uniformly reported and information was not necessarily organized in similar format, they could not be meaningfully compiled to ascertain whether there were systemic successes or problems.

All interviewees reported that unsubsidized employment is a major ATAP priority and that the percentage of participants employed 30 hours or more per week is closely monitored. However, a Fairbanks Supervisor who did report using performance measures as a management tool, expressed concern because the two-parent participation rate in her section (a measure that includes employment), had declined ten percent from the prior to current month because so many cases were closed because of high wage employment. Although closure is a good outcome,

she noted that the office performance record doesn't look positive if they have too many closures because of the resulting decline in participation.

While we understand that case closure due to employment is measured at the state level, it is not utilized to set performance expectations at the local level. It was suggested that a performance requirement for case closure be added to feature the trade-off between TANF recipient participation in work activities and exit from welfare because of work activity, and to emphasize that welfare exit due to work is a positive outcome.

### ***3.1.3 What Performance Measures Should Be Included in DPA's Performance Measurement System?***

What gets measured gets done. For this reason, the performance measures selected need to include all the important factors that signal success. In addition to participation and employment/job placement, which DPA already measures, we believe that Alaska should develop performance measurement reports for caseload reduction and job retention. If Alaska intends to compete for performance bonuses based on success in employment, it will also need to compile data that will enable it to determine wage increases.

In another section of this report, we advise that there is no systematic process required by DPA for the six months of post-temporary assistance case management. Case managers advise that they primarily provide services to their active caseload, and they only work with employed clients who contact them for assistance. Further, DPA advises that it does not have a good way to track job retention using existing automation programs, and job advancement is also not tracked. We believe that it is important to gain the ability to track these factors.

### ***How Can Performance Measures Be Used to Improve Performance?***

Developing additional factors to include in the performance measurement system is only the first step. For a performance measurement program to succeed in improving performance, staff and contractors must be assigned performance targets for each measure adopted, their performance must be monitored against these targets, and corrective action plans must be developed and implemented where minimum performance standards are not being met. DPA top administrators should work with regional staff to develop program enhancements, and should review corrective action plans to ensure that changes proposed

are likely to produce improvements. Furthermore, performance measurement must be a continuous effort, including review of performance, development and implementation of corrective actions, and evaluation of their effectiveness. Using a feedback model, DPA should be able to utilize current findings to ascertain what initiatives were successful and for what areas different strategies need to be developed.

In addition, both staff and contractors should be rewarded where their performance exceeds expectations. We discuss in another section the use of pay-for-performance arrangements to reward providers with whom DPA contracts. Although staff salaries cannot be strictly geared to performance standards, pay raises, bonuses, and non-monetary awards can be used to encourage high-level staff performance.

DPA is mindful of the need to create expectations for staff, but sees the difficulty of setting realistic performance standards, because each region in Alaska has such different demographic, geographic, cultural, and labor market issues; and region-to-region performance varies so much at the current time. One way to handle this is to establish initial improvement targets as a percentage from the current baseline performance.

### **3.2 Performance Goals and Monitoring Recommendation: DPA'S Performance Goals Should Be Expanded and Performance Requirements Should be Established for DPA Staff and Contractors**

Clear outcome-based performance standards should be developed for both DPA and contractor staff. At a minimum, measures for job retention and caseload reduction should be added to the current job placement and participation rate measures, and performance targets should be established for each measure. A measure and target for job enhancement will also be needed to ensure that Alaska is a viable candidate for a job success performance bonus. To overcome initial objections about different regional environments, improvement targets should be established as a percentage from current baseline performance.

## **4. Case Management**

### **4.1 Background/Findings Related to Case Management**

It is important to invest in services for clients because self-sufficiency is such an important family goal and TANF time limits provide family heads with such a short period to achieve independence from cash benefits. To ensure that individuals are making good use of their 60 months of time limited eligibility for ATAP, Alaska aims to provide case management to assist every adult required to participate in work services. We found that most clients were being served by case managers and that case managers were working diligently to ensure that individuals received the services they needed to become self-sufficient. However, a number of problems with the way case management is organized and provided limits the ability of case management to be optimally and consistently effective. Below we identify issues we found with the current case management system. We then provide recommendations for improving the effectiveness of case management services.

#### **4.1.1 Organization of Case Management Staff**

The Division of Public Assistance does not appear to have a consistent model for providing case management services. Some case managers are generic, providing both case management and eligibility functions (the integrated case management model), while other staff members serve as specialist case managers. Some case managers are DPA staff, while others are contracted staff. In some offices, there is a mix, with both generic case management/eligibility and specialist case management staff, and both DPA and contracted case managers.

