Texas Commission on Alcohol and Drug Abuse

Staff Report

Texas Sunset Advisory Commission

1996

TEXAS SUNSET ADVISORY COMMISSION

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In 1977, the Texas Legislature created the Sunset Advisory Commission to identify and eliminate waste, duplication, and inefficiency in government agencies. The 10-member Commission is a legislative body that reviews the policies and programs of more than 150 government agencies every 12 years. The Commission questions the need for each agency, looks for potential duplication of other public services or programs, and considers new and innovative changes to improve each agency's operations and activities. The Commission seeks public input through hearings on every agency under Sunset review and recommends actions on each agency to the full Legislature. In most cases, agencies under Sunset review are automatically abolished unless legislation is enacted to continue them.

TEXAS COMMISSION ON ALCOHOL AND DRUG ABUSE

STAFF REPORT

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EXECUTIVE SUMMARY

Executive Summary

The Texas Commission on Alcohol and Drug Abuse (TCADA) is responsible for funding and coordinating statewide alcohol and drug abuse services. TCADA provides for the development of a continuum of prevention, intervention, treatment, and rehabilitation services primarily through direct contracts with nonprofit service providers. TCADA was placed under conservatorship in 1995 in response to reports of serious fiscal mismanagement by the agency and its contractors. The conservators worked quickly to address the agency's problems and in February 1996, the Governor appointed a new Commission, completing the transition from conservatorship.

The Sunset staff evaluated the reforms put in place by the conservators and reviewed the operations of the agency to ensure the agency is implementing the most effective service delivery system. The review focused primarily on the agency's service delivery planning, funding, and provider payment systems, building on the improvements of the conservators so that the agency better serves the needs of substance abusers in the state. The following material describes the results of the review.

1. TCADA should develop a statewide plan for substance abuse service delivery.

The service delivery system funded by TCADA has grown incrementally over time as a result of expanding federal and state requirements and lacks a clear, strategic framework. Additionally, the primary focus of the agency during the last year has been implementation of the reforms established by the conservators, not on the service delivery system it funds. TCADA needs to develop a statewide plan for service delivery that will provide the fundamental structure for a coordinated service delivery system throughout the state to best meet the needs of the substance abuse client.

***Recommendation*:** Require TCADA to develop a statewide plan that defines the goals of substance abuse services; details how services should be organized, delivered, and managed; explains how funding priorities are developed and funding decisions are made; and guides how local input can be used to identify regional needs of the state.

2. Improve the TCADA funding system to ensure that cost effective, quality services are available across the state.

The process TCADA uses to fund service providers does not ensure that a range of treatment services is available to intended clients or that treatment services within a region are accessible. Effectively obtaining local input on funding decisions has also been a problem. Also, current provider selection procedures do not necessarily result in the best-value substance abuse services for the state.

***Recommendation*:** Require TCADA to establish a funding system that maximizes the availability of treatment services statewide, provides for reasonable geographic access to services, and selects providers on a best-value basis. TCADA should establish a system for obtaining local input in funding decisions on a regional basis, including an opportunity for formal recommendations from the local level. Require TCADA to establish a

publicly-available policy that shows how the agency determines funding priorities, provider selection criteria, and provider selections, and document the process used to develop the policy.

3. TCADA should implement a contract payment method that results in the highest quality service at the best price.

Two different methods can be used to pay substance abuse providers for their services. The unit rate method allows a provider to keep the difference between actual costs and the agreed unit rate, whereas the current cost reimbursement method allows for payment on the basis of actual costs only. TCADA currently uses a confusing mix of the two different methods; it purchases treatment services using a unit rate, per client per level of treatment, but it pays for services on a cost reimbursement basis, or based on actual costs.

In addition to causing confusion, the current reimbursement method is costly for TCADA and its providers because of heavy emphasis on monitoring the providers' budgets and the propriety of every expenditure. The unit rate reimbursement method would more efficiently focus TCADA's monitoring on the quality of service achieved. In addition, it would give providers an incentive to serve clients in the most cost effective manner.

***Recommendation*:** Require TCADA to implement a unit rate method for paying its treatment and prevention/intervention providers, if after studying the method, TCADA determines it would result in the highest quality services, at the best price, with lower administrative costs. To prevent questionable expenditures and to keep costs contained, the agency would need to focus its monitoring efforts on verifying that costs factored into a unit rate are appropriate and are used to determine the appropriate rate for each level of treatment in the next year. In addition, TCADA would need to increase its performance monitoring efforts and maintain a competitive procurement system.

4. Improve accountability for state funds through adequate contracting and performance measurement.

TCADA was placed under conservatorship primarily due to problems with maintaining provider accountability. Lack of accountability was evident in poor contracting and performance measurement. While the agency has significantly improved accountability by implementing reforms initiated by the conservators, the process needs continued refinement to focus more on programmatic monitoring and a focus on current fiscal year activities.

***Recommendation*:** Require TCADA to set standards in contracts that include clearly defined goals, outputs, and measurable outcomes that directly relate to the program objectives. The agency should use a risk assessment methodology to closely monitor compliance with both financial and performance requirements. TCADA should implement pilot projects that set primary performance goals for each provider and provide funding incentives for meeting and exceeding goals.

5. Improve the agency's technical assistance process.

The consistency, accuracy, and timeliness of the agency's technical assistance efforts have been criticized by service providers and were identified as a contributing factor to problems addressed during the conservatorship. TCADA needs to develop effective technical assistance to ensure that providers get the necessary help to achieve greater compliance and accountability.

***Recommendation*:** Require the agency to provide clear and consistent technical assistance to service providers. The agency's approach should include formal, documented technical assistance policies and procedures; a single point of entry for technical assistance requests; and established technical assistance response time frames as determined by the Commission.

6. Continue the Texas Commission on Alcohol and Drug Abuse for 12 years.

The Sunset review found a continuing need to provide access to substance abuse services in the state's communities. Problems related to substance abuse continue to increase and drive up the costs of public health care and negatively affect the state's criminal justice system. TCADA has recently undergone significant changes in response to Legislative concerns regarding fiscal management and weaknesses in accountability. Currently, no other state agency duplicates the functions performed by TCADA. Sunset staff will have an opportunity, during the next biennium, to evaluate how the services funded by TCADA fit into the state's overall service system, when most of the health and human services are under review. Until that time, the recommendations described above should allow TCADA to better serve the state.

***Recommendation*:** Continue the agency for 12 years.

Fiscal Impact Summary

The recommendation to continue the Commission would require its annual appropriations of approximately $127 million to continue. The recommendation related to development of a statewide plan and improvements to the agency's funding system would result in more effective use of public funds spent in the service delivery system. The recommendations to implement a unit rate system to pay for services, improve the accountability of providers, and improved technical assistance could result in a positive fiscal impact to the state but the actual savings cannot be estimated.

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APPROACH AND RESULTS

Approach and Results

Approach

The Texas Commission on Alcohol and Drug Abuse (TCADA) was established to coordinate alcohol and drug abuse services of state and local agencies. The agency's budget and responsibilities have grown rapidly over the past 10 years as the nation has made the war on drugs and their effects on society a public policy priority. As a result, the federal government has made significant amounts of federal funding available to the states to fund prevention, intervention, and treatment services. Thus, TCADA has channeled both federal and state funds into providing a continuum of community-based substance abuse services through direct contracts with private service providers.

Serious fiscal mismanagement and a poor response to problems led TCADA to become the first agency in state history to be placed under conservatorship.

As early as 1991, audits began showing problems with TCADA's internal financial controls and service provider monitoring. The audits identified problems with the agency's lack of on-site monitoring, inaccurate data collection and reporting, and an inadequate program evaluation system. Intensive scrutiny by the Legislature began after reports of financial abuses at TCADA-funded facilities became public in 1994. The Legislature initiated a Task Force, headed by the Texas Rangers, to investigate alleged wrongdoings. In response to findings of serious fiscal mismanagement by the agency and its service providers, and frustration with the agency's poor response to such problems, TCADA became the first agency in the history of the state to be placed under conservatorship in April 1995. As an added measure of oversight, the Legislature moved the Sunset date for TCADA forward two years to 1997, placing the agency under additional, in-depth scrutiny to ensure that problems with the agency would be effectively resolved.

In forming the approach to the review of TCADA, Sunset staff evaluated the reforms taking place at the agency, enacted by the conservators, to address past problems identified with the agency. Staff also reviewed agency operations and programs to determine if the agency is meeting its statutory mandates in the most effective manner. The review specifically focused on assessing agency operations to determine ways for the state to better provide substance abuse services. To that end, the recommendations in this report

address several themes: developing a statewide plan for service delivery to ensure resources are spent on a system of care which maximizes the state's investment, setting up a funding system that reduces gaps in service and emphasizes quality service delivery, improving contractor accountability, and improving the agency's technical assistance activities.

Review Activities

In conducting the review the Sunset staff:

- Worked extensively with TCADA staff — executive management and staff from the agency's major programs;
- Worked with the Lieutenant Governor's Office, the Speaker's Office, and other legislative committees and staff;
- Worked with the Health and Human Services Commission and other health and human services agencies;
- Attended public meetings of the TCADA Commission;
- Surveyed and met with interest groups about their concerns with the substance abuse prevention and treatment system and recommendations for improvement;
- Met with local councils on alcohol and drug abuse, mental health and mental retardation community centers, and substance abuse prevention and treatment providers in Austin, Beaumont, Corpus Christi, Dallas, Fort Worth, Houston, Longview, and San Antonio to discuss their interaction with TCADA;
- Visited TCADA compliance field offices in Dallas and Houston and accompanied agency staff on compliance audits and licensing visits;
- Visited with officials at the centers for Substance Abuse Prevention and Treatment regarding federal funding, policies, and requirements related to substance abuse; and
- Reviewed agency documents and reports, state statutes, legislative reports, previous legislation, literature on substance abuse, other states' information, and information available on the Internet.

Results

The Sunset review of TCADA started by addressing whether functions performed by the agency continue to be needed. TCADA's mission is to enhance the ability of citizens to achieve their full potential unimpaired by substance use, abuse, or dependency. The agency is responsible for

planning, funding, and regulating quality, cost-effective substance abuse services. TCADA fulfills these responsibilities through funding community-based service providers to provide prevention, intervention, treatment, and rehabilitation services. The rate of use and abuse of controlled substances remains generally constant for adults and continues to significantly increase for youth. Substance abuse problems add to the cost of all health and human services and criminal justice programs. Vitally important, the federal government makes money available to the states to fund substance abuse services. Sunset staff concluded that the agency's activities to achieve these goals continue to be needed.

In evaluating the organizational structure of TCADA, staff first turned its attention to reviewing the conservators' and the agency's efforts to address the policy and management issues that led to the agency being placed into conservatorship. Sunset staff found that the conservators worked quickly to carry out significant changes to address the condition of "gross fiscal mismanagement" at the agency. The conservators adopted a new bidding process for service provider contracts that bases funding on regional needs and provider quality. The conservators also created a compliance function and developed a plan to ensure annual financial and program field or desk audits of every provider, based on a risk assessment. The agency also, for the first time, developed and distributed a compliance manual to providers that described the agency's requirements for provider accountability. In October 1995, the conservators formally reported to the Governor and Legislature they had corrected the problems at TCADA. In February 1996, the Governor appointed six members to a new Commission, completing the transition from conservatorship back to an independent agency.

Once appointed, TCADA's new Commission continued to build on the reforms of the conservators.

The newly appointed Commission continued to make changes to build on the reforms of the conservators. The Commission has hired a new Executive Director with a public health management and federal funding background. The new Director in turn carried out an agency reorganization refocusing agency efforts on improving the agency's service delivery system and providing technical assistance to providers operating under the new climate of accountability. TCADA also made resolution of the initial Task Force provider audits a priority. The Commission is requiring providers to either repay the funds in dispute with cash or provide in-kind services to the state at no additional costs. This process is allowing the state to recover misspent funds without forcing a closure of service providers who are providing quality services.

TCADA is now operating in a more open and responsive fashion and is positioned for further refinements during the upcoming legislative session.

The changes initiated by the Legislature and implemented by the conservators and the new Commission and Executive Director, have resulted in an agency that is now operating in a more open and responsive fashion to the Legislature and agency stakeholders. The funding and monitoring systems now used by the agency ensure fairness and a higher standard of accountability, both by agency staff and service providers. The agency is now positioned for additional changes and further refinements to its current operating processes during the upcoming legislative session.

Sunset staff also found that the discovery of mismanagement by the Task Force audits and the broad corrective actions taken by TCADA have had a profound effect on the state's service delivery network leaving providers in a state of uncertainty. Many providers were suspended while the agency resolved questionable expenditures. The ongoing resolution process made it difficult for providers to solicit additional funding from other sources. Funding for some providers was eliminated or reduced because of riders to TCADA's legislative appropriation, which transferred money to other agencies or redirected funds to other priority populations. After such dramatic change resulting from actions of the Legislature and the Conservatorship Board, Sunset staff concluded that further reorganization of agency functions at this time would jeopardize rebuilding of the agency's service delivery system.

To adequately evaluate whether TCADA's functions should remain separate or be transferred elsewhere, the state needs to allow the agency to operate under its new direction and organizational structure. Considerable time and state resources have been spent to develop a new agency with sound leadership, an improved operating structure, and an effective service delivery network. With these changes, the current Sunset review, and increased legislative oversight, the accountability and services provided by the agency should meet the state's standard for effective agency operations and service delivery. During the 1998-1999 biennium, when the Sunset Commission reviews the state's other health and human service agencies, staff will review the organization of these agencies. At that point, the Sunset Commission can consider where TCADA could fit into any reorganized state health and human services delivery system that might be proposed.

Once staff concluded that the Commission should continue as an independent agency, staff looked for improvements that the agency could make to its substance abuse service delivery system as a whole. Staff identified the following review areas: overall planning for the service delivery system; the process for funding and paying contracted providers;

and the ways the agency ensures contractor accountability, including technical assistance to service providers.

Statewide Planning for Service Delivery - The Sunset review focused on whether the service delivery system funded by TCADA results in the most effective statewide delivery of substance abuse services. The review found that expanding federal and state requirements, along with dramatic increases in federal funding, overwhelmed TCADA as it shaped a service delivery system and that solid, statewide planning has not been done. After carrying out the reforms of the conservators, TCADA now needs to evaluate its entire service delivery system to identify the most effective way to deliver services. Issue 1 looks at TCADA's need to conduct statewide planning to develop a fundamental framework for defining minimum services, identifying existing services and gaps in service delivery on a regional basis, and coordination of services from the federal, state, and local level.

Further agency reorganization would jeopardize progress made and the state should allow TCADA time to operate under its new directions and organization.

Service Provider Funding and Reimbursement - In looking at the process TCADA uses to fund service providers, the Sunset review examined whether TCADA's current funding policy results in a continuum of accessible treatment services and whether current provider selection procedures result in best-value substance abuse services for the state. Staff found that TCADA's funding process does not ensure that a range of treatment services is available to intended clients and the process has not ensured accessibility to treatment services within a region. Effectively obtaining local input on funding decisions has also been a problem. In addition, current provider selection procedures do not necessarily result in the best-value substance abuse services for the state. Issue 2 deals specifically with planning and process changes TCADA needs to make in its funding of services through provider contracts.

The review also looked at the payment system for treatment providers to decide whether the system results in the highest quality services at the best price with the lowest administrative cost to the agency and its providers. Staff found that TCADA uses a unit rate to procure but not to pay for services, resulting in confusion and higher administrative costs for the agency and its providers. Issue 3 details changes to the service provider reimbursement process.

Ensuring Provider Accountability - TCADA was placed under conservatorship amid widespread allegations of financial abuse by its contracted service providers. A thorough investigation and subsequent audits found that not only did TCADA need to review its contracting process, TCADA needed to improve the accountability of providers to

avoid future problems and improve its service delivery system as a whole. Sunset staff reviewed TCADA's current contract administration process to ensure the agency had addressed the past deficiencies and that the new process was properly focused. The review also looked at whether TCADA provides clear, consistent, and timely technical assistance to its providers. Staff found that while the agency has made great progress in provider accountability, the process needs continued refinement to focus more on programmatic monitoring and current fiscal year activities. Although TCADA has taken steps to improve its technical assistance function, statutory direction is necessary to ensure that these improvements continue. Issue 4 deals with modifications to the provider accountability process and Issue 5 examines technical assistance for providers.

From the Sunset review activities described above, the staff offers the following recommendations concerning the Texas Commission on Alcohol and Drug Abuse. These recommendations are discussed in detail in the issues presented in this report.

Recommendations

1. TCADA should develop a statewide plan for substance abuse service delivery.
2. Improve the TCADA funding system to ensure that cost effective, quality services are available across the state.
3. TCADA should implement a payment method that results in the highest quality service at the best price.
4. Improve accountability for state funds through adequate contracting and performance measurement.
5. Improve the agency's technical assistance process.
6. Continue the Texas Commission on Alcohol and Drug Abuse for 12 years.

Fiscal Impact

The recommendations in this report should have a positive fiscal impact to the state. However, the actual savings cannot be estimated.

ISSUES

Issue 1

TCADA Should Develop a Statewide Plan for Substance Abuse Service Delivery.

Background

The Texas Commission on Alcohol and Drug Abuse (TCADA) is responsible, under the Health and Safety Code, for coordinating alcohol and drug abuse services of state and local agencies. TCADA must provide for the development of a continuum of prevention, intervention, treatment, and rehabilitation services across the state. TCADA primarily provides these services through direct contracts with private nonprofit service providers. TCADA funded more than $109 million in direct client services in fiscal 1996.

TCADA Priority Populations
Youth who abuse or are at risk of abusing substances, including youth in the juvenile justice system
People who have or are at risk of having human immunodeficiency virus infection through substance abuse
Substance abusers who have entered the criminal justice system
Substance abusers who are at risk of institutionalization or who currently are serviced in mental health facilities
Substance abusers who have had children placed under the conservatorship of the Department of Protective and Regulatory Services
Youth at risk of selling controlled substances
Women with children or women of child bearing years

Federal and state requirements have significantly broadened the Commission's responsibilities and target population since its creation, expanding treatment services and target populations and adding responsibility for substances other than alcohol. TCADA's responsibilities have expanded to include licensing substance abuse treatment facilities and chemical dependency counselors, establishing substance abuse programs for criminal offenders, treatment of people with substance abuse problems committed by civil courts to community-based inpatient programs, and certification of driving-while-intoxicated education programs. The Legislature also directed the agency to give priority for services to seven priority target populations; an increase from two when the agency was created.

During this period, TCADA's annual budget grew from $9.6 million in fiscal 1985 to $127.0 million in fiscal 1996, primarily due to increases in federal funding. By fiscal 1996, TCADA was funding a community-based network of about 200 providers, serving more than 700,000 clients. This system of care has grown incrementally with no clear strategic direction other than the new federal and state mandates which were added over time. While analyzing the factors that

contributed to TCADA being placed in conservatorship, the conservators pointed out many of TCADA's problems resulted from its rapid growth that might have taxed even a well-run agency and its contractors.

Additionally, since the service delivery system funded by TCADA began in a community-based setting, a fragmented approach to service delivery exists, which is less of a problem for agencies that started with an institutional-based system and moved to a community setting. TCADA's problems are multiplied since the agency contracts with so many independent entities rather than providing services directly with agency staff.

Service delivery has grown rapidly without a state-wide planning perspective.

During the last year, TCADA has focused on implementing the organizational and operational changes put in place by the conservators. TCADA now needs to focus on its primary mission—providing indigent citizens of Texas with quality services in the prevention, intervention, and treatment of drug and alcohol abuse. This focus on maintaining a continuum of care in the service delivery system is critical to maximize limited resources, especially with anticipated decreases in federal and state funding.

The Sunset review focused on whether the service delivery system funded by TCADA results in the most effective delivery of services and ensures a minimum level of service in each region of the state.

Findings

▼ **The service delivery system funded by TCADA has developed rapidly and incrementally, without fundamental planning from a statewide perspective. Because the Commission failed to set clear policy direction in critical areas, the system has performed inadequately.**

- TCADA has not conducted thorough and integrated planning that focuses on statewide service delivery. Formal planning done by the agency has been limited to strategic planning for budgeting purposes and plans required by federal grant applications. These plans fulfill more limited purposes and therefore lack the comprehensive approach needed for effective statewide service delivery.

- Clients, interest groups, policymakers, providers, and TCADA staff have raised concerns about the substance abuse service delivery system in the state. Problem areas that need to be addressed through statewide planning include:

- lack of a clear, articulated blueprint for how substance abuse services should be organized, delivered, and managed across the state;
- lack of an adequate case management system that monitors referrals and provider/client performance;
- lack of a funding process that ensures consistent availability of services across the state and within regions;
- a provider selection process that emphasizes cost over quality;
- inadequate evaluation and input of community needs and priorities for services; and
- lack of a comprehensive plan for coordinating TCADA services with those of other state and local health and human services agencies or that helps leverage community resources.

◗ To demonstrate the need for statewide planning, a review of the significant problems in each of these critical areas is provided below.

TCADA has not clearly defined client needs and identified the best way to meet those needs.

