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United States General Accounting Office
Washington, DC 20548

Human Resources
Division

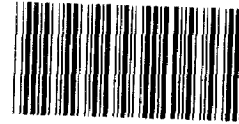
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B-199414

JULY 14, 1980

The Honorable Patricia Roberts Harris
The Secretary of Health and
Human Services



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Dear Mrs. Harris:

Subject: Management of and Results Obtained from
HCFA Demonstrations and Experiments
(HRD-80-96)

On May 8, 1980, we testified before the Subcommittee on Oversight, House Committee on Ways and Means, on the management of and results obtained from demonstrations and experiments (D&E) and related evaluations by the Health Care Financing Administration (HCFA). Our review was made at the Subcommittee's request. A detailed statement of our findings and recommendations for improving HCFA's D&E activities was provided for the record.

Representatives of HCFA and the Department's Assistant Secretary for Planning and Evaluation also testified at the hearings. Afterward, the Subcommittee asked that, instead of furnishing a report to the Subcommittee, we issue this summary report to the Department so it may formally respond to our findings and recommendations.

We testified that:

--The D&E activities undertaken by HCFA's Office of Research, Demonstrations, and Statistics (ORDS) and its predecessor agencies have fallen short of the expectations and requirements of the cognizant legislative committees of the Congress, as expressed in their reports on bills and/or the legislation itself. Specifically, (1) reports to the Congress have not been submitted by the dates specified by law, (2) the reports did not meet the specifications contained in

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the law and/or related committee reports, (3) more recent mandated demonstrations have not been undertaken because of shortages of staff or money, and (4) demonstrations and experiments or the related evaluations were sometimes completed after the Congress or its committees had deliberated and acted on the issue involved.

--ORDS could not readily determine the specific outcomes or "impacts" of its D&E activities. However, at our request, ORDS made a retrospective review of the projects. The review indicated that these projects had an impact on the development of such legislative initiatives as the administration's hospital cost containment proposals in 1978 and 1979, the development of regulations to implement laws passed in 1977 and 1978, and a regulation change that would significantly reduce Medicare payments to hospitals. On the other hand, some of the indicated impacts on legislation involved getting additional demonstration authority or requirements in laws passed in 1977 and 1978; in one such case, ORDS has not used the authority or complied with the requirement.

--The processes for carrying out the ORDS D&E activities often require long periods of time, which may partly explain the problem in meeting congressional expectations. On the other hand, there is evidence that congressionally mandated D&E activities have not been given priority over other ORDS research projects.

--ORDS needs to modify its processes for carrying out D&E activities to help improve the utilization of D&E results.

We recommend that you direct the Administrator of HCFA to implement the following eight recommendations--contained in our statement--aimed at improving ORDS' processes, which should in turn help improve the use of D&E results.

1. Provide for more involvement of policymakers and program officials in the ORDS planning process.
2. Identify during the ORDS planning process the knowledge needed to respond to specific policy issues.

3. Adjust the ORDS planning and project design processes to adapt to congressionally mandated demonstrations and experiments.
4. Obtain and retain raw D&E data when they are likely to prove useful in future research and verify the data on a sample basis.
5. Establish a control and tracking system that identifies the interim D&E results of ongoing projects by subject matter.
6. Take a formal position on the results reported from each project.
7. Make a systematic ongoing assessment of the utilization and outcomes of D&E activities.
8. Establish procedures to account for the time ORDS professional staff spend in carrying out their various tasks and establish performance standards for project officers and managers.

The basis and rationale for each of the eight recommendations are detailed below.

1. Provide for more involvement of policymakers and program officials in planning process

An interactive process between policymakers (including program officials) and policy researchers is crucial in planning for utilization of research results. Such a process can help assure that policymakers are committed to use research results and that the researchers will produce useful findings.

Early in our review, we concluded that there was limited systematic involvement of HCFA program officials in the work planning process. Because these officials are involved in assessing the implications of the results of D&E activities for changes in policy and procedures and would be responsible for implementing these changes, we believed their input in the early stages was important.

In December 1979, ORDS sponsored--for the first time--a conference attended by ORDS managers and HCFA program officials in headquarters. This conference provided an

opportunity for interaction concerning (1) projects planned for fiscal years 1980 and 1981, (2) information ORDS had obtained from projects completed or underway, (3) issues still to be studied, and (4) program officials' concerns with ongoing and proposed D&E projects and their perceptions of policy issues needing study. It is hoped that this type of interaction initiative will lead to more utilization of ORDS project results by program officials. Ultimately, the interactive process could be expanded to include Office of the Assistant Secretary for Planning and Evaluation officials, the HCFA Administrator, State Medicaid administrators, congressional staff, and health care industry officials.