Some offices have developed a well-functioning division of labor with good communication between the exclusively eligibility staff and various case managers. For example, in Ketchikan, eligibility workers and case managers are teamed together. Both staff and the local manager believe this allows for building closer working relationships, better communication, and a common service philosophy within the team. It also appears to create a mutual sense of accountability toward the team's caseload. In other offices, the way in which cases are assigned to case managers and subsequent communication between case managers and eligibility workers is inconsistent. For example, in the Gambell office in Anchorage, eligibility workers and case managers are not teamed, meaning an eligibility worker works with numerous case managers, and

vice versa. From our interviews, there did not appear to be a consistent procedure for determining how cases were assigned to case management and to whom. This could be particularly problematic given the large number of contractor organizations providing case management. Interviewees also reported that there is no consistent system for communication between the various workers. Each individual case manager apparently determines how and when to communicate with the eligibility worker, as well as "appropriate" services to be provided to the client. Where assignment and communication is inconsistent, philosophies between the various workers with regard to such things as appropriate referral to activities, job readiness, and criteria for disqualifications appear to vary greatly.

Where case management and eligibility functions are separated and there is not close communication, joint decisions can become problematic. For example, some case managers requested that they be able to implement sanctions, because imposition of a penalty immediately associates the penalty closely with the non-compliance, and sanctions were not always implemented timely by eligibility workers.

#### ***4.1.2 Case Management Training***

Although the administrators, managers and line case managers with whom we spoke were very positive about the case management training they received, only one week of training is provided. As noted elsewhere, standard assessment and other case management instruments are not prescribed, so that even though all case managers receive the same training, there is no assurance that all case managers will apply the same importance to various client strengths and barriers, or that they will deal comparably with the same situation presented by similar individuals.

For example, we were told by case managers in Anchorage that penalties for non-compliance are applied differently by different workers and that, in particular, whether or not to grant "good cause" is a gray area. Several case managers advised that more training in this area and others, such as cross-cultural differences and how to better utilize supportive services, would be useful. Completion of FSSPs and making proper entries in the JOBS Automated System (JAS) system were other areas in which additional training was provided by local staff. In the absence of additional formal training for all case managers, it is up to individual managers and team leaders to provide these services. While

we were impressed with the diligence with which interviewees pursued these tasks, it is also true that leaving so many basic training tasks to team leaders and/or managers will mean much less uniformity in the level of additional training provided and in the actual handling of similar case management tasks.

#### ***4.1.3 Developing Standard Case Management Tools and Forms***

Although we recognize that case management services must be specific to the individual client, we believe that the basic tools used by case managers should be uniform, so that the decisions made by all case managers utilize at least the same minimum information about each individual's situation. Currently, ATAP does not utilize a statewide assessment form nor is there an assessment checklist to ensure that this basic information is available. In the absence of statewide forms some individual offices have developed forms and procedures for their own use. However, there is no systematic way to ensure that all offices have access to these locally-developed forms and processes, that the forms and process used by an office are adequate, or that all offices have developed needed forms and processes. The same issues exist regarding local PC-based notices that individual offices have developed to handle what they believe are gaps in the automated notice system (e.g. post-employment notice; scheduled appointment letter to follow up on a FSSP; home visit appointment letter).

In another section of this report we discuss DPA's plans to ensure that extensions are granted to those families reaching the 60-month time limit who need more time to become self-sufficient.

Case managers will be at the forefront of this process and it will be very important that case files contain the information needed to support extension decisions and to indicate what additional services are needed to assist the family to become self-supporting.

DPA management advised us that they are in the process of developing more standard case management forms and processes and we support these actions.

**4.1.4 *Developing Services and Processes to Insure that Individuals Retain Jobs and Enhance their Ability to Secure Better Jobs***

Our experience indicates that post-employment case management is critical for success. Studies indicate that case management involvement is particularly valuable in the first weeks after an individual begins employment, and is learning to adjust to child care, transportation, and other issues. In addition, case management at this time can assist in resolving potential employer-employee conflicts. Because issues continue to arise that might result in job loss, many states require contacts with both the client and the employer to be made for at least six months. Some employment programs (e.g. Welfare-to-Work) require continuing contacts for at least six months. DPA advises that it does not have a way to track job retention using existing automation programs, and that data on recidivism is also not collected. Although we are unable to establish the degree to which job retention problems exist, data from other states confirm that job retention is a significant issue.

In addition, an important tenet of the "work first" philosophy—that any first job is a good start on the road to self-sufficiency—presupposes that an initial job may not always be the perfect job, but it will almost always lead to a better job. To ensure career development, post-employment services should also assist individuals to obtain better jobs, including helping them gain the necessary skills to improve their chances of job enhancement.