▼ **TCADA has not clearly defined and described how substance abuse services should be organized, delivered, and managed to best meet client needs.**

◗ TCADA has not developed a plan that defines the goals and objectives of the state's substance abuse services. Consequently, the state's service delivery system is fragmented and does not maximize resources. The agency needs to, in detail, define client needs and identify the best services to meet those needs. After developing the state's best approaches for reducing substance abuse, TCADA then needs to assess how services should be organized, delivered, and managed. The plan should be in a format that clearly communicates the state's approach to agency stakeholders.

◗ TCADA's current service delivery system lacks a clearly defined case management function. Case management is essential in monitoring client progress through the system, evaluating performance of the system, and keeping service costs down. Most health and human service delivery systems rely on case management to initially screen and refer clients into appropriate treatment and to monitor their progress during

and after completion of treatment. As the state's public health systems move to managed care, this function will become especially critical since the case managers are relied on to act as the "gatekeeper" for services and perform utilization reviews to ensure clients are in appropriate intensities of treatment. For example, in the peer review of block grant funded programs, reviewers have noted that, in some cases, clients were being detoxified that easily could have gone directly into a residential program.[1]

Failure to communicate service priorities resulted in spending directives by the Legislature that caused gaps in adult treatment services.

In another example, the need for statewide planning in the area of case management is demonstrated in Dallas. The Target Cities federal categorical grant has funded, over a five-year period, the development of an automated case management tool for the Dallas Council for Alcohol and Drug Abuse. The Council uses the system to serve clients in the Dallas-Colin-Denton county region. The system allows the Council to perform automated screenings and then suggests referrals for treatment to providers who can offer appropriate care and who have bed space. The system also allows the Council to track clients through the service delivery system and document performance. Funding for this grant ends next year and TCADA should be planning how to leverage this investment for the rest of the state, if appropriate.

- In failing to articulate a clear strategic vision for statewide service delivery, TCADA failed to communicate its service priorities. This resulted in legislative mandates that had unintended consequences. For example, during the last legislative session the agency was unable to effectively communicate its strategies and current level of effort for youth services, particularly in the prevention and intervention area. As a result, the Legislature placed a rider on the agency's appropriations that required them to spend 50 percent of funds for direct client services on youth programs over the biennium. The implementation of this rider left service gaps for adult treatment.

- TCADA has not adequately evaluated the many different approaches to prevention and treatment services. For example, studies have indicated that the differences between residential and outpatient services, between a one month and a four month stay in a residential treatment program, and between a 12 step or a medical model program, may not be as

important to effectiveness as was once thought. In fact, several large-scale studies agree that differences among treatment approaches are less important in predicting success than differences among the clients when they enter treatment (e.g. job situation, family situation, past treatment success).[2] After evaluating the different approaches, TCADA will be in a better position to fund the most cost effective services for its clients. For example, if outpatient programs prove to be almost as effective as residential programs, it would be more cost effective for TCADA to fund a greater range of outpatient services.

With better information, TCADA would be able to fund services that are more effective.

▼ **TCADA's funding policies have resulted in gaps in service delivery and a reduced focus on quality.**

- TCADA's funding process does not ensure that a minimum level of service is available throughout the state. The agency's pattern of priority funding combined with an expansive regional approach has resulted in wide-spread concern about the availability, accessibility, and quality of substance abuse services. (For detailed review of problems with the funding process, see Issue 2 of this report, page 11). Agency staff and agency stakeholders have identified consistent problem areas. For example, in reports to the Commission in August 1996, the Regional Advisory Consortiums reported barriers to effective service delivery such as significant disparity in services ranging from delays in client admissions to not having prescribed services readily accessible to clients. (For detailed explanation of RACs see background of this report, page 94.)

- TCADA's provider selection process has also been problematic. The process favors low-cost bid and does not emphasize a provider's past performance. The process does not sufficiently recognize community and state investment in existing providers, does not sufficiently emphasize on-site evaluation of providers bidding for services, and does not ensure that the state's rural communities are being adequately served. These weaknesses and others may reduce the state's long-term, cost-effective delivery of services. This area is also discussed in more detail in Issue 2 of this report.

▼ **TCADA has not adequately evaluated the needs of the state from a regional or community perspective.**

- TCADA historically has not had a method to obtain information regarding regional or community needs and incorporate those needs into determining how services were delivered. Upon the recommendation of the Conservatorship Board, TCADA formed the Regional Advisory Consortiums (RACs) with their purpose to provide regional/community input to the agency on a variety of issues such as the allocation formula; priorities by levels of service; service barriers; and how the current RFP process affects substance abuse service delivery, including the availability/priority of services.

TCADA needs community-based input to make funding decisions that meet local needs.

- Although TCADA created the RACs, no initial determination was made regarding how RAC input would be used. In August 1996, the 11 RACs reported their recommendations to the Commission. The agency recently formed a workgroup to determine the best way to use RAC input. While the RACs have given valuable input to TCADA, any system that remains so informal could lose its significance and effectiveness in the future.

- TCADA needs community-based input. Local officials and persons providing substance abuse services within a community are knowledgeable about what services currently exist and what service gaps need to be filled. In an environment of limited resources at the federal/state government level, community-based information is a key factor in determining which services the community can provide on its own, and which services are more critical to be provided with state-controlled funds. This data will allow TCADA to make better decisions in funding needs within a region and ultimately address the needs of the state as a whole. Options for strengthening regional or community input are described in the recommendations that follow.

▼ **Other opportunities exist for enhanced statewide planning efforts.**

- TCADA has not established a comprehensive approach for coordinating TCADA services with those of other state and local health and human services agencies. While the primary mission of TCADA is the prevention, intervention, and

treatment of substance abuse, many of the clients served are in need of services beyond the primary core services delivered through TCADA providers. TCADA has implemented interagency agreements with other health and human services agencies to pool resources to provide coordinated services where possible. One example is a partnership with MHMR to develop pilot projects to address the treatment needs of mentally ill substance abusers in four regions of the state. Statewide planning could address expansion of the program, as well as development of similar programs with other agencies serving clients with multiple needs.

- Substance abuse problems continue to be a major contributing factor in the individuals served by the state's criminal justice system. The Legislature transferred responsibility for substance abuse programs for criminal offenders to the Department of Criminal Justice as a result of the scrutiny the agency received during the last legislative session. Planning efforts need to evaluate how TCADA's programs can support and be integrated with services offered in the criminal justice system.

TCADA needs a sound approach for coordinating its services with those of other related state and local agencies.

- Programs designed to serve special population groups—women with children, native and culturally distinct populations, HIV infected, rural residents, and the elderly—often are not explicitly designated as priority populations. The pressure to expand the scope and intensity of these services is constantly increasing while funding, often provided through federal categorical awards which are being reduced, is increasingly unavailable. Statewide planning efforts could ensure these populations are defined and targeted for services.

▼ **Other treatment agencies and health and human service agencies are required to develop statewide plans to ensure coordinated service delivery.**

- Other states' treatment agencies, such as those in New York and Pennsylvania are statutorily required to develop comprehensive statewide plans for service delivery of substance abuse programs.

- Both the Texas Department of Health and the Texas Department of Mental Health and Mental Retardation are statutorily required to develop comprehensive, long-range

statewide plans. These statutes describe minimum elements to be included in each plan and require that the plans be updated on a regular basis to ensure efficient and effective service delivery.

▼ **A statewide plan would provide a forum to communicate the mission and goals of the agency, determine the objectives of the service delivery system, and set statewide policy in key areas.**

- Statewide planning ensures that public funds are being used in a deliberate and coordinated manner, while laying the foundation for future initiatives. TCADA should use a statewide plan for service delivery to communicate policies on which future operational decisions can be based.

TCADA needs to provide clear direction on how it plans to achieve goals of substance prevention and treatment.

- The rapid and ever changing environment of health related services requires that TCADA provide clear direction on how it plans to achieve its missions and goals in prevention, intervention, and treatment of substance abuse. A statewide plan provides the vehicle for defining objectives, developing communication links with service providers and communities, and incorporating federal and state directives in a systematic fashion.

Conclusion

TCADA's service delivery system has been shaped incrementally over time by expanding federal and state requirements and by a rapidly increasing client services budget, primarily due to increases in federal funding. The primary focus of the agency during the last year has been implementation of the reforms initiated by the conservators. TCADA now needs to focus on the service delivery system it funds.

TCADA cannot afford to award more than $100 million a year to service providers without assessing the needs of the state as a whole and developing a comprehensive plan for providing substance abuse services. TCADA needs to develop a fundamental framework for defining minimum services, identifying existing services and gaps in service delivery on a regional basis, and coordination of services from the federal, state, and local level. Without a plan to address these areas, TCADA is not purchasing services in the most efficient and effective way possible and is not developing the infrastructure needed for meeting client needs. The following recommendation would set out in statute the critical areas

that TCADA should include in its statewide plan. Issue 2 deals specifically with planning and process changes TCADA needs to make in its funding of services through provider contracts.

Recommendation

Change in Statute

- **Require TCADA to develop a comprehensive statewide plan that includes at least the following elements:**
  - **a statement of the mission, goals, and objectives of substance abuse prevention, intervention, and treatment in the state;**
  - **a discussion of how substance abuse services should be organized, delivered, and managed across the state, including case management services;**
  - **a comprehensive assessment of existing services and identification of future needs for services;**
  - **a description of a funding process that ensures consistent availability of services across the state and within regions;**
  - **a description of a provider selection and monitoring process that emphasizes quality;**
  - **definitions of appropriate-sized service regions and minimum levels of services for those regions;**
  - **a mechanism of including local input in identifying and assessing regional needs of the state; and**
  - **coordination of administration and service delivery with federal, state, and local public and private programs that provide similar services.**

This recommendation will require TCADA to develop the fundamental structure for developing a coordinated service delivery system throughout the state to best meet the needs of the substance abuse client. Also, a comprehensive plan will provide a framework for future planning of the agency and provide direction and information to the Legislature as to the needs of substance abuse clients in Texas. Establishing a statewide plan is critical in the changing environment of substance abuse services within federal and state funding limitations, and the movement toward providing health related services through a managed care system.

The creation of a statewide plan will ensure that TCADA uses its limited resources in the most effective and efficient way possible, ensuring high quality, low cost services for a service delivery system, while maximizing all federal, state, and local resources. At a minimum, a statewide plan would identify those services that TCADA should offer and identify those services that other state agencies could more appropriately deliver such as Mental Health and Mental Retardation, Texas Department of Health, Protective and Regulatory Services, and Texas Youth Commission. The plan should also address opportunities to pool resources with other agencies. Defining minimum standards for service delivery and including local input for meeting specific regional needs will guide the agency in making more appropriate funding and program decisions.

Management Action

- **TCADA should explore ways to improve the formal structure used to get local input in identifying and assessing regional needs.**

The statutory recommendation requires TCADA to include a mechanism for better local input. Staff identified options in the following chart as suggestions to TCADA as it determines the best course of action in this area.

Regional Advisory Consortium (RAC) - As noted earlier, TCADA Commissioners and TCADA staff have already begun using the RACs to capture local input. The benefits of using RACs include: membership includes a broad spectrum of professionals, service providers, and advocates knowledgeable of local needs; RACS have already begun providing input to TCADA; and the administrative cost of using the RACs is limited since RAC members are not compensated for their services. The downside to using RACs is that they are appointed by TCADA and are not directly accountable to the communities they represent. TCADA must also ensure the RACs are appointed in a manner that reduces the potential for conflict of interest.
Councils of Government (COG) - Members are appointed by locally elected officials and are directly accountable to local residents. COGS currently have the task of prioritizing more than $45 million in grant funds from the Criminal Justice Division of the Governor's Office, so they have a developed system already in place. The downside to using COGs is that they charge for their services, and they are not experts in the substance abuse treatment and prevention field.
Substance Abuse Authority - A substance abuse authority could be modeled on the mental health system that requires a mental health authority in each region, usually the Mental Health and Mental Retardation Community Centers. In this system, the authority, composed of substance abuse experts appointed by local officials, could distribute substance abuse funds in their areas. Again, an administrative cost would likely be associated with this system.
Other options exist for directing specific types of funds to localities. For example, Community Resource Coordination Groups (CRCGs) are local interagency groups that plan services and pool interagency funds for children with multiple needs.

Fiscal Impact

The development of a statewide plan would have no fiscal impact on the agency or the state but would lead to a better service delivery system and would maximize funds and accountability.

[1] Peer Support and Quality Improvement Project: Fiscal Year 1996 Summary Report, Draft.

[2] Holden C.: Is alcoholism treatment effective? *Science*, 236:20, 1987.

Issue 2

Improve the TCADA Funding System to Ensure that Cost Effective, Quality Services are Available Across the State.

Background

TCADA's main function is to fund substance abuse services in local communities throughout the state. The agency basically funds three types of programs — prevention, intervention, and treatment. The funding process has changed dramatically in the past two years because of significant problems with fiscal mismanagement.

Before conservatorship, funding for substance abuse services was fairly unstructured and non-competitive.

Before TCADA was placed in conservatorship, funding was less structured and less competitive. Funds were not allocated regionally. TCADA awarded funds to providers whose applications had been scored by out-of-state peer reviewers. State and federal funding priorities were not necessarily published in the Request For Proposal (RFP) instructions sent out by the agency. Consequently, service providers often did not know what types of services were needed by the state when preparing an application. TCADA decided internally, how to fill service gaps with its discretionary funds without any formal process for input from the regions. Overall, the funding process was neither well-defined nor consistent and opened the agency to widespread criticism alleging favoritism, subjectivity, and lack of provider accountability.

When TCADA was placed under conservatorship, the Conservatorship Board reviewed the agency's funding process and found that the system warranted extensive modification. For the fiscal year 1996 funding cycle, TCADA allocated available funds on a regional basis using the state's official 11 health and human services regions. The agency sent out RFP instructions that provided detailed information on federal and state priorities for funding. Evaluation of the RFPs also changed. The scores assigned by the peer reviewers were averaged rather than reached by consensus as was the practice before conservatorship. Initial eligibility for funding was determined by peer review scores and then service providers were selected on specifically published selection criteria, including competitive bid. Although TCADA has no statutory direction for its funding policy,

this process is now outlined in detail in TCADA rules promulgated by the Conservatorship Board.

For fiscal year 1996, TCADA funded prevention and intervention providers using traditional financial assistance grants. In other words, the Commission awarded on the basis of a total grant amount based on a submitted budget—between $75,000 and $150,000 for prevention programs and between $200,000 to $400,000 for intervention programs. TCADA awarded treatment contracts on the basis of a unit rate per client, per day for a specific level of treatment. Each level of treatment, Level I being the most intensive to Level IV being the least intensive (as shown in the chart, *Levels of Treatment*), requires that a certain number of hours of counseling and other services are provided to clients.

Levels of Treatment

Level I - designed to systematically reduce the amount of alcohol and or other drugs in a client's body, manage withdrawal symptoms, and maximize placement in the next level of appropriate care.

Level II - highly structured, intensive services designed for clients who are medically stable.

Level III - designed for clients who are medically stable and able to function with limited supervision and support.

Level IV - designed for clients who are medically stable and able to function with minimal structure and support.

The different levels of treatment ensure that clients receive a range of treatment services depending on the severity of their addiction and their progress toward recovery. TCADA awarded contracts according to priorities for specific levels of treatment that the Conservatorship Board approved. These priorities were published in the requests for proposals so that the providers could tailor their applications to meet those priorities.

The Sunset review focused on whether TCADA's current funding policy results in a continuum of accessible treatment services and whether current provider selection procedures result in best-value substance abuse services for the state.

Findings

▼ **Current funding priorities do not ensure that an adequate range of substance abuse services are available.**

- Even under the recently changed funding process, TCADA's pattern of funding for treatment providers resulted in unforeseen problems. TCADA established four intensity levels for service delivery intending that an appropriate range

of services would be made available to clients. However, the agency prioritized the levels of treatment (as shown in the chart, *Treatment Funding Priorities - 1996*) and fully funded each priority level before moving on to the next lower priority for each region. This approach sometimes exhausted a region's funding before all treatment levels were funded, so that clients were not able to access the most appropriate services.

Treatment Funding Priorities - 1996	
General Adult Treatment	1) Level II Residential* 2) Level I Residential 3) Level II or Level III Outpatient 4) Level III Residential
Youth Treatment	1) Level II Residential* 2) Level II Outpatient 3) Level III Residential 4) Level III Outpatient 5) Level I Residential
Civil Court Commitment	1) Level II Residential* 2) Level I Residential 3) Level II or Level III Outpatient 4) Level III Residential
Specialized Female Services	1) Level II Residential* 2) Level I Residential 3) Level III Outpatient 4) Level II Outpatient 5) Level III Residential
* Preference given to Level II applicants who also proposed a Level IV outpatient program.	

Even with recent changes, TCADA's funding priorities do not ensure that all types of treatment services are funded.

- For example, for general adult treatment in Region 10, which includes El Paso, TCADA was only able to fund Level II residential with Level IV outpatient, and very limited Level I residential services, before running out of funds.[1] TCADA was not able to fund the next priorities—Level II or Level III outpatient, and Level III residential.[2] By funding only the top two priority levels, providers could not offer the continuum of treatment options that allows for maximum treatment potential.

  Similar situations occurred for youth treatment in certain regions. For example, in Region 3, which includes Dallas/Fort Worth, TCADA was only able to fund Level II outpatient and

residential.[3] No lower priorities could be funded. Sunset staff received several letters from concerned providers in the region that stressed that although the Dallas area has no lower level outpatient services, 85 percent of all adolescents needing treatment are recommended for outpatient services.[4]

- In addition to the priority approach resulting in some unfunded levels, it also resulted in providers applying only for the top priorities, because they knew the lower priorities might not get funded. Thus, when TCADA did reach lower priorities, applications sometimes had not been submitted, or were not up to quality expectations.

- Inadequate rate-setting methodologies can also result in gaps in service. After TCADA made its 1996 funding decisions, gaps in detoxification services existed in certain parts of the state. Developing those services has been difficult because many providers felt the unit rate paid for detoxification services would not cover costs.[5] These gaps continue to be a problem in certain areas.

Without the full range of treatment services, providers cannot move clients into less expensive levels of treatment.

- TCADA's approach to funding has also made an adequate range of prevention and intervention services difficult to achieve. TCADA set grant amounts between $75,000 and $150,000 for prevention programs and between $200,000 to $400,000 for intervention programs. Many providers have complained that prevention should be a higher priority. Furthermore, many providers testified at a TCADA Commission meeting that they were not sure about the difference between intervention and treatment in some cases, making a continuum difficult to determine.[6]

- An inadequate range of treatment may also result in more long-term costs to the state because, without a full continuum of treatment services, providers do not have the opportunity to move people into less expensive levels of treatment when warranted.

▼ **The current funding process results in some clients not having access to needed services.**

- TCADA allocates most of its available substance abuse funds to the state's official 11 health and human service regions, but does not base funding on the location of the program facilities or the accessibility of the services to the intended clients in the

region. As a result, the health and human service regions are so big that a continuum of care may exist within a region, but not located within a distance that can be reasonably accessed by all clients in the region. For example, Beaumont and Lufkin are in the same region, but a person living in Beaumont is unlikely, or maybe not be able, to drive two hours to Lufkin for outpatient services.[7] Many times, the client will abandon treatment and risk relapse. Inaccessibility also diminishes the likelihood that the family will participate in treatment counseling and activities, a key component in effective treatment.

- Rural clients have also had difficulty accessing services. Although the regional allocation formula includes a rural weight factor for adult general treatment services, the provider selection process does not ensure that the money gets out to the rural areas of the regions. In fact, because awards were made on the basis of the lowest bid, large providers in urban areas, with economies of scale, generally received the awards.[8] Providers have suggested that the funding process account for transportation costs for rural clients and set aside beds exclusively for rural area clients.[9]

Service providers are not always located to allow reasonable access by clients needing treatment.

▼ **The funding process has not provided for sufficient local input, which ensures that the specific needs of the regions are met and also encourages development of a local network of providers.**

- TCADA has had a history of failing to use existing structures that could help them gain information about regional needs. In 1993, the State Auditor's Office suggested that TCADA develop a way to receive and use information about local service needs, possibly through the local Councils on Alcohol and Drug Abuse that the Commission funds throughout the state.[10] This was never undertaken.

  In addition, the Statewide Advisory Council was established to give the Commission input about local needs throughout the state, based on the statewide planning regions, but because the Council had proved ineffective for years, the conservators abolished the group.

- For 1996 funding selections and priorities, localities had very little ability to influence the decisions that would prove to have a significant effect on their prevention and treatment

options and provider networks. For example, they were not consulted about prevention and treatment priorities in their areas, about the community investment in certain providers, or about which providers had the most accessible services to target populations in the area.

- TCADA has recognized the importance of regional input, and has since established a Regional Advisory Consortia (RAC) designed to help it make decisions based on regional needs. The RAC reports submitted to TCADA in August 1996 reflect that the regions do indeed have different needs and would prioritize services differently. For example, of the funds allocated to their regions for youth prevention and intervention, the Region 3 RAC prioritized that prevention should be funded at 75 percent and intervention at 25 percent, but the Region 7 RAC prioritized that prevention and intervention should be at 50 percent each. The disparities between regions regarding treatment priorities varied to an even greater extent. Each RAC set what it considered the most appropriate continuum of care for their specific needs and population.[11]

Although recognized as important, TCADA has yet to decide how best to use local input on treatment priorities.

