



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

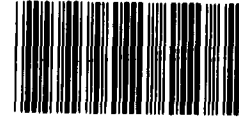
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HUMAN RESOURCES
DIVISION

February 6, 1981

B-202069

The Honorable John Paul Hammerschmidt
House of Representatives



114343

Dear Mr. Hammerschmidt:

Subject: Assessment of Circumstances Leading to the
Contract for Comprehensive Mental Health Care
Services for Cuban Entrants at Fort Chaffee,
Arkansas (HRD-81-55)

Your October 29, 1980, letter raised several issues concern-
ing a contract awarded by the National Institute of Mental Health
(NIMH), Department of Health and Human Services (HHS), to Preven-
tive Health Programs, Inc. (PHP), to provide comprehensive mental
health care services to the Cuban entrants at Fort Chaffee, Ark-
ansas. We have discussed this contract with Cuban/Haitian Task
Force, NIMH, and HHS officials in Washington, D.C.; Dallas, Texas;
and Fort Chaffee, Arkansas, and reviewed documents relating to
its award and implementation.

BACKGROUND

Overall responsibility for the Cuban entrant program rests
with the Cuban/Haitian Task Force, which is made up of represen-
tatives from several Federal agencies responsible for the welfare
and placement of entrants as they make the transition into U.S.
society. Originally this task force was responsible to an offi-
cial from the Federal Emergency Management Administration. On
July 15, 1980, a State Department official assumed overall re-
sponsibility, and since November 15 an HHS official has headed
the task force.

Entrants began leaving Cuba and arriving in the United States
during April 1980. Because of the large numbers, four camps were
selected to house them while they waited to be sponsored by U.S.
citizens. The camps were at Fort Chaffee; Fort McCoy, Wisconsin;
Fort Indiantown Gap, Pennsylvania; and Eglin Air Force Base,
Florida. They operated until about October 15, 1980, when the
unsponsored entrants decreased to about 9,000 and the remaining
entrants were consolidated at Fort Chaffee. Of the 125,000 Cuban
entrants that have come to the United States, less than 6,000
remained to be sponsored as of February 6, 1981.

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As required by law, HHS' Public Health Service (PHS) has provided health care services to the Cuban entrants. PHS has coordinated its efforts with NIMH to ensure that mental health services were made available. When the camps first opened in May 1980, mental health care was provided by Army psychiatrists. As these psychiatrists were withdrawn from the camps, PHS had to either provide psychiatric care with HHS personnel or contract with private organizations to provide such services.

In June 1980, an NIMH official was designated as the PHS coordinator for mental health services. He has carried out his responsibilities under the direction of the Cuban/Haitian Task Force and HHS' Office of International Affairs. In October 1980 this official was also named project officer for the PHP contract. In this report he is referred to as the coordinator.

Deciding where to consolidate the Cuban entrants was difficult, largely because of the complex political environment that affected most decisions involving the entrants. The final decision was not made until late September 1980, and when the consolidation arrangements at Fort Chaffee were first announced, mentally ill persons and certain other individuals from Fort McCoy and Fort Indiantown Gap were not included. Accommodations at a separate location were to be sought for the mentally ill because the Governor of Arkansas had requested that no mentally ill individuals be transferred to Fort Chaffee as part of the consolidation.

The task force decided that the mentally ill already at Fort Chaffee would remain, and the coordinator estimated that as many as 10 percent of the 6,000 entrants being relocated might become anxious or depressed because of the move. Therefore, comprehensive mental health services had to be developed for the approximately 9,000 entrants to be located at Fort Chaffee. The task force instructed the coordinator to establish comprehensive mental health services at Fort Chaffee. The task force also decided that more bilingual staff should be brought in to provide the needed mental health services. Because the services were needed quickly and staff could be provided faster under a contract than through regular civil service channels, HHS contracted for the services.

CONTRACT ANNOUNCEMENT AND AWARD

The task force wanted to award the contract to PHP on a sole-source basis, but the responsible NIMH headquarters contracting official required that other firms capable of providing the services be invited to bid. To expedite the process, the contracting officials decided to award a letter contract 1/ so that the successful offerer could begin providing services by the consolidation date in mid-October 1980. Therefore, on October 10, 1980, NIMH contracting officials and the coordinator telephoned three organizations believed to be qualified and capable of carrying out the requirements of the proposed letter contract. The three organizations were PHP in Falls Church, Virginia; Manpower, Inc., in Fort Smith, Arkansas; and Temporary Employment Company, Inc. (TEC), in Fort Smith, Arkansas. Each was informed of (1) the requirements set forth in the contract's description of work, (2) the need for the complete staffing and operation by October 16, and (3) the instructions for preparing and submitting a proposal.

