Report
to
The LEGISLATIVE FINANCE COMMITTEE

Aging and Long-Term Services Department
Resource Allocation, Cost, Availability and Effectiveness of Aging Network
May 9, 2014

Report #14-06

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May 9, 2014

Mr. Gino Rinaldi, Secretary
Aging and Long-Term Services Department
2550 Cerrillos Road
Santa Fe, New Mexico 87505

Dear Secretary Rinaldi:

On behalf of the Legislative Finance Committee (Committee), I am pleased to transmit the evaluation Resource Allocation, Cost, Availability, and Effectiveness of Aging Network Services: Impact of Aging Population on the System of the Aging Network Division of the Aging and Long-Term Services Department. The program evaluation team assessed oversight of the network, fund use, system efficiency, and strategic planning to meet growing future needs.

The report will be presented to the Committee on May 9, 2014. An exit conference was held with ALTSD administrative staff on April 22, 2014.

The evaluation team will forward and implementation plan to the Department and expects a corrective action plan be returned within 30 days of the hearing date.

I believe that this report addresses issues the Committee asked us to review and hope the New Mexico Aging and Long-Term Services Department will benefit from our efforts. Thank you for your cooperation and assistance.

Sincerely,

David Abbey, Director

Cc: Representative Luciano "Lucky" Varela, Chairman, LFC
Senator John Arthur Smith, Vice-Chairman, LFC
Representative Henry "Kiki" Saavedra, Member, LFC
Dr. Tom Clifford, Secretary, DFA

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Projected New Mexico Population

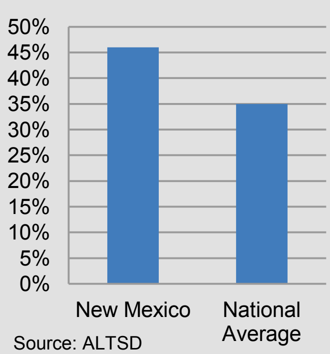
Age Group	2020	2030
0 to 19	25.7%	24.1%
20 to 39	23.0%	20.3%
40 to 59	23.7%	23.1%
60+	27.6%	32.5%

Source: U.S. Census Bureau

By 2030 there will be more people 65+ than people under 18.

10,000 U.S. baby boomers turn 65 daily.

Percentage of Seniors who Reported Having to Choose Between Buying Food and Paying for Utilities in 2013



Source: ALTSD

The Older Americans Act (OAA) sets forth core programs and the organizational structure for the senior network, with a goal of promoting senior independence. As the designated state unit on aging, the Aging Division of the Long-Term Services Department (ALTSD) serves as the administrator for senior programs in New Mexico.

The state's senior population is diverse and has a range of needs based on different factors. A quarter of the state's senior population is ethnically diverse with large Hispanic and American Indian populations. A quarter live with incomes below 150 percent of the federal poverty level, income less than $17.5 thousand per year. Only 18 percent of the roughly 400 thousand New Mexicans over the age of 60 receive core services reimbursed through the aging network, which is the main access point for services. The state ranks 2nd in the nation for senior hunger and 5th for senior food insecurity. Forty percent of the senior population is disabled.

By 2030, the U.S. Census Bureau projects New Mexico will experience a 300 thousand increase in persons over 60 years of age, ranking New Mexico 4th in the nation for this population as a percentage of the total population.

This evaluation focused on the oversight of the aging network, fund management, system efficiency, and strategic planning to meet the needs of the increased population.

The aging network in New Mexico generally lacks oversight. Most of the oversight is delegated to contracted entities known as Area Agencies on Aging (AAAs). Multiple levels of provider mandates from federal, ALTSD, contracted administrators, local governmental entities, and state regulatory agencies shift time and resources away from services and towards compliance. An absence of standardized training, purchasing agreements that do not meet needs, and redundancy in the reporting system create inefficiencies for service providers.

Although providers receive state and federal funding, they must still rely on other funding sources, including program income, donations, and local government contributions. Local government contributions to programs range between seven percent and 65 percent of total funding. The effects of the recent restructuring of the capital outlay process have yet to be seen.

System capacity and performance outcomes are not tracked and data is not used for strategic planning purposes. Without data-driven strategic planning, the ability to design a system capable of meeting the needs of baby boomers, who are more active and healthier than previous generations and the rapidly increasing number of seniors over 80 years of age, who are frail and mobility-impaired, is lost.

KEY FINDINGS

Better oversight by the Department and Area Agencies on Aging is required to ensure appropriate use of funds and service delivery. The structure established by the Older Americans Act (OAA) requires each state receiving federal funding to designate a sole state unit responsible for carrying out the administrative requirements of the OAA. In New Mexico, the Aging and Long-Term Services Department serves in that role and is responsible for planning, policy development, coordination, priority setting, and evaluation of all state activities related to the Act.

As of May 2013, six local government entities could not proceed with grant agreements because they were not in compliance with Executive Order 2013-006.

Federal law requires a multi-level system of oversight for aging services. The structure of the aging network includes five tiers of management, which increases administrative and compliance costs and creates a communication gap between the department and providers. Each of the OAA mandated geographic divisions in the state, known as Planning and Service Areas (PSAs), include counties which differ in ruralness, ethnicity, and economic status of individuals living in that area.

The state contracts with Area Agencies on Aging (AAAs) to administer and monitor local providers and services.

Financial audits demonstrate a lack of internal controls and the system operates with outdated rules. The 2013 external financial audit of ALTSD cited untimely reversion of funds, untimely filing of federal reports, and lack of reconciliation between revenues and disbursements.

The administrative code refers to ALSTD as the Agency on Aging, not recognizing departmental status.