- TCADA must decide the best way to receive and use local input on treatment priorities, provider selection, and other important issues. For instance, one RAC report suggests that a community-based committee should make site visits, prioritize RFPs, and make recommendations to TCADA on behalf of the region.[12] Of course, any local input system for funding should strive to minimize administrative costs so that the majority of funds goes into direct services.

▼ **TCADA does not have a statutory directive to develop an effective funding process, and so before conservatorship had not developed a clearly documented selection process.**

- Since its inception, TCADA has had no concrete statutory direction for establishing a funding process that is equitable and at the same time results in effective service delivery. As a result, the Commission operated without standard policies and procedures to guide agency staff in selecting and funding providers. Matters such as award methodology, award renewals, eligibility criteria, application standards, timetables, internal and peer review guidelines, and notification requirements were not addressed by administrative rule or published as policy directives.

- Even after the State Auditor's Office reported major deficiencies in the system, TCADA failed to establish a defined process. For example, in 1993, the State Auditor found that TCADA did not sufficiently document the deliberative process leading up to the funding recommendations, and the State Auditor expressed concern that this might result in developing criteria catered to pre-selected providers.[13] In addition, the State Auditor found that TCADA had not defined effectiveness to the extent necessary to use it in funding decisions and had relied on existing providers rather than try to define and develop an appropriate service delivery system throughout the state.[14]

- The Conservatorship Board clearly responded to the need for change in TCADA's funding process by developing a new approach to provider selection in rule. The provider selection process was made more competitive through an enhanced RFP process and competitive bidding. However, key policy considerations and directives for substance abuse funding remain outside of statute.

Although improved, TCADA's process to select providers needs even more emphasis on treatment quality.

▼ **The current provider selection process, while improved, does not emphasize quality as much as it does cost.**

- The new selection process favors the low cost bid and may not result in long term cost effective service delivery. The ultimate goal for any agency is to procure services of the highest quality at the lowest possible price. However, if too much emphasis is placed on low cost, rather than quality factors, quality may suffer and long-term service goals may not be achieved.

- For example, the current selection process does not emphasize the provider's past performance. Performance measures are not adequately evaluated and rewarded in the process. Neither TCADA nor the peer reviewers have the opportunity to examine objective performance measures or visit a facility to make an independent evaluation of performance. Consequently, an application often reflects the ability of the grant writer, rather than the quality of the substance abuse services.[15]

- Neither does the selection process factor in the community and state investment already in a provider, so important for long term cost effective service delivery.[16] Many providers have

received funding from community businesses for years, and that local support may be important for effective community service networking, fund pooling, and ultimate success. In addition, the state invests many thousands of dollars and hours of technical assistance into providers to ensure that its services will be delivered effectively. If those providers are not subsequently funded, TCADA must invest funds and staff hours building up the infrastructure of the new providers.

- Other weaknesses in the provider selection process that can affect the degree to which an application reflects the quality of the services offered include:
  - TCADA has not provided enough time or technical assistance for providers to adequately represent their qualifications in their applications;
  - TCADA did not follow its own deadlines for submission of applications and did not adequately document its decisions regarding exceptions to the process;[17] and
  - TCADA did not appropriately assign peer review teams to evaluate provider applications.[18]

State and local time and money invested in a service provider should factor into future funding decisions.

▼ **Other state agencies' statutes provide the direction for their funding processes that TCADA needs.**

- Many other state agencies' statutes prescribe methods for procuring best value professional services that address award criteria, bid procedures (including the appropriateness of competitive bidding), and the factors that reflect quality services.
- For example, the Education Code sets forth that all school district contracts valued at $25,000 or more shall be procured with the method that provides "the best value to the district."[19] The statute then lists possible methods for the school district to use, including competitive bidding and request for proposals. For provider selections, the statute suggests using factors such as price, vendor reputation, quality of the goods, the vendor's past relationship with the district, and the total long-term cost to the district to purchase the vendor's goods.[20]
- The Health and Safety Code also specifies that local MHMR centers shall determine the lowest and best bid by looking at a number of factors, including the ability of the bidder to

perform the services, the character, reputation, and experience of the bidder, and the ability of the bidder to provide continuity of services.[21] In addition, the statute requires the MHMR centers to renew a contract based on specific criteria, including compliance during the previous contract term.

- Statute also directs the Department of Human Resources to consider whether competitive or noncompetitive procurement procedures would be most appropriate in contracting with family violence shelter centers, and if so, lists the specific factors, including community support and performance criteria, that must be considered.[22]

- Some statutes even prohibit an agency from selecting providers on the basis of competitive bids for professional services, and require that the selection is based on "demonstrated competence and qualification to perform the services for a fair and reasonable price."[23]

While TCADA has improved and refined provider funding, other changes are needed to address all aspects of the agency's primary responsibility.

Conclusion

TCADA's funding process does not ensure that a range of treatment services is available to intended clients. In addition, the process has not ensured accessibility to treatment services within a region. For solutions to these funding problems, TCADA should develop a system that will most effectively use local input.

In addition, current provider selection procedures do not necessarily result in the best value substance abuse services for the state. Although the provider selection process has improved considerably with the changes implemented by the conservators, the process could benefit from more review. The process weighs more heavily on ensuring low cost services and could benefit from reworking the process to ensure long-term effective treatment and prevention services. TCADA must implement provider selection procedures that emphasize community and state investment, and most importantly performance measures, in addition to low cost factors.

While TCADA has recently taken steps to improve and refine funding policies and procedures, a comprehensive funding system is necessary to ensure that all facets of this complex system have been addressed. The following recommendations provide for a statutory framework as well as management directions to the agency that will allow TCADA to put a funding process in place that reflects its importance as the agency's primary responsibility.

Recommendation

Change in Statute

- **Require TCADA to establish a publicly-available policy that shows how funding priorities, provider selection criteria, and provider selections are determined, and document the process used to develop the policy.**

How an agency chooses certain funding priorities, provider selection criteria, and ultimately, selects certain providers, will always be subject to close scrutiny. The purpose of this recommendation is to provide the public with a means for scrutinizing those decisions to keep the process open and equitable. In addition to carefully documenting the development of the policies and decisions, TCADA needs to implement proper filing and handling procedures to ensure the integrity of the documentation.

- **Require TCADA to maintain in rule its selection processes, including, but not limited to, service purchase methods, eligibility criteria, provider selection criteria, and selection determination procedures.**

Although TCADA now has the selection process in rule, given the agency's history of selection process problems and the relative impermanence of rules, this recommendation would require that TCADA always keep the process in rules as the policy evolves over time.

- **Require TCADA to establish a system for obtaining local input in funding decisions on a regional basis, including an opportunity for formal recommendations on funding.**

As outlined in Issue 1, TCADA must develop a statewide plan that will include the appropriate way to use local input. This mechanism, whether it be the RACS, Councils of Government (COGs), or some other entity, should provide TCADA with formal recommendations on funding issues, including the appropriate range of treatment levels, accessibility to services, and selection and/or evaluation of quality providers in the region. The agency will be accountable for establishing the specific methods used to obtain the input and, in developing the methods, should minimize the conflict of interest problems that might arise if local substance abuse experts are chosen to distribute or prioritize local funds.

- **Require TCADA to establish a funding system that maximizes the availability of a range of treatment services statewide.**

Although funding limitations may prevent a range of services from being fully funded in a particular community, TCADA should maximize the funding available to provide an appropriate distribution of funds. This would produce a range of treatment services in

each region resulting in the highest potential for treating the different needs of the clients in those regions, and ultimately, statewide.

For example, after making regional allocations, TCADA could require that the money available in each program area be divided into amounts set aside for each level of treatment. Thus, providers bidding for general adult treatment Level II services would be competing for only a specified portion of the total funds available for general adult treatment.

- **Require TCADA to provide for reasonable geographic access to services.**

After ensuring that a full range of treatment levels are available in a region, TCADA needs to make sure that they are accessible to intended clients. First, TCADA should examine each region to determine how the needs within the regions vary. Then TCADA must devise a way for those needs to be met. A few ways to do this would be to break a region into smaller service delivery centers, to set aside beds for rural clients, or to provide transportation for clients when appropriate. Another option, although expensive when taken to an extreme, would be to fund multiple providers throughout the region that offer the same services.

In this process, TCADA should decide which services should be made the most accessible. For example, most providers seem to agree that, for monetary reasons, detoxification and some intensive residential services cannot be made available in every community, although they should be made as available as possible and as close to the critical need in the region as possible. However, some services, including less intensive outpatient services, do need to be more readily available, keeping in mind that clients and their families must regularly drive to and from outpatient facilities.

- **Require TCADA to select providers and renew their contracts on a best value basis. In determining best value, TCADA shall consider the following factors:**
  - **cost,**
  - **past performance,**
  - **quality of services,**
  - **financial ability of bidder to perform services,**
  - **ability to provide continuity of services,**
  - **community support for provider,**
  - **state investment in provider, and**
  - **other relevant factors.**

Although this recommendation allows the agency to determine the best method for awarding funds, including whether the competitive bid is the most appropriate method, it would require that TCADA consider more than cost when selecting providers. Although cost is critically important in making funding determinations, the agency's consideration of other factors would ensure that the state gets the highest quality service available. For example, the past performance of the provider should be more carefully evaluated. TCADA should assess (using an on-site evaluation method, the performance goals outlined in the contracts, or some other appropriate method) how well providers are performing compared to their goals and compared to each other. In addition, an evaluation of past performance should include an examination of compliance with financial and programmatic contract requirements, as well as licensure requirements.

Similarly, TCADA should fully assess the quality of the services proposed in the application and whether the provider has the financial ability to perform those services. This would be most important for new, untested providers who have never offered services in the area. TCADA should also factor in the provider's ability to offer continuity of services, in other words, the stability and reliability of the organization. TCADA should look at the level of community support for the provider, including its links with other providers, community health and job resources, and other agencies, as well as its ability to generate funds from within the community. All of these factors are indicators of the general ability of the provider to provide quality services with limited state funds. In addition, TCADA would need to consider the state resources, including technical assistance hours and infrastructure development, that has been given to a provider.

Management Action

- **TCADA, when considering contract proposals, should maximize the use of on-site evaluation methods, whenever appropriate, to determine the quality of substance abuse providers and services offered.**

On-site evaluations would give TCADA clearer perspective about the relative quality of different providers and the services they offer. The agency would need to determine who would best be able to perform these evaluations, COGs, RACs, TCADA staff, peer reviewers, or some other entity. In any case, the advantage would be that the evaluator would not have to rely solely on the grant application to accurately reflect all of the provider's abilities and potential shortcomings.

Because on-site evaluations are expensive, time consuming, and staff intensive, TCADA would need to develop a methodology for determining when an on-site evaluation would be appropriate. For example, it might be most appropriate only when providers are competing for large dollar contracts or after peer review or other preliminary evaluation. TCADA could perform an on-site evaluation of the three top peer review scoring providers to determine the final selection.

- **TCADA should establish the following provider selection procedures:**
  - **a reasonable time between the RFP announcement and due date;**
  - **a reasonable schedule for technical assistance and timetable for written responses to inquiries during the RFP process; and**
  - **a reasonable contract term, ranging from two to five years, that provides for continuity in service delivery and maximization of current state and community investment.**

Depending on the extent to which the RFP process is used to determine the quality of the provider and its services, this recommendation would help to ensure that the provider has the time and technical assistance necessary to communicate the quality of its services. In addition, TCADA should set contract terms between two and five years to maximize the state and community investment in that provider and give the provider an opportunity to develop an appropriate network of services, in addition to an adequate amount of time to perform up to expected standards. This recommendation also seeks to minimize the cost of the state continually rebidding short-term contracts.

Fiscal Impact

These recommendations would result in the more efficient and effective use of public funds. While the recommendations would have no impact on the total federal/state funds appropriated for substance abuse services, the recommendation would provide mechanisms to improve service quality and availability within existing funding limitations.

Accessibility to high-quality prevention, intervention and treatment services ensures the continuum of care necessary to prevent and eliminate chemical dependency of clients. As these goals are achieved, the state enjoys the long-term benefits of redirecting limited resources to those who are in need.

[1] Telephone Interview by Sunset staff with Al Hannah, Program Procurement Department, Texas Commission on Alcohol and Drug Abuse, October 4, 1996.

[2] Ibid.

[3] Ibid.

[4] Letter from Dallas Helps, substance abuse service provider, to Sunset staff, September 1996.

[5] Telephone Interview by Sunset staff with Arturo Hernandez, Assistant Deputy of the Program Services Division, Texas Commission on Alcohol and Drug Abuse, October 4, 1996; Letter from the Jefferson County Council on Alcohol and Drug Abuse, substance abuse service provider, to Sunset staff, September 1996.

[6] Texas Commission on Alcohol and Drug Abuse, public testimony at board meeting, August 20, 1996.

[7] Interview by Sunset Staff with Archie Land, Executive Director, Land Manor, Beaumont, July 11, 1996.

[8] Letters from the Association of Substance Abuse Service Providers of Texas and the Quad Counties Council on Alcohol and Drug Abuse, substance abuse service providers, to Sunset staff, September 1996.

[9] Regional Advisory Consortium Report, Region 6, August 1996.

[10] Office of the State Auditor, *Texas Commission on Alcohol and Drug Abuse: Review of Management Controls*, September 1993.

[11] Regional Advisory Consortia Reports, various, August 1996.

[12] Regional Advisory Consortium Report, Region 7, August 1996.

[13] Office of the State Auditor, *Texas Commission on Alcohol and Drug Abuse: Review of Management Controls*, September 1993.

[14] Ibid.

[15] Letters from Dallas Helps and Andrews Center, substance abuse service providers, to Sunset staff, September 1996.

[16] Letters from the Association of Substance Abuse Service Providers of Texas, Daytop Texas, and the Bay Area Council on Drugs and Alcohol, substance abuse service providers, to Sunset staff, September 1996.

[17] Texas Commission on Alcohol and Drug Abuse, *Internal Audit Special Report - Funding Issues*, by Gerald A. Weller, CPA, Austin, August 15, 1996.

[18] Ibid.

[19] Texas Education Code Ann. ch 51, sec. 44.031 (Vernon Supplement 1996).

[20] Ibid.

[21] Health and Safety Code Ann. ch 534, sec. 534.055 (Vernon 1992).

[22] Human Resources Code Ann. ch 51, sec. 51.004 (Vernon 1990).

[23] Government Code Ann. ch 2254, secs. 2254.003 and 2254.004 (Vernon Supplement 1996).

Issue 3

TCADA Should Implement a Payment Method that Results in the Highest Quality Services at the Best Price.

Background

Two different methods can be used to reimburse private providers for services rendered, cost reimbursement and unit rate reimbursement. Under a cost reimbursement system, payment can only be made to the substance abuse service provider on the basis of actual costs, usually on the basis of an approved line item budget for travel, salaries, equipment, and the like. With a unit rate reimbursement system, also known as a fee-for-service system, the provider is paid on the basis of a unit rate per client, per day for a certain level of treatment.

TCADA uses a hybrid system for service provider contracts — unit rate per client per day, with actual payments made based on cost reimbursement.

Under a unit rate reimbursement system, a provider who receives $65 a day for a Level II residential client can keep the difference if actual costs are less that $65 a day for that client. Of course, if actual costs are more, the provider must make up the difference to provide the level of treatment required by the contract. Although TCADA currently purchases services using a unit rate, it requires that reimbursement be based on actual costs, resulting in a confusing hybrid system.

Under the hybrid system, providers are awarded contracts on the basis of a unit rate per client, per day for a specified level of treatment, but the provider can only be reimbursed for actual costs up to the agreed unit rate. Thus, throughout the contract term, TCADA receives quarterly financial reports and must reconcile all the actual allowable expenditures with the unit rate. If allowable expenditures are less than the unit rate for the number of clients and the number of days the clients were treated, the provider receives the actual cost amount.

The Sunset review focused on the Commission's payment system for treatment providers to determine whether the system results in the highest quality services at the best price with the lowest administrative cost to the agency and its providers.

Findings

▼ **The current cost reimbursement method for treatment services has resulted in confusion for TCADA and its service providers.**

Confusion and disputes have resulted from using a hybrid of unit rate and cost reimbursement.

- A unit rate procurement system with all of the attributes of a cost reimbursement system has caused great confusion. This confusion led to some of the problems discovered in the General Investigating Committee's Task Force audits in 1995. The main problem was that treatment providers alleged that services should be reimbursed as well as purchased on a unit rate basis, although the interpretation of the relevant language in the provider contracts is still in dispute. This situation complicated the resolution of the task force audits and shows the high level of confusion surrounding the hybrid system.

- The hybrid system was intended to provide the best attributes of each system. Unfortunately, the confusion and resulting task force audits generated by the hybrid system negated many of the expected benefits.

▼ **The current cost reimbursement method has high administrative costs and does not focus on quality of service.**

- Current monitoring and budgeting efforts, resulting from the cost reimbursement method, focus on accounting for every expenditure, and are costly for TCADA and its providers.

- Currently, TCADA has budgeted $779,581 and has 19 full-time equivalent employees to support a Program Administration Division with primary responsibility for tracking each treatment provider's budget and monitoring expenditures through the course of the year.[1] Specifically, TCADA must review and reconcile actual costs with unit rate payments to make sure TCADA only pays the provider actual costs up to the agreed unit rate.

  Currently, TCADA requires that providers submit a budget, spend exactly as budgeted, and change the budget every time revenue varies from the anticipated amount. This is extremely cumbersome given the numerous sources many providers use to fund their operations.

- The Preliminary Report on State Contracting for the Joint General Investigating Committee begins its recommendation

section by explaining that the State's focus should be on the most effective delivery of services.[2] The report emphasizes that "[t]oo much effort has been spent accounting for small administrative budgets instead of ensuring delivery of quality services to the State's eventual clients."[3]

Cost reimbursement results in too much effort spent on detailed accounting of expenses rather than the quality of services delivered.

▼ **The State Auditor's Office found that the cost reimbursement structure does not provide incentives to have work performed cost effectively.[4]**

- After reviewing contract administration at a number of health and human services agencies, the State Auditor's Office found that "[o]ne weakness of cost-reimbursement contracts is that there is usually little incentive to spend less than the maximum specified in the contracts."[5] In fact, the current system gives the provider an incentive to spend, because if the grant award amount goes unspent, the provider will lose it.

- In addition, the State Auditor found that many of the programs using the cost reimbursement method, including the HIV/AIDS program and Family Planning programs administered by the Texas Department of Health and the adoption broker contracts at the Department of Regulatory Services, did not have a sufficient process to review and evaluate the provider budget, so many budgets exceeded actual program need.[6]

▼ **The unit rate reimbursement method gives an incentive to provide cost-efficient services, resulting in cost containment and service quality benefits to the state.**

Unit rate reimbursement can result in cost containment and service quality.

- An important principle associated with unit rate reimbursement is the tendency for rates to adjust downward as providers become more advanced in containing their costs. Cost containment occurs because the service provider has an incentive to keep its costs under the unit rate amount so that it can keep the difference, just as any for-profit business would do. In some managed care systems, the state and provider split the savings so the state receives an additional benefit as well.[7]

  In addition, a prudent provider in a competitive procurement system will put its savings into improved services for clients. If it does not, and other providers do, that provider will be at a disadvantage in the next competitive bidding of contracts.

- In response to a contract administration review by the State Auditor's Office, the Texas Department of Health said that to improve its contracting system it planned to change the method of contracting for the Maternal and Child Health Care services from cost reimbursable to unit rate in 1996. As a result of this change, the program is expected to experience a 25 percent reduction in cost without a reduction in services.[8]

▼ **Neither federal nor state requirements preclude a unit rate reimbursement method.**

Safeguards can ensure that unit rate reimbursement does not allow questionable expenditures by providers.

- Federal and state laws do not prohibit a unit rate system. The federal block grant provides for maximum flexibility for the states and only requires that the state expend and account for federal funds as carefully as it does for its own state funds and to the extent necessary to monitor specific block grant requirements.[9] The state's grant and contract management standards apply to TCADA's providers, are effective for providing financial accountability, but do not require a cost reimbursement approach.[10]

- The Center for Substance Abuse Treatment, the federal block grant administering agency, reviewed TCADA in 1994 and reported its concern that programs funded under a grant, cost reimbursement, or purchase-of-service mechanism should have consistent fiscal monitoring and financial reporting requirements that TCADA's programs did not have.[11] Although TCADA revised its system, resulting in the hybrid system, to provide more accountability for provider expenditures, other mechanisms can be used to achieve this accountability that would meet federal and state expectations.

▼ **In using a unit rate reimbursement method, questionable expenditures can be prevented and costs kept low by using certain safeguards.**

An agency can prevent questionable expenditures and keep costs low by using the safeguards outlined in the chart, *Safeguards for Unit Rate Systems*.