A telegram was sent to each organization on October 10 to confirm the telephone conversation of that date. The telegram stated that a written proposal, signed by an official authorized to obligate the organization, had to be received in Rockville, Maryland, no later than 12 noon on October 11. Of the three organizations, PHP and Manpower submitted proposals.

The proposals submitted by PHP and Manpower were evaluated against common technical criteria by three medical professionals competent in mental health services and were found to be technically equal. The award decision, therefore, was based on the lower estimated cost of the PHP proposal.

The Manpower cost estimate covered only personnel costs plus fringe benefits, general and administrative expenses, and profit. Manpower proposed very high salaries for the top four positions to be filled under the contract: senior psychiatrist, \$21,500 a month; psychiatrist, \$19,350 a month; general medical internist, \$17,217 a month; and psychologist (with a Ph.D.), \$17,217 a month.

1/A letter contract is a written preliminary contractual instrument to authorize immediate commencement to perform services. A letter contract may be entered into when (a) the interests of the Government are best served and (b) it is not possible to negotiate a definitive contract in time to meet the procurement need.

As a result, Manpower's cost estimate was about \$31,000 a month more than PHP's. Had the Manpower proposal included travel, supplies, malpractice insurance, and other items included in PHP's proposal, the difference would have been greater.

After the two proposals were evaluated and analyzed on October 11, a letter contract was awarded to PHP for about \$2,359,500 for the 6-month period ending April 10, 1981.

While the coordinator and contracting officials were in the process of developing and awarding the contract in late September and early October, the task force and the coordinator were also assessing the feasibility of transferring the mentally ill from Fort McCoy and Fort Indiantown Gap to locations in Puerto Rico, Maryland, or Georgia. Each of these alternatives, however, was considered unacceptable. While these activities were going on, the planned closing of the camps other than Fort Chaffee was postponed from September 15 to September 30, and finally to October 15, 1980. This latter date was viewed as the latest that Fort McCoy and Fort Indiantown Gap could be used for the entrants because the barracks in Wisconsin and Pennsylvania were not habitable in cold weather.

PHP PROBABLY KNEW ABOUT PLANS TO
CONSOLIDATE MENTALLY ILL BEFORE OTHER FIRMS

For several reasons, PHP probably knew about the plans to consolidate the mentally ill entrants in one location before being contacted by the coordinator and NIMH contracting officials on October 10.

First, PHP had provided mental health services at Eglin Air Force Base, Fort McCoy, and Fort Indiantown Gap before the decision was made concerning where to consolidate the mentally ill.

Second, PHP had been operating Fort Chaffee's mental health care unit under an August 8, 1980, contract awarded by the director of operations at Fort Chaffee. The chief psychiatrist was in that position on October 10 and, as a result, may have been one of the first to know where the entrants were to be consolidated.

Third, one of the earlier alternative plans considered called for consolidating the mentally ill at Glen Dale, Maryland. According to the coordinator, several organizations had been invited to bid on a contract to provide mental health services at Glen Dale, but PHP was the only one to submit a proposal. On October 3,

this official had formally recommended that PHP be awarded the contract. However, the Glen Dale facility was deemed unacceptable, so the recommendation was not adopted. According to the coordinator the proposal PHP had prepared to provide inpatient care at the Glen Dale unit was revised slightly and submitted about 1 week later as part of its proposal to provide services at Fort Chaffee.

HHS OFFICIALS AT FORT CHAFFEE
WERE NOT FULL PARTICIPANTS IN
PLANNING THIS CONTRACT

The director of operations and chief PHS officer at Fort Chaffee stated they were not advised of the details of the consolidation plan and the need to announce a contract for comprehensive mental health care services until October 9. By then, the coordinator had decided to have all mental health services provided under one contract and the NIMH contracting office had set 12 noon on October 11 as the deadline for firms to submit formal proposals.

Fort Chaffee's director of operations, whose full-time position is in the HHS Dallas Regional Office, objected to the contract requirements and deadline. The HHS contracting staff in the Dallas Regional Office declined to get involved in the administration of this contract even though all previous contracts dealing with health or mental health care at Fort Chaffee had been announced and administered through that office. As a result, the NIMH headquarters contracting staff, which seldom gets involved in service contracts, was responsible for this contract.