ALTSD's administrative code is not useful in administration of the senior network. Out-dated codes and policies allow differing administrative directives across AAAs. ALSTSD's administrative rules delegate significant control of the network to AAAs, but the department's assessments of AAAs do not reflect evaluation of the myriad of functions and responsibilities delegated to the AAAs.

The aging network lacks an early warning system to identify a provider's financial and operational risks. This evaluation identified several situations that may have been prevented if more timely scrutiny had been applied in AAA and provider assessments.

According to the National Association of States United for Aging and Disabilities, most states report having from 3 to 8 FTEs dedicated to AAA monitoring.

The department has not established services standards which can be used to implant edits in the information system to detect billing errors or inappropriate utilization. Monitoring of infrastructure needs by ALTSD and the AAAs is questionable based upon the condition of certain facilities.

State appropriations and local funding serve as the primary funding sources for senior programs. The original intent of the OAA was to use federal and state funding as seed money to encourage local financial participation in senior programs.

Lack of growing federal funds for aging services imposes a financial burden on New Mexico to meet increasing demand as the population ages. Federal funding comes through a discretionary grant program, subject to Congressional appropriations, unlike other programs such as Medicaid. As a result, rapidly expanding populations or service costs may not be covered. Funding through the grant has remained essentially flat over time, with New Mexico's senior population on a steep incline.

New Mexico does not have a good methodology for allocation of funds. Federal funds are distributed through an Intrastate Funding Formula. The formula was developed at the direction of the OAA. The funding focuses on individual 60+ years of age as a percentage of the total population, as a percentage of the population in a specific geographic area, and as a percentage of the population below the federal poverty level. It does not consider individual needs nor does it target funding to rural areas. The formula in other states may provide opportunities for New Mexico to improve fund distribution.

Living costs in New Mexico for a senior average $14,676 to $22,534 per year.

New Mexico's social security payments average $11,560 for women and $15,387 for men.

Social Security is the only source of income for 30 percent of retired New Mexicans.

New Mexico allocates three times as much funding as the federal government for aging services. The annual federal funding to New Mexico' senior network has been between $8 million and $9 million over the past three years, with the state contributing between $25 million to $28 million over those years. New Mexico also provides substantially more state funding for aging services than other states in the region.

While state appropriations for senior programs have increased each of the past three years, the population served has increased minimally. Despite a 12 percent increase in state funding over three years, the increase in consumers served increased by less than 5 percent. ATLSD distributes state funds to AAAs primarily based on previous year's funding. The Non-Metro and Albuquerque-Bernalillo AAAs serve as pass-through agencies for both federal and state funding. The funding also includes the AAA administrative allowance. AAAs are allowed no more than 10 percent of their allocated federal funding for administrative expenses. AAA contracts with ALTSD are silent on the percent of total funds which can be designated as administrative expense from state funds. Indians, (pueblos, tribes, and the Navajo Nation) receive funding directly from the federal agency.

The Indian AAA provides funding for 21 senior centers and 3 adult day care centers.

Contracted AAAs determine how federal and state funds will be distributed to individual providers. Provider funding from the AAA is based upon historical allocations, service utilization and cost per unit of service. The calculated cost per unit of service includes: all salaries and fringe benefits, travel, maintenance and repair, supplies, and if applicable, contract costs. The most common services in senior programs are congregate meals, home-delivered meals, and transportation. Although congregate meals serve more individuals, home-delivered meals are most costly, but the unit costs vary across providers. Unit costs drive per capita costs.

Lack of local cost-sharing requirements result in the state taking on a greater share of funding for aging services in some areas. At least two local governmental entities expressed concern that financially supporting the senior network with local funds may violate the state's constitutional clause addressing anti-donation.

Over 300 providers serve older New Mexicans across the state.

Some local governments make significant contributions while others provide little or no funding to the senior network. There are not clear criteria to establish what constitutes a local government's fair share for senior programs. This results in patchwork funding which reflects the unwillingness or inability of local governments to contribute and does not recognize the greater network needs. The task of soliciting cash and in-kind donations from local governments is contractually obligated to providers. There is little evidence that the Non-Metro AAA or ALTSD actively participates in these campaigns. The department and AAAs lack a standard methodology for reporting in-kind contributions which could result in over- or under- reporting.

37 local government entities serve as the fiscal agent and local provider for senior services.

Local governments that are unable or unwilling to contribute financially to their senior network benefit with higher percentages of their allocations from federal and state funds. Local governments are faced with competing needs and decisions are difficult when the local tax base must also fund community safety nets, such as police and fire departments. However, Harding County the least populated in the state, contributes 44 percent of the total budget. This is county where, out of 695 people, roughly 40 percent (278 people) are over the age of 60 and are eligible for Title III services.

According to the US Census Bureau, 13 percent of New Mexico seniors live below the poverty level, with incomes of $10,830 or less per year.

Clients receive services whether or not they make donations and programs receive little funding from consumer donations. The OAA provides direction for senior networks to prioritize services to the most financially-needy individuals, but prohibits means testing and requires services be available to all age-eligible individuals. There is no relationship between suggested donations and actual cash collected for services.

The capital outlay process may be unsuccessful in fairly and efficiently distributing funds to the most needy. ALTSD has recently revamped the capital outlay process, but the prioritization system is still subjective and lacks key criteria to determine where the funding is most needed. Requests ranked as critical in the past have been given priority but delays in spending on critical projects bring into question the immediacy of the need.

Capital Outlay Categories: New Construction, Renovations, Code Compliance, Meals Equipment, Other Equipment, and Vehicles.