Safeguards for Unit Rate Systems
Monitor Expenditures - Monitoring providers according to an appropriate methodology would result in identification of unallowable costs and appropriate corrective action, which could include reducing, or refusing to include certain expenses, in a unit rate, or discontinuation of funding. A unit rate reimbursement system would not translate into a lack of oversight or unallowable expenditures.
Monitor Performance - A unit rate system should shift the agency's monitoring toward determining a provider's progress on outcome goals—service quality and effectiveness. TCADA has already moved in this direction and currently has performance goals in its provider contracts. The providers periodically report on their progress in relation to those goals, and TCADA does risk-based on-site performance monitoring.
Competitive Procurement System - Having a competitive procurement system, in which the agency compares costs and performance of competing providers in the contract selection process, would provide an incentive for keeping costs contained.
Verify Costs for Proper Rate-Setting - Instead of focusing on expenditures made by the provider during the contract term, a unit rate method would require the agency to focus on monitoring provider expenditures before and after an award. TCADA would need to do sufficient on-site monitoring before an award is given to verify that costs factored into a unit rate are allowed and appropriate. In addition, TCADA would need to closely monitor expenditures at the end of one year to determine the appropriate rate for each level of treatment in the next year.
Statutory Safeguards - Statutory safeguards for unit rate contracts are being considered by policymakers. The Health and Human Services Commission contract management group studied contracting issues for the Joint General Investigating Committee and the staff of the Texas Performance Review. The Commission working group recognized in its findings that the state should provide general guidance for unit rate contracts used to purchase services for the state.[12] The study suggests that the state provide clear guidance on when unit rates are appropriate, provide definitions for "reasonable and necessary" costs, and provide consistent rate setting and duplicate billing mechanisms.[13]

▼ **Although the unit rate system would have the same benefits for both the prevention/intervention grants and the treatment contracts, it may not be feasible to implement for the prevention/intervention grants and under other special circumstances.**

- While the treatment providers are already using a unit rate procurement system, the prevention/intervention providers are still using the cost reimbursement method. TCADA awards an amount to a prevention or intervention provider based on a budget submitted by the provider that shows anticipated costs in certain categories, travel, salaries, equipment, and the like.

- TCADA still awards prevention grants on this basis because of the difficulty of assigning a unit rate to services that vary widely. For example, assigning a value to preparing and presenting educational material about alcohol and drug abuse would be very difficult. These awards are unlike the treatment contracts in which all licensed providers must provide a set amount of services for each level of treatment.

- Other special circumstances also make assigning an appropriate unit rate difficult. For example, TCADA awards cost reimbursement contracts to new providers that do not have a cost history upon which to base a unit rate. After this developmental stage, TCADA does transition to the unit rate procurement method.

Although cost and unit rate reimbursements each have pros and cons, the Sunset review found that unit rate can better allow the state to focus on quality services from providers.

Conclusion

The confusion, resulting from using the agreed unit rate to procure services but not to pay for services, highlighted TCADA's need for clearer policy on this issue and inspired our review of TCADA's payment system. Although each system has its positive attributes (as shown in the chart, *Pros and Cons: Cost Reimbursement vs. Unit Rate*), the review found that the unit rate system would more efficiently focus TCADA's monitoring on the quality of service achieved and would give providers an incentive to serve clients in the most cost effective manner, benefitting both the clients and the state.

Pros and Cons: Cost Reimbursement vs. Unit Rate

Cost Reimbursement	Unit Rate
Pros	
Quality initiative not influenced by cost pressures	Focus on quality of service performed
Accountability for every expenditure	Incentive for provider to be cost efficient
Focus on financial compliance	Only pay for services actually provided
	Less expensive to administer
Cons	
Incentive to spend the total grant award	Could lead to ill-advised cost cutting
Expensive to monitor every expenditure	Difficult to account for every expenditure
	Difficult to assign a unit value to certain services

Specifically, the clients should benefit from improved services and the state should benefit by paying lower rates as costs are continually contained. Although a unit rate system may not be appropriate for all situations, given certain safeguards, it would not run contrary to any state or federal law, and would result in providers offering better substance abuse services.

Recommendation

Change in Statute

- **Require that TCADA implement a unit rate system for purchase and payment to service providers.**
- **Specify that TCADA shall implement the unit rate reimbursement system so long as it results in the highest quality services at the best price at the lowest administrative cost to the agency and its providers, without sacrificing provider accountability.**
- **Specify that the requirement applies to treatment providers but to prevention/intervention providers only as appropriate.**
- **Require that if TCADA implements a unit rate reimbursement system, it must design and implement certain safeguards, including monitoring expenditures and performance, using a competitive procurement system, and verifying costs before and after a grant term to ensure appropriate rate-setting, to prevent questionable expenditures and contain costs.**

Management Action

- **TCADA should study using a unit rate reimbursement system for treatment providers through August 1998, and if positive, to implement the system for fiscal year 1999 treatment contracts.**
- **TCADA should study using a unit rate reimbursement system for prevention and intervention providers through August 1998, and if positive, to implement the system for fiscal year 1999 prevention and intervention contracts.**
- **In the process of studying a unit rate reimbursement method, TCADA should clarify its federal accountability responsibilities with the appropriate federal entities before instituting any unit rate reimbursement system.**

This recommendation would require that TCADA purchase and pay providers for services on a unit rate basis if, after studying the unit rate reimbursement method and the rate setting process, the study finds that the system would result in higher quality services at a better price than the cost reimbursement method and would not sacrifice provider accountability. To develop the data necessary to make the critical determinations about the effects of the unit rate system on cost, quality, and accountability, TCADA should set up a pilot project using the unit rate system for a limited group of treatment services.

Studying the effects of the unit rate system on prevention providers might be more difficult because the unit rate system has never been used by TCADA for those services. Thus, TCADA should focus first on whether prevention and intervention services can be broken down into units before the study focuses on the relative quality, cost, and accountability differences. In this process, it would be appropriate for TCADA to implement a pilot project using unit rates for a small, contained prevention or intervention program to see how well the system works and, in general, to develop data for its study.

Before working on any of the other elements in the study of the unit rate reimbursement method, TCADA should clarify its federal accountability responsibilities. This will ensure that any federal requirements are factored into the study at an early juncture. In addition to clarifying its responsibilities, TCADA should also take its specific unit rate reimbursement proposal, including all safeguards, to the appropriate federal entity for approval, whether formal or informal.

Most importantly, this recommendation would require that TCADA implement safeguards to prevent questionable expenditures and contain costs if a unit rate reimbursement system is instituted for either treatment contracts or prevention/ intervention grants. The impact of these safeguards would be a shift in TCADA's staff and budgetary resources from tracking each provider's expenditures to monitoring expenditures on a risk basis for rate-setting verification, allowing for an increased emphasis on performance monitoring. With the appropriate safeguards in place, the state and its clients will benefit from higher quality services and the results of a more sound approach to monitoring state fund expenditures.

Fiscal Impact

The recommendation to implement a unit rate system to purchase and pay for substance abuse services could result in a positive fiscal impact to the state. The actual savings cannot be estimated because the unit rate, reduction in program expenses, and final implementation specifics cannot be determined. In addition, a net administrative cost savings to the agency could be achieved through a reallocation of staff resources resulting from implementing a unit rate system. Any agency savings achieved would be reallocated to provide direct client services.

[1] Texas Commission on Alcohol and Drug Abuse, 1997 Budget, published October 10, 1996.

[2] Texas Legislature, Joint General Investigating Committee, *Preliminary Report on State Contracting*, September 1996.

[3] Ibid., Recommendations, p. 4.

[4] Office of the State Auditor, *Status Report: Cross-Cutting Issues*, June 1996 (draft).

[5] Office of the State Auditor, *Contractor Administration at Selected Health and Human Services Agencies — Phase Three*, February 1996, p. 19.

[6] Ibid., p. 21.

[7] Michael Reid, Ph.D., "Managerial Responses to Medicaid prospective Payment in the Nursing Home Sector," *Hospital & Health Services Administration*, vol. 41, no. 3 (Fall 1996), p. 296.

[8] Office of the State Auditor, *Contract Administration at Selected Health and Human Services Agencies — Phase Three*, February 1996, p. 90.

[9] U.S. Department of Health and Human Services, "Substance Abuse Prevention and Treatment Block Grants; Interim Final Rule", *Federal Register*, vol. 58, no. 60, March 31, 1993; Telephone interview by Sunset staff with Nancy McGinness, Financial Advisor, Substance Abuse and Mental Health Services Administration, Washington D.C., September 25, 1996.

[10] Governor's Office of Budget and Planning, State of Texas, *Uniform Grant and Contract Management Standards*, revised February 22, 1990, p. 52.

[11] Center for Substance Abuse Treatment, *Technical Review Report: Texas Commission on Alcohol and Drug Abuse*, April 21, 1994, p. II-4.

[12] Texas Health and Human Services Commission, contract management working group, *Contract Management: Potential Legislative Issues — Draft*, Austin, Texas, August 20, 1996.

[13] Ibid., p. 1.

Issue 4

Improve Accountability for State Funds Through Adequate Contracting and Performance Measurement.

Background

The Texas Commission on Alcohol and Drug Abuse (TCADA) was placed under conservatorship in 1995 amid widespread allegations of financial abuse by their contracted providers. A thorough investigation and subsequent audits, found that not only did TCADA need to review its contracting process, TCADA needed to improve the accountability of providers to avoid future problems and improve its service delivery system as a whole.

TCADA contracts with providers for all direct client services for prevention, intervention, and treatment. In 1996, direct client services totaled more than $109 million, or more than 86 percent of TCADA's total budget.

Because TCADA contracts for all services, the state risks problems with the way these funds are spent.

Provider accountability must be a primary goal of TCADA for the agency to ensure that past problems are not repeated, while the agency develops a contracting system that includes controls and performance measures that reflect contract fulfillment. Because TCADA lacks direct control over dollars spent for substance abuse services, the agency must ensure that the tax dollars entrusted to providers are legally, efficiently, and effectively used for their intended purposes.

While the Sunset staff acknowledges that some past contract disputes have not been resolved, the Sunset review focused on TCADA's current contract administration process to support the effective delivery of services and ensure the state is getting the highest quality services at the best price.

Findings

▼ **The substantial amount of funds awarded through contracts by TCADA places significant taxpayer dollars at risk.**

TCADA was tenth in the state in total contracted expenditures.

- TCADA contracts with private providers to deliver all prevention, intervention, and treatment substance abuse services delivered to its clients. In 1995, TCADA was tenth in the state in total contracted expenditures.
- In 1996, TCADA awarded more than 317 contracts to private providers throughout the state. These contracts range in amounts from $2,800 to $6.5 million. The agency relies on these private providers to spend state dollars for the purposes intended.

▼ **TCADA has had difficulty ensuring that providers used state funds appropriately.**

- In 1993, the State Auditor reported that TCADA's system for determining outcomes of programs, ensuring that providers were appropriately using state funds, were neither comprehensive or reliable.[1] Specifically, the Auditor noted that data collected by the agency was questionable as to accuracy, mechanisms for reporting data needed improvement, and performance was not considered in provider selection.
- In 1995, TCADA was placed in conservatorship due to allegations of gross fiscal mismanagement of federal and state dollars. Subsequent investigations of providers uncovered irregularities with how state funds were spent, including double billing for expenses, accruing large amounts of cash in separate bank accounts, abuse of travel compensation, and purchase of personal vehicles and houses. As of September, 1996, $21.6 million of taxpayer money is still in question as to the appropriateness of expenditures.
- Service provider accountability has been problematic because of the confusing language of TCADA contracts. In 1995, TCADA's treatment contract was titled "Fixed Price Contract for Chemical Dependency Treatment," when in fact the contract terms provided for the agency to reimburse actual costs up to a maximum rate.
- The lack of field monitoring visits contributed to both financial and programmatic problems with provider services. Between 1989 and 1995, TCADA only conducted 18 field audits of providers, and during a long period in fiscal year 1995 did not monitor any providers.[2]

- Before changes in 1996, TCADA's contract provisions did not contain performance measures to hold providers accountable for quality service delivery. While TCADA has procedures in place for monitoring compliance of contracts, the quality of service was not monitored, primarily because performance was not a contract compliance issue.
- Until the current contract period, TCADA had not developed a risk-assessment model to guide contract monitoring, and therefore the agency had no way to prioritize monitoring of contracts which pose the greatest risk of having problems.

Before 1996, accountability for performance was not an issue in monitoring contract compliance.

▼ **As a result of conservatorship, TCADA has made significant strides to improve provider accountability.**

- In the current contract period, TCADA has implemented several changes to improve provider accountability. Specifically, the agency has:
  - implemented a three component monitoring system to cover financial, programmatic, and licensing aspects of control;
  - developed a comprehensive compliance manual outlining federal and state rules and regulations;
  - developed a risk-assessment model to prioritize the monitoring of contracts that pose the greatest risk of having problems;
  - employed an internal auditor;
  - developed performance measures in their provider contracts; and
  - revised contract language to clarify TCADA's approach to contracting.
- TCADA has reorganized to more effectively monitor provider activities and increase accountability. The reorganization includes establishing two field offices, one in Dallas and one in Houston, as well as auditors in Austin, to monitor compliance and program accountability of providers. Also, the agency has restructured its provider technical assistance division so that providers have a single point of contact with the agency.

Because of conservatorship, TCADA has greatly improved contract monitoring and accountability.

▼ **Although TCADA has improved provider accountability, the agency's compliance monitoring efforts need further refinement.**

- Providers and the TCADA staff have indicated that the agency's provider Compliance Guide is difficult to use. TCADA's internal auditor reported that the compliance guide was "excessively large and complicated and is redundant with OMB circulars and other federal and state rules and regulation sources."[3]

Although improved, TCADA's monitoring needs a better balance between looking at how money is spent and the actual quality of services provided.

- Although TCADA has improved its monitoring through developing a three-factor system—financial, programmatic, and licensure—the agency has not achieved the proper balance between each of the monitoring activities. Current agency procedure has financial and program monitors functioning as a single audit team, with the primary focus on fiscal aspects.[4] Though the financial monitoring is essential and critical, this focus can discount programmatic monitoring, which is integral in evaluating the overall quality of the services delivered. Also, operating as a single audit team, rather than independently, can lead to inefficient use of monitoring personnel due to differences in the time and scope of the function performed. The lack of regular agency oversight by the appropriate monitoring team creates provider accountability problems by not quickly identifying problems and taking corrective action, and increases the potential for misuse of public funds.

- As of October 1996, TCADA has only conducted and completed six audits of providers.[5] While the low number of completed audits is due in part to the agency completing the audits initiated by the General Investigating Committee, TCADA's internal auditor noted that current audits were still being conducted on full completed fiscal years, duplicating the federal requirement for an independent audit.[6] Because audits require intensive staff time, duplication of efforts diminishes the resources available for monitoring current provider activities.

- Although TCADA has included performance measures in its current contracts, performance outcomes have not been used in making funding decisions, and are only compared to the contract targets to determine if a provider has achieved the minimum contractual measures and goals, rather than using

outcomes in a comparative system to determine which providers are achieving the best results. Using performance outcomes as an evaluation and accountability method would ensure that TCADA is receiving the highest quality services for the funds awarded. Also, the agency has only been verifying self-reported attainment of performance outcomes since May 1996. Prior agency procedures allowed providers to self-report to the agency on how performance measures were met without verification. This approach did not ensure confirmation of actual performance by the provider.

▼ **State agencies that contract for services must maintain strong accountability for state funds through effective contracting and performance measurement.**

- Agencies using contracted services to accomplish state goals delegate the implementation of tasks but not the responsibility for the conduct and outcome of those tasks. Through sound accountability policies and procedures, an agency can establish quality standards for services provided to citizens, ensure that services purchased were actually provided, and evaluate whether services provided achieved the desired goal or impact.
- Provider accountability allow an agency to protect taxpayer interests while fulfilling its mission. Through financial monitoring of contracts, an agency can determine the reasonableness and efficiency of contractor expenses and detect waste or misuse of state funds.
- Providers can be held accountable for quality service delivery through performance-based contracting methods. High quality performance from contractors can be achieved if contract management includes: rewarding providers for good performance and sanctioning those who do not meet performance goals; monitoring other data, in addition to the primary performance measures; and adapting future contracts to meet the changing needs of the agency or region.

▼ **One method to achieve provider effectiveness is to tie funding to contractor success in meeting specific performance goals.**

- The federal Office of Management and Budget (OMB) has initiated a pilot program that allows agencies to contract for

services using performance-based contracts. These contracts all set performance goals for contractors and base payments to contractors on how well they achieve performance goals. The agencies participating in the pilot program have enjoyed, on average, a 15 percent reduction in contract price and improvements in service delivery since moving to this system.[7]

- Federal agencies in the OMB pilot program rate contractor performance on one to four primary performance measures and base payment to the contractors on these primary measures. For example, the Navy (in a limited program) is paying aircraft maintenance contractors only if all aircraft are 80 percent mission capable, the ground abort rate is less than five percent, and 100 percent of flight schedules are met.

TCADA needs direction to ensure that mismanagement of public funds does not occur again.

Conclusion

All direct client services funded by TCADA are provided through contracts private providers. With more than $109 million used for these contracts in the last fiscal year, the risk of loss or inappropriate use of state funds requires a strong contracting process that ensures the effective delivery of services. Under no circumstances can TCADA allow for the past experiences of mismanagement of public funds through poor accountability to occur again. Also, TCADA should continue implementing a system that monitors more than just provider finances. Provider accountability must include reliable methods for reporting and assessing the outcomes a provider has contracted to deliver. This assures that high quality services are being purchased by the state.

TCADA is not alone in facing the challenge of developing an effective contracting process. While TCADA has taken steps to improve contracting, statutory guidance is important to ensure that, once in place, an adequate process is maintained. The following recommendations are intended to provide a statutory framework for TCADA to implement the components of a model contract administration/provider accountability system.

Recommendation

Change in Statute

- **Require TCADA to include the following standards in each contract:**
  - **clearly defined goals, outputs, and measurable outcomes that directly relate to program objectives;**
  - **clearly defined sanctions or penalties for noncompliance with contract terms and conditions; and**
  - **clearly specified accounting, reporting, and auditing requirements applicable to funds received under contract.**
- **Require TCADA to include the following in contract monitoring:**
  - **a risk-assessment methodology to monitor compliance with financial and performance requirements; and**
  - **obtain and evaluate program cost information to ensure all costs, including administrative costs, are reasonable and necessary to achieve program objectives.**

These recommendations would ensure a performance-based contracting system for TCADA, that will evaluate providers on performance. The current Appropriations Act contains a general rider relating to contracting requirements for all health and human services agencies that includes provisions similar to these. This recommendation would clearly state legislative intent in TCADA's enabling statute. TCADA would be specifically required to ensure processes are in place to effectively contract for client services and hold providers accountable for the services they deliver. The most significant impact will be ensuring the provision of quality services in the substance abuse services.

Management Action

- **TCADA should implement pilot projects that set primary performance goals for each provider and provide funding incentives for meeting and exceeding goals.**

In the pilots, TCADA should set goals for each provider and tie funding to providers based on how well they achieve performance goals. Providers should be able to directly affect their measures, but the measures must be closely linked to the mission of TCADA.

TCADA would require providers to submit quarterly and annual reports that display the progress of the provider toward the primary performance goals and numerous other factors that relate to effective service. In addition to the primary performance measures, TCADA can learn from other data. This additional information should help TCADA write more effective contracts in the future.

Fiscal Impact

The recommendation to improve the accountability of provider for TCADA will result in increased efficiency and effectiveness of contracted services. However, savings cannot be determined as the number, value, and savings associated with each type of contract cannot be estimated. Any savings achieved through implementation of this recommendations would be reallocated within the agency for services.

[1] Office of the State Auditor, State of Texas, *Texas Commission on Alcohol and Drug Abuse, Review of Management Controls*, September, 1993, page 2.

[2] Texas House of Representatives, House Research Organization, *Update on Effects of TCADA Revisions*, December 6, 1993, page 4.

[3] Texas Commission on Alcohol and Drug Abuse, *Internal Audit Report, Compliance Monitoring*, August 31, 1996.

[4] Ibid.

[5] Ibid.

[6] Ibid.

[7] Kaufman, Stanley. *The Positive Results of OFPP's Performance-Based Service Contracting Pilot Project.* Contract Management. March 1996. pp. 24-29.

Issue 5

Improve the Agency's Technical Assistance Process.

Background

The Texas Commission on Alcohol and Drug Abuse (TCADA) is required by statute to provide technical assistance to providers that offer statewide and community-based drug and alcohol services.[1] TCADA defines technical assistance as delivery and application of information that is formal, planned, and issue-specific.

The primary objectives of TCADA's technical assistance activities include: enhancing the ability of providers to improve the efficiency, effectiveness, and accountability of operations; helping providers maintain standards and upgrade the quality of services provided to clients; and assisting potential providers to develop services.[2] To achieve these objectives, technical assistance can take many forms such as manuals, on-site visits, conference calls, training, and workshops.

TCADA has the responsibility to assist providers so that quality services are delivered.

