

EXECUTIVE DIGEST

SPECIALIZED RESIDENTIAL SERVICES PROGRAM OF LIFEWAYS

INTRODUCTION

This report, issued in September 1997, contains the results of our performance audit* of the Specialized Residential Services Program of LifeWays, an agency under contract with the Department of Community Health (DCH).

AUDIT PURPOSE

This performance audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Performance audits are conducted on a priority basis related to the potential for improving effectiveness* and efficiency*.

BACKGROUND

LifeWays (formerly the Jackson-Hillsdale Community Mental Health Services Board) operates under the provisions of the Mental Health Code, being Sections 330.1001 - 330.2106 of the *Michigan Compiled Laws*. LifeWays is an agency of county government and is not a State agency. However, LifeWays is subject to oversight by DCH in accordance with the Mental Health Code.

LifeWays, established in 1967, is located in the city of Jackson and is controlled by a 12-member Board of Directors. LifeWays operates and/or contracts for outpatient services, day program services*, emergency services, case management, and residential care programs for the mentally ill* and developmentally disabled*.

Dedicated first to those with the most severe disabilities, LifeWays' mission* is to help people grow through the integrated, community-based delivery of quality, cost-effective, people-friendly, behavioral health services.

LifeWays' operations are generally funded by 90% State and 10% local funds after utilizing third party payments. For fiscal year 1995-96, LifeWays expended over \$6.3 million of its total \$24.8 million budget for residential programs. As of May 1997, LifeWays had 282 employees.

AUDIT OBJECTIVES,
CONCLUSIONS, AND
NOTEWORTHY
ACCOMPLISHMENTS

Audit Objective: To assess the effectiveness of LifeWays' methods for administering contracts for specialized residential services* (SRS).

Conclusion: We concluded that LifeWays' methods for administering contracts for SRS were generally effective.

Audit Objective: To assess whether State funds were used effectively and efficiently in the purchase and delivery of SRS.

Conclusion: We concluded that State funds were generally used effectively and efficiently in the purchase and delivery of SRS. However, we noted a reportable condition* related to documentation of SRS per diem rates (Finding 1).

Noteworthy Accomplishments: Beginning with fiscal year 1994-95, LifeWays implemented a fee-for-service funding methodology that recognizes differences in levels of care when purchasing SRS. This funding methodology is unique and innovative in that it is intended to recognize a relationship between an individual client's prescribed level of care and the cost to deliver the related services, versus previously implemented fee-for-service models which

funded providers based on group home populations without defining a clear relationship to individual client needs. LifeWays established a client needs profile evaluation process to periodically assess client needs and adjust funding based on changes in the client's prescribed level of care.

Although this report contains a reportable condition related to LifeWays methods for establishing per diem rates, LifeWays' innovations in purchasing SRS demonstrate initiative to efficiently manage its State funding.

AUDIT SCOPE AND
METHODOLOGY

Our audit scope was to examine the program and other records of the Specialized Residential Services Program of LifeWays. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Our methodology included examination of LifeWays' records and activities for the period October 1, 1994 through May 31, 1997.

To accomplish our first objective, we reviewed LifeWays' and DCH's policies and procedures. We interviewed LifeWays' personnel. We examined LifeWays' contracts with DCH and SRS providers. We analyzed the LifeWays' processes for monitoring the delivery of services and ensuring SRS contract compliance.

To accomplish our second objective, we analyzed LifeWays' process for establishing SRS per diem rates, including client level of care determinations. Also, we examined audits of SRS contractors.

AGENCY RESPONSE

Our audit report includes one finding and one corresponding recommendation. Lifeways' preliminary response indicated that it agrees with and has taken steps to implement our recommendation.