

---

New York City

# HHS Accelerator

*Achieving High Performance Relationships with  
Providers of Human Services*

---

Office of the Deputy Mayor for Health and Human Services

Mayor's Office of Contract Services

---

April 2010



Michael R. Bloomberg  
Mayor





THE CITY OF NEW YORK  
OFFICE OF THE MAYOR  
NEW YORK, NY 10007

April 2010

Dear Friends:

New York City's nonprofit health and human services sector is vital to the wellbeing of millions of people across the five boroughs, including our most vulnerable residents. Especially during these tough times, it's critical that these organizations be able to provide New Yorkers with the first-rate care and attention they need and deserve. That's why we've created HHS Accelerator, a new department that will work to increase efficiency and transparency in the relationship between city government and providers—and ensure that our residents continue receiving the high-quality services they rely on.

HHS Accelerator will reengineer the procurement and contracting process between the City and providers. By eliminating redundancy and introducing user-friendly technology, providers will be able to refocus their energies on interacting with clients instead of fulfilling administrative requirements. What's more, our City will be able to respond to new challenges more quickly and develop more innovative solutions to the problems we face.

HHS Accelerator will transform the way nonprofit providers and city government interact, and this report is an important means of outlining the steps it will take to improve our health and human services sector. I commend the Office of the Deputy Mayor for Health and Human Services; the Mayor's Office of Contract Services; the management consultants from Accenture; and all of the participants in focus groups and case studies whose candid opinions and constructive ideas were critical to this report. Together, I know we will build a stronger future for our City, its partners, and every New Yorker.

Sincerely,

A handwritten signature in black ink, reading "Michael R. Bloomberg".

Michael R. Bloomberg  
Mayor



# Table of Contents

Summary.....	1
Current Situation .....	3
Human Services Delivery in New York City.....	3
Distribution of Human Services Dollars Spent Across Agencies .....	4
New York City's HHS Procurement and Contracting System .....	5
Long-Term Implications .....	10
Recent City Response: More is Needed .....	11
Provider Relationship Management Approach.....	12
Provider Relationship Management – The Concept .....	12
Vision for Provider Relationship Management.....	14
Approach .....	16
PRM and the Health and Human Service Outcome Model .....	16
Strategy for New York City: Accelerating Improvement in City/Provider Relationships .....	17
Key Considerations .....	18
Recommendation A: Implement Cross-Agency Prequalification and Master Service Agreements .....	20
Situation .....	20
New Process for Prequalification and MSAs .....	21
Benefits .....	23
Implement a Data Vault to Reduce Administrative Burden.....	24
Extending Prequalification Beyond Organizational Integrity Documentation .....	24
Structure Prequalification around a Human Services Taxonomy .....	25
Creating a New Business Function to Set Up and Administer the Process .....	25
Recommendation B: Reengineer Processes and Improve Their Transparency.....	27
Process Issues .....	27
Reengineering Processes .....	29
DOHMH Process Improvement: A Case Example .....	29
Process Improvement Approach .....	30
Additional Process Considerations.....	32
Lack of Transparency and Accountability.....	33
Implement Measures to Increase Visibility into the Procurement and Contract Management Processes .....	34
Leveraging Technology to Automate and Integrate Workflow, Collaboration and Reporting.....	34
Recommendation C: Institutionalize Collaboration Across the System .....	36
Cross-Agency Collaboration.....	36
Situation .....	36
Using the Services Taxonomy to Support Collaboration .....	36
Overlap Analysis Overview .....	38
Building on Current City/Provider Collaborations .....	41
Situation .....	41
Support Providers' Transition to New Processes, Methods and Tools .....	42
Exploring and Improving Operating Models .....	42
Transformation Road Map .....	45
Transformation Challenge .....	45
Transformation Journey and Work Streams .....	45
High Level Road Map .....	46
Progress Metrics .....	47
IT Considerations .....	48
Appendix .....	49
Research Scope and Prioritization .....	49
Interview List: Providers .....	49
Interview List: City of New York.....	50
Focus Group Attendees: City of New York.....	50
Focus Group Attendees: Providers .....	51
Overlap Analysis: Method.....	52
Detailed Documents: Before and After Prequalification.....	53
Glossary of Acronyms .....	54



# Summary

## The need for change

**“We only work if the providers work”**  
- Agency Commissioner

Nonprofit service providers represent the primary channel through which human services are delivered in New York City. More than 1,300 providers deliver nearly \$4 billion of services each year to clients through more than 3,700 contracts. Ensuring that clients receive quality services requires a healthy sector of providers and a well-functioning relationship between City government and providers.

**“People on both sides are saying this is a disaster of bureaucracy”**  
- Provider

Unfortunately, the contracting process is not an ideal mechanism for client service delivery and the process of doing business with the City is problematic for many providers. The difficulties affect not only the providers' health, but also the City's ability to achieve the desired outcomes for clients since providers find it more difficult to fund their operations and deliver quality services. The situation increases the gap between the demand for and supply of human services to clients, and in the long term, the sector will suffer from a drain of talent and innovation. The situation may become increasingly untenable in the face of increasing resource shortfalls and higher service demand.

**“There are some important established providers that are teetering on the edge”**  
- City Official

City government has taken action in recent years to improve the relationship with providers by improving existing processes, increasing City/provider collaboration and implementing supports to help providers work with the City. These steps are helpful, but now is the time for systemic change.

The underlying structure is burdened by the incremental accumulation of processes that have led to excessive paperwork, lack of transparency, redundant requirements and process delays that create unnecessary effort and cost for providers. These issues are predominantly in the procurement, contract management and oversight processes that are at the heart of the relationship between the City and providers.

## This report and its recommendations

This report describes the current situation in New York City: the challenges posed by the environment outside of City control, the issues in the current system and the implications if those issues are not resolved. The objective is to achieve a fundamental change in the relationship between the City and its providers through the strategy of managing provider relationships and the actions that deliver on that strategy. Finally, the report includes a 4-year roadmap to highlight the recommended sequence of key activities for the journey ahead.

The recommended actions focus on creating City/provider interactions that maximize the potential to deliver high-quality services to clients in the most cost-effective way. The City will achieve this by taking steps to reduce inefficiency that leads to unnecessary cost and delay and by improving the allocation of resources to higher value tasks. A more efficient system that is able to focus on higher value activities would not only be more productive in terms of service delivery, but would also increase the health and attractiveness of the sector to new entrants and foster new innovation. The result is a long-term improvement in social outcomes.

The report's recommendations recognize and value the diversity of providers and agencies, the importance of competition and oversight, and the need for change in several areas that influence the provider experience. In particular, the recommendations balance the notion that providers are simultaneously vendors and delivery partners and a new strategy must balance a tailored approach to provider relationship management with standardization.

Summary recommendations:

**(A) Implement cross-agency prequalification and Master Service Agreements for human services**

- Create a new process that simplifies multiple documentation submission requirements by using prequalification, Master Service Agreements and Service Orders
- Implement a Data Vault to reduce the administrative burden
- Structure prequalification around a common human services taxonomy
- Create a new HHS procurement business function to set up and administer the process

**(B) Re-engineer processes and improve their transparency**

- Re-engineer processes to clear bottlenecks
- Implement measures to increase visibility into the procurement and contract management processes
- Leverage technology to automate and integrate workflow, collaboration and reporting

**(C) Institutionalize collaboration across the human services system**

- Facilitate cross-agency collaboration with the new HHS procurement business function, supported by the human service taxonomy; align HHS service delivery and procurement strategy and conduct overlap analyses to identify areas that may benefit from standard approaches
- Build on existing collaborative actions across the City and between the City and providers; support providers' transitions to new processes and tools and investigate new operating models

**"Providers need to meet their contractual obligations...they also need support when demand fluctuates"**  
- Provider

**The journey ahead**

**"This is a significant transformation for the City and very much needed"**  
- Agency Commissioner

Implementation of these recommendations requires managing significant change for multiple stakeholders and coordinating several projects. Closely managing the transformation roadmap is required to clarify and adjust the path to improve the certainty of outcomes.

The City has laid the foundation over the last several years to expand and accelerate from incremental change to transformational structural change in order to make it easier for providers to do business with the City. While a transformation of processes will not solve all of the economic challenges that nonprofits face, it will ease the current burden and help providers focus on delivering appropriate quality services to clients. This is a multi-year process that requires a City-wide approach across all stakeholders, including agencies, providers and oversight authorities. The benefits will affect each of those stakeholder groups, but most importantly will increase and accelerate everyone's ability to achieve better outcomes with the clients they serve.



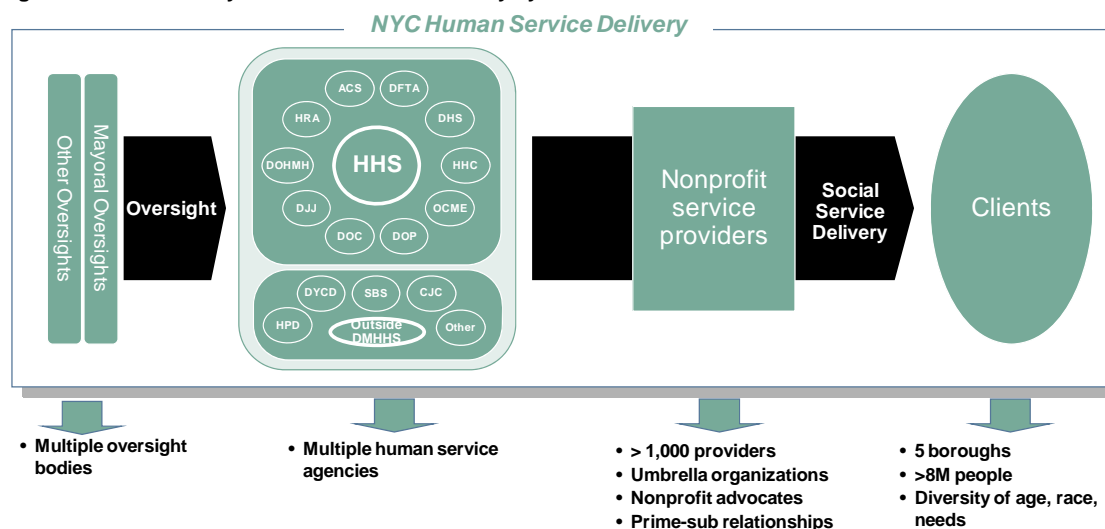
# Current Situation

## Human Services Delivery in New York City

**“We only work if the providers work”**  
- Agency Commissioner

Delivery of human services to New York City's large and diverse population involves multiple Health and Human Services (HHS) governmental agencies that contract with more than 1,300 non-governmental service providers, most of which are nonprofit organizations.

Figure 1: New York City's human services delivery system<sup>1</sup>



Contracting for human services is not the same as traditional procurement in which goods and services are sold as an input to be consumed by a buyer. Instead, human services procurement and contract management processes are used to establish and oversee a critical channel through which services are delivered to clients every year; in effect, the City “buys” human services on behalf of its constituents. Therefore, a well functioning relationship between the City and service providers is crucial to the effective delivery of human services.

Human services contracts represent a large portion of the City procurement budget and direct money to provider organizations that are not directly accountable to the client population.<sup>2</sup> In order to protect clients and public money and ensure the fairness of the contract process, oversight organizations play influential roles in the relationship between City agencies and providers. Thus, while the agencies and providers are responsible for delivering social services, the process is subject to legal, fiscal and contracting oversight by entities such as the Corporation Counsel (Law), Comptroller, Office of Management and Budget (OMB), Mayor's Office of Contract Services (MOCS), Department of Investigation (DOI) and the Division of Labor Services (DLS) of the Department of Small Business Services. Each entity has a distinct role in the contracting process and each is an integral part of the system.

<sup>1</sup> Private and nonprofit resource providers are excluded from this picture. While corporate, private and foundation donors are important resource providers for nonprofits (money, volunteers, and in-kind gifts), their issues and strategies are not in the scope of this report.

<sup>2</sup> Human Services contracts represent 22% of total City procurement. Source: *Agency Procurement Indicators Report Fiscal Year 2009 – Mayor's Office of Contract Services*. The amount fluctuates with budget and contract cycles; for example, human services procurement was 16% of total City procurement in 2008. Source: *Procurement Indicators Report, Fiscal Year 2008*. The cost of administering those contracts is also high.

## Distribution of Human Services Dollars Spent Across Agencies

Each year the City delivers around \$4 billion of human services through 3,700 contracts with more than 1,300 service providers. Of the total, \$3.4 billion is within Deputy Mayor for Health and Human Services' (DMHHS) agencies and is distributed across 2,300 contracts and 1,100 providers.<sup>3</sup> In addition to these competitive contracts, there are also many elected official discretionary contracts.<sup>4</sup>

Figure 2: Distribution of spending, contracts and providers across human services agencies (April 2009 snapshot)<sup>2</sup>

		Annual Spending	Total Contracts	Total Providers
DMHHS Agencies	ACS – Children's Services	\$1,331,350,105	572	349
	DOHMH – Health & Mental Health	\$1,005,322,538	496	311
	DHS - Homeless	\$467,187,950	266	142
	HRA – Human Resources	\$366,609,458	191	124
	DFTA - Aging	\$238,944,707	710	360
	DOC - Corrections	\$3,995,339	8	7
	PROB - Probation	\$2,959,263	1	1
	DJJ – Juvenile Justice	\$355,127	16	16
		<b>\$3,416,724,487</b>	<b>2260</b>	<b>1106</b>
Outside DMHHS	CJC – Criminal Justice	\$293,132,255	64	48
	DYCD – Youth & Community Dev.	\$240,853,260	1340	350
	SBS – Small Businesses	\$27,001,572	33	24
	HPD - Housing	\$17,509,293	26	21
		<b>\$578,496,379</b>	<b>1463</b>	<b>410</b>
Total		<b>\$3,995,220,866</b>	<b>3723</b>	<b>1391</b>

Note: Total provider count does not equal the total of the rows because some vendors overlap with other agencies

### Factors Affecting the Health and Human Services System

Environmental factors create complexity for the human services system. These factors are present regardless of the system of rules, processes and technology New York City chooses to use to operate procurement and service delivery.

- Federal and state requirements:** Federal and state governments impose regulatory mandates on City agencies and the providers. These mandates include rules for licensing and program delivery and claims for reimbursement. This regulation creates complexity for agencies (for example, DOHMH has more than 70 funding streams) and providers –especially for those that contract with various levels of government.<sup>5</sup>

**“There are so many state mandates, I have to apologize to the providers”**

- Agency Commissioner

<sup>3</sup> Data includes all agencies under the purview of the Deputy Mayor for Health and Human Service (DMHHS) other than Health and Hospitals Corporation (HHC). Expenditure excludes discretionary contracts. Data compiled from FMS, includes open human services contracts as of April '09: Annual spending = dollars spent = total contract value/number of contract years; depending on contract cycles, this can vary between \$2.8B and \$3.5B each year (source MOCS). The number of providers is more than 1,106 or 1,391 because of arrangements in which prime contractors subcontract with other providers.

<sup>4</sup> Discretionary contracts were not reviewed as part of this report. Although numerous, they are typically small compared to the competitive contracts (approximately 2% of total City procurement.) The City Council and Borough Presidents are permitted to bypass competition and award discretionary contracts to specifically designated nonprofits; however, these awards must by law be structured as stand-alone one-year contracts for services performed entirely within the fiscal year of the award. The recommendations in this report are focused on competitive contract processes, but some aspects may also aid in the processing of discretionary contracts, to the extent that the City Council continues its current policy (not mandated by law) of requiring discretionary awardees receiving more than \$10,000 to be prequalified.

<sup>5</sup> Several providers interviewed for this report also had contracts or funding streams with counties outside of NYC such as Nassau County or the federal government. However, the overall number of providers that contract with different branches of government is not available.

- **Contract vigilance:** The City has multiple oversight steps in procurement and contract management. There is a culture of provider competition and strong vigilance to make sure City officials spend public money appropriately.

"I'm in this role to exercise discretion but if I do so the immediate assumption is something nefarious is going on"

- Agency Commissioner

- **High-risk populations and a significant human cost of failure:** Many human services clients have needs that affect their immediate and long-term wellbeing. The provider delivery channel is critical for these populations to receive the right services at the right time and at an appropriate level of quality. For more fragile populations, continuity of service is also a key programmatic goal that is often challenging to achieve within a procurement system driven by frequent provider competition. Failure in the delivery of these services can lead to human tragedy that affects individuals, families and communities. This risk is not limited to a small population: the percentage of people in New York City under the poverty level is above the national average,<sup>6</sup> and more than two million people are potential clients of the human services agencies.<sup>7</sup>
- **Neighborhood differentiation:** New York City has unmatched diversity across its five boroughs as well as strong bonds and shared cultural identities within communities and neighborhoods. "Cultural competence" is a phrase providers and City government frequently use to recognize that successfully delivering services requires a connectedness to and understanding of the specifics of those local neighborhoods. One indicator of this need is diversity: 37% of New York City's population is immigrants and 48% of New York City residents speak a language other than English at home.<sup>8</sup>
- **Growth in small nonprofits:** In the past decade, the number of small nonprofits in the United States has been steadily increasing, including human services nonprofits and those representing growing immigrant populations.<sup>9</sup> This addition to the current set of large, established organizations not only increases the competition for dollars and talent, but also stresses the entire sector as the new nonprofits seek to understand how to engage with the City and as the City seeks to evaluate which are capable providers.

## New York City's HHS Procurement and Contracting System

The procurement and contracting system – the heart of the relationship between the City and providers – has many problems. Interviews with City agencies and members of the provider community indicate broad agreement that the current system is characterized by inefficiency, delays and inconsistency, all of which cause issues for both the City and providers.

"Unfortunately, the best intentions of avoiding corruption have led to an excruciatingly complex system"

- City Official

"...a disaster of bureaucracy"

- Provider

The main issues are:

- (i). Complex, slow and error-prone processes
- (ii). Under-utilization of information technology (IT) in procurement and contract management
- (iii). Limited reporting into workflow and performance
- (iv). Rigid contracts and requests for proposals (RFPs) with high administrative effort and cost
- (v). Multi-level oversight within and outside of agencies

<sup>6</sup> 2006 New York City Center for Economic Opportunity report *Increasing Opportunity and Reducing Poverty in New York*.