TCADA is also starting to develop tools to identify high-risk providers early. These tools include performing pre-award and on-site visits to identify and address technical assistance needs. Early identification will allow TCADA to focus efforts on those providers with the highest risk before the need for technical assistance becomes too great and threatens the existence of the provider.

The Sunset review focused on whether TCADA provides clear, consistent, and timely technical assistance to its providers.

Findings

▼ **Technical assistance at TCADA has been identified as a problem area.**

- The Senate and House Joint General Investigative Committee found that TCADA was apparently not providing adequate technical assistance to its providers.[3]

- During field visits and interviews by Sunset staff, a majority of TCADA-funded treatment providers cited the lack of adequate technical assistance as a significant problem area.

▼ **TCADA has failed to provide adequate technical assistance.**

- TCADA has not established formal processes or procedures for providing technical assistance. A review of agency documents showed that the agency did not have any written technical assistance policies. Discussions with agency staff revealed that procedures for documenting, responding to, and tracking technical assistance needs and/or requests were unclear. Sunset staff also found that technical assistance, requested by the provider or given by the agency, is not formally documented or tracked at TCADA.

Treatment providers indicated that adequate technical assistance was a significant problem.

- TCADA has not had a single point of entry for technical assistance requests. Several different divisions within TCADA are responsible for providing technical assistance and the assistance provided has varied and reportedly conflicted depending on which division of TCADA participated.

- Neither the Commission nor agency management has established time frames for the resolution of requests for technical assistance. According to agency staff, the agency's responses to technical assistance requests can take anywhere from a few days to a few weeks. Providers have complained about the amount of time it takes to receive a response to a request for assistance and indicated that slow technical assistance response time may result in periods of non-compliance.

▼ **A lack of clear and consistent technical assistance reduces provider compliance and accountability.**

- Providers have stated that when requesting technical assistance from the agency regarding the Provider Compliance Guide, the request for proposal process, and program income, TCADA staff were unable to provide clear and consistent answers. Without clear and consistent answers, providers indicated they are unable to comply with agency requirements and should not be held solely accountable for their actions.

▼ **In TCADA's current atmosphere of increased compliance and accountability, high quality technical assistance for service providers is a critical element of agency operations.**

- Technical assistance needs to be clear, consistent, and timely to ensure provider accountability and increase provider compliance. Providers would be better able to respond to TCADA's new standards of accountability if the providers are able to more readily understand and verify state requirements and expectations.
- For example, many technical assistance questions relate to the agency's newly implemented Provider Compliance Guide. TCADA's internal audit report stated that the guide is excessively large and complicated; redundant with OMB Circulars and other federal and state rules; and not consistently user-friendly.[4] Therefore, questions pertaining to the guide need to be answered quickly and correctly to ensure provider compliance. If providers can easily find out what is expected of them, they will achieve a greater level of compliance and accountability.

Clear, consistent, timely assistance is critical for provider accountabiity and compliance.

▼ **Maintaining a clear distinction between technical assistance and compliance is important in developing a successful technical assistance program in a state agency.**

- Whenever possible, state agencies strive to separate technical assistance functions from compliance activities. Agencies have found it critical to separate these functions whenever possible to accurately represent when staff is acting in a technical assistance capacity and when staff is fulfilling enforcement responsibilities. This helps establish open, honest channels of communication between the agency and the regulated entity. Some agencies are too small to separate the activities completely, though many agencies are able to establish separate and distinct staff efforts that concentrate exclusively on providing assistance.
- Examples of agencies that have to balance technical assistance with compliance include the Texas Alcoholic Beverage Commission, Texas Credit Union Department, Department of Information Resources, Texas Animal Health Commission, and the Texas Department of Agriculture.

▼ **Under leadership of a new Commission and Executive Director, TCADA is initiating changes in its technical assistance effort.**

- TCADA has established a work group to identify problems and offer solutions with regard to technical assistance. The work group is developing formal policies and procedures, improving documentation and tracking, creating a single point of entry, and decreasing response time.
- A recommendation by the Commission's internal auditor has also caused TCADA to focus more on technical assistance. The internal audit report on TCADA's Compliance Branch[5] recommended that the agency's financial monitors emphasize technical assistance when working with providers to improve financial record keeping and reporting. As a result, agency staff is planning to increase its technical assistance efforts during program compliance visits and to use compliance audit reports to identify common areas in which providers need technical assistance. However, as discussed in the previous finding, if not carefully implemented, this change could have a negative impact on the relationship between TCADA and its provider community.

TCADA needs direction to ensure that its technical assistance continues to improve.

Conclusion

TCADA is statutorily required to provide technical assistance to alcohol and drug abuse prevention, intervention, and treatment providers in Texas. However, the consistency, accuracy, and timeliness of this technical assistance has been criticized by providers and the Senate and House Joint Investigative Committee. Although TCADA has taken steps to improve the technical assistance process, statutory direction is necessary to ensure that these improvements continue.

Recommendation

Change in Statute

■ **Require the agency to provide clear and consistent technical assistance to ensure provider consistency and accountability. The technical assistance function should include:**

- **formal, documented technical assistance policies and procedures;**
- **a single point of entry for technical assistance requests; and**

- **established technical assistance response time frames as determined by the Commission.**

This recommendation provides TCADA with statutory direction to provide clear, consistent, and timely technical assistance to its providers. TCADA would be able to fully develop formal processes and procedures for technical assistance that should include specified response time frames, central access, and documentation and tracking procedures. These changes would help to ensure that providers provide better services to clients and meet state standards.

Management Action

- **Require TCADA to establish organizational and management policies that clearly separate technical assistance from the agency's compliance activities.**

The agency needs to clearly represent to providers in what capacity staff is operating, one of assistance versus judge of compliance. This recommendation would require TCADA to assure providers that an exchange of information will not compromise the service providers' status in regard to compliance.

Fiscal Impact

Early detection and resolution of provider problems through improved technical assistance reduces the risk of mis-use of public funds and could result in savings to the state. The amount of savings cannot be determined as the instances of assistance and number of providers receiving assistance cannot be estimated. TCADA has indicated that the changes in processes can be accomplished with existing staff.

[1] Texas Health and Safety Code, Section 461.012(2).

[2] TCADA, *Report from Technical Assistance Workgroup*, July 26, 1996.

[3] Texas Legislature, Senate/House Joint General Investigating Committee, Report on the *Texas Commission on Alcohol and Drug Abuse*, October 17, 1995.

[4] TCADA, *Internal Audit Report 96-03: Compliance Monitoring*, August 31, 1996.

[5] *Ibid.*

Issue 6

Continue the Texas Commission on Alcohol and Drug Abuse for 12 Years.

Background

The 53rd Legislature created the Texas Commission on Alcoholism in 1953. In 1985, following Sunset review, the 69th Legislature created the Texas Commission on Alcohol and Drug Abuse by merging the Drug Abuse Prevention Division of the Department of Community Affairs and the Texas Commission on Alcoholism.

The primary mission of TCADA is to coordinate alcohol and drug abuse services of state and local agencies through the development of a continuum of prevention, intervention, treatment, and rehabilitation services through direct contracts. TCADA is also directed to license all chemical dependency treatment programs and counselors, study and distribute information on the problems of chemical dependency, educate the public on the prevention and treatment of chemical dependency, train professionals about substance abuse services, and certify driving while intoxicated (DWI) education and repeat offender programs.

In a Sunset review, continuation of an agency and its functions depends on certain conditions being met, as required by the Sunset Act. First, a current and continuing need should exist for the state to provide the functions or services. In addition, the functions should not duplicate those currently provided by any other agency. Finally, the potential benefits of maintaining a separate agency must outweigh any advantages of transferring the agency's functions or services to another agency. The evaluation of the need to continue TCADA and its current functions led to several findings which are discussed in the following material.

Findings

▼ **TCADA provides a critical service to the state's most vulnerable citizens and to all Texans by changing attitudes and behaviors relating to the use of alcohol and drugs through prevention, education, and treatment.**

- TCADA achieves its mission primarily by funding community-based prevention, intervention, and treatment services. In fiscal 1996, TCADA funded more than 200 direct service providers in eight primary program areas. During the same time period, TCADA-funded providers served more than 690,000 clients in prevention programs and more than 30,000 clients in treatment programs. TCADA funds some level of services in each of the 11 health and human services regions. Services provided by TCADA also serve as the safety net for the treatment of indigents and persons without insurance.

- As a regulatory entity, TCADA licenses substance abuse treatment facilities and counselors. TCADA also sets and enforces minimum standards for these facilities. As of the end of fiscal 1996, TCADA had licensed 782 facilities and 5,398 counselors. The agency conducted 110 on-site facility inspections during fiscal 1996.

Substance abuse, always on the increase, contributes to many of the problems facing the state.

▼ **Substance abuse problems continue to increase and drive up the cost of other state services and public health care costs.**

- Alcohol and controlled substance use and abuse continues to increase. Thirty-four percent of high school students reported using an illegal drug at some time; up from 22 percent in 1992. Among adults, illicit drug use has decreased slightly between 1988 and 1993 while alcohol use has remained stable during the same time frame. More important, however, consequences of heavy drug use continue to increase. Deaths caused by misuse of alcohol or other drugs have increased by 27 percent from 1991 to 1994.

- Client populations of other health and human services agencies; such as child abuse, mental health, special education, and public health; often have substance abuse problems that complicate their treatment or care.

- Substance abuse problems are a major contributing factor in the crimes of persons in the state's criminal justice system. Studies have shown that approximately 60 percent of male adult arrestees test positive for drugs. Seventy-five percent of the offenders sentenced to the Texas Youth Commission reported drug or alcohol use. This was an increase of ten percent from five years ago.

  Substance abuse problems lead to more public health problems which drive up the overall cost of public health care. Substance abuse cost Texas an estimated $17.2 billion in extra costs related to health care and lost productivity in 1994.

All 50 states receive federal funding for substance abuse treatment.

▼ **The federal government funds all states to provide substance abuse services.**

- The federal government provides funding for prevention, intervention, and treatment services for substance abuse to all 50 states through the Substance Abuse Prevention and Treatment Block Grant.

- The block grant requirements include explicit provisions for planning, development, and evaluation of substance abuse prevention and treatment programs. States that can demonstrate comprehensive, coordinated systems in each of these areas can more effectively compete for the federal funding available under this grant.

- Although the funds are available under a block grant, the requirements of the grant limit the application of the funds to activities directed to the diseases of alcohol and drug abuse. Additionally, set-aside requirements for prevention activities, intravenous drug users, HIV intervention, and services for pregnant women with dependent children further limit the state's discretion with the funds.

- Most states have placed the administration of substance abuse services either in a separate state agency or in an umbrella-type public health agency. In the latter, services are provided as a separate program or division within a larger health and human services agency. Some states provide these services through a county-based system.

Organization of State Alcohol and Drug Agencies	
Directly under the governor as a cabinet level department, office, or independent state commission. (6)	California, Illinois, New York, Ohio, South Carolina, and Texas
Within a department of public health. (21)	Alaska, Arizona, Arkansas, Delaware, Florida, Hawaii, Idaho, Iowa, Louisiana Maryland, Massachusetts, Michigan, New Hampshire, New Jersey, New Mexico, Pennsylvania, Rhode Island, Tennessee, Washington, West Virginia and Wisconsin
Within a department of mental or behavioral health. (10)	Alabama, Connecticut, Kentucky, Maine, Mississippi, Missouri, Montana, Oklahoma, Virginia, and Wyoming
Within a department of human services or resources. (9)	Colorado, Georgia, Minnesota, North Carolina, North Dakota, Oregon, South Dakota, Utah, and Vermont
Other departments (4)	Indiana, Kansas, Nebraska, Nevada

▼ **Other agencies in the state do not duplicate the duties and responsibilities of TCADA.**

- TCADA's role as the designated recipient of substance abuse prevention and treatment block grant funds requires it to develop expertise in the application of effective substance abuse services. TCADA has developed this expertise carrying out its agency responsibilities related to service provider funding such as research, planning, technical assistance, and performance monitoring. Although other health and human services agencies may provide for substance abuse services as a component of their overall service delivery system, no other state agency or entity has the comprehensive responsibility to fund a system of substance abuse services that provide a continuum of care in the state's communities. Additionally, no other agency has substance abusers identified as its key client population.

- While other state agencies (Mental Health and Mental Retardation, Youth Commission, Juvenile Probation Commission, Protective and Regulatory Services, Department of Criminal Justice) provide some substance abuse services as a part of their overall service program, they provide these

services as a complement to some other primary service responsibility. In fact, many of these agencies fund their substance abuse services with interagency contracts from TCADA.

- While other agencies perform regulatory and licensing functions similar to TCADA, no other agency regulates substance abuse treatment facilities or chemical dependency counselors. Regulating these facilities fits well with TCADA's role as the state's primary contractor with providers and professionals. No substantial benefit would result from moving this function to another agency or creating a stand alone agency just for licensing and regulation.

With management and policy problems corrected, TCADA has made the transition from conversatorship.

▼ **The Conservatorship Board and the new Commission have implemented policies to correct and prevent the conditions that caused the agency to be placed in conservatorship.**

- In response to reports of fiscal mismanagement by the agency and its contractors, TCADA was placed under conservatorship in April 1995. The legislation setting up the Conservatorship Board abolished the agency's existing Commission and provided for an interim Commission to be named once the conservators completed their work. The interim Commission was required to be composed of six members, at least three with experience related to business and financial management, all serving terms that expire February 1997. The interim Commission and the Conservatorship Board are to make a joint report to the Legislature in November 1996 regarding the future governance of the agency.

- The conservators adopted a new bidding process for contracts that bases funding distribution on regional needs and provider quality. While still under conservatorship, the agency also developed and distributed a new compliance manual to providers that describes the agency's requirements for provider accountability.

  In October 1995, the conservators formally reported they had corrected the condition of "gross fiscal mismanagement" at TCADA and in February 1996, Governor Bush appointed six members to a new Commission, completing the transition from conservatorship.

- The Commission has recently hired a new Executive Director with a public health management and federal funding background. One of the first efforts of the new Director was an agency reorganization that refocused efforts on improvement of the agency's service delivery system and providing technical assistance to providers to enable them to operate under the agency's new approaches.

- TCADA has made the resolution of the initial provider audits a priority. Providers can either repay the funds in dispute with cash or by the provision of in-kind services to the state at no additional costs. The objective is to recover misspent funds for the state without forcing a closure of service providers who are providing quality services.

▼ **After such dramatic change resulting from actions of the Legislature and the Conservatorship Board, further reorganization of agency functions would slow the rebuilding of the agency's service delivery system.**

Further reorganization of TCADA at this time would slow the rebuilding of the service delivery system.

- The conservators placed all providers on month-to-month funding extensions pending completion of provider audits and development of a new grant award process. In addition, funding for 35 providers was suspended due to initial questioned costs. These conditions made it difficult for providers to plan. Although later exonerated, the specter of an investigation placed many providers in a questionable situation that made it difficult for them to solicit additional funding from other sources and even jeopardized current funding which complemented TCADA-funded activities (e.g., United Way).

- Providers were subjected to financial program cuts of 35 percent to 75 percent because of several actions. The Legislature adopted a fiscal 1996-97 budget for TCADA that resulted in a reduction of funding from fiscal 1994-95 levels by $82.7 million, or about 24 percent. Funding for the agency was reduced with the transfer of criminal justice treatment programs to the Texas Department of Criminal Justice and the Safe and Drug Free Schools program to the Governor's Office. The agency also realized about $2 million less in federal funding than originally estimated.

- Finally, funding for some providers was eliminated or reduced because of riders to the General Appropriations Act. One rider requires the agency to spend at least 50 percent of its funds over the biennium for direct client services on youth, which shifted funds away from some adult service providers. Another rider requires a direct appropriation to the Houston Recovery Center, which has reduced treatment funds from other areas of the region and state.

- Before TCADA can be objectively evaluated about whether its functions should remain separate or be transferred elsewhere, the state needs data related to the agency's operations under the new operational structure established by the conservators, the new Commission, and the new Executive Director. Because of the agency's new leadership, operational structure, the Sunset review, and increased legislative oversight, the accountability and services provided by the agency should improve.

- During the 1998-1999 biennium, the Sunset Commission is scheduled to review most of the state's other health and human services agencies, including the Health and Human Services Commission. As with most Sunset reviews, consolidation will be a major part of the evaluation. At that point, the Sunset Commission can consider where TCADA could fit into any reorganized state health and human services delivery system that might be proposed.

TCADA's status as an independent agency can be better addressed in the upcoming Sunset review of the state's health and human service agencies.

▼ **While providing a critical service to all citizens of Texas, TCADA needs to address the following fundamental policy and management problems that prevent the agency from delivering services to clients as effectively as possible.**

- While the conservators and the agency's new Commission and Executive Director have made progress toward correcting the past mistakes of the agency, this review makes several recommendations for an improved service delivery system:

  - Development of a statewide plan for service delivery.

  - Improvements to the provider funding system which ensures a continuum of care exists in each region of the state.

- Improvements in the accountability of service providers.
- Improvements in technical assistance for service providers.

- The agency must also continue its efforts to formally document its policies and procedures related to the new processes implemented by the conservators and new management.

Although TCADA should be continued, Sunset staff found other changes are needed for the agency to operate effectively.

Conclusion

TCADA provides a critical service to the state's most vulnerable citizens and to all citizens by changing attitudes and behaviors relating to the use of alcohol and drugs through prevention, education, and treatment. Substance abuse problems continue to increase and drive up public health costs, as well as the costs of other health and human services provided by the state. Substance abuse is also a major contributing factor to criminal behavior and significantly effects the state's criminal justice system. Currently, other state agencies do not perform the function of funding and managing a statewide network of substance abuse prevention and treatment services as is provided by TCADA.

With the reduction in the agency's funding and the streamlining of its target service population and programs, the conservators refocused the agency's funding and compliance processes to deal with past problems with objectivity and accountability. Only now is the service delivery system funded by the agency recovering from the period of chaos and instability. With the organizational and program control pieces put in place by the conservators, the newly appointed Executive Director has reorganized the agency to focus on the program area and the service delivery system. Work continues on resolving the Task Force audits and improving the funding process. These changes, along with those suggested in this report, should allow TCADA to better fulfill its mission.

Recommendation

Change in Statute

- **Continue the Commission on Alcohol and Drug Abuse for 12 years.**
- **Change the terms of the Commissioners from two-year to six-year terms with two terms expiring every two years.**

This recommendation provides for the standard Sunset review in 12 years which will result in the agency having a new Sunset date of 2008. Changing the members' terms will provide continuity of experience on the Commission and is consistent with state policy on boards and commissions.

Fiscal Impact

If the Legislature continues the current functions of TCADA using the existing organizational structure, the Commission's annual appropriations of approximately $127 million would continue to be required.

ACROSS-THE-BOARD RECOMMENDATIONS

Texas Commission on Alcohol and Drug Abuse		
Recommendations	**Across-the-Board Provisions**	
	A. GENERAL	
Already in Statute	1.	Require at least one-third public membership on state agency policymaking bodies.
Already in Statute	2.	Require specific provisions relating to conflicts of interest.
Update	3.	Require that appointment to the policymaking body be made without regard to the appointee's race, color, disability, sex, religion, age, or national origin.
Already in Statute	4.	Provide for the Governor to designate the presiding officer of a state agency's policymaking body.
Already in Statute	5.	Specify grounds for removal of a member of the policymaking body.
Already in Statute	6.	Require that information on standards of conduct be provided to members of policymaking bodies and agency employees.
Apply	7.	Require training for members of policymaking bodies.
Already in Statute	8.	Require the agency's policymaking body to develop and implement policies that clearly separate the functions of the policymaking body and the agency staff.
Already in Statute	9.	Provide for public testimony at meetings of the policymaking body.
Already in Statute	10.	Provide for notification and information to the public concerning agency activities.
Modify	11.	Require the agency to comply with the state's open meetings law and administrative procedures law.
Apply	12.	Require development of an accessibility plan and compliance with state and federal accessibility laws.
Update	13.	Require that all agency funds be placed in the treasury to ensure legislative review of agency expenditures through the appropriations process.
Update	14.	Require information to be maintained on complaints.
Update	15.	Require agencies to prepare an annual financial report that meets the reporting requirements in the appropriations act.
Update	16.	Require development of an equal employment opportunity policy.
Update	17.	Require the agency to establish career ladders.
Update	18.	Require a system of merit pay based on documented employee performance.

Texas Commission on Alcohol and Drug Abuse	
Recommendations	**Across-the-Board Provisions**
	B. LICENSING - Counselor Licensing
Apply	1. Require standard time frames for licensees who are delinquent in renewal of licenses.
Already in Statute	2. Provide for timely notice to a person taking an examination of the results of the examination and an analysis, on request, to individuals failing the examination.
Already in Statute	3. Authorize agencies to establish a procedure for licensing applicants who hold a license issued by another state.
Apply	4. Authorize agencies to issue provisional licenses to license applicants who hold a current license in another state.
Already in Statute	5. Authorize the staggered renewal of licenses.
Update	6. Authorize agencies to use a full range of penalties.
Update	7. Specify disciplinary hearing requirements.
Already in Statute	8. Revise restrictive rules or statutes to allow advertising and competitive bidding practices that are not deceptive or misleading.
Update	9. Require the policymaking body to adopt a system of continuing education.