2. Identify during planning the knowledge needed to respond to specific policy issues

The planning documents that we reviewed primarily reflected short-term planning, were financially oriented, and did not specifically identify the types of knowledge that would be most useful to the Congress and other policymakers. For example, these plans did not identify what knowledge was needed to respond to the specific concerns and policy issues identified in relevant legislative committee reports or how each proposed project would help to attain the knowledge needed. Nor did they indicate the extent to which current and completed research could be helpful to understanding the problems and issues.

Long- and short-term planning should include identifying and defining the policymakers' problems and policy issues needing research and the knowledge needed to respond to these problems and issues on a timely basis. The plans and related project designs should show how each proposed project will help meet such needs.

3. Adjust processes to adapt to congressionally mandated demonstrations and experiments

In recent years the Congress has tended to spell out more specifically in the law and in committee reports its expectations about what demonstrations it wanted done and when it wanted reports on the projects submitted. The Department has fallen short in meeting congressional expectations for such mandated demonstrations, and ORDS needs to adjust its processes to adapt to the realities of these mandates.

For example, Public Law 95-210, approved in December 1977, required demonstration projects for physician-directed clinics in urban medically underserved areas, with a report to the Congress no later than January 1, 1981. We were told that ORDS has not been able to implement projects that meet all congressional specifications because of staff and funding shortages.

Similarly, we believe that none of the ongoing demonstrations meet the specifications of the experiments required by section 1881(f)(1) of the Social Security Act (added by section 2 of Public Law 95-292), which had a reporting date of October 1, 1979. According to HCFA, when Public Law 95-292 was approved in June 1978, it was too late to request funds for the mandated studies as part of the Department's fiscal year 1979 supplemental, and the fiscal year 1980 appropriations were denied. Also, HCFA felt that the October 1, 1979, reporting date was unrealistic.

We are not sure at which stage in the ORDS process adjustments should be made to shift its priorities to recognize such mandated demonstrations or experiments on a timely basis. However, we noted that, after enactment of Public Law 95-210 in December 1977, ORDS awarded a number of research contracts and grants that, in our opinion, were unrelated to the mandated issues. For example, in January 1978, ORDS awarded a \$139,000 research contract to the Blue Shield Association to analyze Medicare and private business claims data.

Similarly, after enactment of Public Law 95-292 in June 1978, ORDS awarded a \$121,000 grant to support (1) the completion of a book, suitable for medical school curriculum committees and individual faculty members, on comprehensive quality assurance and cost containment in the health field and (2) a \$115,000 grant to study the process, effectiveness, and costs of the Medicaid Early and Periodic Screening, Diagnosis and Treatment program in southeastern Pennsylvania.

Although we are not in a position to judge the relative importance of such research compared with the required demonstrations and experiments, it seems to us that activities specifically mandated by law should receive top priority in the planning and project design processes. On the other hand, if HCFA believes that the reporting dates and/or specifications pertaining to mandated demonstrations are unrealistic,

we suggest that it or the Department confer with the cognizant legislative committees to work out more suitable goals and time frames.

4. Obtain and retain raw D&E data when they are likely to prove useful in future research and verify the data on a sample basis

Of the 18 final project reports we reviewed, 1/ 14 were based in whole or in part on raw data developed by the contractor or grantee. ORDS does not ordinarily obtain and retain such raw data--although the Federal Government has helped pay for them. We believe that some data generated by contractors or grantees under D&E projects could be useful in other research.

For example, one report we reviewed involved a pilot project designed to test the feasibility of furnishing out-of-hospital prescription drugs to an elderly population. Although the study was limited in scope, the data developed by the contractor could be used in any further studies planning a drug benefit for the elderly or for national health insurance. Therefore, we believe that ORDS should review the project results with a view toward identifying, obtaining, and retaining the raw data from demonstrations and experiments that are likely to be useful in future research.

We were also told that ORDS generally accepts the analyses of the data developed during a demonstration or experiment without verifying or validating the data to better assure the accuracy and reliability of the results. In our review of completed project reports, we noted at least three evaluation reports--including an evaluation of an ORDS experiment--in which the contractor or grantee highlighted deficiencies in the data used. In the latter instance, the contractor recommended:

"Experimental designs should include specified data validation procedures that ensure equity to sponsors and participants. Moreover, data validation activities should be conducted by an independent third party * * *."

1/We examined final reports on 18 of the approximately 70 D&E projects completed as of September 30, 1978.

We believe that, to better assure the utilization and acceptability of project results, ORDS should verify some data on a sample basis.