The director of operations and chief PHS officer at Fort Chaffee believed they should have fully participated in planning mental health services for the entrants being consolidated at Fort Chaffee. Although not psychiatric physicians, they believed they could have provided some insight concerning their experiences in operating the mental health care unit at Fort Chaffee. Further, both felt that, since the support staff provided by TEC for the mental health care unit had performed their duties well, TEC could have continued to provide registered nurses, licensed practical nurses, and psychiatric attendants, especially since the cost to the Government was much less under the TEC contract.

The coordinator stated that he had informed the director of operations and the chief PHS officer of several contingency staffing plans for providing comprehensive mental health services to the entrants, including the Fort Chaffee plan, when

they were first developed in late September. He acknowledged that he had not contacted these individuals again on October 8, when the final decisions regarding the scope and announcement of this contract for Fort Chaffee were reached.

Partly because of the concerns expressed regarding the PHP contract, on October 31 the director of operations was relieved of his duties at Fort Chaffee by the Cuban/Haitian Task Force.

PHP'S RECRUITING ACTIVITIES AND SALARIES PAID

PHP proposed employing 94 persons at Fort Chaffee by October 16 to provide comprehensive mental health services to the Cuban entrants. The majority were to be bilingual. As shown in the following table, PHP was not able to employ the number of personnel required by the contract until late October. Also, PHP was not able to employ several key professional staff until November.

PHP's Proposed and Actual Staffing

<u>Position</u>	Number to be employed as of <u>10/16/80</u>	Number employed <u>10/22/80</u>	Number employed <u>10/31/80</u>
Medical director	1	1	1
Psychiatrist	1	1	1
Psychologists	7	-	2
General medical officer	1	1	1
Senior social workers	4	-	-
Social workers	10	1	9
Psychiatric nurses	20	9	23
Psychiatric technicians	15	13	17
Psychiatric attendants	20	26	34
Physician's assistant	-	-	1
Nonmedical support staff	<u>15</u>	<u>6</u>	<u>10</u>
Total	<u>94</u>	<u>58</u>	<u>99</u>

Of the 58 staff members employed as of October 22, 44 had been previously employed by TEC--primarily in the same capacity. In fact, 8 of the 9 psychiatric nurses, 11 of the 13 psychiatric technicians, and 22 of the 26 psychiatric attendants employed by PHP on October 16 came from TEC. By October 31, PHP had recruited only two of the seven required psychologists and none of the four senior social workers.

Only a few of the ex-TEC employees were bilingual. However, their salaries increased significantly when they transferred to PHP. For example, registered nurses, who had been paid \$9 an hour by TEC, started receiving \$14 an hour from PHP as psychiatric nurses (a 55.6-percent increase), and licensed practical nurses, employed by TEC at \$7 an hour, began working for PHP as psychiatric technicians at \$10 an hour (a 42.9-percent increase). ^{1/} Psychiatric attendants were paid \$6 an hour by both PHP and TEC. Persons in the three above positions receive a 50-percent premium for working overtime.

PHP recognized the proposed salaries were higher than those paid for similar positions in the Fort Chaffee area, but stated the high wages were necessary to attract high quality staff to work at Fort Chaffee when they had no assurance of how long they would be employed. For contracts of less than a year, salaries are based on hourly rates, rather than annual rates, so the total compensation paid to an individual over the contract period is always higher. Since PHP planned to recruit staff from locations throughout the United States and Puerto Rico, a national average pay scale was used as the standard of comparison, rather than a local scale. Also PHP proposed paying all employees in the same job category the same salaries, regardless of whether they were bilingual, to avoid morale problems.

According to the coordinator and NIMH contracting staff, the only review of the PHP-proposed salaries which occurred from October 11 through mid-November involved a comparison with those proposed by Manpower. Also, some limited salary information was made available to them from another PHP contract which had been awarded by the Health Services Administration to provide comparable services for the entrants at a Washington, D.C., facility.

The director of operations told us that, before Fort McCoy and Fort Indiantown Gap were closed, he had contacted 30 bilingual

^{1/}The TEC salaries discussed above included \$1 per hour pay raises authorized as of October 13.

social workers and nurses who had been working there to offer them employment in similar capacities if and when the refugees were consolidated at Fort Chaffee. He said that these individuals had orally agreed to transfer to Fort Chaffee at about the same salaries they were already being paid. PHP, when awarded its contract, immediately contacted some of the same individuals and offered them employment at significantly higher wages than the director of operations had negotiated, plus \$40 a day per diem. Of the 30 individuals first contacted by the director, 12 were employed by PHP during the first 2 weeks of its contract. Ten of these individuals were social workers, and two were psychiatric technicians.