ALTSD's Capital Projects Bureau (CPB) is responsible for compiling capital outlay requests from providers, contracting funding allocations to providers, and administering capital outlay projects. ALTSD can only contract with local governments, tribes, pueblos, and the Navajo Nation. Capital outlay funds can be used for six categories of funding. Funds must be used in a manner that reflects the intent of the legislation authorizing the funds. However, capital requests are specific within a specific category and are specific in the request, but the departmental approval is general, only to the category of funding.

The department's new prioritization process for FY15 lacks adequate operational criteria and subjectivity still exists in the process. The rating system implemented for the FY15 cycle is new to the capital outlay request process and replaces a system where projects were assigned a ranking of critical, high, moderate or low. Although the recently implemented prioritization process is an improvement, it still lends itself to subjectivity because the final decision lies with the Project Review Team (PRT). Additionally, the prioritization system does not adequately take into consideration the program's ability to provide operational and maintenance costs once the project is complete.

Program specific capital outlay requests proposed by the legislature do not always consider the program's infrastructure, staffing, and operational budget to support the request. Legislators frequently seek capital outlay funding for senior programs in their districts. This type of funding can be detrimental to senior programs if the allocation is a one-time disbursement for a service that requires recurring funding.

The Department of Finance and Administration recently decided capital funding will only be available for purchases of equipment costing more than five thousand dollars with a life-span of ten years. Until recently, the Department of Finance and Administration did not have a threshold and capital outlay requests under five thousand dollars were funded. While the policy appears sound and will prevent borrowing for small purchases, the new threshold will cause short-term issues for providers.

Not all local governments serving as fiscal agent and proprietor of capital equipment accept the responsibility for cost of maintenance and repair and they are not required to contribute to the cost. Assets purchased with capital outlay funds are property of the entity that was awarded the funding. ALTSD officials emphasized the need for asset management at a capital outlay training session in 2014 and expressed concern providers were not projecting the lifespan of assets and determining replacement needs prior to equipment failures.

Many providers are not securing other funding sources and rely solely on state capital outlay for the purchase of vehicles. The state provides large amounts of capital funding to ALTSD for vehicle purchases. Funding for vehicles dedicated to seniors and the disabled is available through the US Department of Transportation (USDOT).

Congregate and home-delivered meals are among the most critical services for older individuals-more than 3.5 million meals are provided each year.

Strategic planning is necessary to ensure the adequacy and efficiency of the aging network in meeting current and future needs. Although many communities in the state are aging in place, strategic planning is not occurring to address changes in need. Service effectiveness is not tracked by ALTSD, the AAAs, or the providers, and the current capacity of the network is unknown. Data is not leveraged to predict future needs of seniors, and the state's ability to expand services is unknown.

The US Census Bureau projects New Mexico will have the third highest internal migration rates in the nation.

ALTSD's performance measures do not reflect the aging network's current capacity or its ability to meet future needs of the aging population. Current performance measures reported by ALTSD reflect the volume of services provided, but strategic planning and capacity are not clearly tied to these measures. The department reports one outcome measure that relates to the scope of this project, which is the percent of older New Mexicans whose food insecurity is alleviated by meals received through the aging network. According to ALTSD in FY13, 60 percent of older New Mexicans had their food insecurity alleviated through aging network provided meals.

Providers face challenges and inefficiencies in understanding, preparing for, and meeting the needs of seniors. ALTSD staff conduct site visits as part of the assessment process. The on-site review does include some document review and analysis, such as evidence of reconciliation of actions in the procurement process. Training is either not standardized or is lacking for providers across the aging network. This results in providers having different training requirements across AAAs. There is also no standard budget training. Rural providers face the hurdle of recruiting and retaining qualified personnel. Providers are also challenged by developing current budgets based on year-old prices and two-year-old service units.

Although senior centers may currently be underutilized throughout the day, changes in the senior population will require a strong infrastructure and more innovative service approaches. Although meals continue to be the most utilized service, demands could change as the boomers age, retirees move from community to community, and other population changes occur. Various ideas are being developed to meet the needs of the new generation of seniors, including changing the congregate meals setting, offering wireless internet, and changing to multigenerational centers. At the other end of the spectrum, individuals will be living longer and subject to increased frailty and disabilities and in need of more in-home services.

Data is not effectively used to provide active management and strategic planning for the aging network. The data is primarily used to generate reports to federal and state governments and to reimburse providers. The data reporting structure is convoluted inhibiting timely understanding and use of the data. ALTSD does not see provider level data, instead relying on AAAs to collect this data. Despite a wealth of consumer data ALTSD does not use longitudinal analysis to assess current trends or predict future service needs.

KEY RECOMMENDATIONS

The Legislature should:

- Consult with LFC staff analysts and the Department prior to proposing specific service and location capital outlay to ensure the program has the infrastructure, staffing, and operational budget to support the project.

ALTSD should:

- Take action to resolve external audit findings by implementing systems which correct findings and prevent future occurrences.

- Assess departmental contracts with AAAs and administrative code to determine if the department should recall any portions of the scope of work to ensure ALTSD maintains appropriate control of the aging system.

- Work with local governmental entities to determine the feasibility of a minimum threshold for local contributions through cash or in-kind donations.

- Review formulas from other states to evaluate if there are opportunities to improve New Mexico's Intrastate Funding Formula for federal funds and the disbursement of state general fund allocations to better target resources.

- Act as the lead in solicitation of funding from local government entities.

- Work with NM Department of Transportation to develop strategies where grant applicants most in need are considered a priority for funding and investigate options on how procurement code and grant requirements can be met in lieu of upfront match payments.

