

PERFORMANCE AUDIT  
State Employee Health Clinics Contract  
Management and Oversight  
Department of Administration

JUNE 2017

16P-03

REPORT SUMMARY

Since 2012, the Department of Administration has expended approximately \$26.1 million to operate the Montana Health Centers, also known as the employee health clinics. There have been ongoing management challenges with operating the health centers beginning with a poorly drafted Request for Proposal, contract management weaknesses, and a lack of reliable data to assess contractor performance. Consequently, any reports of health care cost savings to the state of Montana cannot be corroborated. If this health care benefit is to continue, DOA needs to work with stakeholders, including legislators, state employees, the Montana University System, and private health care providers, to develop a long-term strategy for MHC operations and services. This would include developing a new Request for Proposal with a clearly defined vision and goals for MHC operations.

## Context

In an effort to control health care costs over the long term, many employers are focusing on improving the overall health of their workforce. One method to help achieve this goal is through the creation of on-site employee health clinics. The Montana Health Centers (MHC) specialize in primary care and health and wellness coaching, diagnostic service referrals, health screenings, and vaccinations to state employees and qualifying dependents covered under the State of Montana Benefit Plan. The Department of Administration's (DOA) Health Care and Benefits Division (HCBD) oversees the MHCs via a contract between the division and a contracted third-party vendor (contractor). The contractor is in its fifth year as the day-to-day operator of the MHCs, and is currently under a one-year contract extension. These contracts between HCBD and the contractor contain performance guarantees meant to improve performance and ensure the contractor performs all of its contractual obligations.

The first MHC opened in Helena in August 2012, with five additional centers

opening in the following three years. There are no patient fees, such as co-pays or deductibles, associated with services received at the MHCs. However, between August 2012 and August 2016, operating costs for the MHCs have totaled more than \$26.1 million.

Through survey work, we found the MHCs are being used by employees primarily for annual health risk assessments and primary care, with nearly a third of respondents also using the centers' wellness coaching services. Seventy-three percent of respondents use the MHCs up to five times a year with an additional 17 percent visiting up to nine times annually. Overall, survey respondents stated they are satisfied with the quality of care they received at the MHCs.

## Results

Audit work found ongoing contract management weaknesses related to the MHC contract. Specific issues identified included a lack of accurate and complete electronic medical records data to track long-term health

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of patients; immeasurable and vague goals and performance guarantees; inaccurate contractor reporting and unfounded savings attributed to the centers; and disruption of care between the centers and private health care providers. Audit recommendations to DOA include:

- ◆ Defining types of visits available at the MHCs.
- ◆ Regularly conduct independent audits of the MHCs.
- ◆ Creating a growth plan for potential future expansion of the MHCs.
- ◆ Improving communication between the MHCs and private health care providers.
- ◆ Educating employees on what an electronic medical record is and how to distribute their records between the MHCs and their private health care providers.
- ◆ Linking performance incentives to the goals of the MHCs using clearly defined, measurable outcomes.
- ◆ Collecting accurate and comprehensive patient data and completing the data warehouse.
- ◆ Requiring future contract modifications to be in written format.
- ◆ Developing a vision for the MHCs, including clear and measurable goals.
- ◆ Developing a new Request for Proposal to align with the newly created vision, goals, and objectives.

Recommendation Concurrence	
Concur	8
Partially Concur	1
Do Not Concur	0
<b>Source: Agency audit response included in final report.</b>	

For a complete copy of the report (16P-03) or for further information, contact the Legislative Audit Division at 406-444-3122; e-mail to [lad@mt.gov](mailto:lad@mt.gov); or check the web site at <http://leg.mt.gov/audit>  
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