5. Establish a control and tracking system that identifies the interim D&E results of ongoing projects by subject matter

Section 402 of the Social Security Amendments of 1967, as amended, requires that competent specialists evaluate new proposed D&E projects in terms of their relationships with other completed and ongoing projects. We believe this concept also has applicability to D&E projects carried out under other authorities, and ORDS officials told us they often follow this practice for such projects.

To better establish such relationships, we believe ORDS needs a centralized control and tracking system that would monitor the demonstration or experiment through an internal evaluation system and would identify the interim D&E research results of ongoing projects by subject matter. Such a tracking system, in turn, would require better information on interim results from the ORDS monitoring function.

We understand that ORDS is considering an automated centralized tracking system for its contracts and grants; however, this proposed system appears to focus on procurement and financial matters and not on interim results of ongoing projects by subject matter.

In designing such a system, ORDS should provide for identification of interim D&E results and periodically prepare and make available a report showing all ongoing projects and any interim results identified. Such a system should also be used to give the Congress current information on HCFA's D&E activities.

6. Take a formal position on the results reported from each project

Our review of a sample of final reports showed that ORDS did not prepare a position paper containing some reaction to or advice to management on the contents or appropriate use to be made of final reports. To facilitate the utilization and acceptability of ORDS D&E results, ORDS should take a formal position on the results reported from each project.

As a minimum, we believe that, for each report, ORDS should develop a statement as to the validity of the results, the policy implications, how results should be used, and the potential users. In our opinion, such a formal assessment of completed projects would also help (1) identify promptly project results worthy of disseminating to appropriate and interested congressional parties and (2) identify, over a period of time, contractors and grantees that tend to produce the most satisfactory results.

7. Make a systematic ongoing assessment of the utilization and outcomes of D&E activities

At our request, ORDS attempted to retrospectively identify and assess the outcomes or impacts of its D&E activities. However, it had some difficulty in doing so and in supporting the indicated impacts. We believe that there should be a systematic ongoing assessment of the utilization and outcomes of D&E activities. In addition to the basic questions of accountability and of justifying the funds requested and spent on such activities, a systematic assessment could provide opportunities for learning why products were or were not used.

8. Establish procedures to account for the time professional staff spend in carrying out their various tasks and establish performance standards for project officers and managers

ORDS management told us that project officers spend less time on their projects than they should because of other demands on their time (e.g., responding to requests for information from the Congress and others, writing speeches, and handling administrative matters). We were unable to verify the amount of time project officers devote to activities unrelated to their projects because ORDS does not have quantifiable information of this type.

ORDS needs to establish procedures to account for the time its staff, particularly project officers, spend in carrying out their various tasks. Such procedures should help management better assess staff resource needs.

Before our review, ORDS' Office of Demonstrations and Evaluations requested a contractor to identify its management problems and develop a training course to address the

problems. Some of the problems the contractor identified in his February 1979 report were that project officers (1) felt that they are given the responsibility for a project, but not the necessary authority to manage it properly and (2) perceived a lack of uniformity among superiors in standards used to evaluate their work and thus were not sure what management expected of them.

Likewise, during our interviews with ORDS staff, we were told that project officers had no guidelines identifying ORDS management's expectations of them in terms of their specific technical, non-procurement-related responsibilities in carrying out D&E activities. Without a common understanding of project officer responsibilities and supervisors' expectations regarding project management performance, there is no assurance that projects are being managed consistently and satisfactorily. Because nearly all of ORDS' D&E projects are multiyear projects and because of high personnel turnover, no one person has generally been responsible for a project from beginning to end.

An ORDS division manager told us that not every ORDS manager applies the same performance standards when looking at project management. For example, this manager said she allowed project officers to work independently and correspond with contractors and grantees without having the correspondence reviewed and approved by her, whereas some other managers exercise more control.

According to ORDS, it plans to develop a handbook to give project officers guidelines on management's expectations regarding their technical and procurement responsibilities in carrying out D&E activities. We believe this would help improve management consistency. However, ORDS should also establish standards of performance by which project officers and managers can be evaluated for project management. In our opinion, the handbook and performance standards would be tools that ORDS could use to better assure consistency in project management, to improve communication between managers and project officers, to help assure consistency in feedback to project officers and managers on their individual performance, and to help ORDS management assess project management problems and staff resource needs.


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As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the Senate Committee on Governmental Affairs and the House Committee on Government Operations not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We are sending copies of this report to the Chairmen of the four above-mentioned Committees; the cognizant legislative committees and subcommittees; and the Director, Office of Management and Budget.

Sincerely yours,


Gregory J. Ahart
Director