



AGENDA STAFF REPORT

ASR Control 09-000136

MEETING DATE: 01/27/09
LEGAL ENTITY TAKING ACTION: Board of Supervisors
BOARD OF SUPERVISORS DISTRICT(S): All Districts
SUBMITTING AGENCY/DEPARTMENT: County Executive Office (Approved)
DEPARTMENT CONTACT PERSON(S): Michael Riley (714) 541-7707
Steve Dunivent (714) 834-3028

SUBJECT: CalWORKs Case Management Services Contract

CEO CONCUR Concur	COUNTY COUNSEL REVIEW N/A	CLERK OF THE BOARD Discussion 3 Votes Board Majority
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Budgeted: N/A **Current Year Cost:** N/A **Annual Cost:** N/A

Staffing Impact: No **# of Positions:** **Sole Source:** N/A
Current Fiscal Year Revenue: N/A
Funding Source: N/A

Prior Board Action: N/A

RECOMMENDED ACTION(S)

1. Receive and file report: Recommended Termination of CalWORKs Case Management Services Contract
2. Recommend approval to terminate Case Management Services contract for FY 2008-09, effective January 31, 2009.

SUMMARY:

Termination of the agreement with MAXIMUS, Inc., effective January 31, 2009, for Welfare-To-Work case management services is both cost effective and of benefit to the Social Services Agency in taking the necessary measures required in cutting costs during the current economic conditions.

BACKGROUND INFORMATION:

The County of Orange Social Services Agency (SSA) currently contracts with MAXIMUS, Inc., for Cal WORKs Welfare-To-Work (WTW) case management services. The current contract performance period, as approved by the Board of Supervisors on March 27, 2007, is for the period of April 1, 2007 through

June 30, 2009. The Request for Proposal issued on June 23, 2006, included the option to renew contract services for two additional one year terms for FY 2009-10 and FY 2010-11.

Case Management is a mandated CalWORKs WTW program service, which requires development of individual WTW Plans for identifying and removing barriers to employment and assisting participants to achieve the goal of self-sufficiency. Case Managers work closely with participants and administer assessment processes, develop case plans, make referrals to service providers, and monitor attendance and progress. Currently, the contractor is responsible for 45 percent of the WTW caseload, with Orange County Social Workers responsible for 55 percent.

Due to the current State and Federal revenue shortfalls, SSA faces a current year budget deficit, with a significant impact occurring in the CalWORKs program. As a result, County-provided and contracted services have been identified for reduction or elimination to offset the shortfall in revenues. Among the contracted services identified for elimination is the case management services with MAXIMUS, Inc. A notice of termination was issued to MAXIMUS on December 10, 2008, as a cost savings measure, and to counter a reduction in workforce. As indicated in the notice, the termination of service is not performance related, but rather of financial necessity brought on by current economic conditions.

In accordance with your Board's directive of January 13, 2009, we are returning to your Board with an evaluation on terminating the contract with MAXIMUS, Inc. based on cost effectiveness, and including a transition plan.

By terminating the contract effective January 31, 2009, SSA would realize a cost savings benefit for the remainder of FY 2008-09. Furthermore, expenses related to overhead at 15.7%, general and administrative at 11.2 % and a contractor's fee of 7% would be eliminated. Actual FY 2008-09 expenditures reported through the month of November plus projected expenditures for the months of December and January indicate total expenditures of approximately \$3,300,800 from a maximum contract obligation amount of \$5,915,302. Assuming contract termination effective January 31, 2009, this leaves a balance of approximately \$2,500,000. A transition plan is in place to replace the contracted workforce effective February 1, 2009.

FINANCIAL IMPACT:

A cost savings from the balance of approximately \$2,500,000 for the remainder of FY 08-09. Annualized cost savings of approximately \$3,031,472 as detailed in the attached report are projected for FY 2009-10 and 2010-11.

STAFFING IMPACT:

Retainment of 40 social workers, three social services supervisors, and six office technicians. Retainment of other core contracted services/staff that are necessary to meet CalWORKs mandates and goals. Retaining County staff will provide greater management flexibility to move staff among programs and funding sources. Having all case work performed in-house will enhance client service continuity.