- Create gateway criteria in prioritization system in the capital outlay process that will not allow an application to proceed for ranking if the applicant is not in compliance with Executive Order 2013-006 and if the applicant cannot demonstrate that they can provide for the ongoing operations and maintenance of the facility.

- Track service outcomes and report them as performance measures to give a better idea of the aging network's capacity and its adequacy in meeting the needs of the senior population.

- Create standardize training manuals and provide more direct training to providers to help them understand all aspects of the aging network system.

- Work with the LFC and other partners to develop a strategy for a longitudinal analysis of aging network data.

The Aging and Long-Term Services Department (ALTSD) was created in 2004, elevating the Agency on Aging to a cabinet level department. ALTSD is designated as the state unit tasked with the administration of federal grant awards from the Older Americans Act (OAA). The department's mission is to adequately meet the complex social, behavioral, and healthcare needs of New Mexico's aging population. Meeting the socioeconomic and healthcare needs of the aging population is complicated by New Mexico's expansive rural nature and high poverty rates. Fifteen percent of New Mexicans age 60 or older live at or below the federal poverty level and nearly half live with disabilities.

The Older Americans Act. The federal OAA of 1965 established the U.S. Administration on Aging (AoA), within the Health and Human Services Department, and state agencies on aging to address the social services needs of the aging population. The Act authorizes seven titles that include a series of formula-based and discretionary grants.

Table 1. The Older Americans Act

Title I	Declaration of objectives, definitions
Title II	Establishment of Administration on Aging
Title III	Grants for state and community programs on aging
Title IV	Activities for health independence and longevity
Title V	Community service senior opportunities act
Title VI	Grants for Native Americans
Title VII	Allotments for vulnerable, elder rights protection activities

Source: Department of Health and Human Services, Administration on Aging

The OAA has not been reauthorized since the 2006 authorization ended in 2011, but key aspects of the Act remain in effect by federal statute and grants are funded though congressional appropriations. The Act prioritizes providing services for older individuals with particular attention to those with low income, minority older individuals, older individuals with limited English proficiency and older individuals residing in rural areas. This evaluation focuses on the Aging Network Division of ALTSD.

The Aging Population. The population of individuals 60 years or older is rapidly expanding in New Mexico. From 2000 to 2030, the number of New Mexicans age 60 or older is estimated to increase by 70 percent and the state will rank 4th in the nation in percentage of population age 60 and older, according to ALTSD. The population of New Mexicans who are 85 and older will more than triple from 23,306 in 2000 to 75,629 in 2030.

Table 2. NM Population by Age Group: 2012

	All Ages	50+	55+	60+	65+	70+	75+	80+	85+
By Number	2,059,179	676,361	529,191	392,392	272,255	184,365	118,461	68,231	31,993
By Percentage	100.0%	32.8%	25.7%	19.1%	13.2%	9.0%	5.8%	3.3%	1.6%

Source: State Plan

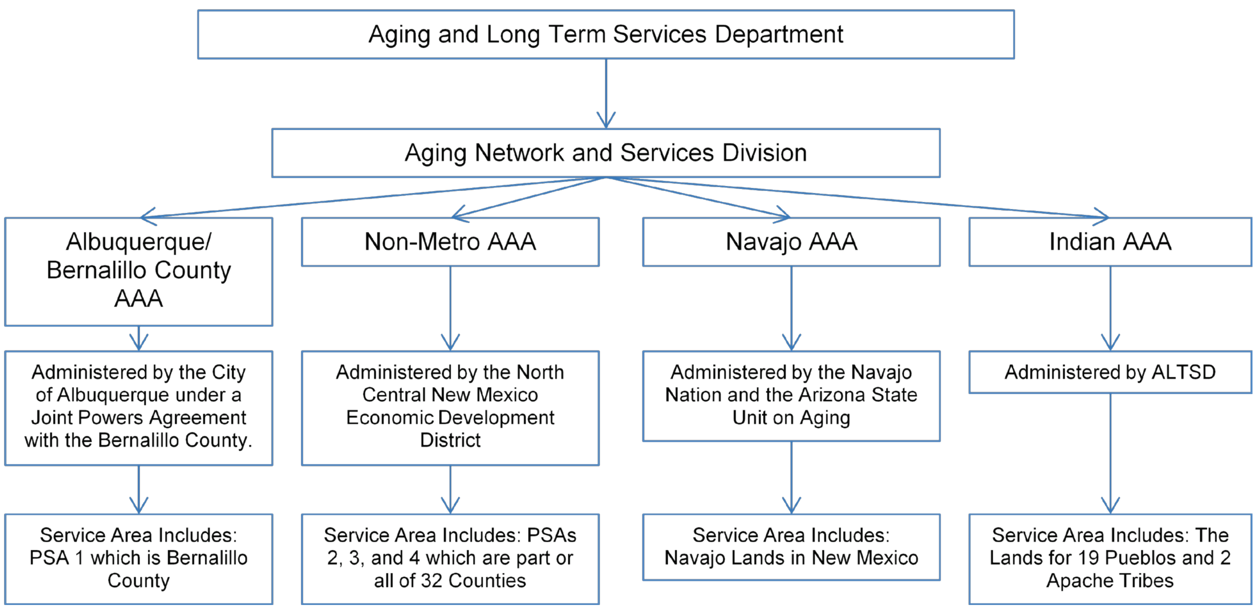
State Agency Requirements and Organizational Structure. ALTSD is responsible for developing a state plan which must be submitted to the Assistant Secretary of the Administration on Aging at least every four years. The department administers the state plan within New Mexico and is primarily responsible for the planning, policy development, coordination, priority setting, and evaluation of all state activities related to the Act.