As of October 31, PHP employed 99 staff members. At that date, 43 of PHP's staff had been recruited from TEC, and 11 others had previously agreed to come to Fort Chaffee after being contacted by the director of operations.

PHP'S ORIGINAL CONTRACT PROPOSAL WAS
CHANGED SOON AFTER BEING IMPLEMENTED

As mentioned earlier, the original PHP letter contract called for 94 staff members at a cost of about \$2,359,500 based on the assumption that mental health care would be provided to about 100 outpatients and 60 inpatients a day. While the entrants were being transferred from Fort McCoy and Fort Indiantown Gap, it became apparent that many more of them were mentally ill than had been anticipated.

Several factors contributed to the increased numbers. First, there was no permanent psychiatric evaluation staff at Fort McCoy. Therefore, as entrants were evaluated and reevaluated by different medical professionals, some previously considered mentally ill were diagnosed as not being mentally ill, and were transferred to Fort Chaffee.

Second, according to the coordinator, during the last days before Fort McCoy closed, State Department and HHS staff there inappropriately reclassified about 200 of the entrants previously diagnosed as needing further mental health care. Of these 200, more than 30 needed inpatient care within the first 3 weeks of arriving at Fort Chaffee.

Also, according to the coordinator and a task force representative, permission was apparently given to the task force between late September and mid-October to consolidate the remaining mentally ill entrants, who could be treated as outpatients, to Fort

Chaffee. We were not able to confirm whether the permission was granted, and if so, when it was granted, because no documentation was available.

Other contributing factors to the increasing numbers of mentally ill included (1) stress within the camp remained high, (2) as further screening at Fort Chaffee was done, more patients were identified for whom further evaluation and treatment were necessary, (3) some patients who had been discharged from a mental health care facility had to be readmitted shortly afterwards.

As a result of the above factors, the estimated numbers of outpatients increased from 100 to 350 and estimated inpatients increased from 60 to 100.

Because of the increased numbers of mentally ill, PHP, in its definitization proposal of October 31, requested increases in (1) services, (2) the number of staff to 165, and (3) the cost of the contract to about \$3,360,000. On November 7, NIMH issued a change order which reflected the increases in services, staff, and costs set forth in PHP's October 31 proposal.

On December 8, PHP proposed another contract amendment to expand the scope of services and increase the staff to 260 and the total cost to about \$4.9 million. This proposal was turned down by the project officer on December 17.

ISSUES AGREED TO BY NIMH AND
PHP DURING CONTRACT NEGOTIATIONS

The letter contract was awarded to PHP in October 1980 so it could begin providing mental health care services as soon as possible. PHP operated under the provisions of the letter contract through mid-January 1981, when it was definitized and a formal cost-plus-fixed-fee contract was negotiated between NIMH and PHP. At the conclusion of these negotiations on January 14, 1981, (1) the final cost of the contract awarded to PHP totaled \$3,066,736 and (2) the authorized staff totaled 165.

As of January 14, PHP had employed 208 staff in anticipation of the contract's scope of services expanding. When notified that the scope would not expand and the staff limit would be 165, PHP dismissed over 40 employees. According to a PHS official, most of those dismissed were from outside the Fort Chaffee area and had been involved in psychiatric screening activities.

Salary rates

Under the letter contract all staff in any given labor category were paid the same salary. Since January 14, all new hires employed as psychiatric nurses, psychiatric technicians, senior social workers, and social workers have been paid an agreed base rate plus a differential for bilingual ability and a separate differential if their permanent residence is more than 50 miles from Fort Chaffee. Those employed before then will continue receiving the high salaries established under the letter contract.

The table below shows the base rates and differentials for new employees in the four labor categories.

<u>Labor category</u>	<u>Hourly base rate</u>	<u>Bilingual differential</u>	<u>Geographic differential</u>	<u>Maximum rate</u>
Psychiatric nurses	\$ 9.00	\$3.00	\$2.00	\$14.00
Psychiatric technicians	6.50	2.50	1.00	10.00
Senior social workers	11.00	3.50	2.50	17.00
Social workers	8.00	2.00	1.00	11.00

Per diem

In addition to the salaries and differentials paid by PHP, staff members recruited from outside the Fort Chaffee area (permanent residence more than 50 miles away) were also to be paid \$40 a day for living expenses for the entire time they were employed by PHP. The \$40 was to be paid regardless of their actual living expenses. This amount was proposed because of the relatively short time staff members were expected to be employed under this contract, and to compensate for providing services away from their residence.

