DPHHS Cost Allocation Business Process Improvements

Presentation to the Montana Legislature 1/24/23

Cost Allocation needs of Business Process Improvements

The Department of Public Health and Human Services (DPHHS) has seen a high need in the several areas for Business Process Improvements. Financial staffing for the department has had a high turnover rate in the last two years as well as multiple retirements.

The department received concurrent audit recommendations for our cost allocation plan through the Legislative Audit Division in the last two audit cycles. These repeat recommendations included:

- A need to conduct and document a review of all cost pools to ensure that the department is allocating costs as outlined in the approved cost allocation plan.
- Develop and implement internal controls to detect variances in cost pools based on a full-time equivalent staff statistic.
- Assure costs are allocated as specified in the cost allocation pool, as required by federal regulations.

These findings caused timely corrections to allocation pools across the department that spanned multiple years. The correction caused multiple federal funding sources to have adjustments to their final financial reports that had been submitted.

The departments' current status with approved, submitted Public Assistance Cost Allocation Plans (PACAP) dating back to 2018 that have yet to be approved by our federal partners.

The department has seen high turnover in financial staff in the last biennium, necessitating the development of process training overview and detail training to maintain continuity of knowledge specific to the cost allocation plan.

- BFSD's limited in FTE to manage the amount of time, review and training necessary to provide the current need. The Cost allocation team consists of three FTE.

Implementation of Business Process Improvements

The Department of Public Health and Human Services (DPHHS) retained Alvarez & Marsal, Public Sector Services (A&M) under a Master Services Agreement for Business Process Improvement Services to assess the Department's Cost Allocation Processes and Documentation.

DPHHS and A&M have been working together to increase efficiencies and accuracy in the cost allocation process to promote movement from transactional processed to transformation approaches.

Specific tasks:

- DPHHS is migrating cost allocation from a monthly to a quarterly run to decrease the Cost Allocation Unit's workload of transactional work and to provide time for review of statistical costs in each cost pool.

- Development of a crosswalk tool between the PACAP and the cost allocation module to enhance accuracy of the cost allocation run.

- Adjustments to the department's Cash Management Improvement Act (CMIA) agreement to draw down on Medicaid administrative dollars more effectively.

- Improvements of forecasting methods and establishment of checkpoints between the Cost Allocation Unit and programs to increase cost allocation result transparency.

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Summary of Business Process Improvement Recommendations

The table and chart below summarize A&M's recommendations. The rows highlighted in green in the recommendations table have been prioritized by the Department for implementation.

Recommendation Category	ID	Recommendation
A. Resourcing	A1	Add Resource to Cost Allocation Unit
B. Cost Allocation Process Improvement	B1	Consolidate Cost Allocation Run Frequency
	B2	Simplify Statistical Inputs to Cost Allocation
	B3	Dissolve Transfer Cost Pools
	B4	Automate Manual Workflows
	B5	Establish and Maintain PACAP Database and Submission Cadence
	B6	Develop Cost Allocation Forecast
	B7	Implement Pre-Meeting to Cost Allocation Run
	B8	Implement Post-Meeting to Cost Allocation Run
C. Enhanced Training and Documentation	C1	Develop and Maintain Procedures Manual
	C2	Enhance and Administer Cost Allocation Training for Program and Fiscal Staff
	C3	Clarify Roles and Responsibilities
D. Enhanced Internal Controls	D1	Enhance Program Review of Cost Allocation Inputs
	D2	Improve RMTS QA
	D3	Establish Recurring PACAP Sample Audit
E. Agency-Wide Transformation	E1	Negotiate Indirect Cost Rates
	E2	Implement a Grants Management System
	E3	Establish a Centralized Grants Management Office

DPHHS Cost Allocation Recommendations

Time to Implement (Months)
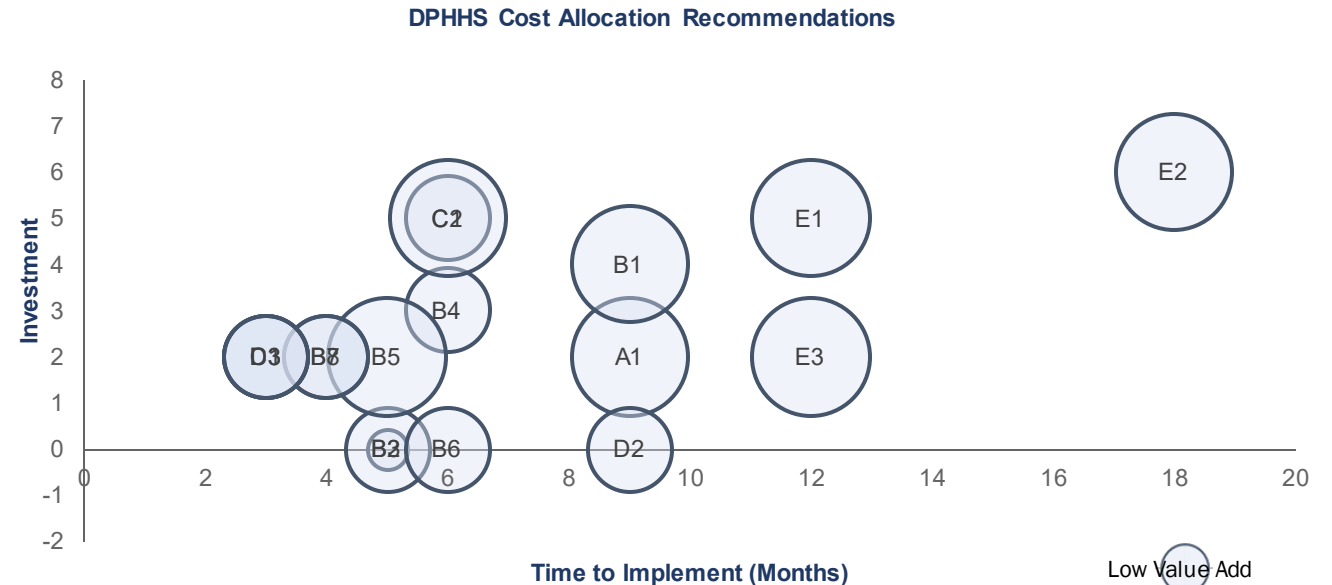
1) *Size of marker reflects Value Add score; Value Add is a qualitative measure determined with input from DPHHS staff to assess the impact that each recommendation would have on the Department's efficiency and efficacy*
2) *All metrics have been vetted by DPHHS*
3) *Investment has been categorized as "Low, Medium, High" based on estimated ranges.*

Metric	Cost Range
0	No Investment
1-2	Low
3-4	Moderate
5-6	High

Low Value Add

Moderate Value Add

High Value Add

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