Through the OAA, the state is tasked with dividing the state into Planning and Service Areas (PSAs) with consideration for the geographical distribution of older individuals in the state. These PSAs must then be approved by the Administration on Community Living. All entities involved must also consider the need for supportive and nutrition services, multipurpose senior centers, and legal assistance.

ALTSD must also designate one or more public or private non-profit agencies or organizations as Area Agencies on Aging (AAA). The state and AAAs create a funding formula for distribution of funds received under Title III. The AAA must submit an area plan at least every four years to ALTSD that contains a funding formula for the distribution of funds received from ALTSD. The AAA is responsible for carrying out the services sponsored by Title III funding.

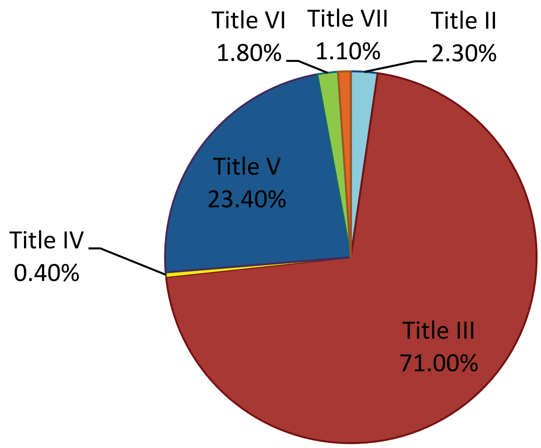
ALTSD is comprised of four divisions:

- Consumer and Elder Rights Program: Provides current information, assistance, counseling, education and support to older individuals, persons with disabilities, residents of long-term care facilities and their families and caregivers that allow them to protect their rights and make informed choices about quality services.
- Aging Network Program: Provides supportive social and nutrition services for older individuals and individuals living with disabilities so they can remain independent and involved in their communities and to provide training, education, and work experience to older individuals so they can enter or re-enter the workforce and receive appropriate income and benefits.
- Adult Protective Services Program: Investigates allegations of abuse, neglect, and exploitation of seniors and adults with disabilities and provides in-home support to adults at high risk for repeat neglect.
- Program Support: Provides clerical, record keeping, and administrative support in the areas of personnel, budget, procurement, and contracting to outside contractors and external control groups to implement and manage the programs.



Federal Title III Grants for State and Community Programs on Aging. Title III of the OAA authorizes funding to state agencies for supportive and nutrition services, family caregiver support, and disease prevention and health promotion activities with nutritional services receiving the greatest portion of the funding. Funds are for services available to people age 60 and over and although means testing is prohibited, services are targeted to those with the greatest economic or social need.

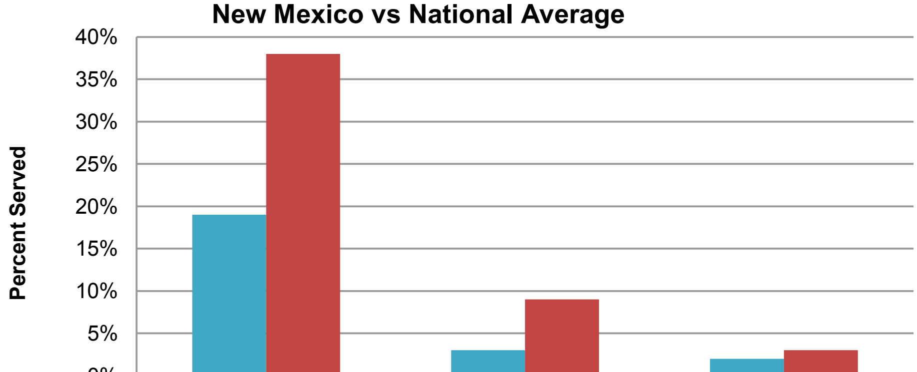
Chart 1. Older Americans Act, FY12 Nationwide Funding by Program
(as a percentage of total OAA funding, $1.9 billion)



Source: Congressional Research Service

The states are required to pass federal funding to AAAs, which then administer funds to providers in state-defined Planning and Service Areas. The chart below demonstrates that because of New Mexico's robust funding of the aging network, the percentage of population age 60 and older served in New Mexico is higher than the national average.

Chart 2. Percentage of 60+ Population Served: New Mexico vs National Average



	All Services	Congregate Meals	Home-Delivered
National Average	19%	3%	2%
New Mexico	38%	9%	3%

Source: The 2012 ALTSD Strategic Plan

More than 300 aging network providers funded by the department provide services to over 115,000 older adults throughout the state, particularly in rural, tribal and frontier areas. Congregate and home-delivered meals are critical services, and more than 3.6 million meals are provided each year. More than 5 thousand older New Mexicans sponsored by the department's volunteer programs provide over 2.2 million hours of volunteer service in communities throughout New Mexico with an estimated value of $41.7 million, according to ALTSD.

Federal Title VI Grants for Services for Native Americans. Title VI of the OAA provides grants for Indian Tribal organizations, Alaskan Native organizations and Native Hawaiian organizations. The funding is for supportive and nutritional services. The grants bypass the states going directly to the nation or pueblo. ALTSD provides additional state funding to 21 pueblos and tribes through Indian Area Agency on Aging and directly to the Navajo Nation for Title III.

Maintenance of Effort. Federal funding is contingent upon the state's continuation of maintenance of effort. The Older Americans Act requires each state to submit an annual certification of a funding maintenance of effort. Each fiscal year the state agency must spend at least the average amount for both services and administration it spent under the plan for the three previous fiscal years. If the state spends less than the required amount in the fiscal year, the state's allotment for supportive and nutritional services under the OAA will be reduced by a percentage equal to the percentage by which the state reduced its spending. For the past several years, ALTSD has certified $600 thousand as maintenance of effort, an amount significantly less than the actual state expenditures, allowing budget makers more flexibility.