An accounting firm, under contract with HHS to audit the proposed costs of the PHP contract, questioned the reasonableness of HHS paying the \$40 per diem beyond the first 30 days of employment at Fort Chaffee. The firm recommended that the NIMH contracting staff negotiate a contract provision for per diem.

As a result of the contract negotiations, eligible employees received \$40 per diem through January 31, 1981, and will receive \$26 per diem from February 1 through April 10, 1981. Top managers

and physicians employed by PHP will receive \$40 per diem through April 10.

Contractor's fee

Originally PHP proposed that it receive a fixed fee of \$263,205 to carry out the contract. Through negotiation the final fixed fee was reduced to \$200,628.

Contract services are more defined

In addition to the above adjustments, the services to be provided were more specifically defined. Because the letter contract was quite general, different interpretations existed regarding the nature of services to be provided. This difference was especially pronounced concerning the psychiatric screening of the entrants. PHP was asked by the voluntary agencies at Fort Chaffee to screen certain entrants, and PHP interpreted that it could do this as part of the authorized consultation activities. The coordinator and NIMH contracting officials thought that an initial screening would be done by social workers and others not employed by PHP and that PHP would provide indepth screening only to individuals identified as potentially mentally ill. Once this difference was resolved, PHP discontinued the unauthorized screening activities.

Also, because the letter contract did not include a specific description of the scope of work, PHP initiated several other activities. These included operating a low security psychiatric unit and a 24-hours-a-day, 7-days-a-week crisis intervention unit, and consulting with and providing psychiatric screening to unaccompanied minors. When the coordinator learned of these activities, he concurred because he saw them as fitting within the scope of the contract; however, he limited the scope of services and staff size.

SUMMARY AND OBSERVATIONS

We believe that the many complexities and uncertainties surrounding the entire Cuban entrant situation, together with the sensitive nature of decisions relating to relocating the mentally ill, made it extremely difficult to plan to provide mental health services to the entrants in an orderly manner. Given the circumstances we believe the decision to proceed with a letter contract to obtain mental health services was not unreasonable.

However, the tight time constraints under which the letter contract was announced and awarded had several negative consequences:

- The director of operations and the chief PHS officer of Fort Chaffee were not full participants in the process of deciding how mental health services would be provided.
- Salary levels established were considerably higher than salaries previously paid for similar services at Fort Chaffee.
- Per diem allowances to cover the cost of housing were generous in both their amount and duration.
- The scope of the services to be provided was not clearly defined.

When entrants began arriving at Fort Chaffee, it became apparent that many more of them were mentally ill than had been initially estimated. As a consequence, PHP in its October 31 definitization proposal requested an increase in services, staff, and cost of the letter contract. On November 7, 1980, NIMH approved a change order which reflected an increase in services and also increased the authorized staff to 165 and the total cost of the letter contract to about \$3,360,000.

PHP operated under the letter contract until January 14, 1981, when the contract was definitized and negotiations were completed. As a result:

- The total cost of the contract was determined to be \$3,066,736 and the total authorized staff was limited to 165.
- The base salaries of certain new employees were reduced to levels approximating those previously paid by TEC and pay differentials were provided for bilingual capability and to compensate employees who came from outside the Fort Chaffee area. However, those individuals employed before January 14 continued to receive the high salaries established under the letter contract.
- The amount of per diem was reduced from \$40 to \$26 a day for most employees beginning February 1, 1981.

--The differing opinions between PHP and the coordinator concerning PHP's approach to psychiatric screening were resolved and the nature and extent of other services to be provided were more specifically defined.


According to the coordinator, to gain better control of the provision of comprehensive mental health services at Fort Chaffee, the following procedures have been initiated: (1) regularly scheduled reviews of the mental health staff needed and services provided, (2) tighter administrative procedures to monitor hours worked by PHP staff, (3) controls on expenditures for supplies and equipment, and (4) more definitive reporting and documentation requirements on the treatment and rehabilitation of the mentally ill entrants.

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As requested by your office, we did not obtain formal written comments from HHS on this report. However, we discussed a draft of the report with the PHS coordinator for mental health services and NIMH contracting officials and have incorporated their comments where appropriate.

As arranged with your office, we plan no further distribution of this report until 5 days after it has been delivered to you.

Sincerely yours,


Gregory J. Ahart
Director