<sup>7</sup> Office of the Deputy Mayor for Health and Human Services IT strategy, December 2007.

<sup>8</sup> Population over 5 years old. *US Census New York City fact sheet 2005-07*. <http://factfinder.census.gov>

<sup>9</sup> From 1998-2008, the number of US nonprofits rose 32.7%, from 1.16 million to more than 1.5 million. Source: Urban Institute, National Center for Charitable Statistics, Core Files 2007.

In particular, Human Service providers have grown quickly in employee count and spending: From 1999-2004 there was a 25% increase in nonprofit employees providing human services nationally and grant dollars are estimated to have risen 22% from 2006 to 2007. Source: *Massachusetts Human Services & Nonprofit Sector Report* produced by the Providers council for Caring Communities, 2007. Data are unavailable for NYC but interviews suggest a growth in small nonprofits.

- (vi). Inconsistency within and across agencies
- (vii). Inconsistent standards for administrative overhead

### (i). Complex, slow and error-prone processes

Procuring human services involves unnecessary effort, duplication of work and delays in both the procurement and contract delivery processes. For example, there are 20 approval points within seven oversight steps in the RFP solicitation process, within which the RFP approval between MOCS and agencies can take up to a year prior to solicitation.

**“I am unable to quickly contract for critical services I’m legally mandated to provide”**

- Agency Commissioner

**“If you assume it will move through [RFP and invoicing] on its own, you’re a fool”**

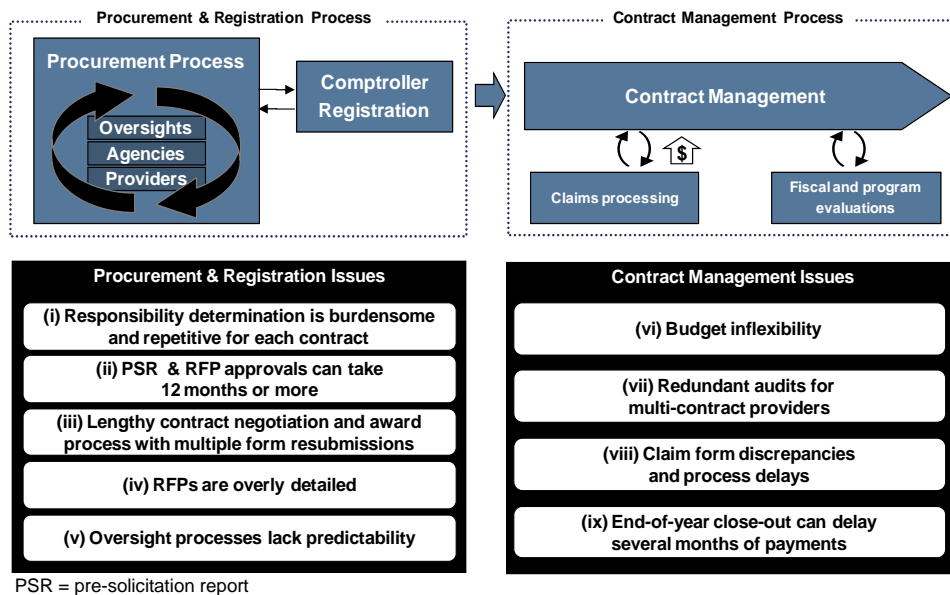
- Provider

These issues occur both during the procurement and contract registration process and during contract management and delivery. Unnecessary effort means the cost of doing business with the City is higher than necessary. Processing delay exacerbates the problem, particularly when it leads to delayed payments, a frequent complaint by providers. Most providers are unable to cease providing services that are already in progress and must therefore bear the cost of trying to acquire alternative sources of funding from credit lines or private donors in order to meet operating expenses.

**“I am acting as a bank for the City”**

- Provider

**Figure 3: Process issues during and after procurement and contract registration**



### (ii). Underutilization of IT in procurement and contract management

Most City agencies manage their procurement and contracts with a combination of paper and standalone individual spreadsheets.<sup>10</sup> Excessive paper brings cost, effort, delays, and increased potential for error, all of which contribute to the process issues mentioned above. Lack of integrated IT across the business process also inhibits the sector’s ability to capture information and provide common access to current data.

<sup>10</sup> DOHMH and DYCD have contract management systems and the Mayor’s Office of Contract Services currently automates some of its processes.

**"I don't know where all the paper goes"**

- Agency Commissioner

**"I have often submitted paperwork on multiple occasions because the City denied receiving it, or received it and lost it"**

- Provider

**"I am often called by different people who don't talk to each other"**

- Provider

### **(iii). Limited reporting into workflow and performance**

**"I don't know the status of my claims"**

- Provider

**"I don't see any reports on procurement performance"**

- Agency Commissioner

New York City has made significant strides in recent years to increase accountability by gathering and sharing performance metrics. However, despite the amount of dollars spent and the large number of participants, processes and interaction points in human services contracting, there is a lack of operations and management reporting. One inhibiting factor to creating reports is the paper-heavy environment.

More reporting is needed on process effectiveness and provider performance:

- **Process effectiveness:** The MOCS' Annual Agency Procurement Indicators report shows contract spending and registration timeliness, and the Human Service Plan provides high-level status and is updated periodically on the MOCS web site. The otherwise limited reporting on the procurement process consists of reporting at a management level (periodic targets and performance against those targets) and on day-to-day operations (where each providers' items are in the process, how long they have been there and who is responsible for the next action).
- **Provider performance:** Upgrades to the VENDEX system have improved the ability to update and access performance data, but agencies and providers alike commented that more information is needed. Agencies may be unaware of performance issues on a contract that would affect their in-flight procurement. Providers want to know more about their relative performance: they support ratings and evaluations as long as they are not overly burdensome, they receive the results, and it is clear how they can improve their performance.<sup>11</sup>

### **(iv). Rigid contracts and RFPs with high administrative effort and cost**

Because agencies procure human services differently and apply different rules for certain types of contracts based on state mandates, it is difficult to generalize about issues within the content and requirements of contracts and solicitations. However, several themes emerged from interviews with agencies and providers.

- **RFPs' tendency to not achieve their intended benefits:** Theoretically, having a broad, open competition through an RFP should bring new entrants and new ideas to meet agencies' needs and should lead to high-quality providers at a reasonable price. RFP competition prevents issues of excessive incumbency, such as complacency, nepotism, uncompetitive pricing and lack of innovation. Some areas of human services have "markets" that are appropriate for RFPs because barriers to entry are low for local providers and new innovations are common (e.g. after-school programs), or because there is a healthy market of large-scale providers (e.g. employment services). However, in many human services categories, RFPs are not achieving their intended benefits: they are not fostering innovation, encouraging new entrants or achieving competitive rates (many of which are set by the state). RFPs tend to be cumbersome and complex and often

---

<sup>11</sup> For example, a couple of providers indicated that ACS' new performance system is very advanced but that the rationale of their results is unclear. They would also like to know how to improve in order to earn a higher score.

discourage smaller providers from competing effectively. It is also questionable that the RFPs always provide an appropriate objective evaluation of the best providers.

**“RFPs treat social services like a commodity – that’s crazy”**

- Agency Commissioner

**“I would love to get rid of the RFP and replace it with something better”**

- Agency Commissioner

**“Expertise and judgment are removed from the process”**

- Agency Commissioner

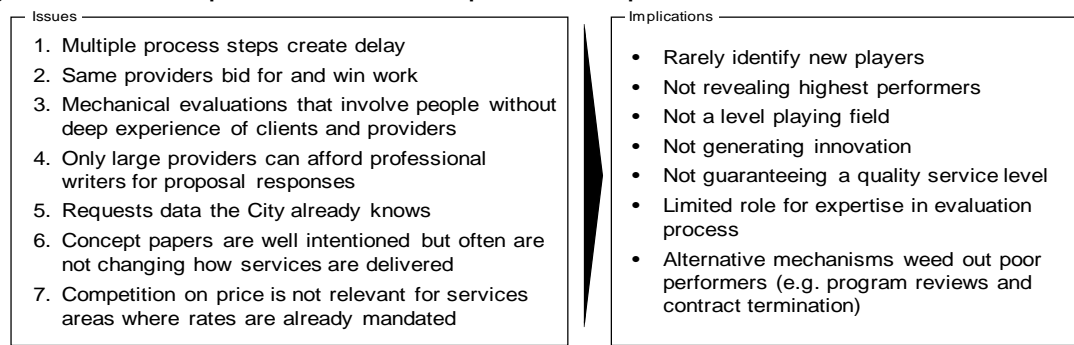
**“It’s always the same providers; we’ve only found one new provider through competition”**

- Agency Chief Contracting Officer

**“It is a lot of effort to go through just to continue delivering the services we’re already providing, telling the City information they already know”**

- Provider

**Figure 4: Issues and implications of current RFP process and requirements**



- **Contract rigidity.** Providers’ issues concerning contract rigidity include:
  - *Lack of budget flexibility in the claiming process:* Payments can be held up for minor clerical errors and budget variances even when those variances do not add to the City’s cost.
  - *One-way contracts:* Partly because of the large number of awards for certain programs, such as day care, senior centers and after-school programs, agencies often present contracts to providers as “cookie-cutter” documents that are virtually non-negotiable. Particularly when this occurs late in the process and with the contract start date approaching, providers have little time to review the legal documents, much less to seek revisions.
  - *Performance-based contracts without an upside:* Contracts that have penalties for not meeting target metrics but do not have bonuses for exceeding those targets can inhibit innovation and productivity.
  - *Contract intentions not matched by reality:* Contracts with performance-based intentions are sometimes micro-managed as detailed line item budget contracts, thereby increasing the administrative burden for both the City and the providers.

#### (v). Multi-level oversight within and outside of agencies

**“On the very rare occasion there’s a problem, a layer of oversight is added, without substituting for what supposedly wasn’t working before”**

- Agency Deputy Commissioner

**“Claiming procedures are penny-wise and pound-foolish”**

- Provider

The history of contract vigilance has led to a continued increase in the amount of oversight in an attempt to protect the City from fraud and collusion. While oversight is necessary to protect the taxpayer and the client populations, the administrative impact on agencies and providers is compounded by those steps being implemented into a paper-heavy process that lacks transparency.

**(vi). Inconsistency within and across agencies**

“Within the same agency different staff members will apply rules differently”

- Provider

“There are different rates and terms and conditions for essentially the same service”

- Agency Deputy Commissioner

There are good programmatic and legislative reasons for agencies and contracts to have different approaches to service scope, and to a lesser extent, payment methods. However, differences in performance criteria, forms, budget flexibility, rates and administrative processes for similar service areas create unnecessary variation, confusion and effort. For example, both the City and providers highlighted eviction services and food services as two areas with differing processes and rates across agencies.

**(vii). Inconsistent standards for administrative overhead**

Aspects of the reimbursement system that particularly frustrate providers include:

- Increased cost of rent and food not factored into reimbursements: although not classified as personal services and sometimes characterized as overhead, they are an important component of service delivery
- Cross-agency variation in administrative rates



## Long-Term Implications

The issues above are detrimental to all providers, especially as the majority of them rely upon the City as the main source of funding. There are longer-term issues for providers, City government, and client populations:

- **Client service gaps:** More providers are forced to reduce service quality, cut services, and target “easier” populations, potentially creating service gaps in communities.
- **Health of human service provider sector:** The nonprofit sector suffers from a decline in the talent, innovation, and quality of providers.

Figure 5: Negative and worsening implications for the human services system

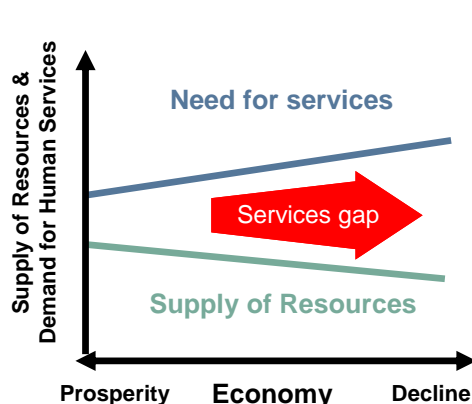


The situation is worsening because the nonprofit sector faces increased pressures from two directions: the changing demand for services and the shortage of resources:

- **Changes in service demand:** Challenging economic times create increases in demand for food, shelter, and other forms of assistance.
- **Resource shortfalls:** Cuts in City funding, as well as reduced private donations, foundation grants and availability of credit lines, mean nonprofits are struggling to survive. Contract and budget cycles prolong the impact on nonprofits and delay the upswing during economic recovery. City budget cuts can also lead to staff turnover within government agencies that interact with providers, thereby creating a learning curve and a disruption in City/provider relationships. With budget shortfalls expected to continue in state funding and City revenues, and with stimulus funding providing only temporary relief, this situation will continue to worsen and will become increasingly untenable.



**Figure 6: Simultaneous pressures from demand for services and the supply of resources**



**Government funding is down, and worsening<sup>12</sup>:**

- 6% of providers report that government contracts fund the full amount of the real costs of providing services
- Contracts cover 80% or less of the real costs of delivery for 33% of providers
- 64% of providers' situations have worsened

**Resources from all sources are lessened:**

- 60% of providers are having difficulty managing their cash flow in comparison to previous years
- 75% lack financial reserves (endowments, lines of credit)
- 73% have experienced reductions in private funding

The current issues and the worsening trends risk damage beyond the steady erosion of New York City's ability to provide human services to its clients. Without significant action the erosion could turn into a landslide.

**"There are some important established providers that are teetering on the edge"**

- City Official

**"It is unclear what will snap first"**

- Agency Commissioner

## Recent City Response: More is Needed

New York City government has implemented several changes to procurement and contract management in the past few years. Some of the changes address process issues and nonprofit workload, while others have increased visibility into the process.

**Figure 7: Recent changes to procurement, contract management and provider relationships**

<b>Process improvement and transparency</b>	<b>Cross-sector collaboration and standardization</b>	<b>Other supports</b>
<ul style="list-style-type: none"> <li>• Publication of upcoming human services procurements on nyc.gov</li> <li>• Development of the MOCS' Automated Procurement Tracking IT system to improve speed of and visibility into oversight process</li> <li>• Improved use of IT and process optimization within some agencies (i.e. DYCD, DOHMH)</li> <li>• Centralized VENDEX</li> <li>• Comptroller's Payee Portal</li> <li>• Extended contract length</li> </ul>	<p><u>Cross-agency collaboration:</u></p> <ul style="list-style-type: none"> <li>• Cross-agency contracting (e.g. DHS and DOHMH outreach contracts)</li> <li>• Revising rules around buy-off contracts and interest for late payments</li> <li>• Investigating standard terms and conditions for human services providers</li> </ul> <p><u>City/provider collaboration:</u></p> <ul style="list-style-type: none"> <li>• Establishing collaborative workgroups to reduce overhead costs e.g. group purchasing</li> <li>• Discussing COLA</li> </ul>	<ul style="list-style-type: none"> <li>• Assisting nonprofits via 311, including dedicated contract facilitator within MOCS</li> <li>• Expanding loans to cover provider cash shortfalls when City payments are delayed</li> <li>• Prompt payment with interest for late registration</li> <li>• City-sponsored capacity-building technical assistance services and free training programs</li> </ul>

<sup>12</sup> "The Helpers Need Help," Krauskopf, Blum, Litwin, Hughes, Browne, 2009. Research conducted by Baruch College, sponsored by the Human Service Council of New York City.

These changes have mitigated some of the current problems but do not sufficiently address the main issues faced by service providers:

- Process errors, payment delays and over-reliance on paper
- Lack of transparency and accountability
- Redundant competition and oversight requirements
- Agency inconsistencies
- Challenges for small community providers to do business with the City

*“Loans and training help, but do not solve the problem”*  
- Provider

The current environment has given rise to a City commitment to accelerate from incremental change to transformational structural change to make doing business with the City easier. While a transformation will not solve the economic issues that nonprofits face, it is required for easing the burden and helping providers focus on delivering appropriate, quality services to clients.

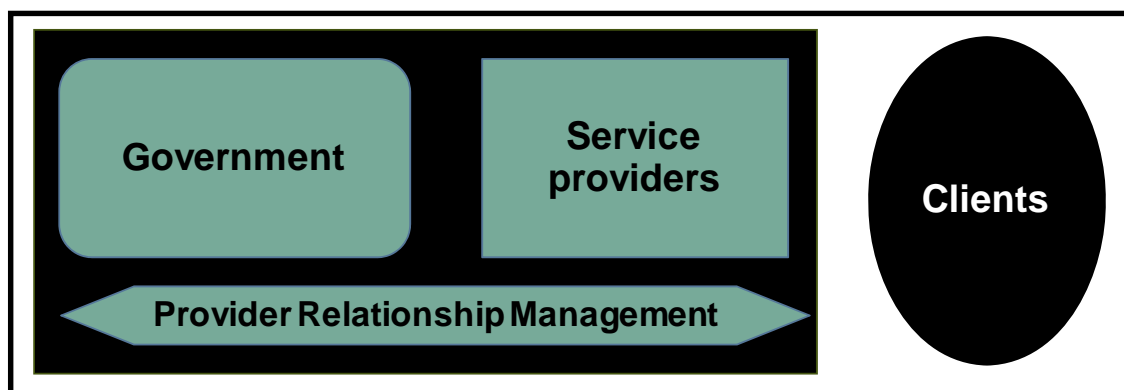
## Provider Relationship Management Approach

Resolving the issues that have long-term implications for clients and for the health of the human services sector requires making bold changes that affect providers, agencies and City oversight organizations. While some issues are rooted in the environmental pressures outside of the system’s control, there are issues within the City’s and providers’ control that they can attack.

### *Provider Relationship Management – The Concept*

Provider Relationship Management (PRM) is a concept that recognizes the importance and seeks to maximize the success of relationships between government and service providers. The relationship between a government and its clients is paramount and it must be carefully managed or it risks becoming dysfunctional.

Figure 8: Provider Relationship Management



Effective PRM in human services must acknowledge the tension and realities of the interests of each group of players (oversight, agencies, and providers) while seeking to identify and work towards an overall objective. In short, the goal is to foster City/provider interactions that maximize the system’s potential to deliver the best services to clients in the most cost-effective way.