Proposed Reauthorization and Amendments to the OAA. The proposed OAA amendments would reauthorize all programs through FY18. The bill would also express nonbinding language that the amount appropriated should reflect a 12 percent increase from FY10 levels to address the growing need and rapidly expanding senior population. Categories of older adults who could potentially benefit from additional outreach would also be added including: veterans, lesbian, bi-sexual, gay, and transgender individuals, Holocaust survivors, and those with Alzheimer's disease. This expanded list of older individuals could potentially add a large number of clients to senior programs that are already struggling to provide services for the clients they have.

The state plan identifies several impacts that an aging population will have on New Mexico's aging network. The impacts related to this evaluation include the following:

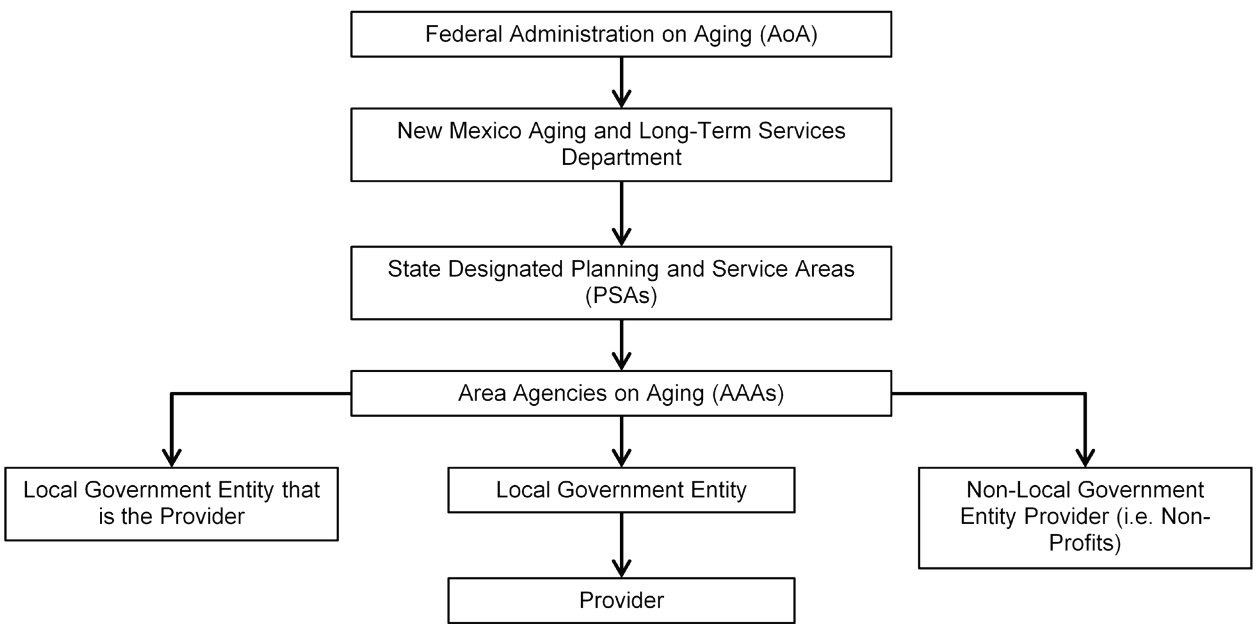
- The aging network is experiencing increased demand for meals, transportation, homemakers, respite care, and other in-home services, as well as services that support economic security such as employment training and public benefits advocacy.
- As New Mexico's older population increases, the percentage of New Mexicans who are disabled will increase, putting more of a strain on the dwindling pool of paid caregivers, and the growing pool of family caregivers.
- The fastest rate of population growth is those age 85 or older. Increased age increases the probability of frailty; having different needs from those of younger, more active elders.
- The aging of the baby boomers is already impacting New Mexico's Aging Network:
    - Boomers are more physically active; more inclined toward fitness, travel, and outdoor activities;
    - Boomers are less inclined to participate in traditional senior center services;
    - Many boomers, with more education than previous generations and a history of activism, want to remain civically engaged and continue contributing to their communities;
    - Although the prevalence of diabetes, arthritis, and cancer has increased, the health status of the boomer generation is, on average, better than that of previous generations.

BETTER OVERSIGHT BY THE DEPARTMENT AND AREA AGENCIES ON AGING IS REQUIRED TO ENSURE APPROPRIATE USE OF FUNDS AND SERVICE DELIVERY

Federal law requires a multi-level system of oversight for aging services. The structure established by the Older Americans Act (OAA) assigns oversight and operational functions to program components. To be eligible for funding under OAA the state is mandated to designate a sole state unit responsible for carrying out administrative requirements of the OAA. New Mexico complied with this requirement with the creation of the State Unit on Aging and in 2004, its successor, the Aging and Long-Term Services Department (ALTSD). ALTSD is responsible for developing a state plan to be submitted to the Assistant Secretary of the Administration on Aging (AoA) at least every four years. ALTSD administers the state plan and is responsible for the planning, policy development, coordination, priority setting, and evaluation of all state activities related to the OAA.

The structure of the aging network includes five tiers of management. The layering of administrative agents within the system increases administrative and compliance costs and creates a significant communication gap between providers and the department. As the chart shows, a local government agency serving as the senior program fiscal agent could also serve as the provider.