Texas Commission on Alcohol and Drug Abuse	
Recommendations	**Across-the-Board Provisions**
	B. LICENSING - Facility Licensing
Not Applicable	1. Require standard time frames for licensees who are delinquent in renewal of licenses.
Not Applicable	2. Provide for timely notice to a person taking an examination of the results of the examination and an analysis, on request, to individuals failing the examination.
Not Applicable	3. Authorize agencies to establish a procedure for licensing applicants who hold a license issued by another state.
Not Applicable	4. Authorize agencies to issue provisional licenses to license applicants who hold a current license in another state.
Not Applicable	5. Authorize the staggered renewal of licenses.
Update	6. Authorize agencies to use a full range of penalties.
Modify	7. Specify disciplinary hearing requirements.
Not Applicable	8. Revise restrictive rules or statutes to allow advertising and competitive bidding practices that are not deceptive or misleading.
Not Applicable	9. Require the policymaking body to adopt a system of continuing education.

BACKGROUND

Background

Agency History

The Texas Commission on Alcohol and Drug Abuse (TCADA) is responsible, under the Health and Safety Code, for coordinating alcohol and drug abuse services of state and local agencies. TCADA must provide for the development of a continuum of prevention, intervention, treatment, and rehabilitation services. TCADA primarily provides these services through direct contracts with private service providers.

TCADA coordinates the state's approach to alcohol and drug abuse services and allocates state funds for those services.

Federal and state requirements have significantly broadened the Commission's responsibilities and target population since its creation. The Legislature established the agency as the Texas Commission on Alcoholism (TCA) in 1953 to provide for education and study relating to the problems of alcoholism and to promote the establishment of alcohol treatment programs. The state did not fund treatment services until 1957, when the Legislature provided funding for alcoholism counselors in each of the state's mental health hospitals.

Several state and federal legislative changes subsequently modified the focus of the agency by expanding treatment services and target populations and adding responsibility for substances other than alcohol. In 1970, Congress enacted the Comprehensive Alcohol Abuse and Alcoholism Prevention, Treatment, and Rehabilitation Act which, for the first time provided federal funds for use in alcohol abuse programs. TCA was designated to administer the provisions of the federal Act in Texas. A significant change in the agency's responsibilities also occurred in 1981 with the passage of the federal Omnibus Budget Reconciliation Act, which funded state block grants for alcohol, drug abuse, and mental health programs. TCA administered the block grant, along with the Texas Department of Mental health and Mental Retardation (MHMR) and the Drug Abuse Prevention Division of the Texas Department of Community Affairs (TDCA).

More recent legislative changes have focused on consolidation and coordination of substance abuse services. In 1985, the Legislature enacted Sunset legislation that created the Texas Commission on Alcohol and Drug Abuse by merging the TDCA's Drug Abuse

Prevention Division and the Texas Commission on Alcoholism. This action combined the responsibility for drug and alcohol abuse into one agency. In addition, the Legislature required TCADA and MHMR to develop a plan for providing community-based services for substance abusers to curtail the use of state hospitals for treatment.

Over the next ten years, responsibilities were added to TCADA's mandate including licensing substance abuse treatment facilities and chemical dependency counselors, establishing substance abuse programs for criminal offenders, treatment of people with substance abuse problems commited by civil courts to community-based programs, and certification of driving-while-intoxicated, drug, and minors-in-possession offender education programs. The Legislature also directed the agency to give priority for services to seven target populations, an increase from two when the agency was created.

Between 1985 and 1995, TCADA's budget grew from $9.6M to $180M, which funded services for more than 768,000 clients.

During this same period, TCADA's annual budget grew from $9.6 million in fiscal 1985 to $180.4 million in fiscal 1995, primarily due to increases in federal funding. By fiscal 1995, TCADA was funding a community-based network of about 400 providers, serving more than 768,000 clients. Almost half those in treatment were adult or youth offenders in criminal justice programs.

In 1991, audit reports began noting problems with TCADA's internal financial controls and service provider monitoring. Intensive legislative scrutiny into agency operations began after reports of financial abuses at TCADA-funded facilities in Austin and in Corpus Christi became public in 1994. Frustrated by TCADA's response to the allegations, the Senate and House Joint General Investigating Committee named an audit task force to conduct independent investigations. Serious problems were identified during the audits resulting in the task force and the Legislative Audit Committee recommending TCADA be placed under conservatorship.

In April 1995, the Governor appointed a three-member Conservatorship Board to correct the gross fiscal mismanagement found to exist at TCADA. This was the first case of an agency being placed in conservatorship in the history of the state. The conservators reorganized the agency and developed new fiscal controls, procedures, and systems to set up and maintain fiscal accountability and responsibility. In October 1995, the conservators determined that the conditions under which the agency was placed in conservatorship no longer existed. In February 1996, control of the agency was turned over to a newly appointed Commission.

Conservatorship Timeline	
Spring 1994	Anonymous tip led TCADA to audit the Austin Rehabilitation Center (ARC) in Travis County where questionable expenditures of public funds were identified. As a result, TCADA demanded ARC repay $1.08 million.
	Another anonymous tip led TCADA to audit the Corpus Christi Drug Abuse Council where additional questionable expenditures were identified.
December 1994 - February 1995	Lieutenant Governor wrote TCADA's Executive Director expressing concern about the lack of investigations. Executive Director resigns under pressure.
	TCADA initiated field surveys of all its service providers.
February 1995	Lieutenant Governor appoints a Senate investigating committee to examine TCADA.
	House General Investigating Committee joined Senate panel in TCADA investigation.
	Audit task force, lead by the Texas Rangers and staffed by the State Auditor's Office and the Comptroller's Office, began investigations of service providers. Task force contracts with Coopers and Lybrand to assist in investigations.
	Task force and Legislative Audit Committee recommend TCADA be placed under conservatorship.
April 1995	Conservators appointed by Governor George W. Bush.
July 1995	Conservators suspend 35 service providers based on questioned costs identified in first phase of task force audits.
August 1995	Agency reorganization announced, suspension of all personnel policies and procedures, all agency staff required to reapply for positions.
September 1995	Conservators hire new Executive Director.
October 1995	Conservators formally report they have corrected the condition of "gross fiscal mismanagement" at TCADA.
January 1996	Executive Director resigns for health reasons.
February 1996	Governor Bush names six interim commissioners to the Commission completing transition from conservatorship.
May 1996	Board hires new Executive Director.
November 1996	Conservators and Commission must file joint recommendations with the Legislature regarding the permanent governance of TCADA.

Policymaking Structure

More than 77 percent of TCADA's budget, $98M for FY 1996, comes from federal sources.

TCADA has historically been governed by a six-member Commission serving staggered, six-year terms. The legislation setting up the Conservatorship Board abolished the agency's existing Commission and provided for an interim Commission to be named once the conservators completed their work. The legislation required that the interim Commission be composed of six citizen members, at least three with experience related to business and financial management. In February 1996, the Governor appointed the interim Commission, all serving terms expiring February 1, 1997. The interim Commission and the Conservatorship Board are to make a joint report to the Legislature in November 1996 regarding the future governance of the agency. The Governor appoints the Commission's chair, the members elect a vice-chair, and the Commission meets at least quarterly.

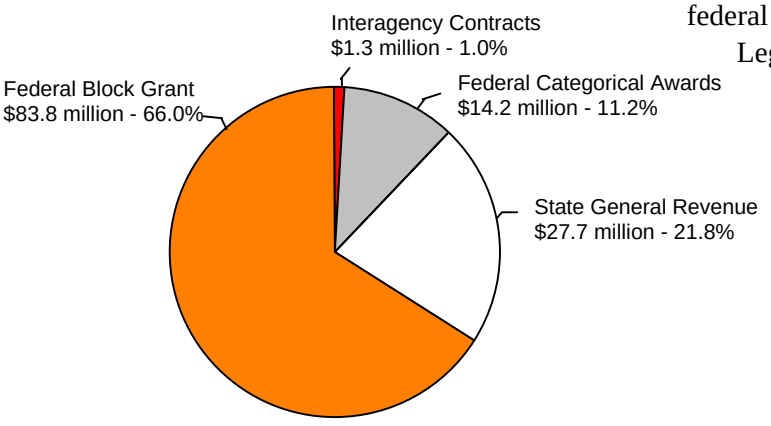
The Commission sets policy for agency operations; employs an Executive Director, with the approval of the Governor; and adopts rules governing the functions of the agency. The statute also requires that the Commission develop and carry out policies that clearly separate its responsibilities and those of the agency's staff.

Funding

Revenues

In fiscal 1996, TCADA received about $127.0 million in revenue. TCADA receives funding from two primary sources—federal funds through the Substance Abuse Prevention and Treatment (SAPT) Block Grant and state general revenue funds. Approximately $98.0 million, or more than 77 percent of TCADA's annual budget in fiscal 1996, comes from federal funds. State revenue funds the balance of TCADA's budget not covered by the federal block grant. In fiscal 1996, the Legislature appropriated $27.7 million in General Revenue to TCADA. (See chart - *Sources of Revenue*).

Sources of Revenue
Fiscal Year 1996



Total Revenue: $127 million

Besides the federal block grant and state funds, TCADA acts as the state's designated pass-through agency for another source of federal revenue known as categorical grants. In this capacity, TCADA is responsible for consolidating the state's application, which includes all of the applications of

interested service providers and the agency's own application for funds. The federal government awards the categorical grants, with TCADA acting as the administering agency for state to the service providers. In fiscal 1996, TCADA received $14.2 million in federal categorical grants, including those awarded to the agency. The chart, *Federal Categorical Funding — Fiscal Year 1996*, describes the awards in fiscal 1996.

Federal Categorical Funding - Fiscal Year 1996

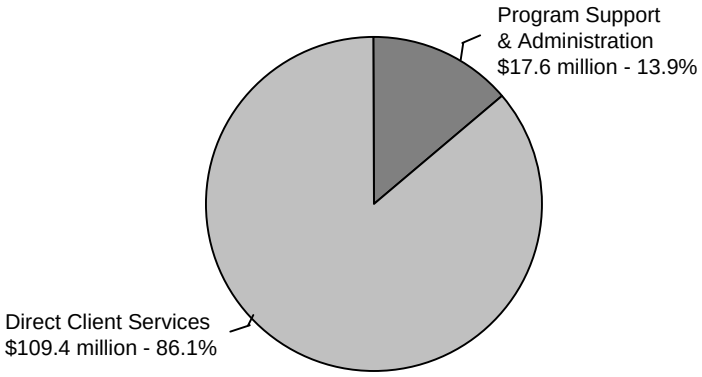
Project Name/Description	Award Amount	Cities
Texas Commission on Alcohol and Drug Abuse State Demand & Needs Assessment Data Collection (CODAP)	$1,254,746	Austin
Target Cities One of ten target city projects in the nation intended to show that specific changes in an urban, public sector chemical dependency services network will improve treatment outcomes among medically indigent client populations.	$3,724,818	Dallas
Rural, Remote, and Culturally Distinct Provides a comprehensive approach to screening, assessment, case management, and referral of migrant farm workers and Native Americans with substance abuse problems.	$1,167,455	El Paso, Presidio, Hatch N.M.
Pregnant/Postpartum Women Provides comprehensive residential substance abuse treatment services to chemically dependent pregnant and postpartum women.	$1,527,545	Dallas, San Antonio
Residential Women with Children Provides comprehensive residential substance abuse treatment services to chemically dependent women with their children.	$1,017,726	Ft. Worth
Correctional Populations Provides treatment services for special needs offenders (offenders who have diagnosed psychiatric or physical disorders of a permanent but non-communicable nature).	$956,000	Huntsville
Criminal Justice Treatment Network Provides a continuum of treatment, ancillary services, and supervision designed to increase access to treatment, increase cost effectiveness of treatment services, improve treatment and correctional outcomes for substance abusing juvenile offenders in Travis County.	$964,325	Austin
HIV Outreach Shows the effectiveness of outreach as an intervention for facilitating access to substance abuse treatment and that comprehensive, community based HIV/STD/TB outreach program can effect behavior changes.	$890,254	El Paso, Houston, San Antonio
Critical Populations Provides outpatient chemical dependency treatment services to reduce drug and alcohol use in an area that encompasses five rural counties in West Texas.	$363,659	Alpine, Van Horn
Addiction Training Center A consortium of academic institutions providing multiple levels of education and training for chemical dependency treatment counselors.	$1,051,751	Alvin, Austin, Galveston, Houston, Huntsville, Lubbock
Drug Abuse Campus A program designed to be a research demonstration project coordinating multiple services for youths and adults using a "one stop shopping" model.	$1,207,506	Houston
Substance Abuse Treatment Capacity Expansion An award designed to relieve treatment waiting lists. Current award provides for adolescent treatment.	$60,049	Alice
TOTAL	**$14,185,834***	
**This total includes $1.5 million retained by TCADA for administrative expenses.*		

Finally, the agency receives about $1.3 million in revenue from interagency contracts to fund driving while intoxicated, drug, and minor-in-possession offender education programs related to substance abuse. Again, all of these revenues sources totaled $127.0 million in fiscal 1996 to be spent on substance abuse services and TCADA operations.

Expenditures

In fiscal 1996, out of the $127.0 million available, TCADA had budgeted expenditures of $109.4 million for direct client services. These services include all substance abuse prevention, intervention, and treatment programs for youth and adults. Except for the federal categorical awards, which are granted for specific programs, TCADA allocates direct client service funds throughout the state to various targeted program areas based on federal and state requirements. TCADA contracts with private providers for all direct client service delivery. (See chart - *Total Budgeted Expenditures*).

Total Budgeted Expenditures
Fiscal Year 1996

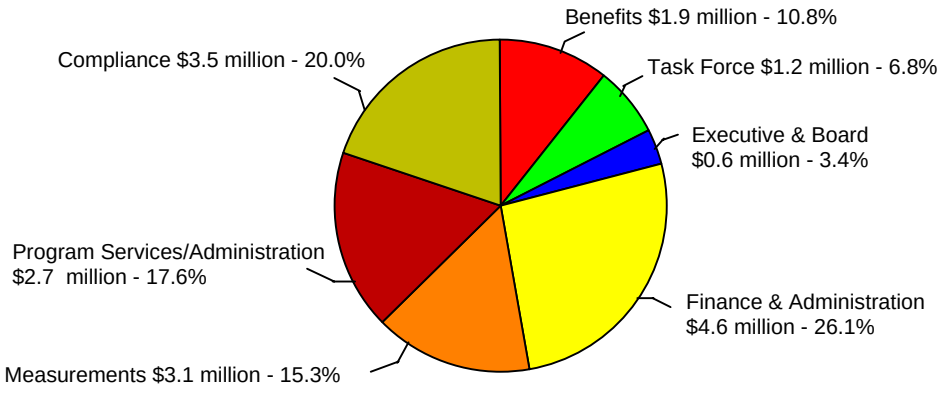


Total Expenditures: $127 million

The remaining funds are budgeted for agency operations. Funding for agency operations is drawn from administrative allowances in the federal block grant and categorical awards and from general revenue and interagency contract funds. This total amount budgeted for agency operations in fiscal 1996 was $17.6 million. The majority of this amount includes $14.8 million for program planning, technical support, evaluation, compliance monitoring, and agency indirect administration. The remaining funds include $1.2 million for the task force reserve (funds used to pay the operating costs of the audit task force), $1.5 million for administration of the federal categorical awards, and $168,000 for

administration of the interagency contracts. (See chart - *Program Support and Administration*).

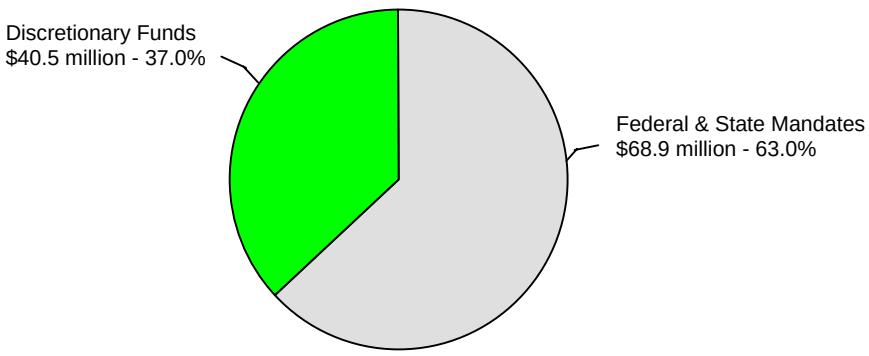
Program Support and Administration
Fiscal Year 1996



Total: $17.6 million

As noted earlier, the federal government and the Legislature dictate the way that TCADA allocates its funds for direct client services. The federal government specifically outlines program requirements, or set-asides, as a condition of receiving the SAPT block grant, while the Legislature directs TCADA to make certain program expenditures through the appropriations process. Program requirements are typically related to target populations such as pregnant women, HIV, and youth. These requirements resulted in TCADA budgeting about $68.9 million of the $109.4 million available for services for required populations in fiscal 1996. (See chart - *Direct Client Services Budget*).

Direct Client Services Budget
Fiscal Year 1996



Total: $109.4 million

The funds remaining after satisfying the initial federal and state requirements, $40.5 million in fiscal 1996, are then allocated on a discretionary basis by TCADA. The agency sets priorities for the award of these funds, still taking into account legislatively mandated program area priorities. This can result in target populations already funded through the set-asides ultimately receiving more funds than the minimum requirements. The following chart, *Program Funding Requirements*, details the required and discretionary funding for each program area for fiscal 1996.

While allocating funding to each of the program areas, TCADA ultimately was required to meet the mandate of a rider in the Appropriations Bill to spend 50 percent of federally and state appropriated direct client services funds during the biennium on youth services. The Conservatorship Board and the Legislative Budget Board agreed on a method for applying the

Program Funding Requirements

Program Area	Mandate	Required ($ in millions)	Discretionary ($ in millions)	Total ($ in millions)
Prevention/Intervention				
Primary Prevention/Intervention	Federal Block Grant Set-aside	15.4	4.6	20.0
HIV Early Intervention/Outreach	Federal Block Grant Set-aside	4.1	3.1	7.2
Categoricals	Federal	0.9		0.9
Core Council Services	State		4.2	4.2
Special Projects	Federal/State	0.4	1.9	2.3
Subtotal		20.8	13.8	34.6
Treatment				
General Adult Treatment	State		11.4	11.4
Youth Treatment	State	1.4	7.9	9.3
Specialized Female Services	Federal Block Grant Set-aside	13.5		13.5
Civil Court Commitments	State	6.8		6.8
Methadone	Federal		3.7	3.7
Houston Recovery Campus	State	6.5		6.5
Categoricals	Federal	11.8		11.8
Special Projects	Federal/State	1.2	3.7	4.9
Subtotal		41.2	26.7	67.9
Criminal Justice Treatment (TAIP)	State	6.5		6.5
Gambling	State	0.4		0.4
TOTAL		68.9	40.5	109.4

rider to available revenues. The chart, *Youth Services Funding Process*, shows the process for applying the rider to agency expenditures. In 1996, application of the rider resulted in TCADA spending $38.2 million for youth services. The chart, *Youth Client Services*, details how TCADA met this mandate.

For the current biennium, TCADA is required to spend 50 percent of client money on youth services.

Youth Services Funding Process

1.	Estimate Total Agency Funding:	
	General Revenue	27.7
	Federal Block Grant	83.8
	Federal Categorical Awards	14.2
	Interagency Contracts	1.3
	Total	127.0
2.	Estimate Total Agency Operating Budget	
	Agency Staffing and Support	17.6
3.	Compute Total Amount Available for Direct Client Services	
	Total Funding (Step 1)	127.0
	Less Total Operating Budget (Step 2)	17.6
	Total	109.4
4.	Compute Amount not Subject to Rider	
	Federal Categorical Awards	12.7
	Civil Court Commitment	6.4
	Houston Recovery Campus	6.5
	Criminal Justice Treatment (TAIP)	6.5
	Compulsive Gambling	0.3
	Total	32.4
5.	Compute Amount Subject to Rider	
	Total amount Available for Services (Step 3)	109.4
	Less Amount not Subject to Rider (Step 4)	32.4
	Total	77.0
6.	Compute Amount of Required Youth Services	
	Amount Subject to Rider (Step 5)	77.0
	Youth Percentage Requirement	50.0%
	Total	38.5

Youth Client Services Fiscal Year 1996

Program Area	Amount ($ in millions)
Prevention/Intervention	
Youth Prevention/ Intervention	19.7
Core Council Services	0.8
HIV Early Intervention/ Outreach	0.2
Special Projects	2.1
Subtotal	22.8
Treatment	
Youth Treatment	9.3
Categoricals	2.3
Special Projects	3.8
Subtotal	15.4
TOTAL	38.2

HUB Expenditures

The Legislature has encouraged agencies to make purchases with Historically Underutilized Businesses (HUBs). A statewide goal of 30 percent of total agency purchases has been established. The Legislature also requires the Sunset Commission to consider agencies' compliance with laws and rules regarding HUB use in its reviews. TCADA purchased 15.96 percent of goods and services from HUBS in fiscal 1995.