There are two important dimensions that government needs to balance within a PRM strategy: the driver of the relationship and the level of customization of the provider interactions. This balance is achieved by a holistic structured approach to PRM.

- **Balance of vendor and service delivery partner:** Providers are simultaneously vendors that obey procurement and contractual obligations and service delivery partners whose performances have consequential effects on government's ability to serve clients.

Figure 9: PRM balancing vendor and service delivery partner relationship



Although the balance varies by agency, New York City's competitive approach to procurement, level of oversight, and administrative requirements for providers has tilted the balance towards providers as vendors rather than as partners. Recent actions have shifted the balance towards partnership, and the recommendations of this report seek to move the balance further in that direction. This movement does not ignore the importance of competition and contracts but recognizes that there are procurement changes that can help providers improve service delivery.

Figure 10: Sample characteristics of procurement-driven vendor and service-delivery-driven partner approaches

Procurement-Driven Vendor	Service-Delivery-Driven Partner
<ul style="list-style-type: none"> <li>• Unambiguous contract obligations, roles and expectations</li> <li>• Clear payment and incentive schemes</li> <li>• Clear evaluation and ratings, with lack of tolerance for sustained poor performance</li> <li>• Oversight of fiscal competence, organizational integrity and delivery performance</li> <li>• Fair solicitation process</li> <li>• Issues are the provider's problem</li> </ul>	<ul style="list-style-type: none"> <li>• Identify shared outcomes and align the relationship accordingly</li> <li>• Recognize and maximize strengths of each partner</li> <li>• Attack problems as shared problems</li> <li>• Openness and empathy</li> <li>• Mutual review of delivery performance</li> <li>• Collaborative issue resolution</li> </ul>

- **Balance of standard interactions and tailored interactions per provider:** PRM seeks to maximize valuable interactions and minimize the time spent on low-value interactions. While having standard approaches to all providers is beneficial, there also is value in tailoring aspects of the relationship. Examples include risk-based oversight based on past performance and likelihood of integrity issues, incubation of small providers to foster innovation to support a specific client population and establishing clearer "account manager" relationships with large multi-contract providers.

Figure 11: PRM balancing standard versus tailored approaches



New York City has some standard procurement practices, but the administrative approach differs among human services agencies and between programs within agencies. Some agencies have tailored approaches (e.g. remediation plans) but have limited tailoring for provider characteristics.

This report's recommendations seek to strengthen standard approaches and provide the ability to tailor approaches to providers with similar characteristics, such as shared client outcomes, size of the providers and type of service.

**Figure 12: Sample characteristics of standard sector approach and tailored-per-provider approach**

Standard sector approach	Tailored-per-provider approach
<ul style="list-style-type: none"> <li>• Understand macro trends that affect provider resources, capabilities and performance</li> <li>• Formulate strategies and operating models that maximize the collective power of the provider network</li> <li>• Standardize interactions for all providers where there is benefit in one approach</li> <li>• Create a varied set of interactions and incentives for the sector e.g. contract vehicles, innovation awards, taskforces</li> </ul>	<ul style="list-style-type: none"> <li>• Maximize valuable interactions and minimize the time on low-value interactions based on provider interests</li> <li>• Tailor supports, processes and incentives based on provider roles and characteristics. For example: <ul style="list-style-type: none"> <li>○ Incubate small providers to foster innovation to support a specific client population</li> <li>○ Establish account manager relationships with large multi-contract providers</li> <li>○ Tier providers by performance e.g. risk-based oversight based on past performance and likelihood of integrity issues</li> </ul> </li> </ul>

- **Holistic structured approach to PRM:** Achieving the desired balance requires planning and executing a strategy that enables agencies to establish the right relationships with the right providers. A holistic structured approach is an overarching vision and strategy that includes processes to establish formal relationships and manage service delivery complemented by processes and services to monitor and improve provider performance. This approach requires IT to automate processes, capture and share data, as well as an organizational structure with appropriate roles to interact with the providers. This strategy must be supported by the rules and oversight needed to ensure the integrity of the system and its players. The approach can start within DMHHS and be extended into other agencies that provide health and human services.

This report concentrates on recommendations under the umbrella of Provider Relationship Management that pertain to the procurement and contract management aspects that typically are considered the back office of the provider relationship: procurement, fiscal management and auditing. The report does not seek to make recommendations for front office program structure or client service. Strategies for program structure are addressed within the agencies, and the HHS-Connect initiative includes strategies for connecting client data across agencies.

## Vision for Provider Relationship Management

The City and its providers aspire for their relationships to effectively address the complexities of the environment and to remove the unnecessary administrative burden that inhibits effective service delivery. A vision of a high-performing system creates clear direction and momentum for change and facilitates alignment with broader strategic planning activities.

The following vision statements seek to support the interests of City, providers and clients.

1. **Costs are minimized for entering into agreements to provide and deliver services for both providers and the City.**
  - Oversight compliance does not distract from service delivery
  - Administrative capabilities are not a barrier to competing for work
  - Interactions between the City and providers are consistent across agencies
  - IT automation eliminates paper, reduces duplicative requests for regulatory documentation and provides seamless integration among agencies, providers and outside organizations
  - Timely payments eliminate the need for providers to have otherwise unnecessary credit lines or disruptions to service

- 2. *Services to all client populations are provided by the highest performing providers, and the ability to perform considers organizational integrity as well as the ability to deliver client outcomes.***
- 3. *Performance of, and interactions between, City and providers are transparent.***
- 4. *City agencies and a healthy provider sector continue to develop talent and innovative ideas.***
- 5. *The system is flexible so as to allow for collaboration and change.***
- 6. *Payments are linked to and incentivize performance.***
- 7. *Competition is conducted fairly.***

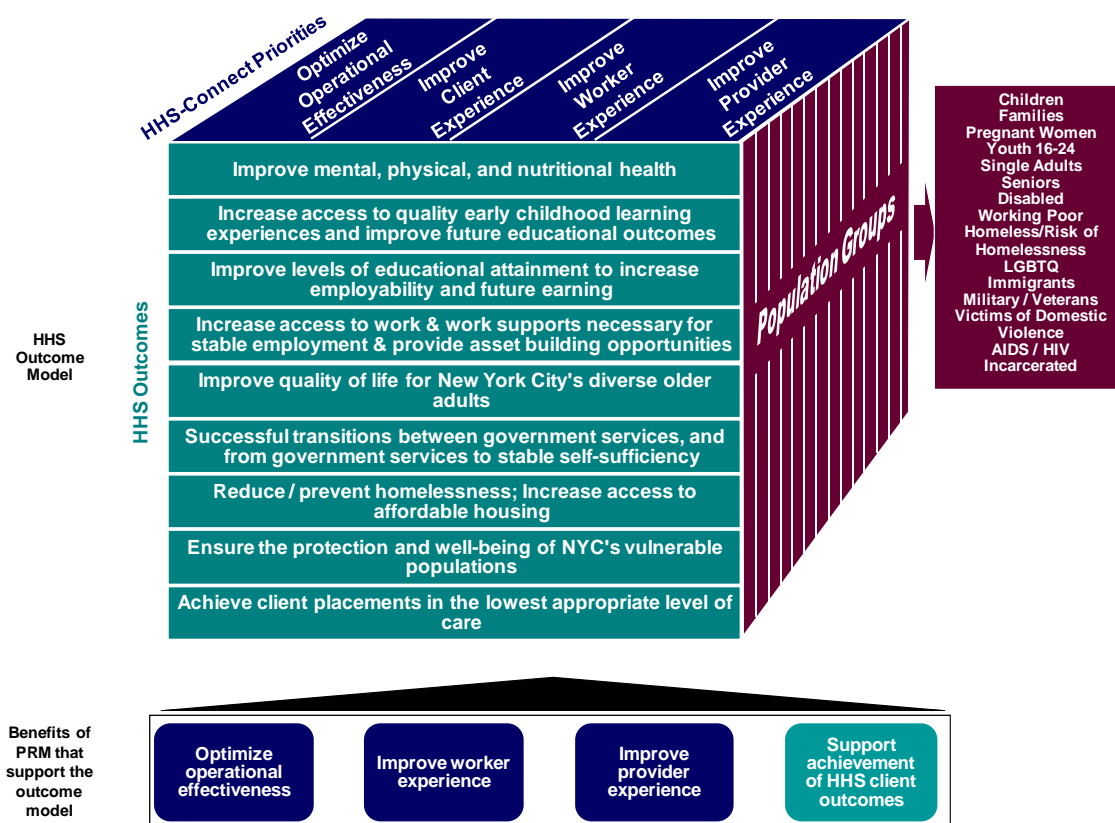
## Approach

### PRM and the Health and Human Service Outcome Model

The Health and Human Service (HHS) Outcome Model was introduced in the summer of 2008 to develop a cross-agency means of measuring success. The cube model illustrates the interconnectedness of the HHS outcomes, HHS priorities, and client population groups that services affect. It provides a structure for organizing the operational metrics and programmatic/client metrics that will link into the Citywide Performance Reporting (CPR) framework.

Because the relationship with providers is a critical element of service delivery, PRM strategies should be aligned with the HHS outcome model.

Figure 13: HHS Outcome Model and PRM



Recommendations in this human services PRM report support the outcome model in four ways:

1. **Optimize operational effectiveness:** Improving efficiency and the allocation of resources across the City and providers make operations more effective for delivering services and controlling cost.
2. **Improve worker experience:** Improving processes, reducing paperwork and making more data available to support decision making improve the experience of workers in City agencies.
3. **Improve provider experience:** Simpler, quicker processes and less redundant work makes it easier to do business with the City, frees up time to focus on the core mission and improves the experience of the providers and their workers.

4. **Support achievement of HHS client outcomes:** A more efficient system that is able to focus on higher value activities is not only more productive in terms of service delivery, but also increases the health of the sector, its attractiveness to new entrants and encourages new innovations to improve outcomes for HHS clients.

## Strategy for New York City: Accelerating Improvement in City/Provider Relationships

### More money is not the answer

Resource shortages are a reality today for providers, the City and clients. Even if the economy were booming, funneling more money to providers would not be a sustainable strategy for overcoming challenges and would not achieve the vision outlined above. The City needs strategies that attack the structural problems in procurement and the processes that support the interactions between the City and providers. Therefore, the City should prioritize investing in reducing inefficiency and improving the allocation of resources to boost the productivity of the sector and make it easier for providers to deliver services.

### Reducing inefficiency and improving resource allocation

The City needs to ensure that its interactions with providers – and the underlying structure of those interactions – maximize the sector’s potential to deliver the best services to clients in the most cost-effective way. This will reduce inefficiency and improve the allocation of resources.

- **Reducing inefficiency:** The City must reduce the cost of and the delay from contracting requirements and processes through re-engineering and the use of IT. Those objectives can be achieved by reducing paper, redundancy and delay from the *status quo*, and by *removing* process steps and requirements. This is not about a zero sum of moving effort from one party to another, but about improving the efficiency of the system for all parties. Improving efficiency within those parts of government that influence the provider relationship will make it easier for providers to do business with the City and deliver contracted services.
- **Improving the allocation of resources:** When City agencies, oversight organizations, and providers chase paper and perform redundant tasks, they allocate resources to tasks that inhibit performance and detract from mission-critical client services. When resources are redistributed to higher value activities, performance is no longer inhibited but is instead elevated to improve services and client outcomes.<sup>13</sup>

A more efficient system that is able to focus on higher value activities would not only be more productive in terms of service delivery, but would also increase the health of the sector, increase its attractiveness to new entrants and foster new innovations. Greater efficiency also yields process speed and will accelerate City agencies’ ability to conduct business with providers. All of this improves social outcomes in the long run.

---

<sup>13</sup> When accompanied by a robust performance evaluation system, resources may also be re-allocated from lower to higher performing providers (or to incubate and improve the performance of those that are struggling). For example, in recent years ACS and HRA have not renewed contracts with low-performing providers.

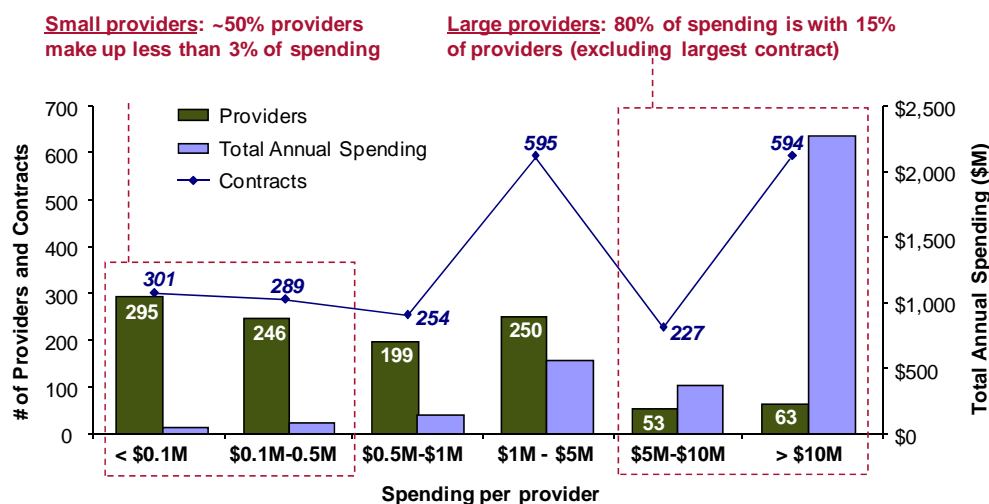
[illegible]

This report's recommendations recognize the following considerations:

- <sup>14</sup> A single large contract skews results. This early intervention fiscal agent contract is annually approximately \$589 million; with this included, 12% of providers constitute 80% of spending, with an average of 7 contracts each.

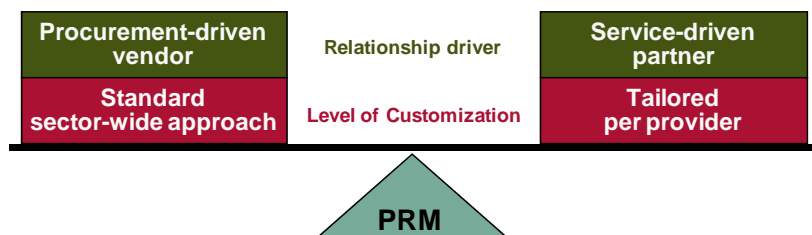


Figure 15: Distribution of DMHHS dollars spent across human services providers and contracts



- **Structural change beyond the RFP:** While the RFP process is problematic, the recommendations address the broader set of contract actions.<sup>15</sup>
  - 52% of the current contracts are from renewals (51% of total annual spending)<sup>16</sup>
  - 24% of the current contracts are from RFP's (35% of total annual spending)
- **Balanced treatment of providers:** The City needs to balance treating its providers as vendors meeting contract obligations and as partners providing services and it must balance standardized and tailored approaches.
  - An overly vendor-driven approach will miss opportunities to improve resource allocation and achieve cost savings identified by providers and risks damaging the health of the sector. Going too far towards collaborative partnership risks negating the value of competition and the importance of payments tied to contractual obligations.
  - Excessive standardization risks losing the diversity of providers that is needed to serve New York City's clients and risks taking discretion away from agencies and programs. Ignoring new opportunities for standard approaches loses the value of increasing consistency and predictability in areas that can become more efficient.

Figure 16: Achieving balance in Provider Relationship Management



<sup>15</sup> The remaining 24% of unlisted methods make up 14% of total annual spending. These primarily consist of required source, negotiated acquisition, negotiated acquisition extensions and instances in which the method is unknown. The number of extensions and renewals would likely be higher if the data were analyzed in the summer.

<sup>16</sup> The original procurement method for the renewal is not available, although in the vast majority of cases it is RFP. Note that the percentage will differ each year.

# Recommendation A: Implement Cross-Agency Prequalification and Master Service Agreements

*"Taking integrity documents out of the solicitation is a home run and moves us towards a paperless RFP"*  
- Agency Chief Contracting Officer

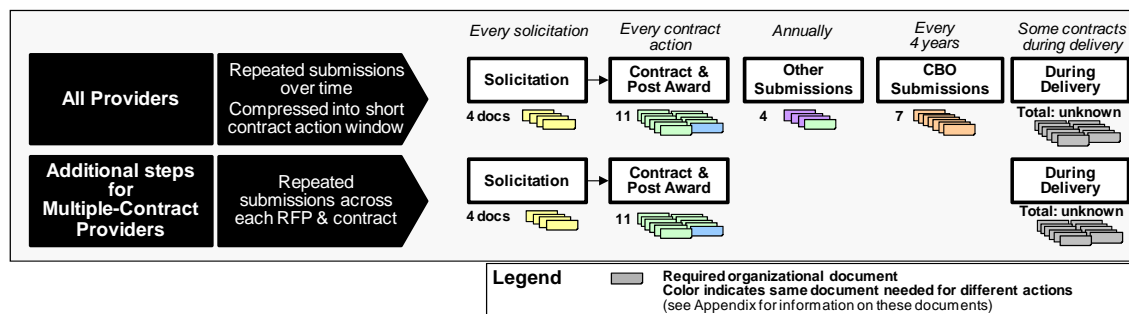
## Situation

Redundant organizational and integrity documentation requirements create unnecessary work for providers, particularly those with multiple contracts. Document submissions are also compressed into narrow windows of time.

## Current process and organizational documentation

All providers that do business with New York City must satisfy important organizational integrity requirements, such as certificates of incorporation, organizational charts, board of director documentation, charities registration and IRS 990 forms. These requirements involve providing multiple paper forms at different steps of the procurement process prior to contract registration and providing updates and other documentation during contract delivery.

Figure 17: Current process and organizational documentation



The diagram above illustrates the quantity of documentation submitted during each phase in the contract cycle<sup>17</sup>:

- **Solicitation**: Documents are submitted as part of a provider's proposal response to a competitive request. (This only applies to competitive procurements, such as RFPs and Competitive Negotiated Acquisitions.)
- **Contract and post award**<sup>18</sup>: Documents are submitted for all procurements, competitive and non-competitive (e.g. Renewal, Required Source), as well as Amendments. This process step includes award, negotiation, responsibility determination and contract registration. This is the bulk of supplemental contract documentation.<sup>19</sup>
- **Other submissions**: This reflects the documents that are submitted annually such as independent audits and IRS 990 forms.