Although Alaska continues case management services for six months after employment, there is no systematic contact process required. Workers report that they are primarily engaged in providing services to their currently active caseload and will only work with employed individuals who contact them for assistance. To rectify this deficiency, DPA intends to use a call center modeled after the successful Washington state model, whereby individuals are randomly called to see if additional assistance is needed. Although we certainly support the addition of a call center, we believe that Alaska must also have a systematic approach to stay connected with all working clients and former clients, for at least three months after jobs begin. If possible, data should also be collected, at least on a sample basis, to ascertain whether job retention and job advancement goals are being met.

#### **4.1.5 Turn-Over and Other Issues Contribute to Case Manager Shortages**

Several interviewees indicated that there were problems maintaining a sufficient number of case managers to serve all ATAP clients adequately. For example, Juneau staff indicated that some clients were on a waiting list for case management because there were not enough case managers to serve all individuals. Long-distance case management is provided by Fairbanks in the Delta Junction and will be provided to Barrow, because of the inability to obtain a contractor in Barrow. Case management (under contract to the Department of Labor and Workforce Development) is only provided to Nome and four other villages; in the other Nome area villages. DPA eligibility staff assists clients to develop FSSPs and does only limited monitoring. This may account for the fact that the participation rate for Nome DOL is 27.1% while it is only 6.5% in the remaining Nome area. We understand that DPA has plans underway to provide case management services to all the villages.

#### **4.2 Case Management Recommendation: Develop a Statewide, Consistent Case Management Model That Maximizes the Ability of Staff to Meet Performance Expectations**

Our recommendations for improving case management follow from the above sections. First, both the integrated case management model, which uses a single worker to provide both case management and eligibility services, and the use of separate workers for each function, can achieve good results if roles and performance expectations are clear. Where separate workers are used, an approach such as work teams, which promote communication and contribute to providing a consistent message, is essential. Where the models are mixed in the same office and both DPA and contractor staff are used, it is essential that procedural requirements be clear and enforced so that comprehensive case management services are provided no matter which case manager is assigned.

Second, to assure that case managers are doing the best job possible to assist recipients achieve self-sufficiency, DPA should: (1) develop standard assessment and other case management instruments; and (2) require their use.

Third, case managers should be provided with additional formal training, including training on using the standard assessment and other case management instruments identified in the findings above.

Fourth, DPA should develop a systematic contact process for at least the first three of the six months of post-employment case management. In addition, data should be collected to determine whether job retention and job advancement goals are being met. Finally, if DPA management believes that case management promotes self-sufficiency (and we believe it does), the Division must provide regular case management to all recipients.

## **5. Contractor Performance**

### **5.1 Background/Findings Related to Contactor Performance**

Many states including Alaska contract out for the provision of some TANF services. Privatization of government functions makes good sense where contractors are able to provide services more efficiently and effectively than in-house workers. Using such criteria, usually contractors are used for functions for which in-house workers have no particular expertise, such as the provision of job search workshops and other employment activities.

The most successful contracts are outcome based, with contractors required to provide a continuum of services if necessary to produce the required outcome. For example, in the state of Delaware, Job Connection contractors are required to place referred clients into unsubsidized work within 30 days. If the client is unable to find an unsubsidized job, Job Connection places them in work experience until a job becomes available. Contracts are "pay for performance" and payment is strictly based on employment outcomes, with contractors receiving 20% of their payment for initial enrollment (they are not paid this fee until a referred client is actually brought in for services), 40% for job placement for at least 30 days, and another 40% upon job retention for 90 days. No payment is made unless the appropriate payment milestone is achieved.

#### **5.1.1 Current DPA Contracting Practices**

Although DPA contracts contain performance expectations, payment is provided whether or not outcomes are achieved. Contracts are awarded for a particular service, such as case management or work-search rather than a continuum of services, so that it is difficult to hold the contractor responsible for meeting client outcomes. We were informed that the performance expectations in case management contracts include the size of the caseload and expected participation rates, while work search contracts have an employment placement goal.

Based on provider proposals we reviewed, performance goals tend to be somewhat general: for example a provider proposal for comprehensive case management for rural southeast Alaska ensures that "at least 60% of all families and 85% of the two-parent families [will] participate in the defined work activities with a primary goal of unsubsidized employment."