ATTACHMENT(S):

1. Position Calculations for Maximus Contract A (100%)
2. Position Calculations for Maximus Contract A (50%)
3. Maximus Transition Plan
4. Maximus Justification

100% CANCELLATION OF MAXIMUS CONTRACT

MAXIMUS CONTRACT FY 08/09

County Staff

Position	# of Staff	Cost (A)	Position	#of Staff	Cost ** (B)	
Project Director	1	100,000				
Operations Manager/Specialized Services Operations Manager	3	200,211				
HR Manager	1	67,604				
Finance Manager	1	66,277				
Administrative Manager	1	29,688				
Intensive Services Manager	0	2,578				
Staff Development Manager	0	2,365				
Specialized Service Supervisor	1	48,398				
Staff Development Specialist	2	91,222				
Case Manager Supervisor	6	290,389	Social Services Supervisor I	3	254,256	
Lead Case Manager	6	253,312				
Case Managers	40	1,553,261	Social Worker II (SW II)	40	3,042,000	
Office Assistant	8	218,222	Office Technicians	2	90,636	
Unit Assistants	4	101,507	Office Technicians	4	181,272	
Senior Office Assistant	1	25,872				
Verification Specialists	0	-				
Participation Services Specialists	4	173,056				
Career Planning Specialists	4	187,614				
Less Vacancy Factor		(193,440)	Less Vacancy Factor (incl above)			Savings (A - B)
Total Salaries		3,218,136	Total Salaries		3,568,164	(350,028)
Total Benefits	25%	804,534	Totals Benefits		348,783	455,751
Overhead (incl indirect costs, prog exp, and contractor's fee)		1,892,632	Overhead**		1,774,045	118,587
Subtotal of Maximus Contract FY 0809		5,915,302	Subtotal of County Case Mgmt		5,690,992	224,310
County staff overseeing Maximus Contract		575,922	not applicable		-	575,922
Total Cost to County of Contracting out Services		6,491,224	Total County Cost		5,690,992	800,232
					Shifting 40 SWII from CFS to FSS***	2,231,240
					Total Savings to County	3,031,472

* Data based on Maximus Contract for FY 08/09 - See FY 0809 Contract Details Tab

** Cost of salaries for County Staff are fully loaded including vacancy factor and all overhead. Details on County Staff Tab

*** Savings are reflective of shifting staff from a program that is 50% fed/ 50% county to CalWORKs that is 100% fed/state funded

TOTAL COST OF CONTRACTING OUT	6,491,224
Avg Salary & Benefit for SW II	83,418
Number of layoffs required = savings	78

50% CANCELLATION OF MAXIMUS CONTRACT

MAXIMUS CONTRACT FY 08/09

County Staff

Position	#of Staff	Cost (A)	Position	#of Staff	Cost** (B)	
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Operations Manager/Specialized Services Operations Manager	3	200,211				
HR Manager	1	67,604				
Finance Manager	1	66,277				
Administrative Manager	1	29,688				
Intensive Services Manager	0	2,578				
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Total Benefits	25%	804,534	Totals Benefits		348,783	455,751
Overhead (incl indirect costs, prog exp, and contractor's fee)		1,892,632	Overhead**		1,774,045	118,587
Subtotal of Maximus Contract FY 0809		5,915,302	Subtotal of County Case Mgmt		5,690,992	224,310
50% Cancellation (assumes everything is 50% of the total contract)		(2,957,651)	50% Cancellation (assumes everything is 50% of the total contract)		(2,845,496)	(112,155)
County staff overseeing Maximus Contract		324,646	not applicable		-	324,646
Total Cost to County of Contracting out Services		3,282,297	Total County Cost		2,845,496	436,801
					Shifting 20 SWII from CFS to FSS***	1,115,620
					Total Savings to County	1,552,421

* Data based on Maximus Contract for FY 08/09 - See FY 0809 Contract Details Tab

** Cost of salaries for County Staff are fully loaded including vacancy factor and all overhead. Details on County Staff Tab

*** Savings are reflective of shifting staff from a program that is 50% fed/ 50% county to CalWORKs that is 100% fed/state funded

TOTAL COST OF CONTRACTING OUT	3,282,297
Avg Salary & Benefit for SW II	83,418
Number of layoffs required = savings	39

ATTACHMENT 1

Transition Plan For Recommended Termination of CalWORKs Case Management Services Contract