<sup>17</sup> This shows documentation for linear and cyclical processes. There are two documents that are submitted once each as a part of vendor enrollment with the City that are not reflected in this diagram.

<sup>18</sup> Post award refers to the period after the vendor has been selected or "awarded" the contract through registration. In a non-competitive procurement this term remains the same, as the provider is still considered to have been selected for the procurement.

<sup>19</sup> Other submission refers to documents other than the contract itself, such as insurance forms, and may include linkage agreements and reference letters.

- **CBO submissions<sup>20</sup>**: Documents are submitted once every four years for the CBO review.
- **During delivery**: Required documents vary by agency, but typically involve forms such as claims and annual budget schedule confirmations in non-registration years of a multi-year contract. However, there are examples of excessive documentation requirements during delivery that are not standard. One agency required a 16-document submission at the start of each year of the contract term to confirm the annual budget.<sup>21</sup> There is no record of the number of extra documents or formats required by individual agencies.

The amount of paperwork requires intensive effort for providers and for the City and delays processing, especially when multiple copies are required and when documents need revision and/or are misplaced. The focus on completing, submitting and revising forms in compressed submission windows is particularly problematic around the time of contract action, when workload peaks for both providers and the City (of the more than 20 documents required, more than half are submitted for RFP-related actions).

The problem is compounded for providers who have – or seek – multiple contracts with the City because the same documents are required for every contract action even if that contract is within one agency. Providers that contract with more than one agency may have additional requirements, such as the same form required in different formats or with small content differences.<sup>22</sup>

## ***New Process for Prequalification and MSAs***

A prequalification process for procuring social services can reduce redundant requirements within the procurement process for human services. The Procurement Policy Board (PPB) rules contain a prequalification capability that allows the City to screen potential vendors by using factors such as “financial capability, reputation, and management in order to develop a list of prospective providers qualified to be sent invitations to bid or Requests for Proposals.”<sup>23</sup> A similar process should be employed across all Human Services agencies to accelerate agencies’ ability to procure human services.

Virtually every RFP process for client services programs now requires providers to describe and document their experience and organizational capability in addition to their specific approach to the program that is the subject of the RFP. Agencies thus re-review and reevaluate such organizational credentialing information for each new contract. A new process can target organizational documentation to be submitted in advance of competition. Documents can be refreshed over time and subsequently reused rather than submitted anew for each procurement. This will greatly reduce and more evenly distribute the workload for providers and the City. The PPB rules’ “innovative procurement” process allows for the establishment of a new prequalification process under the circumstances that are relevant to social services procurement and – in lieu of the rules’ current requirement for recertification every two years – this process can be modified to incorporate the concept of a constantly updated Data Vault.

Along with upfront document submission, the City should require provider questionnaires to evaluate providers’ basic capability and organizational integrity. Once judged qualified to provide services based on programmatic area, a specific client population or geographic region, for example, the provider signs a Master Service Agreement (MSA) to commit to abide by the standard terms and conditions; there is one MSA per provider even if that provider is qualified to provide services in several different areas. Agencies procure services by issuing a competition document that focuses only on program approach to the pool of eligible providers. Winning an award in this service-focused competition results in a Service Order that is registered and filed with the Comptroller and vetted according to applicable laws and rules. This Service

<sup>20</sup> CBO (Capacity Building and Oversight) reviews are conducted on organizations that cumulatively hold more than \$1million in registered contracts. Post-award includes any contract action after award including, but not limited to, contract renewals and extensions. Note: Documents listed are not all requirements from DMHHS agencies, but are important to include because they are required for contracting with the City therefore still impact providers.

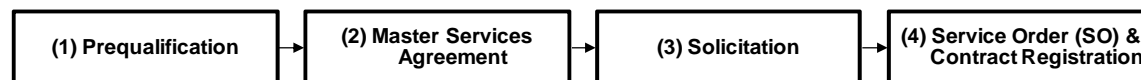
<sup>21</sup> DOHMH has since resolved this issue as a part of its process improvement effort. See the case example below.

<sup>22</sup> Example: Certificates of Insurance may be formatted differently, requiring the provider to different versions of the same information for each agency. One agency requires inter-provider agreements to be resigned on the agency’s letterhead.

<sup>23</sup> Source: Procurement Policy Board Rules 1-01.

Order links to the MSA and leverages the existing documentation – which already lays the groundwork for the responsibility determination – in order to speed and simplify the responsibility findings the agency must make to support registration/filing.

Figure 18: New process



**(1) Prequalification of providers as a pre-requisite to getting an MSA**

- Providers submit a questionnaire that is evaluated against prequalification criteria.
- Questionnaire should minimize paper and be processed electronically.
- Prequalification requires submitting organizational and integrity documentation:
  - Can be submitted outside the procurement cycle.
  - Must be refreshed prior to expiration; each document will have its own expiration and refresh cycle.
  - Can be re-used at subsequent points in the process or by other agencies.
- Prequalification is always open both to new providers and for existing providers to enter new service areas.
- Prequalification focuses on organizational experience, capability and integrity but may extend to criteria specific to a service category, client group, or other factors (e.g. capacity, geography).
- Prequalification status is transparent to the providers and the public.

**(2) Award of MSAs**

- A single cross-agency human services MSA is awarded per prequalified provider.
- The MSA includes standard human services terms and conditions but not specific service scope.
- The MSA is suspended whenever organizational integrity documentation is not valid and current.
- Prequalification criteria are separate from the MSA, i.e. the MSA does *not* need to change when prequalification criteria are updated.

**(3) Solicitation (for prequalified providers with MSAs)**

- Solicitation is open only to providers prequalified with an MSA.
- Solicitation typically will be an RFP or Negotiated Acquisition, with the latter being preferred in areas where the possibility of new providers is unlikely.
- There is potential for selective solicitation subject to additional prequalification criteria (such as capacity, service category); that is, providers with an MSA may not be prequalified to compete in all areas of service or sizes of awards.

**(4) Service Orders awarded for scope and registered as contracts**

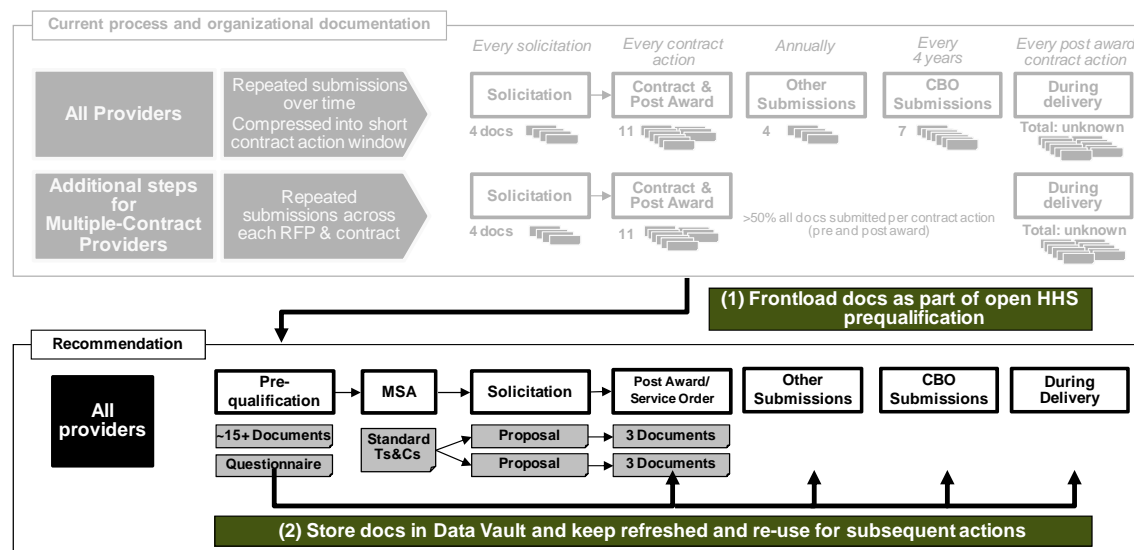
- Service Orders contain program-specific scope.
- Service Orders may contain additional terms and conditions that relate specifically to scope.
- Awards are subject to a responsibility determination which references the up to date integrity documents.
- Registration/filing is done with the Comptroller with the potential for reduced documentation from providers.
- Standard contract termination rules apply.

This process will serve to strengthen integrity checks and will increase the focus on what is most important by making them less burdensome for the City and providers. The process also frees up the competition to focus on programs and services rather than organizational requirements.

Solicitation for the actual work occurs as it does today through RFPs and with other methods of acquisition such as Negotiated Acquisition. Unlike some “back drop” contracts in which organizations compete to get on a master contract and then compete to be awarded follow-on task orders, there is no

formal competition for the MSA in this process. The MSA is awarded to all prequalified providers based on an objective evaluation of their ability to compete for service order work. Competing twice – once for the MSA and then again for the Service Order – would add effort for all parties and create a situation worse than that which exists today.

**Figure 19: Comparison of current process and the recommended process**



## Benefits

City agencies and the provider community benefit from this process:

- Document submissions are reduced for each contract action from approximately 15 documents to approximately 3.
  - Single-contract providers benefit from reduced documentation in post-award actions.
  - Multiple-contract providers benefit from elimination of per-contract and per-agency redundancies.
- Refreshing and accessing documents as needed rather than in a narrow time window improves workload balance.
- The administrative barrier to compete for additional work is lowered.
- The time from solicitation to award is reduced and scope is executed faster without the burden of excess paper.

## Implement a Data Vault to Reduce Administrative Burden

A place to store organizational qualification and integrity documents that is accessible to providers, agencies and oversight organizations is a critical requirement for this recommended process. This necessitates an electronic repository, or Vault, that eliminates the need for paper and redundant document submissions. It must be more than simply a virtual filing cabinet because beyond storing documents it also needs to:

- Be accessible to providers, agencies and other stakeholders
- Secure documents with controls on who can access, view and edit them
- Be a single authoritative system of record
- Have a current set of documents per provider with access to past point-in-time versions
- Be transparent; i.e. overall prequalification status and document-specific status
- Link contracts with the version of the documents used at the time of contract
- Prompt agencies and providers to update soon-to-expire documents

The Vault could be fully centralized or federated. Initially it should contain organizational, integrity and fiscal documents, but in the long term could further reduce provider and agency effort by growing to integrate data from external systems and standards, such as the systems that contain Charities Bureau information and IRS 990 data.

## Extending Prequalification Beyond Organizational Integrity Documentation

The initial benefit from the recommended process is to reduce the workload and processing issues related to organizational integrity documentation while keeping the rest of the competitive process similar to current methods. Over time some agencies and service areas would benefit from extended prequalification criteria that filter eligible providers better.

Figure 20: Potential extension and “deepening” of prequalification



- **Organizational prequalification across human services:** Require initial prequalification to achieve the benefits of reduced organizational documentation. Procurement for service orders operates with the solicitation methods used today.
- **Prequalification by service category:** Expand prequalification to other service criteria to raise the bar and increase the selectiveness of solicitations. Criteria could include organization capacity or service-specific requirements. These criteria could be structured in a human services taxonomy (see below), and additional documents would be referenced in the Vault. Solicitations in these areas need not be as broad as some of the current RFP methods used, and the solicitation requirements could be lower because service credentials would already be covered in prequalification.
- **Performance-linked MSAs:** Where provider performance is captured in agencies at a more granular level than the City’s VENDEX system, these performance data could be used to inform the prequalification process. Prequalification would then not just be an assessment of provider-submitted questionnaires, but would be integrated with actual provider performance data.<sup>24</sup>

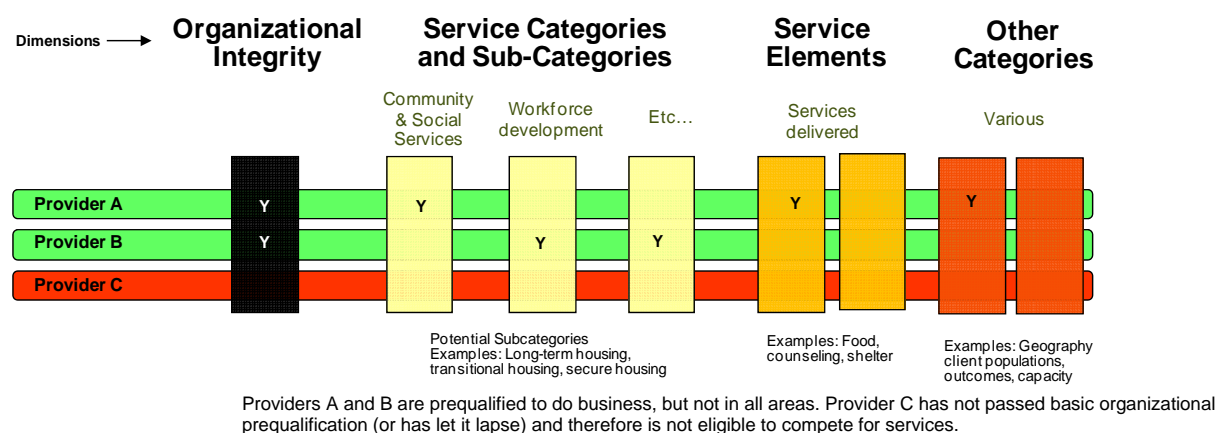
<sup>24</sup> An example is ACS’ EQUIP performance rating system

Not all program areas would benefit from more detailed prequalification criteria. For example, some programs require the appropriate licenses as a pre-requisite to competing for work and could be included in the prequalification documents. However, licenses for other programs are location-specific and may not be acquired until a contract is close to being awarded. Further analysis is needed to determine which areas would benefit and what the criteria should be after the initial organizational prequalification process has stabilized. Regardless of the areas chosen for additional criteria, it is important that gradual updates to the prequalification process be transparent and fair, and that they not require perpetual re-registration of contracts.<sup>25</sup>

## Structure Prequalification around a Human Services Taxonomy

To structure the prequalification criteria the City will map providers, programs and contracts to a cross-agency human services taxonomy; the prequalification taxonomy is not formally part of the MSA but is referenced by it. The taxonomy provides a common language to define services and client populations and can feed into prequalification criteria that providers must meet to be able to compete for Service Orders.

Figure 21: Providers prequalified within a human services taxonomy



Since defining a detailed taxonomy can be time consuming, the City will start at a simple level that expedites implementing basic prequalification and the MSA.<sup>26</sup> Over time it can deepen into sub-categories or broaden into other dimensions, such as geography, type of client population or provider capacity. Beyond prequalification the taxonomy can be used to analyze contracts, dollars spent, and providers to identify potential areas for cross-agency collaboration (see *Recommendation C*).

## Creating a New Business Function to Set Up and Administer the Process

The City requires a new business function to coordinate the transition and operation of prequalification and MSAs. This function can also foster standardization and collaboration across agencies in support of the other recommendations in this report.

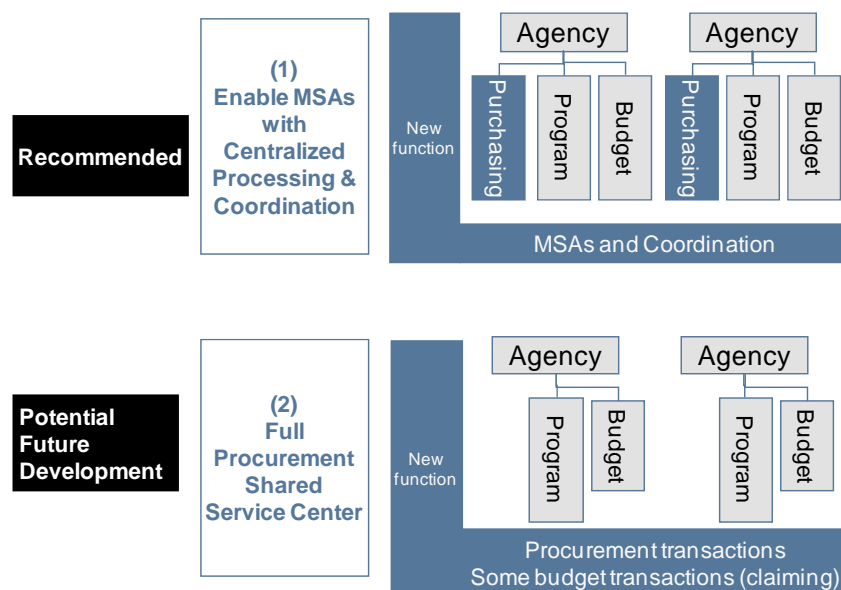
Many organizations in the public and private sectors have moved toward centrally-led shared services in areas such as procurement to enable departments and individual business functions to focus on their core services. The successful transition to a shared services model can yield cost and service delivery

<sup>25</sup> Assessment is required also for understanding the effects on over-burdening the prequalification process. For instance, in areas of extended requirements providers may be tempted to leave their pre-qualification updates close to the start of a solicitation, creating a workload peak for providers and agencies - and replicating an issue that occurs today at the time of RFP submission and contract registration.

<sup>26</sup> A potential starting point for a taxonomy can be one created by other states (Massachusetts), AIRS, NEIM, NIGP codes, or a combination of these.

improvements. However, from the City's perspective the new business function's focus is enabling and operating prequalification and MSAs for the procurement of human services; it is not aimed at other procurements, such as office supplies or professional services. An all-encompassing shared services center is not feasible or useful in the short-term and would require a full cost/benefit analysis before implementation.

**Figure 22: Options for scope of new business function in human services procurement and contracting<sup>27</sup>**



**Scope of the new business function required for MSAs and prequalification:**

- Coordinate and execute prequalification and MSAs
- Implement common terms and conditions
- Develop and maintain cross-agency human services taxonomy
- Represent HHS requirements for the creation and usage of the Data Vault
- Support agencies and providers in transition to the new process

**Potential expansion of scope in support of other recommendations includes<sup>28</sup>:**

- Standard fiscal procedures, such as invoicing standards
- Centralized audits
- Provider cost analysis and rate setting
- Coordinated provider supports, such as real estate negotiation and technical assistance
- Cross-agency data sharing
- HHS-specific contract performance measurement (providers and agencies)

<sup>27</sup> See appendix for more information on leading practices in procurement shared services.