Purchases from HUBs
Fiscal Year 1995

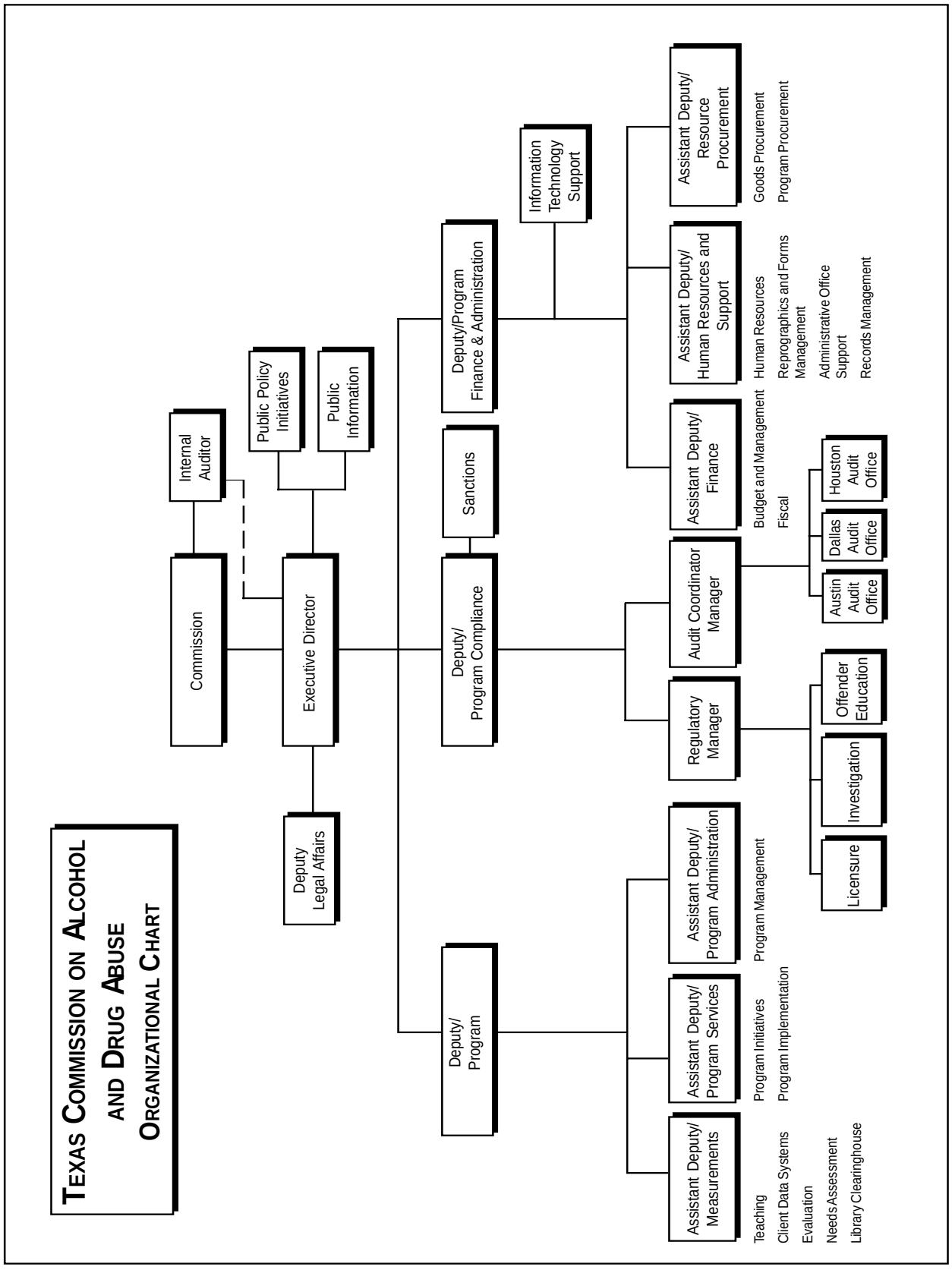
Total Purchases of Goods and Services	$3,538,779
Total Spent with Certified HUBs	$564,984
Percent Spent with Certified HUBs	15.96%
Statewide Average	15.89%
State Goal	30%

Organization

TCADA was budgeted for 231 staff in fiscal 1996. The agency's headquarters is in Austin with 199 staff and its two field offices outside Austin — one in Dallas and one in Houston, both budgeted for 16 staff. The agency organizes the central office into three primary branches: Program, Program Compliance, and Finance and Administration. The chart, *Texas Commission on Alcohol and Drug Abuse Organizational Chart*, illustrates the organizational structure of the agency. The chart, *Texas Commission on Alcohol and Drug Abuse Equal Employment Opportunity Statistics — Fiscal Year 1996*, shows a comparison of the agency's workforce composition to the state's minority workforce goals.

Equal Employment Opportunity Statistics
Fiscal Year 1996

Job Category	Total Positions	Minority Workforce Percentages					
		Black		Hispanic		Female	
		Agency	State Goal	Agency	State Goal	Agency	State Goal
Officials/Administration	10	20%	5%	30%	8%	50%	26%
Professional	143	19%	7%	15%	7%	59%	44%
Technical	3	0%	13%	0%	14%	0%	41%
Protective Services	NA						
Para-Professionals	17	12%	25%	29%	30%	100%	55%
Administrative Support	27	26%	16%	33%	17%	93%	84%
Skilled Craft	2	50%	11%	50%	20%	0%	8%
Service/Maintenance	NA						


TEXAS COMMISSION ON ALCOHOL AND DRUG ABUSE ORGANIZATIONAL CHART
Commission
Internal Auditor
Executive Director
Public Policy Initiatives
Public Information
Deputy Legal Affairs
Deputy/Program Finance & Administration
Information Technology Support
Sanctions
Deputy/ Program Compliance
Deputy/ Program
Assistant Deputy/ Resource Procurement
Goods Procurement
Program Procurement
Assistant Deputy/ Human Resources and Support
Human Resources
Reprographics and Forms Management
Administrative Office Support
Records Management
Assistant Deputy/ Finance
Budget and Management
Fiscal
Audit Coordinator Manager
Houston Audit Office
Dallas Audit Office
Austin Audit Office
Regulatory Manager
Offender Education
Investigation
Licensure
Assistant Deputy/ Program Administration
Program Management
Assistant Deputy/ Program Services
Program Initiatives
Program Implementation
Assistant Deputy/ Measurements
Teaching
Client Data Systems
Evaluation
Needs Assessment
Library Clearinghouse

Agency Operations

TCADA has two primary goals:

- to change attitudes and behaviors relating to the use of alcohol and drugs through prevention, education, and treatment; and
- to develop, plan, deliver, evaluate, and regulate substance abuse services while auditing and monitoring funds in cooperation with other state and federal agencies to ensure accountability for such services.

TCADA uses five main strategies to achieve its goals: conducts needs assessments to decide where client services are needed most; funds community-based prevention, intervention, and treatment services; provides technical assistance and support to service providers; evaluates service providers' performance; and monitors compliance of substance abuse programs, facilities, and professionals. These strategies and the agency's activities to carry them out are described in the following material.

Frequently Used Terms Related to Substance Abuse

Term	Definition
Chemical dependency	Psychological or physical dependence on, or addiction to alcohol or a controlled substance.
Prevention	The reduction of a person's risk of abusing alcohol or a controlled substance or becoming chemically dependent.
Intervention	The interruption of the onset or progression of chemical dependency in the early stages.
Treatment	A structured program designed to initiate recovery from chemical dependency.
Treatment facility	A site or specific location licensed to provide substance abuse treatment services.
Rehabilitation	The reestablishment of the social and vocational life of a person after treatment.

Needs Assessment

TCADA is required by statute to provide for research and study of the problems of chemical dependency in this state. TCADA is also federally required to determine the incidence of and assess the need for state alcohol and substance abuse services. To meet these state and federal requirements, TCADA conducts needs assessments. Needs assessments

involve surveying, collecting current statistics on substance use and abuse, and monitoring drug trends. Assessing the need for substance abuse services in Texas helps TCADA ensure that services are provided to the populations and geographic areas with the greatest need. Specifically, TCADA conducts needs assessments to:

- inform the public about substance use and abuse occurring in the state;
- quantify the need and demand for substance abuse prevention, intervention, and treatment services;
- determine and develop substance abuse services necessary for specific target populations such as youth, pregnant women, and persons with HIV;
- develop initiatives and design substance abuse services in response to the state's service needs; and
- produce regional allocation tables that guide program funding.

TCADA conducts three main types of surveys: adult, school, and criminal justice. Each survey describes the patterns and prevalence of substance use and abuse in the targeted population. Adult surveys identify patterns of adult substance use and abuse by region, income level, education level, age, race/ethnicity, and gender. School surveys are conducted biannually and determine the attitudes of the state's youth towards substance use. Criminal justice surveys target probationers, inmates, and arrestees. These surveys explore ways to break the drug/crime cycle.

Unlike many health and human service agencies, TCADA does not provide services to clients but contracts with private providers to do so.

TCADA also researches, identifies, monitors, and publishes reports on drug trends in Texas. This research provides an overview of current substance use and abuse issues. TCADA combines the survey data with existing statistics to identify trends in substance use and abuse in Texas. These existing statistics include drug and violent crimes by county, demographics for arrests, alcohol or drug related motor vehicle accidents, emergency room mentions of drugs, Texas Alcoholic Beverage Commission consumption data, AIDS/HIV statistics, and drug-related death statistics.

Funding for Prevention/Intervention and Treatment

Unlike many health and human service agencies, TCADA does not provide direct services to its clients. Instead, TCADA's primary function is to fund prevention, intervention, and treatment programs operated for the most part by nonprofit private organizations in local communities throughout the state. As noted earlier, TCADA awarded $109.4 million for direct client services.

As shown in the chart on page 82, *Program Funding Requirements*, the funding process begins with a determination, based on federal and state requirements, of the amount of funds that can be spent in each of the following program areas: Youth Prevention and Intervention, Core Council Services, HIV Outreach, HIV Early Intervention, General Adult Treatment, Youth Treatment, Civil Court Commitments, Specialized Female Services, and Methadone Services.

Before 1996, TCADA did not allocate funds regionally or through a competitive bid process.

With the primary funding areas identified, next, TCADA allocates the available money for many program areas on a regional basis. Before the 1996 funding cycle, TCADA did not allocate funds regionally and had a significantly different funding process, as shown in the textbox, *Pre-Conservatorship Funding Process*.

Pre-Conservatorship Funding Process

Before conservatorship, the funding process was significantly different. The reviewers scored the RFPs on a scale of 0 - 15 points at a "consensus meeting." The purpose of the meeting was for the reviewers to come to a consensus on the score assigned to each RFP.

At that time, TCADA did not allocate the funds regionally and did not use a competitive bidding process for either prevention or treatment. Instead, TCADA awarded grants to providers based on the peer review scores and federal and state priorities that were sometimes, but not necessarily, published in the RFPs. TCADA used its discretion to fill in service gaps throughout the state with remaining discretionary funds.

Except for federal categorical awards, TCADA generally allocates funds to the 11 Health and Human Services regions in the state as shown in Appendix 2. The factors in the regional allocation formulas vary depending on the type of program, as shown in the chart, *Funding Allocation Formulas - 1996*.

The Fiscal Year 1996 Regional Funding chart on page 90 shows the total amount available for each program and the amount allocated to each program by region from the regional allocation formulas.

Service Provider Funding

After the regional allocations have been accomplished, TCADA selects the providers offering the most cost effective, quality services in their regions. TCADA uses two methods to select providers depending on whether prevention/intervention or treatment services are being offered. With both methods, TCADA generally uses a request for proposal (RFP) and peer review process. However, for treatment providers, TCADA also uses a competitive bidding process to make selections.

Funding Allocation Formulas - 1996*	
Prevention/Intervention	***Factors***
Primary Prevention/Intervention	• # of youths in each region used substances • # of other dysfunctional factors (e.g. teenage pregnancies, dropout rates)
Core Council Services	• total population • total square miles in existing Council service area
HIV Outreach	• minimum amount of $115,000 • regions must provide TCADA-funded methadone services • percentage of cumulative AIDS cases
HIV Early Intervention	• percentage of cumulative AIDS cases in a county compared to all other counties
Treatment	
General Adult Treatment	• estimated need • licensed capacity • 1995 TCADA expenditures for adult treatment • rural nature of the region
Youth Treatment	• estimated need • licensed capacity • 1995 TCADA expenditures for youth treatment • rural nature of the region
Civil Court Commitments	• estimated need • 1995 TCADA expenditures for civil court commitment treatment services
Specialized Female Services	Not allocated regionally - statewide competition.
Methadone Services	Not allocated regionally - continuation of services in areas previously funded.
*Denotes the Health and Human Service Regions, unless otherwise designated.	

Prevention and Intervention Provider Selection

TCADA sends a request for proposal (RFP) to each known entity that provides the specific prevention or intervention services described in the RFP and publishes the RFP in the Texas Register. Out-of-state peer reviewers score the proposals on a scale from 0-20. TCADA instructs peer reviewers to score the proposals only against the RFP guidelines and not against the other proposals. The final score is the average of scores assigned by each peer reviewer. Providers with a score of 14 points or above are eligible for funding and are chosen based on specific selection

Fiscal Year 1996 Regional Funding

Texas Commission on Alcohol and Drug Abuse

	Regions											
Funding Areas	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**	**TOTAL**
Prevention/Intervention												
Youth Prevention/Int	822,541	526,164	4,375,434	1,273,573	697,218	4,340,489	1,712,578	2,098,163	603,664	637,318	2,192,349	19,479,491
Core Council Services	280,008	406,192	541,991	320,868	248,763	646,544	600,876	507,139	206,702	118,973	325,676	4,203,732
HIV Outreach	124,710	-	412,395	-	-	490,381	188,790	186,492	-	128,753	134,726	1,666,247
HIV Early Intervention	52,217	-	1,616,939	20,176	56,268	2,039,148	400,702	388,993	-	74,975	106,751	4,756,169
Special Projects	380,862	-	-	-	-	-	50,000	-	-	78,132	-	508,994
Categoricals	-	-	-	-	-	73,803	-	457,135	-	383,330	-	914,268
Subtotal	**1,660,338**	**932,356**	**6,946,759**	**1,614,617**	**1,002,249**	**7,590,365**	**2,962,946**	**3,637,922**	**810,366**	**1,621,481**	**2,759,502**	**31,528,901**
Treatment												
General Adult Treatment	954,952	469,695	2,963,172	432,579	518,961	603,380	1,448,669	1,967,743	561,426	893,388	1,122,393	12,136,358
Youth Treatment	608,930	107,289	2,093,853	201,296	411,848	1,649,553	1,192,128	891,573	327,877	482,529	828,285	8,995,160
Civil Court Commitments	798,705	319,471	1,028,331	206,714	288,883	1,699,245	408,909	525,149	150,228	89,053	821,990	6,336,678
Specialized Female Services	370,297	376,607	3,477,492	1,092,729	1,047,237	2,126,986	2,115,883	1,072,071	386,351	1,699,228	41,683	13,806,564
Methadone Services	245,724	-	717,642	-	-	519,491	337,628	514,565	-	289,965	1,073,279	3,688,294
Houston Recovery Campus	-	-	-	-	-	6,500,000	-	-	-	-	-	6,500,000
Categoricals	117,450	-	5,450,628	-	-	1,749,407	1,073,023	799,253	-	1,531,114	60,049	10,780,924
Subtotal	**3,296,058**	**1,273,062**	**15,731,118**	**1,933,317**	**2,266,929**	**15,048,062**	**6,576,240**	**5,770,354**	**1,425,882**	**4,985,277**	**3,947,679**	**62,253,978**
Total	**4,956,396**	**2,205,418**	**22,677,877**	**3,547,934**	**3,269,178**	**22,638,427**	**9,529,186**	**9,408,276**	**2,236,248**	**6,606,758**	**6,707,181**	**93,782,879**
Not Attributable to a Region												15,610,539
Grand Total												**109,393,418**

Source: TCADA - *Expenditures by Region*, Fiscal 1996

criteria shown in the chart, *Prevention and Intervention Provider Selection Criteria - 1996*. If no provider in the region scores a 14, TCADA funds developmental programs that score between 12 and 14 points based on the same selection criteria.

Prevention and Intervention Provider Selection Criteria - 1996

Primary Prevention/ Intervention	***Competitive*** - TCADA awards a grant to the highest peer review scoring provider in the county with the highest youth population. With any funds remaining, TCADA grants an award to the highest scoring provider in the county with the next highest youth population.
Core Council Services	***Competitive*** - TCADA awards grants to the providers with the highest peer review scores in their regions (region defined as the area currently covered by a Council on Alcohol and Drug Abuse).
HIV Outreach	***Competitive*** - TCADA awards grants to the providers with the highest peer review scores in their regions.
HIV Early Intervention	***Non-Competitive* (*No RFP Process*)** - TCADA awards grants to the providers deemed most capable of delivering the services.

To promote a consistent prevention and intervention program across the state, TCADA funds each prevention grant at between $75,000 and $150,000 and each intervention program at between $200,000 and $400,000. TCADA awards traditional financial assistance grants to the prevention and intervention providers. In other words, the agency reimburses the provider for actual costs up to the grant award amount.

Treatment Provider Selection

TCADA selects treatment providers using the RFP and peer review process described above, but instead of using the peer review to select treatment providers, TCADA uses the peer review score to determine provider eligibility for competitive bidding. Generally, providers who score a 14 or above on the peer review are eligible to compete. In general, providers bid based on a unit cost per client, per day for a specific level of service, although in actual practice TCADA only reimburses the provider for actual costs up to that unit cost.

For each treatment program area, TCADA awards contracts according to funding priorities for specific levels of treatment. The levels of treatment, as described more fully on page 93, range from the most intensive treatment, Level I, to the least intensive treatment, Level IV. The Commission sets the priority of the levels based on client needs and publishes the priorities for each program area in the appropriate RFPs.

Occasionally, if no provider in the region scores a 14, the competitive bidding process is opened up for those providers scoring between 12 and 14. TCADA also has a process for awarding treatment contracts when natural competition does not support a bidding process. For fiscal 1996, TCADA contracted with the treatment providers for a 20-month term, from January 1, 1996 through August 31, 1997.

Description of Community-based Prevention, Intervention, and Treatment Services

By funding quality prevention services, TCADA seeks to strengthen individuals, families, and communities to create conditions that guard against substance abuse. By funding intervention services, TCADA seeks to interrupt the progression of substance abuse in its early stages. Although providers tailor each prevention and intervention program to its specific target population, the chart, *Prevention and Intervention Programs: Minimum Service Requirements*, shows the minimum requirements for all prevention and intervention programs funded. TCADA funds four different prevention and intervention program areas: Youth Prevention and Intervention, Core Council Services, HIV Outreach, and HIV Early Intervention. (See Appendix 1, *Description of Prevention and Intervention Programs*)

Prevention and Intervention Programs: Minimum Service Requirements
Federal Block Grant Strategies:
Prevention Education/Skills Training Providers must educate the public about the risk of HIV infection through a curriculum that informs clients about, among other things, HIV routes of transmission and risk reduction strategies.
Alternatives Providers must provide alternative activities including taking clients to cultural events and retreats or arranging for regular client tutoring or mentoring, to promote a sense of belonging that will lead to self-reliance and independence.
Problem Identification and Referral Providers must use the most appropriate identification and referral methods, including screening, crisis intervention, referral and follow-up to ensure access to the appropriate level and type of services.
Information Dissemination Providers must disburse information on alcohol, tobacco, illegal drug use, abuse, and addiction, and HIV infection, and their effects on individuals, families, and communities.
Community-Based Process Providers must coordinate with other agencies and participate in community team-building through provider networks and local action plans.
Environmental/Social Policy Providers must actively attempt to change written and unwritten standards, codes, and attitudes within a community to decrease the use and prevalence of HIV infection and alcohol, tobacco, and drug abuse. Activities could include encouraging HIV education in the schools or leading a tax policy initiative.
TCADA Requirements—Essential Services:
Advocacy Providers must teach communication skills and assertiveness skills, in addition to other skills that will help their clients identify and access health care services.
Family Services Because prevention and intervention services are most effective when the client receives support from the family, providers must involve family members when appropriate.
Continuum of Care Providers must facilitate links with other available services in the community, including treatment services.

By funding quality treatment services, TCADA seeks to reduce the disability, discomfort, and other consequences caused by chemical dependency. Although providers tailor each treatment program to its specific target population, the chart, *Treatment Programs: Minimum Service Requirements*, shows the minimum general requirements for each level of care. TCADA funds five primary treatment program areas: General Adult Treatment, Youth Treatment, Civil Court Commitments, Specialized Female Services, and Methadone Services. TCADA also

Treatment Programs: Minimum Service Requirements

Licensure Requirements:

All programs must provide clients access to adequate medical care and mental health services directly or through referral. All programs must provide chemical dependency education, including education on nicotine addiction and the health risks of tobacco. In addition, all programs must provide HIV education and must provide access to HIV, TB, and sexually transmitted disease counseling and testing. Every residential client must have a medical history and physical examination within a certain time after admission.