- Weekly meetings with MAXIMUS to collaboratively agree on actions needed to transition cases to County Social Worker/Case Manager (CM) with minimal service impact.
- Development of case communication sheets to advise new CM of any critical or pending actions, effective January 7, 2009.
- Suspension of case movement and case listings will be produced on January 15, 2009 to leave an accurate record of all cases within the MAXIMUS caseload.
- Development of a staff separation checklist and IT/security transition plan to occur on last date of contract.
- Identification of experienced CM staff from County case-managed caseloads to transfer as necessary for equitable distribution across all four regions, effective February 1, 2009.
- Forty experienced Social Workers will transfer from within the Agency to CalWORKs with an approximate report date of February 1, 2009, assigned a caseload, and partnered with an experienced CM. Supervision will be assumed by current contract monitoring positions. Administration at the North and West regions will absorb approximately 20 CMs and their supervision within existing regional management structure.
- New CMs will attend approximately two weeks of training to be completed by mid-March. In the meantime, some of the primary counseling/motivation and documentation skills as well as referral capabilities are common to any Social Worker assignment, and will be assumed upon assignment.
- The caseload size per CM is estimated to remain at current County caseload levels. The staffing goal is 67 cases per full-time employee.
- Some CM duties, including families with stable employment, will be shifted to a lower classification for greater efficiency.

RECOMMENDED TERMINATION OF CALWORKS CASE MANAGEMENT SERVICES CONTRACT

Due to State and Federal revenue shortfalls, the County of Orange Social Services Agency (SSA) faces a current year budget deficit of \$33 million. Measures taken thus far have included, closing facilities and reducing operational expenses; taking workforce actions such as a hiring freeze, layoffs, and furloughs; as well as reducing and terminating contracted and other outsourced services.

In considering reductions to contracted and outsourced services, SSA Programs took into account several factors, including the following primary questions:

- Is the service mandated?
- Is the service directly related to a legal mandate?
- Is the service a non-mandated best practice that benefits the public and works toward the SSA Vision and Mission, but may be secondarily related to a legal mandate?
- Is it possible to provide the service with existing County staff?
- Is it a cost savings at comparable level of service to provide the service with County staff?

In the case of the Welfare-To-Work Case Management Services Contract performed by MAXIMUS, Inc., it was determined that:

- The service is mandated
- It would be a cost savings at a comparable level of service to provide the service with County staff.
- Providing the service with County staff allows increased flexibility to move staff between several SSA programs across SSA Divisions.
- The ability to move staff into fully funded positions also creates a secondary County General Fund cost savings.

It is possible to provide all case management services with County staff.

SSA currently employs trained, professional social workers who meet or exceed the minimum qualifications for the case manager position. SSA social workers have job-related qualifications that are equal to, and in most cases exceed, the qualifications of the contracted staff they would be replacing. SSA employs the necessary clerical support, supervisory, and management staff to continue case management services.

In addition, SSA has established a business transition plan. Preliminary steps have already been actualized and the Agency is prepared to complete this change by February 1, 2009. The details are outlined in Attachment 1 – *Transition Plan For Recommended Termination of CalWORKs Case Management Services Contract*.

It is cost effective to provide all case management services with County Staff.

Attachments 2A and 2B are comparative analyses of costs associated with (A) transferring all case management services from contracted staff to County staff; and (B) transferring 50 percent of case management services currently provided by contracted staff to County staff. The result of this analysis finds that it would be an annual cost savings of \$3,031,472 to transfer all case management services to County staff. It would be an annual savings of \$1,552,421 to transfer 50 percent of case management services.

A comparable level of service would be provided.

The principal method of measuring case management performance is to calculate the rate at which Welfare-To-Work clients are participating in assigned activities for the minimum required hours per week. This measure is generally termed a work participation rate (WPR).