Figure 1. Aging Network Organizational Structure



ALTSD is mandated to divide the state into Planning and Service Areas (PSA) considering the geographical distribution of older individuals. PSAs are established to identify distinct Planning and Service Areas. A PSA is required to have a minimum total population of 100 thousand and include at least one local government entity. Planning in each area must consider: the need for supportive and nutritional services, multi-purpose senior centers, legal assistance, distribution of older individuals with greatest social and economic needs, those with limited English proficiency, and those residing in rural areas. The OAA states each PSA must have a comprehensive, coordinated system of care. In a rural state like New Mexico, the intent of PSAs is clouded. The counties within a PSA vary in ruralness, ethnicity, or economic status of individuals, complicating the development of a system of services. As an example, both Torrance and Rio Arriba counties are in PSA 2, with ethnically different populations and senior needs.

Table 3. Planning and Services Areas in New Mexico

PSA 1	Bernalillo County
PSA 2	Cibola, Colfax, Los Alamos, McKinley, Mora, Rio Arriba, Sandoval, San Miguel, San Juan, Santa Fe, Taos, Torrance, and Valencia Counties
PSA 3	De Baca, Chaves, Curry, Guadalupe, Eddy, Harding, Lea, Lincoln, Quay, Roosevelt, and Union Counties
PSA 4	Catron, Dona Ana, Grant, Hidalgo, Luna, Otero, Sierra, and Socorro Counties
PSA 5	NM portion of Navajo Nation, which includes areas within Bernalillo, Cibola, McKinley, Sandoval, San Juan, and Socorro counties. This PSA was established under a tri-state agreement with Arizona and Utah.
PSA 6	New Mexico's 19 pueblos and 2 Apache tribes

Source: NM 2013-2017 State Plan

The state must also designate public or private non-profit agencies or organizations to serve as the Area Agencies on Aging (AAA). The AAA role, as established by the OAA, is to administer and monitor services for designated PSAs. The primary AAA function is to contract with entities to provide direct services. AAAs recruit and select providers, monitor compliance of providers to federal, state, local, and AAA policies and regulations, manage area service funds, including determination of fund distribution to providers and monitor provider financial performance. AAAs are allowed significant autonomy in the administration of their assigned PSAs.

Table 4. Area Agencies on Aging

	Area Agencies on Aging Planning and Service Areas Assignments
PSA 1	The City of Albuquerque and Bernalillo County, under a joint powers agreement
PSAs 2,3, and 4	Albuquerque-Bernalillo County AAA, operating under the umbrella of the North Central Development District
PSA 5	Navajo Nation
PSA 6	Indian AAA operating within NM Aging and Long-Term Services Department

Source: NM 2013-2017 State Plan

Financial audits demonstrate a lack of internal controls at the department and the system operates with outdated rules. ALTSD's 2013 financial audit contains six findings, four of which are significant deficiencies, and the administrative code has not been updated since 2001.

The 2013 financial audit of ALTSD demonstrates a lack of control over internal departmental processes. The department was found to lack controls over the timeliness of reversions and failed timely reversion of over $820 thousand in unexpended appropriations related to fiscal years 2013 and 2012. The department was also found to lack controls matching reimbursable expenses to revenues. Several reimbursement-based capital outlay funds had recorded disbursements of approximately $609 thousand, but there were no corresponding revenues or receivable amounts recorded. Another significant deficiency cited was a lack of internal controls over federal awards, including the failure to timely submit, review and approve federal reports. Lack of documentation of pay rates was also noted as a significant deficiency. Findings relating to the lack of internal controls over federal awards and untimely reversions are both repeat findings. The audit also identified a vendor overpayment of $457 thousand during the grant reconciliation process, but amounts were recovered prior to the audit and before requests were made for federal reimbursement.

ALTSD's administrative code is outdated and not useful in administration of the senior network. The department is aware of the need for modifications and is in the process of updating the code. The process has been hindered by high turnover in the department's legal division. Out-dated codes and lack of standardized departmental policies allow differing policies and procedures across AAAs.

ALTSD's administrative rules delegate significant governance and operational control of the senior network to AAAs. However, ALTSD assessments of the AAAs do not reflect evaluation of the myriad of functions and responsibilities bestowed on AAAs by code. The code language could well serve as the template for ALTSD assessments of AAAs. Review of policies showed no standardization of cash management of fund raising and donation dollars or a process for disposal of surplus equipment. Each of these issues rise to a level of importance worthy of administrative rules or standardized practice.

<u>The aging network lacks an early warning system to identify a provider's financial and operational risks.</u> Specific issues of the need for an early warning system were identified through: independent financial audits, interviews with providers and local governments, and internal inspector general and internal audit reports.

1. A senior center employee was able to generate 100 hours of case management for a single client.
2. The same provider cut and pasted consumer record notes from previous encounters, which resulted in inaccurate assessment information.
3. Two providers were able to make loans to employees from agency funds.
4. A provider was found by the federal government to be in violation of payroll tax laws.
5. The audit of at least five fiscal agents demonstrated finances were in such disarray a change in fiscal agents was necessary.
6. Local Government entities have chosen to limit their involvement in the senior network citing "system red tape" as a deterrent.
7. Due to financial audit findings, the purchase of capital outlay was delayed for senior centers until county audit issues were resolved.
8. Construction of a new senior center has been delayed by inadequate construction planning and pending correction of audit findings.
9. Counties have questioned if providing services to seniors violates the state's anti-donation clause.
10. Although nearly one year in the position, an AAA manager's first visit, in that role, to many of that director's assigned senior programs was with the LFC evaluation team.
11. A provider serving two counties suffered financial collapse resulting in the need to contract with new providers.
12. A provider was found to use retained grant funds for purposes other than intended.