TCADA requires a level system in which clients are assigned to particular levels of treatment depending on the degree to which the client is impaired. In general, TCADA requires for licensure that all treatment programs provide a minimum of services appropriate to each level.

Levels of Treatment:

Level I - designed to systematically reduce the amount of alcohol and or other drugs in a client's body, manage withdrawal symptoms, and maximize placement in the next level of appropriate care.

Staffing - the supervisor of a detoxification program must be a physician, physician assistant, advanced practice nurse, or registered nurse.

Supervision - the program must provide continuous supervision for clients.

Services - the program must provide access to mental health evaluations and must encourage clients to seek appropriate treatment after stabilization. An individualized post-stabilization plan must be developed.

Level II - highly structured, intensive services designed for clients who are medically stable.

Staffing - counselor to client ratio not to exceed 1:10.

Services - program must deliver an average of 20 hours of structured activities per week for each client, including 10 hours of chemical dependency education, four hours of additional treatment or rehabilitation activities, and three hours of structured social or recreational activities.

Level III - designed for clients who are medically stable and able to function with limited supervision and support.

Staffing - counselor to client ratio not to exceed 1:16.

Services - program must deliver an average of 10 hours of structured activities per week over the course of treatment for each client, including at least five hours of chemical dependency education or counseling.

Level IV - designed for clients who are medically stable and able to function with minimal structure and support. This level of programming is most appropriately used as a less intensive level of care after a more intensive course of treatment has been completed.

Staffing - no counselor to client ratio, although the ratio for awake direct care staff to clients shall not exceed 1:16 during the hours that clients are awake and on site.

Services - program must deliver an average of two hours of structured activities per week for each client.

TCADA Funded Treatment Programs:

TCADA uses the level system to fund programs. The Commission awards contracts on the basis of a unit cost per client, per day of treatment for a specific level of care. TCADA funds each level of treatment as either a residential or outpatient program, and the unit cost varies accordingly. In addition to the licensure requirements outlined above, providers who receive funding from TCADA must provide additional services. For example, TCADA requires that more counseling hours be provided to TCADA-funded program clients and requires specialized services and procedures for IV drug users, pregnant females, adolescents, and other priority populations. TCADA also requires its funded programs to facilitate access to or provide a continuum of care, family services, prevention and intervention services, screening, assessment, and relapse prevention education.

funds certain legislatively mandated programs and developmental programs, and administers the federal categorical treatment programs. (See Appendix 1, *Description of Prevention and Intervention Programs*)

Program Support

Program support activities exist to provide technical assistance related to the day-to-day administrative and programmatic operations of funded service providers. The agency's overall objective is to ensure that providers clearly understand TCADA's contracting requirements to increase compliance. To this end, the agency provides fiscal, administrative, and programmatic assistance to service providers. The agency consistently monitors the expenditure of funds and the provision of services by all grant and contract recipients to assure the services are effective and properly staffed and meet the standards adopted by the Commission. Additionally, the agency conducts pre-award site visits to providers to ensure they meet contracting standards before funding begins.

TCADA has established a system that provides one point of contact for service providers within the agency. Each provider has one individual who can provide telephone and on-site programmatic and compliance assistance related to federal, state, and agency policies, rules, and laws regarding funding. Additionally, staff provide interpretations of the policies and procedures in the agency's compliance manual which is provided to all service providers.

Regional Advisory Consortiums	
Size:	Range: 9-24 members; Average: 12 members
Membership:	Local elected officials, law enforcement personnel, clergy, substance abuse and mental health providers, members of the public, professionals, counselors/therapists, educators, judges, health care professionals, social workers, etc.
Duties:	To make recommendations to the Commission regarding local community needs and priorities for substance abuse services.
Results:	The RACs have formally presented specific recommendations to the Commission on modifications to the regional funding allocation formulas and funding prioirities by service category. The RACs are currently working to identify barriers to service delivery.

The agency's contract specialists are responsible for the ongoing financial administrative assistance of funded providers. TCADA reviews the contracts and budgets of providers and processes payments for services. The agency conducts desk reviews of reports submitted by providers looking at performance measures, expenditures vs. revenues, and client data.

Assisting the program support staff are nine program administrators with regional responsibilities for the 11 standard health and human services regions. These program administrators link the agency with local communities and provide support to meetings of the regional advisory consortiums (RAC) for each of the 11 regions. The Executive Director designates RAC members to represent a broad spectrum of agencies, organizations, and providers

with an interest in substance abuse services. The Commission has charged the RACs to make recommendations regarding service priorities and funding strategies in each region.

Provider Performance Measurement

Statutorily, TCADA is required to plan, develop, evaluate, and implement constructive methods and programs for the prevention, intervention, treatment, and rehabilitation of chemical dependency. Once these programs are in place, TCADA must ensure that the programs are providing quality service both efficiently and effectively. To meet this statutory requirement, TCADA requires providers to develop and implement a self-evaluation system to monitor and evaluate the quality, efficiency, and effectiveness of their programs. These self-evaluation systems must be able to identify problem areas, evaluate progress, develop and take corrective actions, and evaluate the results of the corrective actions taken. These self-evaluations are also used to assess the short-term effects of changes in the treatment population, admission procedures, and treatment protocols on retention, utilization, discharge status, and client outcomes. A key feature of these systems is the ability to monitor, track, and report performance measures.

TCADA's rules require providers to meet specific performance measures based on the type of program (prevention/intervention or treatment) and the proposed levels of performance for each level of care, type of service (residential or outpatient), and target population (adult or youth). For programs providing prevention/intervention services, the performance measures are based on the annual goals for each funded activity listed in the award terms and conditions. Providers submit these goals to the TCADA and/or negotiate them at the time funding is approved. However, for treatment programs, the agency establishes specific performance measures that are included as terms and conditions in the contracts.

TCADA requires providers to report performance toward the accomplishment of the annual goals in monthly performance and activity measures through the agency's Electronic Forms Interchange System (EFI). TCADA reviews performance data at least twice a year. If a provider fails to achieve the expected levels of performance, TCADA notifies the provider in writing and requires a response within 30 days from the date of notification.

For treatment providers that continue to fail to achieve or maintain the established performance levels, the agency takes corrective action which could include revising treatment performance targets or allowing a one-

time extension of the review period. The extension requires the submission of a corrective action plan including the treatment provider's method for correcting or resolving the noted deficiencies and the timing for implementation.

In both cases, if the provider does not resolve performance measure deficiencies, TCADA can impose further sanctions. The available sanctions include designation as a high-risk organization, suspension or withholding of payments, one-time decrease in the award amount for the fiscal year, permanent decrease in the award amount; termination of the award, or ineligibility to receive a new award or an increase in the current award amount.

Sample Performance Measures	
Prevention and Intervention	• Number of clients receiving services • Number of clients identified and referred to treatment or other support services • Number of clients screened • Number of persons tested for HIV infection • Number of clients receiving information • Number of clients counseled • Number of clients receiving training
Treatment	***Percentage of Clients Completing Treatment:*** • Percentage of planned duration of stay completed by client. • Percentage of behavioral objectives identified in the treatment plan that have been achieved by the client. ***Percentage of Clients in Abstinence:*** • Percentage of clients who, when contacted 60 days after discharge from treatment, reported no use of alcohol or drugs within the last 30 days.

Service Provider Compliance

In addition to measuring providers' program success, TCADA must make sure that any entity receiving state or federal funds for substance abuse services complies with state and federal rules and regulations. TCADA oversight includes fiscal and programmatic audits of providers, facility and counselor licensure and inspections, investigations, and enforcement actions. The agency's compliance staff recently developed and maintains a compliance guide that outlines the federal, state, and agency legal requirements for all providers funded through TCADA. Consequently, service providers are now receiving clear, well-defined information about the appropriate use of state funds, standards for client services to be delivered, and health and safety requirements.

TCADA conducts compliance activities out of three regional offices in Austin, Dallas, and Houston. Staff from each of the three regional offices conduct on-site inspections to test compliance with state and federal regulations and the Commission's contractual requirements. The agency integrates the audits when feasible to include financial, administrative, programmatic, and regulatory issues. The schedule of audits is based on a risk assessment that includes risk factors in four major areas: financial, control, program, and licensure. In addition, federal law requires providers to annually obtain financial audits through an independent CPA. TCADA performs desk reviews of audit documentation to ensure the audit and the provider meet federal regulations.

In addition, TCADA is responsible for licensing all chemical dependency treatment facilities and all chemical dependency counselors in the state. The agency processes all applications for licensure, reviews documentation, issues licenses, and maintains a database of licensees. Field staff also conduct on-site inspections of treatment facilities not funded by the Commission to verify compliance with licensure rules. TCADA includes licensure review in the integrated audit, mentioned above, for funded treatment providers.

TCADA licenses all chemical dependency treatment and all chemical dependency counselors in the state.

The agency is responsible for investigating and documenting complaints regarding TCADA licensees and funded providers. TCADA receives complaints through a central intake point in the central office in Austin. Complaints are prioritized based on severity and then referred to the regional offices for investigations. More severe complaints are investigated more immediately than less severe complaints.

Enforcement action is taken in cases that involve fiscal or programmatic noncompliance, substantiated allegations based on a complaint and investigation, or license renewal denials. TCADA may pursue sanctions in cases that involve questions of appropriate contract payments or contract noncompliance, which may include a service providers's failure to meet contract performance measures. Sanctions include refusal to issue or renew a license; reprimand, probation, suspension, or revocation of a license; and termination of a financial award or contract. A respondent is entitled to a contested case hearing before the State Office of Administrative Hearings before TCADA imposes sanctions. However, if the respondent and the Commission agree to a sanction, the agency executes an agreed order without a hearing.

APPENDICES

Appendix 1

	Youth Prevention and Intervention
Target Population:	**CHILDREN BETWEEN THE AGES OF 0-17**
Objectives:	• Educate and counsel high risk youth on substance use/abuse and HIV risk. • Provide activities to reduce HIV risk and substance abuse while giving priority to a high risk population. • Implement community based strategies for prevention/intervention to improve the health status of individuals, families, and communities.
Eligibility:	Prevention: • Youth from the general population who have not yet experienced alcohol, tobacco, or drug related problems. • Youth in environments or situations that place them at risk for using substances. • The secondary population includes family members/significant others of the youth. Intervention: • Youth who have begun using/abusing substance and/or experiencing problems associated with substance abuse. • Secondary population includes family members/significant others of the youth.
	HIV Outreach
Target Population:	**YOUTH AND ADULT**
Objectives:	• Provide culturally relevant substance abuse information to abusers. • Demonstrate HIV risk reduction strategies appropriate to the target population. • Provide ongoing contacts to initiate or reinforce continued behavior change. • Facilitate linkages and access to health care and other ancillary services. • Make referrals into treatment as appropriate including outpatient services.
Eligibility:	Persons not in treatment who are at risk of being infected with HIV.
	HIV Early Intervention
Target Population:	**YOUTH AND ADULT**
Objectives:	Case management services are incorporated as a strategy to identify, recommend, and link the client with appropriate and cost-effective professional health, mental health, and social services. Services can include medical, nursing, and dental care; diagnostics; immune system monitoring; treatment planning and relapse prevention; support groups; health and risk reduction education; medications; preventive drug therapy; immunizations; housing referrals; child welfare and family services; child care; legal counseling; and transportation services.
Eligibility:	Chemically dependent persons who are at risk of HIV infection or who are already HIV infected and in treatment for substance abuse or who are considering treatment as an option.

Basic Core Council Services	
Target Population:	**YOUTH AND ADULT**
Objectives:	All organizations funded to provide basic core services perform the following services: *Information Dissemination:* Information and education services are aimed to educate individuals on alcohol, drugs, and tobacco to reduce the risk of abuse and to provide awareness and knowledge of the effects of substance abuse. Information and presentations are provided to target populations at risk of developing a pattern of abuse. *Screening:* Screening is the initial step in a continuum of services. This process identifies indicators for further assessment. The screening process is designed to identify warning signs for alcohol, drugs, and tobacco use problems. *Assessment:* Assessments provide face to face, confidential interactions to determine a recommended course of action including appropriate referral possibilities. *Referral and Placement:* Once needs are identified, the individual may be referred to appropriate treatment or other community resources. Placement is any activity that assists individuals to access support systems and referral resources. *Follow-up:* The organization must contact a participant who has received program services and/or has been referred to other community resources to determine whether the participant has been adequately served. *Environmental/Social Policy:* As defined in the federal block grant, these activities are aimed at establishing and/or changing written and unwritten community standards, codes and attitudes for the purpose of influencing alcohol, drug, and tobacco use in the general population of the community. *Minors and Tobacco Activities:* Bring to retailers' attention and encourage community groups to investigate compliance with the law that prohibits sale of tobacco products to minors.
Eligibility:	General Public

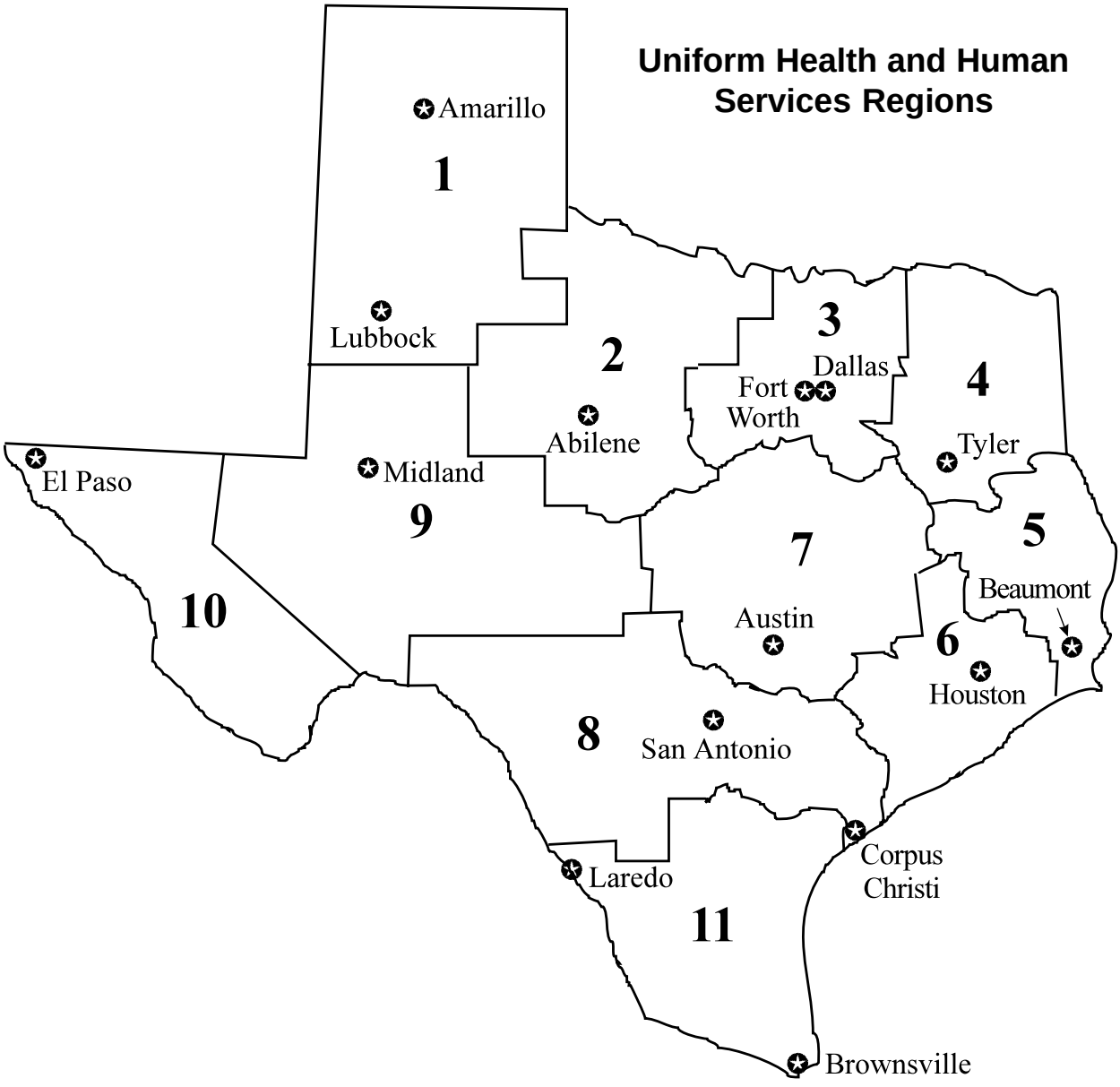
General Adult Treatment	
Target Population:	**ADULT**

Objectives:	Chemical dependence treatment is a planned, structured, and organized program designed to initiate and promote a person's chemical-free status or to maintain the person free of illegal drugs. It includes, but is not limited to, the application of planned procedures to identify and change patterns of behavior related to or resulting from chemical dependency.
	
	Many programs that are behaviorally or psychosocially based include:
	• residential or outpatient treatment programs such as:
	  • inpatient residential
	  • therapeutic communities
	  • outpatient treatment

	General Adult Treatment (cont.)
	Various treatment components and approaches are used in these treatment programs and modalities including: • self-help programs, • individual counseling, • group counseling/treatment, • family therapy, and • behavior modification.
Eligibility:	Chemically dependent and medically indigent adults.
	Youth Treatment
Target Population:	**YOUTH**
Objectives:	Substance abuse for youth is designed to help chemically dependent youth turn their lives around and to prevent a need for more costly services in the future. Youth that are referred to substance abuse treatment programs often have an extensive array of problems including educational, legal, familial, and behavioral. The primary goal is to engage youth service recipients and their families in a comprehensive continuum of services that includes prevention, intervention, and treatment services linked with other services and resources in the community.
Eligibility:	• Youth with families/legal guardians without ability to pay for services and no other available sources of funds, or • Youth whose substance abuse is determined to be of sufficient severity to warrant a need for treatment services. Substance abuse severity will be indicated by deficiencies in physiological, cognitive, emotional, and social functioning, as determined by an appropriate assessment instrument and/or tool.
	Court Commitment Services
Target Population:	**ADULTS**
Objectives:	Senate Bill 834, passed during the 73rd Session of the Texas Legislature, made it possible for all adults with a single diagnosis of chemical dependency to be served in community-based substance abuse treatment facilities. This bill, in effect, authorizes TCADA to establish and maintain a system of services for individuals that in the past were served by the MHMR's state mental hospitals. Contractors receiving funds for the provision of court commitment services (CCS) must provide services to persons remanded for treatment by county and probate judges through certificates of commitment.
Eligibility:	To be eligible to receive court commitment services a client must be: • medically indigent, • chemically dependent, and • committed by a civil court to undergo chemical dependency treatment through the civil commitment process. Civil commitment is appropriate only when the client poses an imminent risk of harm to himself/herself or others as a result of chemical dependency.

Specialized Female Services	
Target Population:	**YOUTH AND ADULT**
Objectives:	Substance abusing and dependent females typically have issues in conjunction with their substance abuse that must be considered and addressed in order for treatment to be successful. Issues common to women include poverty, issues related to violence and victimization, health-related problems, lack of vocational skills and employment opportunities, relationship issues, lack of support and resources to adequately care for and positively parent children, low self-esteem and depression, and lack of drug-free and safe housing. The following services are provided in addition to the services provided for general adult treatment: • primary medical care for females who are receiving substances abuse services, including prenatal care and child care while females are receiving such treatment; • primary pediatric care for their children including immunizations; • gender-specific substance abuse treatment and other therapeutic interventions for females that may address issues of relationships, sexual and physical abuse, and parenting and child care while females are receiving these services; • therapeutic interventions for children in custody of females in treatment which may, among other things, address their developmental needs and their issues of sexual and physical abuse and neglect; and • sufficient case management and transportation services to ensure that females and their children have access to the services provided above. <u>Infant Primary Prevention:</u> • The purpose of infant primary prevention is to prevent non-using pregnant and postpartum women from using substances that can damage the fetus or infant. The unborn, newborn infants, and young children are at high risk for social, behavioral, and other developmental problems. <u>Infant Intervention Program:</u> • Infant intervention services address substance use or abuse during the prenatal and postpartum period for the purpose of reducing drug exposure to the unborn, newborn, and young children. The unborn and/or newborn infants of these women are at high risk for social, behavioral, and other developmental problems.
Eligibility:	Medically indigent females, their children, and their families when appropriate.
Methadone Treatment	
Target Population:	**ADULT**
Objectives:	Services include methadone and ORLAAM administration. Programs of this type are regulated by the Texas Department of Health, the Food and Drug Administration, the Drug Enforcement Agency, and TCADA.
Eligibility:	Medically indigent and addicted to an opiate or narcotic.

Appendix 2


Uniform Health and Human Services Regions
Amarillo
1
Lubbock
2
3
Dallas
Fort Worth
4
Tyler
Abilene
El Paso
Midland
9
7
5
Beaumont
10
Austin
6
Houston
8
San Antonio
Corpus Christi
Laredo
11
Brownsville

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