<sup>28</sup> Focus groups identified other potential services that would make life easier for City agencies and providers, such as sole source approvals and centralized contract lists.



## Recommendation B: Reengineer Processes and Improve Their Transparency

The PRM strategy to reduce costs and improve resource allocation requires better visibility into and improvement upon contracting processes.

**“Timely payment requires other process and system changes [beyond the MSA]”**

- Provider

**“In the current system it is too easy for someone to point to someone else and say the ball is in their court. Everyone starts pointing at each other.”**

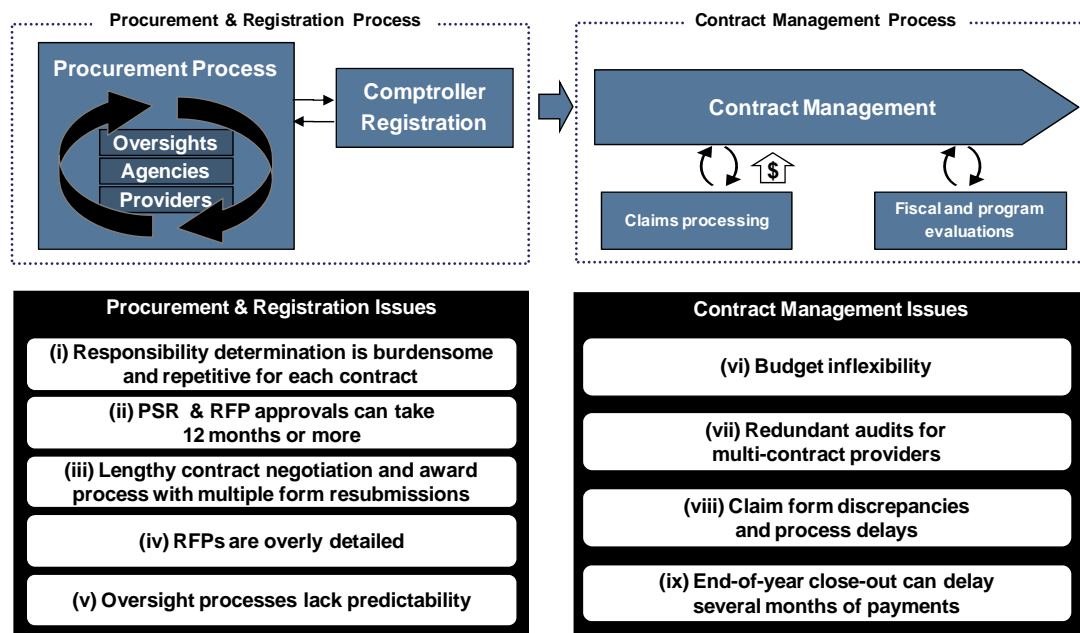
- Agency Commissioner

While the prequalification and MSA process changes in *Recommendation A* improve the visibility into and effectiveness of processes, there are still areas of contracting and service delivery that involve many steps and create unnecessary effort and process delays.

### Process Issues

The City and providers encounter unpredictable process delays (including payment delays),<sup>29</sup> lost paperwork, multiple approval steps and complex documentation within the procurement, registration and contract management phases of the contract process. Lack of management data means that the extent of these issues and their root causes are unclear, but sufficient anecdotal evidence suggests that the following issues are the areas that create the most effort, delay and frustration.

Figure 23: Process and registration issues



Note: PSR = pre-solicitation report

<sup>29</sup> MOCS 2009 Procurement Indicators shows that 64% of contracts by dollar value were registered late in 2009. MOCS data show that most of these contracts were registered soon after their start dates (i.e. within 30 days), which is in time to make the first payment. Providers, however, suggest that late payments occur frequently; more data are needed to verify this claim. Regardless of the current issues of timeliness, the presence of these process issues still creates the unnecessary risk of late payments.

## Procurement and Registration Issues

- (i). **Responsibility determination requires considerable and repetitive work for each contract:** City agencies must compile data from up to six different sources for each contract, including documents that have already been provided in other processes. These multiple approvals and the homogenous approach cause significant repetition for providers.
- (ii). **Pre-solicitation review (PSR) and RFP can take 12 months or more:** Agencies are frustrated by complex requirements and MOCS is frustrated that agencies deliver poor quality RFPs despite being offered training. Agency budget decisions and changes to program design that require internal decisions and revisions can cause additional delays.
- (iii). **Lengthy contract negotiation and award process has multiple form resubmissions:** Agencies say that providers submit incorrect information and documents that have expired. Providers say that contract forms are complex and often require multiple notarized copies, and that agencies lose documents.
- (iv). **RFPs are overly detailed:** RFPs differ across agencies, but providers say that RFPs are difficult to understand, expensive to write proposals for and that they request information the agency already has. This is burdensome for agencies and providers. Some providers hire proposal writers, but since not all providers can afford outside consultation, competition is unequal between submissions that do not reflect actual staff capabilities. Agencies struggle to write RFPs specific enough to get the services they want and proposal evaluations often can take up to four months, and sometimes years. Such specificity also discourages providers with unusual or innovative service models from competing, as the RFP process has “leveled the playing field” by prescribing the entire structure of the program as a safeguard against organizational weakness. More information on RFP issues is listed earlier in this report.
- (v). **Oversight processes lack predictability:** Agencies say that there is no standard, repeatable process to ensure contract approval. The process sometimes can be expedited by “who you know,” but this approach lacks transparency and a consistent ability to track status.<sup>30</sup>

## Contract Management Issues

- (vi). **Budget inflexibility:** At many agencies, providers must justify every budget modification request even if they do not exceed the contract limit. Providers would like the flexibility to shift funding between line items without a time consuming approval process.
- (vii). **Redundant audits for multiple-contract providers:** Providers with multiple contracts often have individual audits for each contract. Some agencies group contracts for an audit, but there is no consistent approach across the City.
- (viii). **Claim form discrepancies and process delays:** Some providers submit claims late or incorrectly and some agencies may process claims slowly or require excessive additional documentation.
- (ix). **Payments delayed several months by end-of-year close-out:** At least one agency withholds payments until it reconciles the financials for the year.

Most of the issues above affect all agencies, while some, such as end-of-year financial reconciliation, have nuances within agencies.

---

<sup>30</sup> Oversight processes were not investigated as part of this report.

## Reengineering Processes

These process issues waste money and effort and cause delay. Variability and unpredictability create frustration and require extra effort in chasing down issues. To address this variability and accelerate performance, DMHHS should seek to improve each problematic area in the contract process.

Two types of improvement methods can significantly improve timeliness and reduce resubmissions and inaccurate data throughout the contracting process. These methods have recently been successfully employed by the Division of Mental Hygiene within Department of Health and mental Hygiene (DOHMH).

- **Lean Six Sigma process reengineering:** A quality improvement methodology that eliminates waste and process variations, leading to faster processes with more predictable results.
- **Document optimization:** A full analysis of document requirements that identifies unnecessary form requirements and streamlines them to reduce both the number of forms and their length.

DMHHS can leverage the process improvement techniques recently employed at DOHMH.

**“Other agencies should consider the types of improvement made in DOHMH”**  
- Provider

### DOHMH Process Improvement: A Case Example

The DOHMH Division of Mental Hygiene successfully undertook a process improvement effort as a part of the Funding & Contract Management System (FCMS) implementation.<sup>31</sup> This involved applying Lean Six Sigma practices in workshops to identify and fix process issues.

#### Mental Hygiene’s challenges were similar to those faced across HHS:

- A contracting cycle for renewals 8-12 months long with 26% timely registration
- Limited visibility into or accountability concerning the process
- Consistently incorrect provider submissions, frequent loss of documents, and inability to track document expirations
- More than 70 funding sources from federal, state and City grantors comprising more than 200 funding combinations

#### Process Improvement strategies employed

- Strengthened relevant approvals while removing aging and irrelevant requirements
- Pre-filled data in provider forms
- Created new “contract coordinator” role
- Clarified process ownership
- Moved desk audit/claim processing to time of receipt with immediate check for threshold match on claims.
- Document analysis and simplification
- Optimized processes then automated with IT

#### Benefits

- 16 contract documents consolidated to 2 forms
- Clearer accountabilities and workflows
- 55 budgeting/funding process steps reduced to ~10
- Contract submission time cut to 3 months for 95% timely registration
- Expected to reduce financial close-out by up to 10 months.
- Cross-functional buy-in from workshops
- MH didn’t automate a broken process

<sup>31</sup> The FCMS implementation included an electronic document repository and automated workflow tracking to support these improvements. Other benefits of the system included better visibility into expenditure data.

## Process Improvement Approach

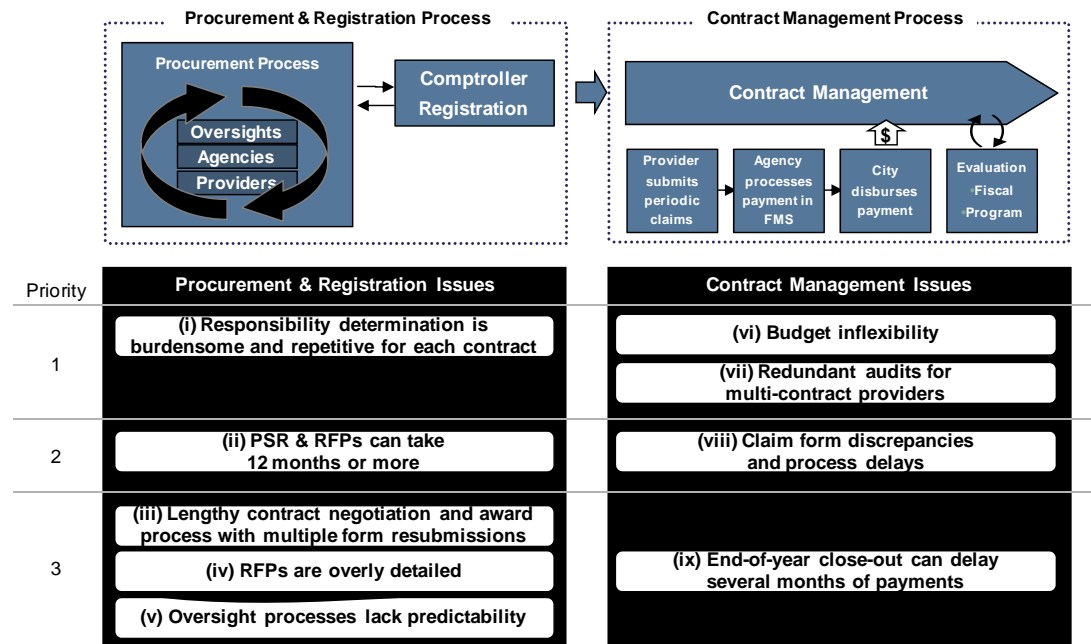
The process issues have been prioritized according to their feasibility and potential impact and with consideration to the strategies in *Recommendation A* (prequalification, MSAs, Data Vault) – tackling all process areas at once is not feasible.

The research for this report did not go in-depth into the causes of each issue; before embarking on a thorough re-engineering effort it is important to review each area in more detail to determine the potential benefit of re-engineering. Specific actions may be applicable to all agencies or to subsets of agencies.

### Priority groupings:

- **Priority 1:** Quick wins with high impact: less complicated to implement and can benefit many providers and multiple agencies
- **Priority 2:** High impact, but longer lead time: expected to be beneficial, but involves multiple stakeholders including some outside the mayoralty
- **Priority 3:** Longer term: expected to be valuable but should be re-assessed after implementation of Priorities 1 and 2 and *Recommendation A*

Figure 24: Prioritized issues



Issue	Process reengineering and document optimization strategies	Rationale / comments
<b>PRIORITY 1 – Quick wins with high impact</b>		
Responsibility determination is burdensome and repetitive for each contract	<ul style="list-style-type: none"> <li>Covered partially by <i>Recommendation A</i></li> <li>Front-load as much responsibility determination as possible</li> <li>Leverage Vault when available</li> </ul>	<ul style="list-style-type: none"> <li>Will ease the burden on contract registration as an interim step towards full implementation of <i>Recommendation A</i></li> <li>Maximizes benefit of <i>Recommendation A</i></li> </ul>
Budget inflexibility	<ul style="list-style-type: none"> <li>Implement budget thresholds on claims e.g. do not hold up payment for small changes or those balanced by other line item reductions</li> <li>Allow budget flexibility across line items and budget categories</li> <li>Longer term: potentially standardize claiming process</li> </ul>	<ul style="list-style-type: none"> <li>Can have an immediate impact in some areas on provider cash flow issues without requiring City investment</li> <li>May not be feasible for state funding streams</li> </ul>
Redundant audits for multiple-contract providers	<ul style="list-style-type: none"> <li>Centralize fiscal audits</li> <li>Standardize process for requests, scope, execution and reporting</li> </ul>	<ul style="list-style-type: none"> <li>Highest impact process item for providers and City: can cut audit visits in half</li> <li>Multiple-contract providers account for 61% of DMHHS dollars spent</li> <li>Centralizing audit aligns well with <i>Recommendation A</i></li> <li>Potential task for new function</li> <li>Some of this already being planned</li> </ul>

Issue	Process reengineering and document optimization strategies	Rationale / comments
<b>• PRIORITY 2 – High impact but longer term and involves more stakeholders</b>		
PSR and RFP approvals can take 12 months or more	<ul style="list-style-type: none"> <li>Target interactions between agencies and oversights</li> <li>Understand root cause of differences</li> <li>Emphasize and clarify key requirements</li> <li>Remove non-critical steps</li> </ul>	<ul style="list-style-type: none"> <li>Increase payment timeliness</li> <li>MOCS can lead (affects all agencies)</li> <li>May require agency-specific process and documentation change like DOHMH</li> </ul>
Oversight processes lack predictability	<ul style="list-style-type: none"> <li>Capture information on number of re-submissions and rejection reasons</li> <li>Identify and attack most frequent causes of bottlenecks and delays</li> <li>Clarify legal requirements vs. folklore</li> </ul>	<ul style="list-style-type: none"> <li>Repeated work and multiple submissions creates work for agencies and the oversight organizations</li> <li>Requires input from oversight organizations</li> </ul>

Issue	Process reengineering and document optimization strategies	Rationale / comments
PRIORITY 3 – Longer term: value to be assessed after implementation of other recommendations like prequalification and Vault		
Claim form discrepancies and process delays	<ul style="list-style-type: none"> <li>Identify and attack most frequent causes of resubmissions through training, pre-filled or online forms</li> <li>Understand material discrepancies versus administrative clarifications</li> <li>Increase standardization of claiming</li> </ul>	<ul style="list-style-type: none"> <li>Wait until after budget flexibility recommendation is implemented – this may clear up some delays</li> </ul>
Overly detailed RFPs	<ul style="list-style-type: none"> <li>Create RFP “coordinator” role accountable for progress and bringing functions together</li> <li>Constrain RFP and response length</li> <li>Standardize language and increase check boxes for specific actions (rather than open narrative)</li> <li>Target RFP evaluation steps (e.g. bringing teams together and/or using document collaboration tools)</li> <li>Maximize prequalification documentation and Data Vault for service criteria and supporting documentation</li> <li>Encourage Negotiated Acquisition, rather than full RFP’s for programs with few provider options or limited chance of new entrants</li> </ul>	<ul style="list-style-type: none"> <li>Directly affects contract registration timeliness and in turn, timeliness of payment</li> <li>Should be investigated further after basic metrics are in place to determine the extent of the process issues and what the main bottlenecks are</li> </ul>
Lengthy contract negotiation and award process with multiple form resubmissions	<ul style="list-style-type: none"> <li>Re-use scope of service from similar contracts</li> <li>Maximize standard terms and conditions</li> <li>Maximize IT to leverage already submitted documents and pre-fill key documents based on data already in agency or MOCS systems</li> </ul>	<ul style="list-style-type: none"> <li>Recommendation A should make a difference in this process area</li> <li>Solution will not be the same for all agencies</li> <li>This area can be re-visited on an agency by agency basis after <i>Recommendation A</i> is implemented and basic metrics are in place to determine the extent of the process issues and locations of bottlenecks</li> </ul>
Payments can be delayed several months by end-of-year close-out	<ul style="list-style-type: none"> <li>Identify agencies holding payments at the end of the year</li> <li>Understand amount being held and reason (e.g. pending provider audits, process issues, lack of visibility into payment data)</li> </ul>	<ul style="list-style-type: none"> <li>Agency-specific issue, not as big as start-of-year issue (implement other recommendations first)</li> </ul>

The new MOCS APT (Automated Procurement Tracking) system will increase visibility into the process and may enable changes to business rules to make implementing some of these changes easier in the long run.

## Additional Process Considerations

When performing process improvement activities, it is important to remain open to other issues and potential resolutions that arise. For example, several agencies indicated that the paper-heavy DLS and VENDEX/DOI processes and forms deserve attention. Agencies have suggested additional process and policy changes that could mitigate purchasing issues during the implementation of the above processes. Some agencies, such as DLS, may be relatively easy to re-engineer through Executive Orders and/or changing agency rules as appropriate. Others, such as VENDEX and DOI’s Vendor Name Check function, may require legislative change beyond the Procurement Policy Board and may therefore have a longer lead time.

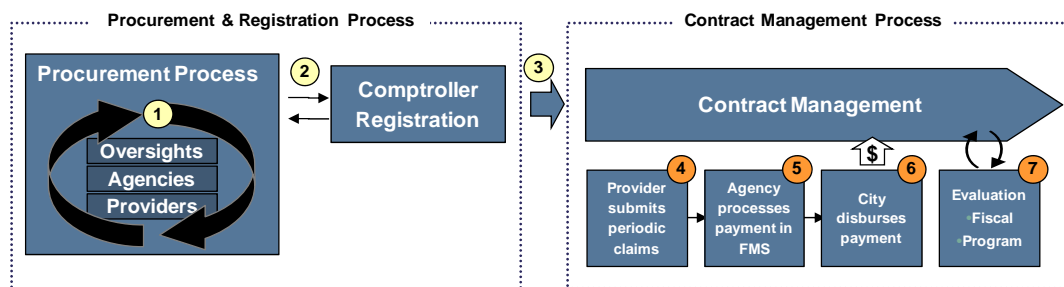
## Lack of Transparency and Accountability

Different stakeholder groups have conflicting observations about process issues that are difficult to reconcile with the limited to non-existent availability of management data. This creates frustration and inhibits the City's ability to improve its processes and its interactions with providers: without sufficient evidence of consistent issues, the City and its providers cannot establish a baseline from which to target and measure improvement. For instance, the interviews from which the issues identified above emerged demonstrate the existence of the issues but not a consensus on their extent.<sup>32</sup>

Reliable data at specific points in the process would clearly indicate the areas that are under-performing and identify risk areas that require corrective action. Even processes performing well need measurement: it is still valuable to have common agreement on performance with data that can be used for future business cases for enhancements to process, policy and IT.