Another proposal, to provide post-employment case management services to 257 families, 232 of which still receive ATAP benefits, advises that "the success of the Project will be evaluated based on 70% of the individuals who receive post employment case management services maintaining and/or obtaining unsubsidized employment. Additionally, at least 80% of the families receiving ATAP and 85% of the two parent families will be participating in countable work activities. Post employment case management services are to be provided at a minimum of six weeks to a maximum of six months dependent on the needs of the individual clients." Missing from the proposal is an expectation of the length of time that work retention is expected.

Furthermore, contractors in many areas are not able to provide the expert services that they contract to provide. Several DPA regional directors advised that DPA has had to train contractor case management staff on basic case management functions, developing sufficiently detailed Family Self Sufficiency Plans, and on proper case file documentation. This lack of contractor expertise was echoed by supervisory and line staff.

In Alaska, multiple contracts are deliberately awarded for the same function in many areas. According to interviewees this is done so that there will be some continuity when not all contractors receive renewals during the annual renewal cycle. For example, in the Central Region, there are four case management contractors and three contractors providing work search, and there are also contractors providing specific work services, such as community work experience. This means that DPA staff in each office must work with several contractors for each discrete function, with each having different strengths and weaknesses; and that the contractors are constantly changing. Regional directors advised that the huge number of contractors makes coordination complex. For example it is difficult to assure that a case manager is assigned within ten days. The DPA administrator indicates that involving a large number of community organizations was done consciously to leverage additional resources as well as raise the level of community commitment to serve DPA's clientele. This is a worthy goal, but it needs to be balanced with sound performance.

The achievements of contracted services appear to reflect the lack of specificity in performance requirements. Although administrators advise that whether case management is performed better internally or by

contractors depends on the area, they also advise that performance (measured by work participation rates) for contractors and DPA case managers are comparable, even though DPA staff are generally given the more challenging cases.

DPA administrators indicate that about 40% of case management is provided by DPA staff, most of this in offices with significant caseloads such as Anchorage, Fairbanks, Ketchikan, and Juneau. Contracts for case management exist with community agencies, DOL, and Alaska Native organizations.

### **5.1.2 Contractor Services to the Villages**

In regards to services to the villages, DPA staff questioned the achievements of contractors and admitted that, although contracts/grants exist, DPA lacks the assurance that every client in these areas is currently being served by a case manager. We can verify that clients in the Kotzebue Regional Center and its villages have not been receiving ongoing case management services through the contract with Maniilaq Manpower.

The recently hired case manager working for the contractor advises that she receives no support from Maniilaq and indeed that they try to block proposed case management activities. She has not visited the 14 villages, and advised that, because of high turnover, no one has been in regular contact with clients, and that no case files exist documenting prior case management services for recipients. Because she is not co-located with eligibility staff and does not have access to EIS or JAS (although case managers are supposed to have read-only access), she depends on contacts with eligibility staff to learn about changes in the status of cases. Further, she suggested that the villages don't want to deal with the regional Maniilaq organization (although evidently they also do not want to deal with state staff). Although a plan exists to hire part-time case managers in the villages to supplement the services of the Kotzebue case manager, no steps had been taken to effectuate this plan as of the time of this program review.

Partly because of the lack of case management, we were told that compliance with work participation requirements in the village of Selwick, within the Kotzebue area, was only 10%; no participation rate data are shown for Kotzebue itself on the May 2001 report while the participation rate for Maniilaq Manpower is shown as 27.9%. According

to DPA, Maniilaq Manpower is an unusually low performer, and one of the reasons they sent us out to this area was to show us the particular challenges facing remote rural Alaska. DPA further pointed out that many of the Native Organizations provide exemplary services whether in cities or villages.

### **5.1.3 Contract Monitoring**

Contract monitoring appears to be administered at the regional level. Local DPA managers do not play a formal role in holding contractors accountable and some local DPA managers with whom we met do not even know what are the contract requirements for the contracts serving their offices. For example, we found this to be true in Kenai. In addition, because of regional assignment, the local DPA managers interviewed felt that addressing contractor performance was not part of their role. Furthermore, contractor performance deficiencies where found are not used as a rating factor in deciding whether to award a subsequent contract to the same provider organization.

Contractors are co-located with DPA in many areas, but even where they are co-located, they cannot directly access all necessary information from DPA's automated systems. Without access, communication is more cumbersome and providing case file information to contractors creates an additional work burden for DPA staff.

## **5.2 Contractor Performance Recommendation: DPA Should Ensure That Case Management and Work Search Contractors Are Accountable for Performance**

We agree that services that are not within the normal functions of a TANF agency should be contracted out by DPA, particularly where value-added contractors can be found. Although some state TANF agencies contract out case management, at least as many states perform this function in house; either using generic eligibility technician/case management staff or with the case management functions provided by separate staff. Thus, case management can be considered a legitimate TANF agency function, and if DPA finds that in-house staff achieve higher performance levels, the Division should be able to transfer more case management duties to DPA staff. If DPA continues to contract out some case management services, we recommend that this function be bundled with the additional contracted services, as described below.