In completing a comparative analysis of case management performance, a CalWORKs WPR calculation is used for both County and contracted staff. The CalWORKs WPR considers CalWORKs regulations as established by California Welfare & Institution Code Sections 11320-11329.4

Each month SSA reviews a sample of cases in arrears to determine the CalWORKs WPR. The table below shows the average monthly case review results for January 2008 through August 2008 for:

- County and contracted staff
- County staff only
- Contracted staff only

By design, the contractor's WPR is expected to be higher than the County's WPR. In this test period, for example, Orange County's participation rate is 42.4 percent; the County-only rate is 37 percent; and the contractor-only rate is 48.9 percent. Contracted staff only handle cases after County staff have completed intake eligibility determination and initial family stabilization (by Federal law eligibility cannot be completed by private entities). In addition, the County staff maintain continuing cases that have higher needs, such as domestic abuse, teen parents, and cases associated with child welfare. In the County caseload, 28 percent remains in initial services and 11 percent is in specialized domestic abuse caseloads resulting in 39 percent of the County's caseload that would be less likely to meet work participation requirements.

Note: Contractor caseloads do not include sanction cases, therefore cases in which the mandatory participant is sanctioned for non-cooperation with work participation requirements have been removed from the sampled cases.

County and Contracted 01/08 – 08/08					
All Families			Two-Parent Families (Subset of All Families)		
Cases Counted in Calculation/ Denominator	Cases Meeting Requirements/ Numerator	Average WPR	Cases Counted in Calculation/ Denominator	Cases Meeting Requirements/ Numerator	Average WPR
76	32	42.4%	32	15	47.9%
County Only 01/08 – 08/08					
All Families			Two-Parent Families (Subset of All Families)		
Cases Counted in Calculation/ Denominator ⁽¹⁾	Cases Meeting Requirements/ Numerator	Average WPR	Cases Counted in Calculation/ Denominator ⁽¹⁾	Cases Meeting Requirements/ Numerator	Average WPR
41	15	37.0%	15	6	37.3%
⁽¹⁾ Includes the following specialized cases: Initial Services intake, child welfare mutual clients, Cal-Learn teen parents, child abuse prevention services, and domestic abuse services					
Contracted Only 01/08 – 08/08					
All Families			Two-Parent Families (Subset of All Families)		
Cases Counted in Calculation/ Denominator ⁽²⁾	Cases Meeting Requirements/ Numerator	Average WPR	Cases Counted in Calculation/ Denominator ⁽²⁾	Cases Meeting Requirements/ Numerator	Average WPR
35	35	48.9%	18	10	55.5%
⁽²⁾ Does not include the following specialized cases: Initial Services intake, child welfare mutual clients, Cal-Learn teen parents, child abuse prevention services, and domestic abuse services					

Transferring all case management services provides greater staffing flexibility, a secondary cost savings, and client service continuity.

In the CalWORKs Program, Case Managers are either assigned to Initial Services (intake) or Ongoing Services (continuing case management). Initial Services Workers are only staffed with County Social Workers, as intake requires the crisis intervention and family stabilization skills of a trained Social Worker. By transferring all case management services to County staff, it would allow Administrative Managers the flexibility to easily move staff between intake and continuing assignments to contend with the changing dynamics of the caseload. Such caseload trends include spikes in applications and State regulatory changes.

Furthermore, SSA utilizes the Social Worker I/II classification throughout the Agency including in the Children & Family Services and Adult Services Divisions. Transferring all case management services to County staff allows this same flexibility to move staff among and between various SSA Programs as needed to most effectively and efficiently meet client needs and program mandates. The SSA transition plan includes moving Social Workers from the Children & Family Services Division. This action creates a secondary County General Fund cost savings as the CalWORKs positions are 100 percent State and Federally funded.

Finally, it is noted that transferring all case management services to County staff allows maintenance of client service continuity. SSA has taken careful consideration of many factors when determining cost saving strategies, including the alternatives to taking such actions. The CalWORKs Program is comprised of a complex set of services provided by contract agreements, Memoranda of Understandings, Cost-Applied Agreements, and SSA staff. Each of the CalWORKs services is designed to meet specific Program requirements or needs. Termination of the Case Management Services contract realizes a significant cost savings as outlined in this report's financial analysis. If SSA does not terminate the Case Management Services contract, the alternative will be to identify the same level of cost savings in other areas. This would likely involve additional County staff layoffs, but would also likely include termination of other contracted or outsourced services.

While the decision to terminate the Case Management Services contract is a difficult one, the result will not be an elimination of a client service. Alternative actions will likely result in a degradation of program services, compromising the SSA's ability to meet Program mandates and to meet the needs of low-income families attempting to transition from welfare to economic independence.

It is recommended that your Board authorize SSA to take actions as stated in Agenda Staff Report # 09-000093.