The numbered points on the process diagram below are those that need more visibility, as they have the most interactions (such as document submissions and approvals) and affect the timeliness of contract registration and payments.

**Figure 25: Process areas requiring more transparency**



1	Procurement processes involve interactions between providers, agencies and oversights (e.g. MOCS, OMB, and DOI). Issues here can delay submission of contracts to the Comptroller for registration.
2	Comptroller has 30 days to register a contract. It is important to understand delays that sometimes occur in this process in order to take action and to maximize the chances of timely registration.
3	Contracts must be registered with the Comptroller for them to be paid on time. This is particularly important at the start of a contract year. [This area was not researched as part of this report]
4	Providers may be submitting claims late or incorrectly that affect the timeliness of their payments.
5	Agency may be processing claims slowly, disallowing claims, or requiring extra information.
6	City-FMS payment authorization is the final payment step. This may entail a delay. [This area was not researched as part of this report so it is undetermined whether there are delays in this process step]
7	Costs are excessive for ongoing and end-of-year evaluations/audits. This may affect payments but measures are useful in determining the value of a centralized audit.

<sup>32</sup> Research uncovered multiple anecdotal statements on the process areas with the biggest issues. While consistent among each stakeholder group, these statements conflicted across those groups. Limited data are available for assessing the validity of those statements. Two examples: (i) timely payment at the start of a contract (MOCS indicators suggest registration is timely, but providers continue to complain that agencies still make late payments) and (ii) Different perspectives on quality and expectations of interactions between MOCS and agencies.

## Implement Measures to Increase Visibility into the Procurement and Contract Management Processes

**“We cannot change anything [in procurement] without increasing transparency and accountability”**

- Agency Commissioner

Accurate and available metrics on timeliness and the number of interactions and re-submissions (with reasons) throughout procurement, registration and contract delivery will provide a consistent view of process performance. This will reduce hearsay on issues and increase stakeholders' ability to find issues and take timely action to resolve them.

Where possible, the following metrics should be tracked throughout the process at the relevant key interaction points to increase accountability and target areas for continual improvement. Where possible these should leverage the systems that are being put in place across the City; for example, some of the data points that enable the calculation of these metrics may be available in the upcoming MOCS APT system.<sup>33</sup>

**Figure 26: Suggested metrics (area numbers reference the interaction points in the previous figure)**

Area	Metric
1	<ul style="list-style-type: none"> <li>Solicitation timeliness</li> <li>Timeliness of RFP evaluation</li> <li>Number of form refusals/revisions (MOCS-Agency), by reason</li> <li>Number of form refusals/revisions (Agency-Provider), by reason</li> <li>Responsibility determination timeliness</li> <li>Timeliness of City Budget Plan (drives Comptroller registration start-date so affects follow-up measures)</li> <li>PSR approval timeliness</li> <li>OMB timeliness</li> </ul>
2	<ul style="list-style-type: none"> <li>Number of document refusals/revisions (Agency-Comptroller), by reason</li> <li>Timeliness of submission to Comptroller</li> </ul>
3	<ul style="list-style-type: none"> <li>Registration timeliness (by contract action i.e. MSA and Service Order)</li> </ul>
4	<ul style="list-style-type: none"> <li>Timeliness of claim submission</li> <li>Claim refusal/re-submission volume and rate</li> <li>Number/percentage re-submissions (by reason)</li> </ul>
5	<ul style="list-style-type: none"> <li>Agency claim processing timeliness</li> </ul>
6	<ul style="list-style-type: none"> <li>Time of claim to payment (4,5,6 together)</li> </ul>
7	<ul style="list-style-type: none"> <li>Audit timeliness</li> <li>Number of audits per provider</li> <li>Cost per audit</li> </ul>

Costs are more difficult to measure than timeliness and resubmission because of the multiple people and forms involved across the system. However, estimates of the effort involved in current processes can be used to prioritize future enhancements to processes and systems.

## Leveraging Technology to Automate and Integrate Workflow, Collaboration and Reporting

Technology is an important component of supporting *Recommendation B*. The following should be considered regarding the use of IT in the contracting process:

- Automate workflows to reduce delays, remove paper and increase visibility into the status and ownership of actions. Ideally, process change should occur before IT is enhanced to automate new workflows rather than broken processes. When IT comes before process re-engineering, the data from the IT system can help identify the highest impact areas to adjust.

<sup>33</sup> Registration timeliness is captured in the MOCS Procurement Indicators Report.

Data points on approval timeliness for PSRs, OMB, and registration, as well as the number of forms/revisions between MOCS and agencies, may be captured by MOCS in the future. However, capturing the input data is only one step and further work may be needed to translate these data into actionable metrics.



Many of the suggested improvements may be natural extensions of the MOCS APT system: either being integrated into current systems or expanding functionality to be used by agencies and providers.

- Create a provider portal to serve as a universal gateway to understanding the status of procurements and claims.
- Investigate online collaboration tools to see whether they can speed up and enhance version tracking in RFP creation and evaluation, contract amendments, and other documents that require multiple parties to review, edit and approve.
- Use IT to capture information that can support operational metrics and management data reports and share reports with the process participants.

## Recommendation C: Institutionalize Collaboration Across the System

### *Cross-Agency Collaboration*

#### Situation

**“Cross-agency collaboration is more the exception than the rule”**

- Agency Chief Contracting Officer

**“I would love to know more about the new ideas other agencies have for performance-based contracts”** - Agency Deputy Commissioner

Interviews with City officials indicated that cross-agency collaboration is limited but useful when it occurs. For example, inter-agency cooperation between DOHMH and DHS has simplified contracting for outreach services by using contracts administered by DHS rather than separate contracts for DOHMH and DHS. This reduces the overhead for providers and City government. There are benefits from more consistent approaches and sharing of information across agency silos that can be valuable to both the City agencies and providers:

#### **Areas for further collaboration:**

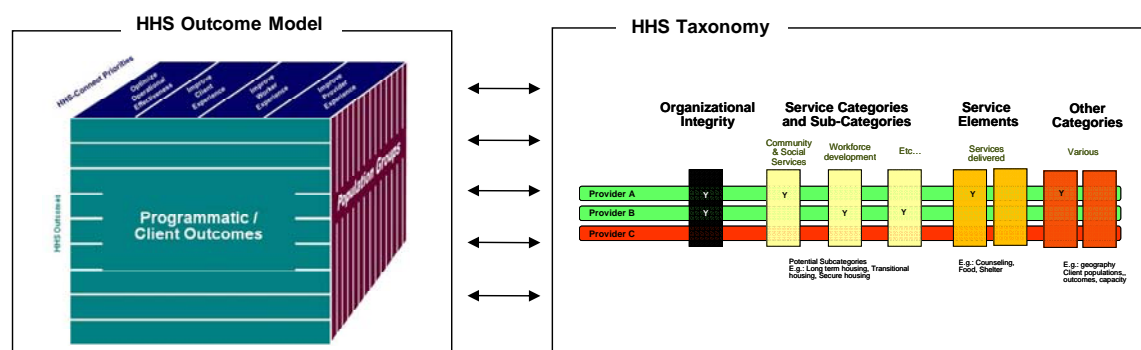
- Understand the latest provider performance data to inform current and future procurements
- Establish common approaches to rates, contractual language and payment mechanisms that reduce redundant work and provider confusion
- Identify opportunities for consolidating or standardizing contracts around similar programs, locations or client populations
- Establish single points of contact for large multi-contract providers, thereby increasing the timeliness and consistency of responses to questions
- Identify providers with the potential to extend their service scope

The new business function and the services taxonomy introduced in *Recommendation A* will facilitate and accelerate this collaboration.

### **Using the Services Taxonomy to Support Collaboration**

Linking the HHS services taxonomy to the HHS Outcome Model with common language, metrics and measures will help align procurement and delivery strategy across agencies and will identify opportunities for cross-agency collaboration.

Figure 27: Linking the Outcome Model with the HHS services taxonomy



### Benefits of the taxonomy:

- **Common language:** Prequalification, MSAs and standard terms and conditions require a common language across agencies. That language should be consistent with the Outcome Model and its associated goals and performance metrics.
- **Common metrics and outcomes:** Many business functions are involved in City/provider relationships and their supporting processes. It is important that the staff and contracts are aligned with common goals and outcomes and their associated metrics. This helps the different functions work toward a clear set of priorities for similar services, clients and providers, and allows for comparisons that can indicate potential areas for improvement.

**“Procurement, program and budget don’t always seem to be working towards the same goal”**

- Agency Chief Contracting Officer

- **Closing market gaps:** Mapping providers to the HHS taxonomy can facilitate a cross-agency view of providers and can foster discussion for strategies to close critical market gaps such as homeless shelters, juvenile justice and LGBT services.<sup>34</sup> Strategies to close such gaps would involve the following steps:
  - Analyze key barriers to and incentives for provider entry and performance while recognizing differences across City agencies
  - Provide coordinated supports (e.g. technical assistance) for emerging small providers to serve New York City’s evolving demographics
  - Identify providers that could expand services into adjacent geographies or types of services
  - Remove low performers and redirect resources to higher performers (e.g. actions taken in recent years by ACS and HRA)
- **Enterprise roll-up of data:** Currently, spending is looked at by program and by agency but not by area of service category, population or outcome. By mapping contracts and spending data to a human services taxonomy aligned with the Outcome Model, spending could be summarized by population or outcome. This would enable an evaluation of how contract spending across the agencies aligns with DMHHS’ strategic goals.

**“We don’t realize how much we can learn by getting more data on what we spend and how we contract”**

- Agency Chief Contracting Officer

<sup>34</sup> DHS has a mandate to provide enough shelter to meet demand but struggles to find sufficient quality providers (source: DHS). Fewer providers are willing and able to serve juvenile justice clients because of the judicial environment and the lower incentives to serve this population in comparison with other groups (source DJJ). LGBT clients lack quality providers, especially in shelter (source: provider interview).

- **Areas for standardization and cross-agency coordination of specific contracts and relationships identified:** Beyond reporting grouped expenditures, the analysis of contracts, providers and spending can identify areas for standardization. This may include consolidation of contracts, standard terms and conditions or establishing a single point of contact for a provider.

## Overlap Analysis Overview

Looking at agency spending through a lens of overlap analysis can identify potential areas for agency coordination.<sup>35</sup> Benefits may include contract consolidation, creating single points of contact for multiple contract providers, standard rates, similar scopes of service and terms, and identification of providers that could extend their services into other geographies, client groups or services.

Two useful analyses are *by agency* and *by service segment*. The following examples illustrate the potential of such analysis.<sup>36</sup> DMHHS should prioritize areas to analyze in order to find areas of high spending, large numbers of contracts, and significant agency overlap.

### Overlap analysis by agency

Agency overlap analysis by agency indicates that 38% of HHS agency expenditure is with providers that serve more than one agency.

Figure 28: Overlap analysis by agency<sup>37</sup>

Number of Providers Contracted by Both Agencies					Volume & Percent of Annual Spending on Purchases from the Same Providers				
	DOHMH	DHS	HRA	DFTA		DOHMH	DHS	HRA	DFTA
ACS	43	18	25	29	ACS	\$415 M 18%	\$266 M 15%	\$217 M 13%	\$137 M 9%
DOHMH		41	40	23	DOHMH		\$312 M 21%	\$261 M 19%	\$92 M 7%
DHS			24	18	DHS			\$222 M 27%	\$113 M 16%
HRA				15	HRA				\$119 M 20%
Total: 12.5% of providers (138)					Total: 38% of spending				

**How to read:**

ACS and DOHMH purchased services from 43 of the same providers.

**How to read:**

ACS and DOHMH together spent \$415 million for services purchased from the same providers. That is 18% of the combined spending for ACS and DOHMH.

<sup>35</sup> Deeper analysis and program involvement can determine whether standard approaches are merited because there can be several reasons for different contract approaches, for example, different program outcomes, funding streams and client populations.

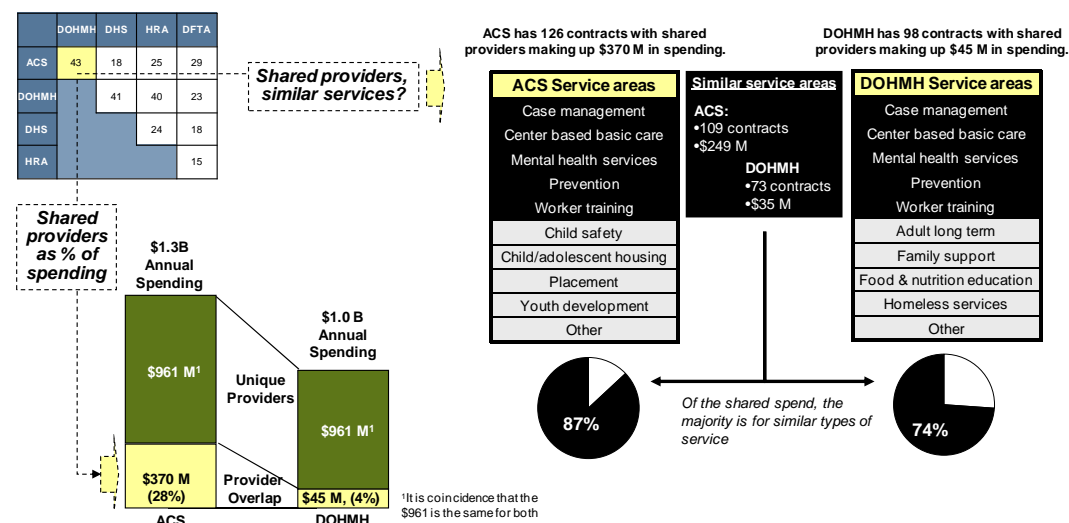
<sup>36</sup> See appendix for more information on this analysis.

<sup>37</sup> The analysis does not include DOC, DJJ or PROB due to little or no contract overlap. Provider total does not equal the sum from the table because of provider overlap across agencies. This analysis was completed prior to the announced merger of DJJ and ACS in 2010.

## Example of overlap analysis by agency: a closer examination of providers that contract with ACS and DOHMH

28% of ACS spending and 4% of DOHMH spending are with the same providers. For those shared providers, most of their contracts appear to be for similar types of service.

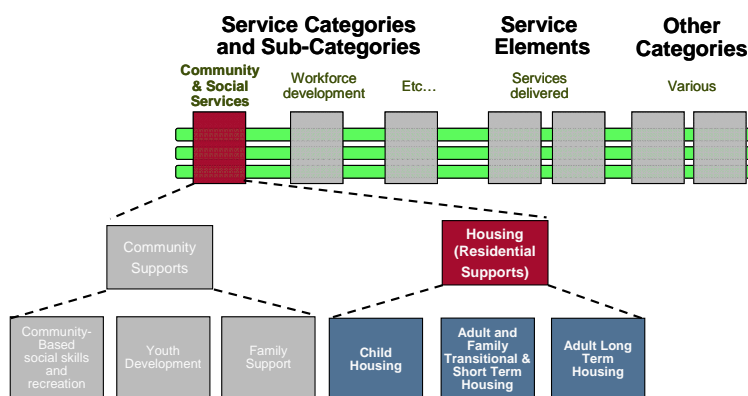
Figure 29: ACS and DOHMH provider overlap analysis



## Example of overlap analysis by service area: housing

Housing was analyzed to illustrate how to identify potential similarities in contracted services that could benefit from standard approaches.

Figure 30: Housing as a sub-category within the services taxonomy<sup>38</sup>



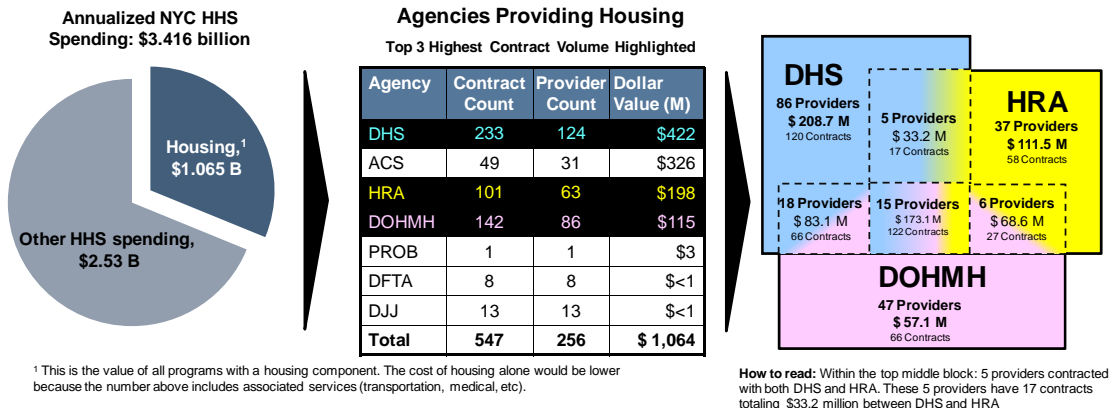
The analysis found that 547 of DMHHS contracts (31%) contain a housing component and that the value of those contracts is about \$1 billion (30% of total DMHHS contracts).<sup>39</sup> Of the 547 contracts, 476 (87%) are within DHS, HRA and DOHMH. Of those 476 contracts, 40% are held by providers contracting with more than one of those three agencies.<sup>40</sup>

<sup>38</sup> Data source for housing example: expenditure, contractor and agency data from MOCS FMS data extract. Accenture analysis from program services, as described by agency personnel and websites, supplemented the initial program mapping performed by the agencies coordinated by DMHHS.