In many states, actual work services, such as life skills, work search training, job development, job search, and management of work experience and community service programs, are seen as a less integral part of the TANF agency function and are contracted out. We fully support DPA's decision to contract out these services. However, we believe that four fundamental changes should be considered to ensure that contracts that are awarded for these services (as well as for case management if Alaska decides to continue to contract out case management) are value added.

First, to the extent possible, contracts for work services should be multi-functional. A prime contractor (who can have sub-contractors performing some of the needed services), should bid to provide services that will result in unsubsidized employment for the clients referred to the contractor. The contractor would be responsible to provide case management, if contracted out; work search; remedial basic training like life skills where needed; job search; job development; work experience where needed; and community service functions. It would be up to the contractor to provide all the services needed so that the end product would be an employed individual who was able to retain her/his job. Alaska could satisfy its desire for multiple contractors by awarding these multiple service contracts to several providers.

Second, true performance based contracting should be initiated, with contractors paid for their staged achievements, as is done with the Delaware contracts described above. Payment points could be for achievements such as the initial enrollment, completion of work search, placement in an unsubsidized job, and retention for 30, 90, and 120 days. Since the work participation rate is an important DPA performance goal, work participation achievements could also be rewarded. Contractors could be required to successfully serve a minimum percentage of the clients referred, or, instead, bonuses could be provided to contractors who were successful with a higher percentage of referrals, to prevent "creaming" (where services are only provided to those needing little assistance).

Third, although we agree that DPA should award multi-year contracts, only the first year should be guaranteed. The contracts should provide DPA with the authority to renew the contracts each year, so that high-performing contractors are rewarded and needed continuity would be achieved, while contractors who fail to meet basic performance goals

could be discontinued. Obviously, this means that contractor performance in one year would be used to determine whether to renew the contract for the succeeding year. In other states this has produced competition among the selected providers at the same time as it has caused contractors to reach out to other agencies in the community, to secure needed supplementary services and work experience and community service slots.

Fourth, the local DPA manager should have much greater involvement in overseeing performance. While the more formal monitoring and corrective action processes can be handled effectively at a regional level, day-to-day problem solving would be more effectively handled at the local level. This is particularly critical to creating the interdependency necessary for the recommended performance-based system.

We believe that such a system would, where the service area has a large enough population to capture the interest of provider organizations, achieve a number of Alaska goals. Entered employments would increase, participation rates would at least be comparable, and caseloads would continue to decline. DPA could provide work to as many community organizations as they do currently, but the community agencies would have to coordinate services to provide the multiple functions required.

## **6. Child Care Services**

### **6.1 Background/Findings Related to the Delivery of Child Care Services**

Although Alaska has funded child care generously, to assist low-income workers to obtain and retain employment, the system for providing child care creates delays and funding gaps, and forces individuals to make extraordinary efforts to access child care assistance. In addition, the reimbursement schedule for non-ATAP child care is poorly designed, creating disincentives for individuals to achieve workplace promotions. Our specific findings are contained in the following sub-sections.

#### **6.1.1 Child Care System in Alaska**

Three child care programs exist in Alaska. PASS I provides child care without a co-payment requirement to families receiving ATAP who are participating in employment and training services and/or in subsidized or unsubsidized employment. Upon termination from ATAP, families needing child care so they can work become eligible for transitional child care, called PASS II. In addition, low-income working families can access assistance with child care through the PASS III child care program. PASS II and PASS III child care are provided on a co-pay basis, using a schedule that increases the level of co-pay as income increases. TANF funds are utilized to provide PASS I child care, while funds transferred from TANF to the Child Care Development Fund (CCDF) are utilized to provide PASS II and PASS III child care.

Because of difficulties transitioning from PASS I to PASS II child care, TANF funds are also used to pay the first month of PASS II child care, so that working individuals transitioning off ATAP are able to have continuous child care. DPA's JOBS Automated System (JAS) is used to authorize and pay child care providers for PASS I child care, while information about the Department of Education and Early Development (EED)-provided PASS II and PASS III child care, paid to the client, is entered on separate PC-based systems.

DPA authorizes PASS I child care, while EED, through local contractors (known as local administrators), authorizes PASS II and III child care. The local administrators operating PASS II and PASS III child care are not co-located with DPA in regional and local offices.