<sup>39</sup> This is the value of all programs with a housing component. The cost of housing alone would be lower because the number above includes associated services (transportation, medical, etc).

<sup>40</sup> Data set: 476 contracts (\$732M), 17% providers serving more than 1 agency (42% contracts and 34% expenditure).

Figure 31: Overlap analysis for agencies with a housing component.



The example above uses actual City contract and program data. While it may not be one that would merit the standard approach, it illustrates that there are other areas for further analysis and potential inclusion as a service category that would benefit from specific prequalification criteria.

Potential areas for future analysis:

- Eviction services – currently using different terms and conditions and rates
- ACS / DYCD overlap
- Programs that include food
- Shelter services
- Program areas that serve populations that are also served by other agencies

### Including DYCD in Overlap Analysis and Cross-Agency Approaches

More than half of DYCD's providers also contract with DMHHS agencies, and even though the specific services may be different, this overlap illustrates the potential for leveraging common provider approaches such as prequalification, centralized auditing and standardized terms and conditions.

Figure 32: Overlap between DMHHS agencies and DYCD

Summary: DYCD / DMHHS provider overlap			
	Total Providers	Provider Overlap W/ DYCD	%
ACS	349	61	17
DOHMH	311	40	13
DHS	142	23	16
HRA	124	24	19
DFTA	360	45	13

Overlap of spending and % of spending	
	DYCD
ACS	\$535 M 34%
DOHMH	\$126 M 10%
DHS	\$172 M 24%
HRA	\$208 M 34%
DFTA	\$126 M 26%

Total: 188 of DYCD's 347 providers contract with DMHHS agencies

**How to read:**

ACS and DYCD together spent \$535M for services purchased from the same providers. This is 34% of spend for ACS and DYCD.

## ***Building on Current City/Provider Collaborations***

### **Situation**

**"I remember the first time I heard I was a vendor – I thought 'I'm not selling ice cream. I'm not a vendor. I'm a partner with the City!'"**

- Provider

Although providers have contractual obligations to deliver services as vendors to the City, there is broad recognition that providers need help navigating the current system and adjusting to factors that affect procurement and service delivery, such as demand changes, new mandates, and changes in budget and payment rules.

There are supports in place that help providers interact with the current system:

- Expansion of loan and grants program to cover for cash shortfalls from late payments
- Creation of the non-profit contract facilitator accessible via 311
- Monthly tracking sheets for budgets and payments (e.g. ACS)

While those supports are important, they are either short-term or in place to help providers cope with deficiencies in the current system. Other supports that seek to help providers' long-term operational survival and performance include:

- Technical assistance to adjust to different service demands (e.g. HRA homecare)
- Fiscal agents to support smaller providers (e.g. DYCD)
- Taskforces to address operational structure and cost-saving strategies such as joint procurement, back office shared services and procurement reform (HHS agencies)

These change initiatives have the potential to improve both the effectiveness of service delivery and an organization's interactions with the City because they are at the heart of the cost of doing business and the way City payments and contracts are structured.

**"We very much welcome the increased collaboration under Deputy Mayor Gibbs"**

- Provider

**"Much frustration and confusion can be removed if there is open dialog on the challenges facing both the government and the providers"**

- Provider

**"Providers need to meet their contractual obligations...they also need support when demand fluctuates"**

- Provider

Additional collaboration between the City and providers should focus on two areas:

- Transition to new processes and tools
- Exploring and improving operating models

## Support Providers' Transition to New Processes, Methods and Tools

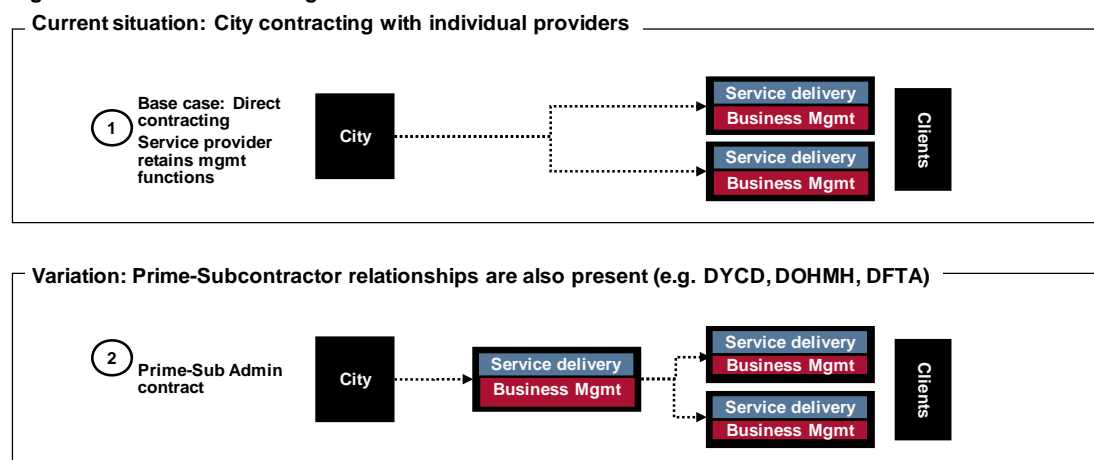
As processes, procurement methods and supporting tools (such as the Vault) evolve, the City will need to continue to listen to providers' needs and support them as they adopt the new recommendations.

- Maximize use of existing at-scale communication and support methods
  - NYC.gov
  - 311
- Complement existing communications with face-to-face meetings
  - Provider conferences (within and across agencies)
  - Communications through existing contract and budget staff
- Tailor support depending on provider characteristics
  - All providers: education on the new processes and the transition
  - Multiple-contract providers: cross-agency support and coordination of in-flight contracts
  - Smaller providers: additional support through technical assistance and umbrella organizations
- Provide short-term "cushion"
  - Continue to promote the loan program for cash flow shortfalls, including those that would enable lower cost procurement
  - Promote budget sharing across contracts, as permissible by law
  - Maximize grandfathering, including re-using existing documentation from recent contract actions to minimize the cost of transition

## Exploring and Improving Operating Models

The current City/provider procurement and delivery model typically involves each contracted provider providing some form of back office business management function. In aggregate, these functions do not take advantage of economies of scale and can distract from the core service delivery mission.<sup>41</sup>

**Figure 33: Current contracting models**

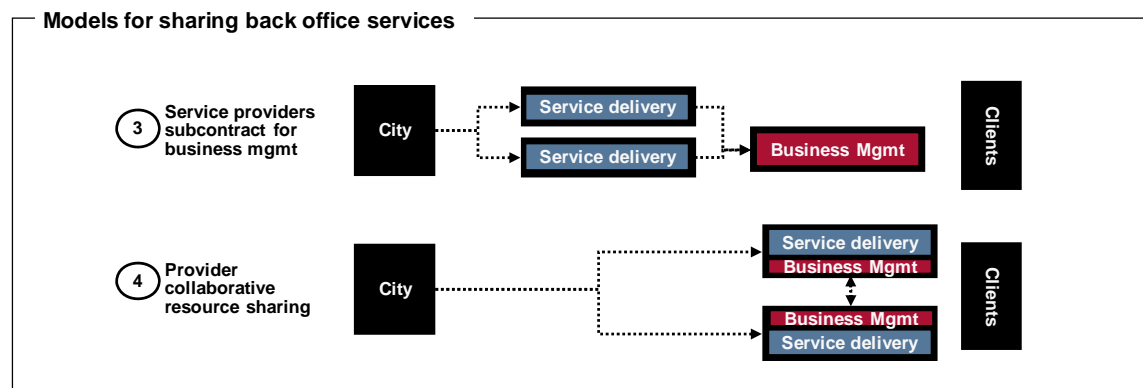


Rather than mandating formal consolidation of providers (which can be hampered by governance, cultural and transition issues), the City and provider community should continue to encourage sharing resources that reduce cost and improve focus on mission.

<sup>41</sup> Interviews revealed that in some situations (a) subcontractor relationships do not save effort for the City in situations in which it still needs to monitor subcontractors and (b) subcontractors said that the prime contractor did not add value. This claim was not investigated in detail in the report because the need for prime-sub varies by program. However, a suggested guideline is to enter into these relationships when there is a clear value proposition to every member of the chain in order to prevent an additional layer from inhibiting efficiency and transparency.



**Figure 34: Alternative contracting models with shared services in the provider community**



Resource sharing is not for everyone. Although not all larger providers have effective back offices, they typically have the scale needed to run professional internal business management functions. Some organizations already share or subcontract for fiscal operations, human resources (HR) and IT and have had mixed success in the quality of those subcontracted services.

Smaller providers are most likely to benefit from shared back office functions, but more analysis is needed to determine the benefits on a per-provider basis and at scale for the sector. A typical small provider does not have a dedicated full-time IT or HR department, which means that the financial business case is questionable. However, during interviews several small providers indicated that they would benefit from accessing such services, particularly if the services made it easier to do business with the City and enabled them to focus on their client service delivery.

On a larger scale, the benefits of removing redundant business functions from providers could reduce the overhead rates and simplify contracting, especially for small providers, so that procurement becomes purely for the service and not for the back office.

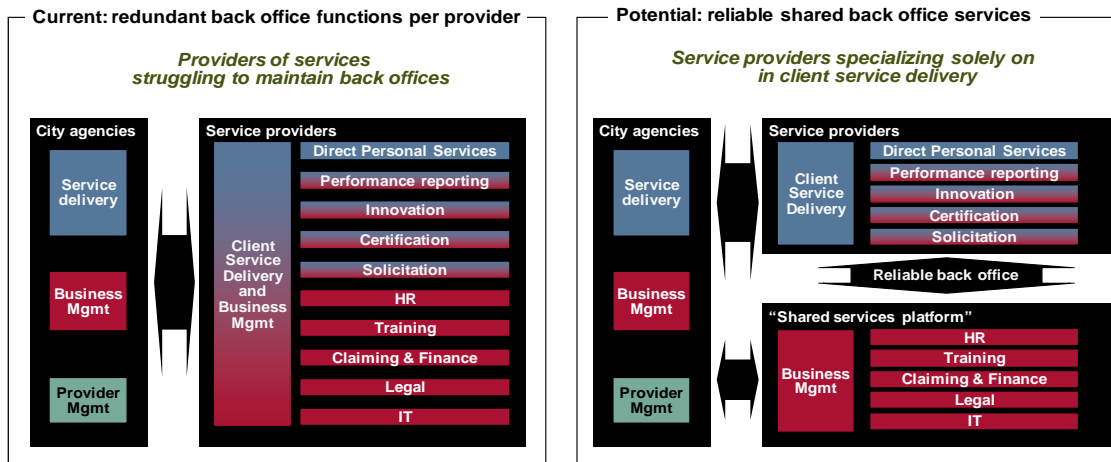
**“This is a social business case: we need to do these things to help keep critical providers in business”**  
 - Agency Commissioner

The City and provider community should pilot shared services and test the benefits of offering a shared platform that providers can join to make it easier to do business with the City and allow them to focus on serving clients. Connecting to the platform would not be a requirement to do business with the City, but a way for providers to more quickly and easily become prequalified service providers. An example of such an arrangement is shown in Figure 35.

Areas such as HR administration, finance, and IT are typically business management functions that can be shared or outsourced in order to allow the organization to focus on core client service delivery, including direct personal services such as counseling and child care. Gray areas remain in determining where client service delivery and business management overlap so that parts might be shared or outsourced but where business management cannot be wholly removed from the core business. One example of this interconnectedness is performance reporting: it is possible to share a standard IT system, but the people entering data are likely to be those directly providing the client services.

The pilot service exchange should test elements of the shared services platform and prioritize where the most impact is made on reducing costs and improving service delivery. The pilot should identify clusters of small service providers considering shared services, ideally targeting a new program area and new providers, so that there is less of a transition cost. Both the pilot and the end solution may require a combination of private, nonprofit, and City funding.

Figure 35: Potential for a back office platform

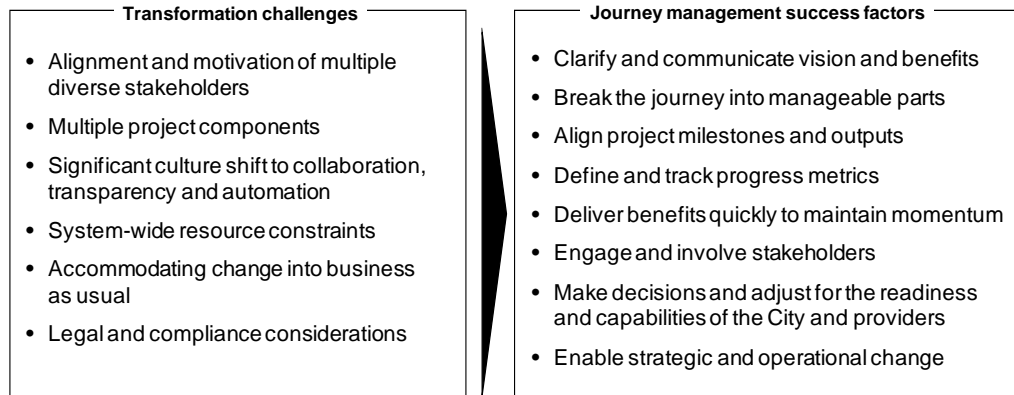


# Transformation Road Map

## Transformation Challenge

Implementation requires managing significant change for multiple stakeholders and coordinating several projects. Closely managing the transformation roadmap is required to clarify and adjust the path and to improve the certainty of outcomes.

Figure 36: Managing the transformation challenge



**"This is a significant transformation for the City and very much needed"**

- Agency Commissioner

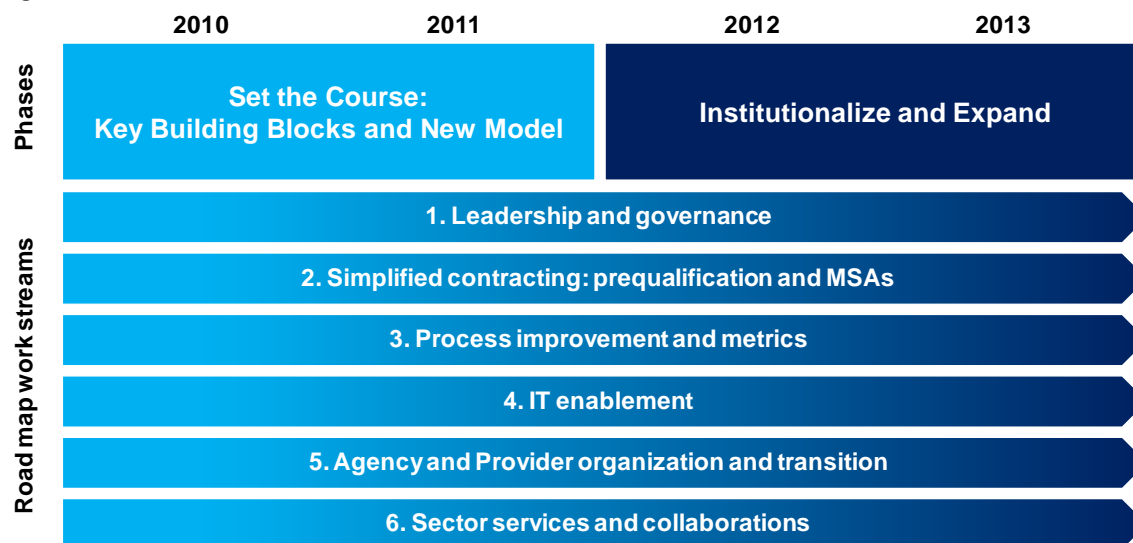
**"This needs to happen but non profits need support in the transition"**

- Provider

## Transformation Journey and Work Streams

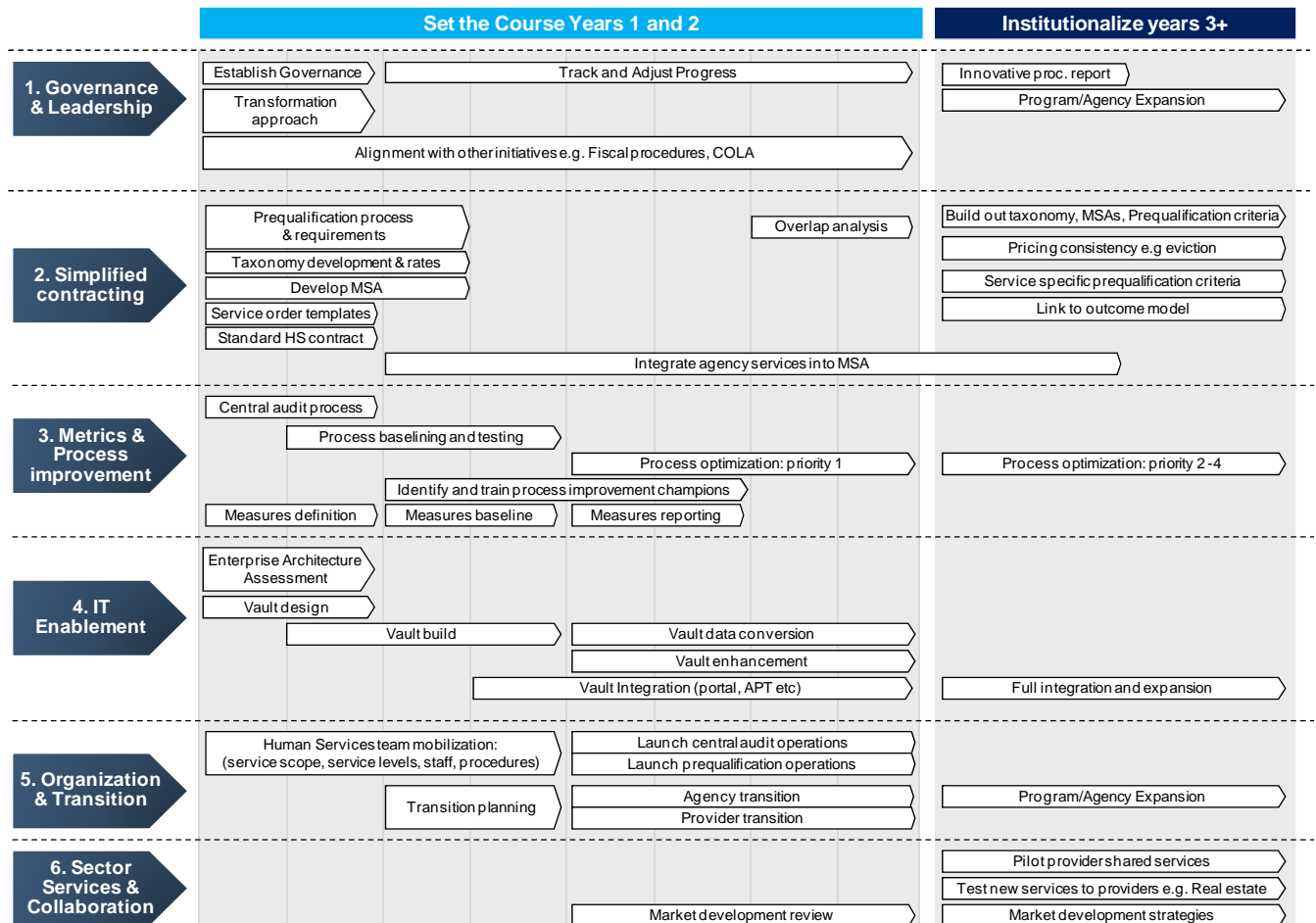
2010 is a critical year in which to establish the path and get the initial stakeholder buy-in needed as a foundation to build upon in a four-year timeframe.

Figure 37: Transformation work streams



## High Level Road Map

Figure 38: Road map detail within the transformation work streams



## Progress Metrics

In addition to tracking schedule milestones, the following measures are suggested for monitoring progress on the road map and should be reviewed after deciding on the final scope and road map and before going too far down the transformational path.

Area	Metric suggestion
Prequalification/MSA/Data Vault	<ul style="list-style-type: none"> <li>• Number/percentage of documents incorporated into Vault</li> <li>• Number/percentage of human services procurements referencing MSA</li> <li>• Number of providers registered on prequalification</li> <li>• Number of agencies using prequalification process</li> <li>• Number/percentage of target providers prequalified (depending on the selection of a phased versus a big bang approach)</li> <li>• Numbers/percentage of defined taxonomy dimensions</li> <li>• Agency understanding of prequalification process (survey or focus group)</li> <li>• Provider understanding of prequalification process (survey or focus group)</li> </ul>
New HHS business function and transition	<ul style="list-style-type: none"> <li>• Number/percentage of services operational</li> <li>• Number of prequalification issues per month</li> <li>• Closure time: prequalification issues</li> <li>• Number/percentage of incomplete/expired prequalifications</li> <li>• Number of FAQs accessed (assuming NYC.gov used as FAQ/education repository)</li> <li>• Training completed</li> <li>• Training evaluation</li> </ul>
Process improvement	<ul style="list-style-type: none"> <li>• Number/percentage of identified processes completed Lean Six Sigma treatment</li> <li>• Process improvement targets met (including document reduction)</li> <li>• Number/percentage of management metrics operational</li> <li>• Registration timeliness</li> <li>• Payment timeliness</li> <li>• Cost savings (estimated)</li> </ul>

## ***IT Considerations***

Fully enabling the recommendations in this report will require new or upgraded IT systems. These systems likely will need to include the following types of functions.

<b>Functionality</b>	<b>Description</b>
Document imaging and storage	Securely upload, store and access documents online according to user type
Workflow	Manage and track procurement process steps
Business rules engine	Guides workflow: data validation and directing next step in the process
User portal	Access to City users
Provider dashboard	View into status of prequalification, processes, documents
Cross-agency dashboard	View into status of prequalification, processes, documents: detailed and summary
Core provider record	Common index of each provider
Identity and access management	Secure access for multiple types of City and provider users
Audit trail/versioning	Identify which version of each document is tied to a particular action on a particular date
Metrics/reporting	Management and operations reporting on processes, contracts, and dollars spent
Online document collaboration	Reviewing and updating key procurement documents online

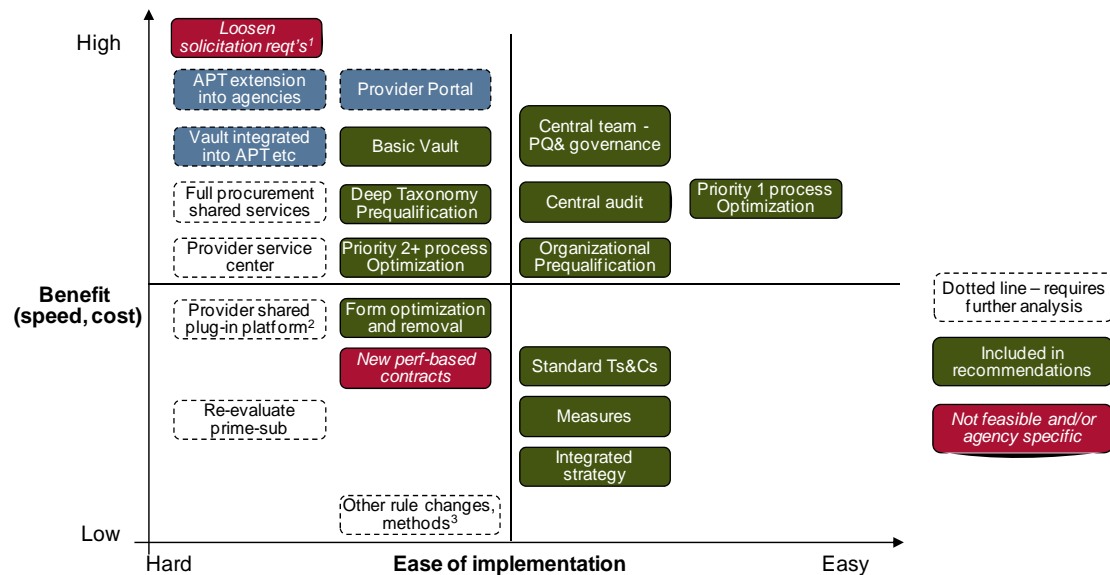
The following activities are recommended before implementing technology

- Identify and prioritize business requirements and user populations, focusing on the Vault, needed to establish the prequalification and MSA process
- Review the City's existing technologies to maximize re-use across agencies
- Understand the maturity of current systems and future plans, for example contract systems within agencies and oversight organizations

## Appendix

### Research Scope and Prioritization

Various areas were identified and evaluated for ease of implementation and benefit. Detailed financial analysis was not performed.



<sup>1</sup> Eliminate competition, or have MOUs between City and providers instead of contracts for high performers.

<sup>2</sup> Back office and IT.

<sup>3</sup> Example: raise small purchases limit; relax rules on emergency procurement. Some require more than a PPB change.

### Interview List: Providers

CAMBA	Joanne Oplustil
Children's Aid Society	Pete Moses, James Langford, Betty Woerner, Barry Donsky
Urban Pathways	Fred Shack
Hudson Guild	Ken Jockers
Union Settlement	David Nocenti
Public Health Solutions	Steve Newman
Safe Horizons	Ariel Zwang, Emily Sachs
NYUL	Arva Rice
COFCCA	Jim Purcell
UWNYC	Jennifer Jones Austin
FPWA	Fatima Goldman
UJA	Ron Soloway
Ali Forney Center	Carl Siciliano
Maspeth Town Hall	Eileen Reilly
Project Hospitality	Rev. Terry Troia
The Fortune Society	JoAnne Page
Human Services Council	Alison Sesso
Community Resource Exchange	Fran Barrett
HAI	Michael Jon Spencer

## ***Interview List: City of New York***

<b>Office of DMHHS</b> DM Linda Gibbs Louisa Chafee Amanda Kahn Fried	<b>DOHMH</b> Cmr. Thomas Farley Andy Rein
<b>MOCS</b> Dir. Marla Simpson Andrea Glick Jennifer Walty	<b>HRA</b> Cmr. Robert Doar Arnold Ng
<b>ACS</b> Cmr. John Mattingly Julie Friesen Valerie Russo	<b>DYCD</b> Cmr. Jeanne Mullgrav Michael Ognibene Daniel Symon Denice Williams Chris Caruso
<b>DHS</b> Cmr. Robert Hess Steve Pock Suellen Schulman Lula Urquhart	<b>DFTA</b> Cmr. Lilliam Barrios-Paoli Sally Renfro Angeles Pai Michael Bosnick
<b>DJJ</b> Cmr. Neil Hernandez Margaret Tullai Jacqueline James Judy Pincus	<b>HHS CIO</b> Kamal Bherwani Rahul Puri Lauren Aaronson

## ***Focus Group Attendees: City of New York***

14 people from 8 agencies in 2 sessions

<b>Person</b>	<b>Agency</b>
Julie Friesen	ACS
Roy Esnard	HRA
Steve Pock	DHS
Suellen Schulman	DHS
Lulu Urquhart	DHS
Judy Pincus	DJJ
Sally Renfro	DFTA
Deborah Bershard	HPD
Bill Carbine	HPD
Susan Nuccio	ACS
Belinda Conway	ACS
Andy Rein	DOHMH
Dan Symon	DYCD
Bill Chong	DYCD



## ***Focus Group Attendees: Providers***

25 people from 19 organizations, 2 sessions

<b>Person</b>	<b>Organization</b>
Rebecca Asbury	CASES
Joel Copperman	CASES
Ellen Greeley	UJA Federation of NY
James Langford	Children's Aid Society
Bonda Lee-Cunningham	FPWA
Jason Lippman	Coalition of Behavioral Health Agencies
Rasul Miller	Black Equity Alliance
Joan Montbach	Palladia
Allison Sesso	Human Services Council
Michael Williams	Safe Horizon
Chris Winward	Human Services Council
Michael Zisser	University Settlement
Nancy Ahn	Public Health Solutions
Barry Donsky	Children's Aid Society
Tim Ettenheim	Stanley Isaacs Neighborhood Center
Edith Holzer	COFCCA
Michelle Jackson	Human Services Council
Ken Jockers	Hudson Guild
Russell Lusak	Selfhelp Community Services, Inc.
Kathleen Masters	CAMBA, Inc.
Anthony Ng	United Neighborhood Houses
Fred Shack	Urban Pathways
Sandy Singer	Human Services Council
Jane Steinberg	Children's Aid Society
Tyrone Williams	Black Veterans for Social Justice, Inc.


## Overlap Analysis: Method

The overlap analysis by service area completed for this report merged MOCS contract data with Human Services program data.

Applying percentages to each contract approximating the proportion of each contract that is for certain types of service will produce a more detailed estimate of dollars spent.

**With a draft taxonomy, estimates can be made for the contract spending on types of services**

One or more service segments were identified for each agency program using information gathered on the internet.



Agency	Program	Adult Housing	Prevention, Education, Outreach	Case Management	In-Home Basic Living and Personal Care	Center-Based Basic Living and Personal Care
DHMH	Congregate Supportive Housing	X		X		
DHMH	Enclave in Industry					X
DHMH	Homeless Supportive Housing	X		X		
DHMH	HOPWA	X				X
DHMH	Housing	X		X		
DHMH	ICM		X	X		X
DHMH	MH - ACT Team		X	X	X	X
DHS	Adult Shelter/ Outreach Service	X	X			
DHS	Cluster Program	X				
DHS	Drop-in Center - DHS	X				X

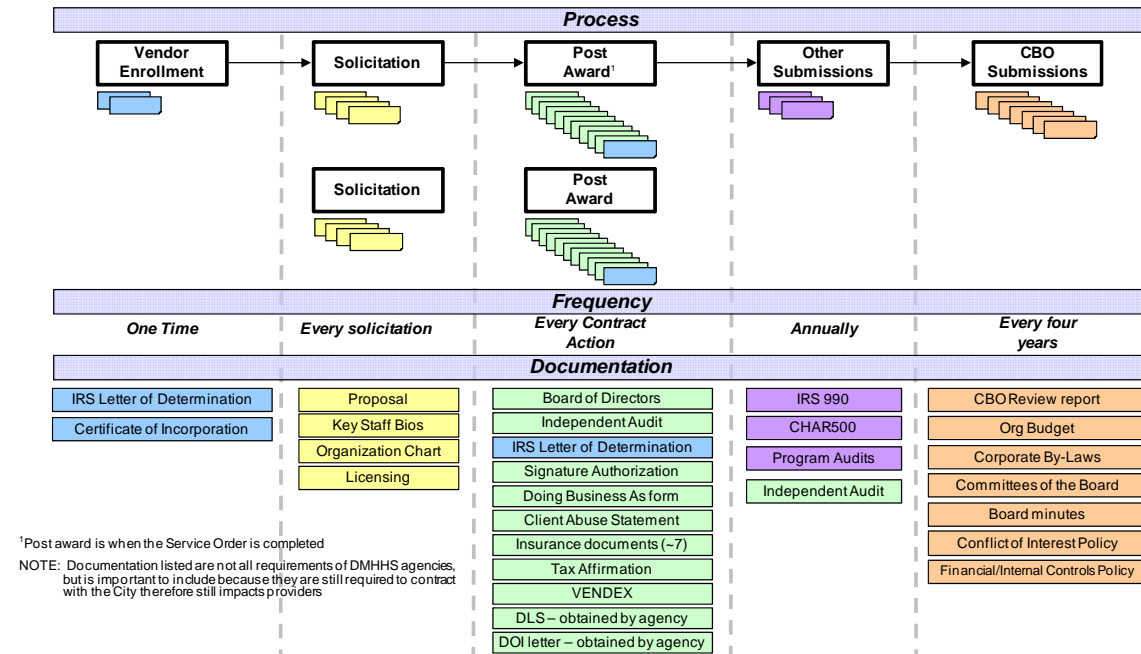
Once each program was aligned to service segments, the taxonomy could be used to analyze contract and spending data by segment or groups of segments.

**For example, programs with a housing component can be identified and analyzed across agencies.**

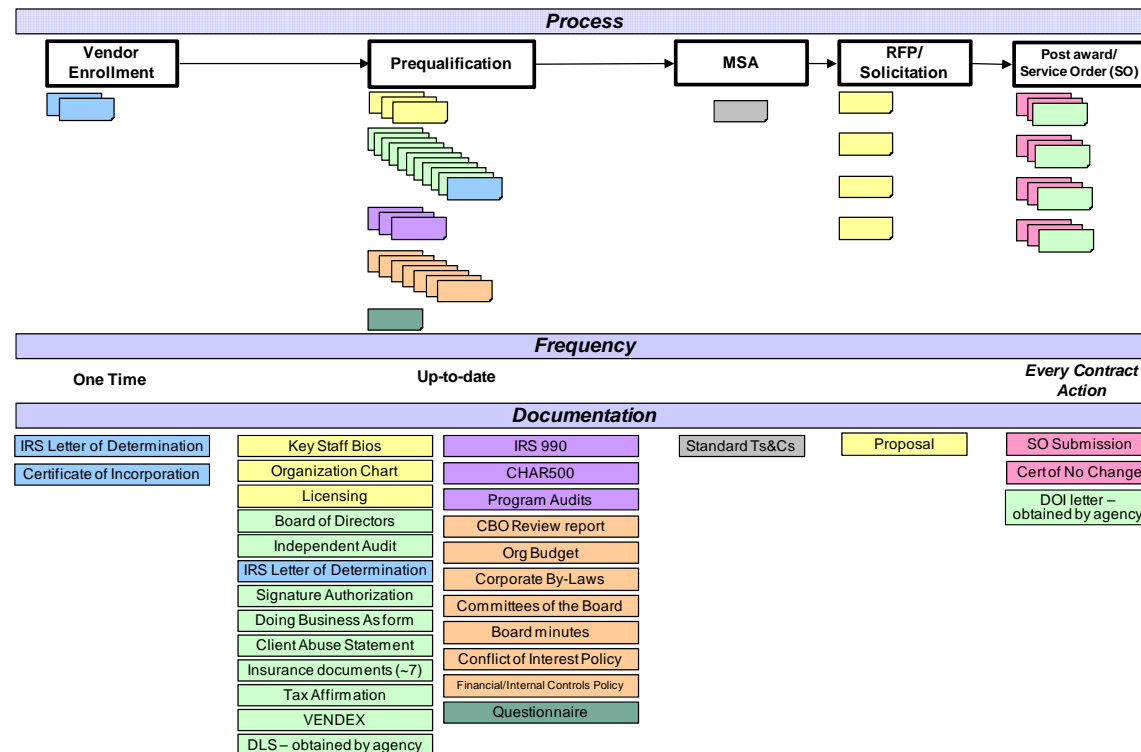
Data Source: Program services were identified using Agency websites.

## Detailed Documents: Before and After Prequalification

### Current Process



### Suggested human services prequalification process



## ***Glossary of Acronyms***

<b>Acronym</b>	<b>Description</b>
ACS	Administration for Children's Services
APT	Automated Procurement Tracking system being implemented by MOCS
CBO	Capacity Building and Oversight – types of form required by City of New York. (Alternative not used in this report: Community Based Organizations).
CJC	Mayor's Office of the Criminal Justice Coordinator
COLA	Cost of Living Adjustment
CPR	Citywide Performance Reporting
DFTA	Department For The Aging
DHS	Department of Homeless Services
DJJ	Department of Juvenile Justice
DLS	Division of Labor Statistics
DMHHS	Deputy Mayor for Health and Human Services
DOHMH	Department of Health and Mental Hygiene
DOC	Department of Correction
DOP	Department of Probation
DOI	Department of Investigation
DYCD	Department of Youth and Community Development
FMS	Financial Management System
HPD	Department of Housing Preservation and Development
HRA	Human Resources Administration
LGBT	Lesbian, Gay, Bisexual and Transgender
IRS	Internal Revenue Service
MOCS	Mayor's Office of Contract Services
MSA	Master Service Agreement. Agreement between the City and a prequalified provider. Provider commits by the standard terms and conditions and is eligible for work contracted in the form of service orders
OCME	Office of Chief Medical Examiner
OMB	Office of Management and Budget
PPB	Procurement Policy Board
PRM	Provider Relationship Management
PSR	Pre-Solicitation Report
RFP	Request for Proposal
SBS	Department of Small Business Services
SO	Service Order
VENDEX	System for housing organization and contract information for vendors seeking to do business with the City of New York