A governor's Executive Order 2013-006 requires state agencies to determine whether a grantee has adequate accounting methods and procedures to expend and account for state grant funds in accordance with applicable law and to safeguard assets acquired by grant funds. There can be delays in the disbursement of approved capital funds to an entity if that entity has unresolved issues identified in the required financial audit.

The state has contracted much of the fiscal agent and provider oversight to AAAs. Even prior to the recent change in the General Appropriations Act (GAA) no longer requiring reporting of full-time equivalent employees, the department did not assign employees to the Aging Network Division in the GAA. The reason for the omission is unknown but brings into question whether the number of individuals in other ALTSD divisions participating in oversight of the aging network and AAAs is adequate. AAAs determine and allocate provider funding, select and terminate providers, and establish most operational policies and procedures. From the information provided by the department, assessments of AAA performance by ALTSD are conducted only every two years. ATLSD claims oversight of AAA provider assessments are completed on 15 providers per year. This represents 5 percent of the providers. Only one of the sites visited by LFC had departmental personnel participate in their AAA assessment. Observing the AAA assessment process would provide useful information in evaluation of AAA's oversight of providers.

Although the department may be informed, contracts with AAAs are not explicit regarding the reporting of issues which impact network operations, such as termination of and contracting with new providers.

Fail-safe billing systems edits are not in place at the department level. The department relies on individual AAAs to determine the service standards for their regions. However, the frequency and intensity of services should not vary by region but by individual need. Establishing standards of care, with exception recourse, would be applicable statewide and would ensure inappropriate utilization and billing errors are not happening in an environment with scarce resources.

Monitoring of infrastructure needs by ALTSD and AAAs is questionable based on the condition of certain senior facilities. Buildings that pose health and safety hazards should be a priority for capital funding. Zuni Pueblo has water damage resulting in mildew contaminated flooring, creating a health hazard. Entrances are closed because the floor joists and decking are warped. Flooring is uneven in most of the common areas of the center.

Zuni Pueblo Floor Damage

The Pecos center was built in 2009. The air conditioning units were placed on ground level beneath a roof with no gutters, allowing water to flow directly into the machinery and causing the units to rust. The walls and floors have major cracking, which may be the result of improper ground preparation. Pecos received $1.2 million to fund the new building and an additional $16 thousand for repairs.

Pecos Center Wall Damage

The Wagon Mound center is housed in a building, erected in the 1930s, as a project of the Works Progress Administration (WPA). The kitchen staff cannot operate the microwave oven and the electric can opener at the same time without triggering an electrical failure. Concerned about electrical failures, staff need to make weekend rounds to ensure freezers are functioning. Wagon Mound has received over $1 million for construction of a new facility. However, a poor financial audit of the village and poor construction planning has caused the project to be delayed.

The Curry Residence Senior Meals Association's walk-in freezer is collapsing as a result of poor air conditioner unit installation on the roof. The hot water heater also ruptured in this facility, destroying walls and flooding offices.

Curry Meal Center Wall Damage

The Non-Metro Taos Regional Office staff has been moved to a different space in the building. Their usual space is subject to frequent flooding from breaks in the plumbing system and has mold contamination.

Each of these issues is a health or safety concern that should have been raised to a level of urgent action when found.

Recommendations

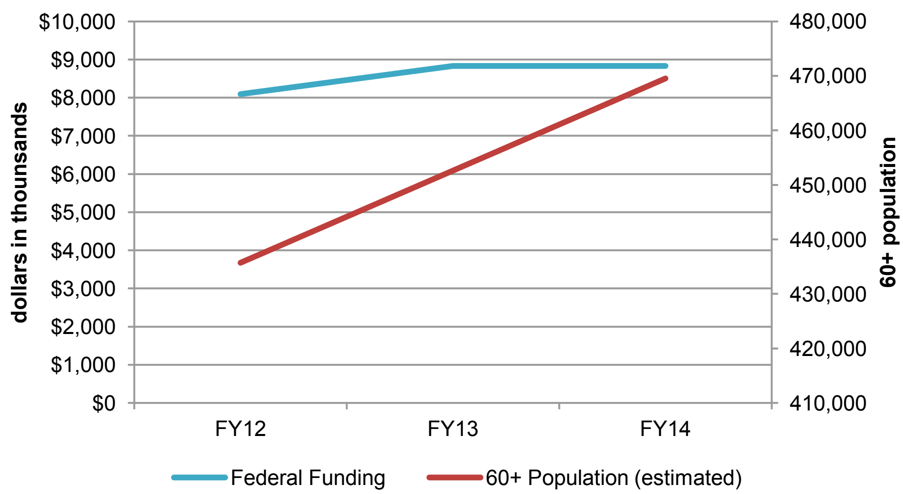
ALSTD should:

- Take action to resolve external audit findings by implementing systems which correct findings and prevent future occurrences.
- Establish standards of service, including allowable units and install edits in the information system to prevent billing errors.
- Assess departmental contracts with AAAs and administrative code to determine if the department should recall any portions of the scope of work to ensure ALTSD maintains appropriate control of the aging system.
- Standardize through policy, procedure, or administrative code important functions relevant to AAAs and providers.
- Align the ALTSD assessment process of AAA to reflect monitoring of duties assigned to the AAAs in NMAC.
- Review the AAA process for provider assessments to more quickly discover and address issues, with a priority on measuring financial health of agencies and facility conditions.

STATE APPROPRIATIONS AND LOCAL FUNDING SERVE AS THE PRIMARY FUNDING SOURCES FOR SENIOR PROGRAMS

<u>Lack of growing federal funds for aging services imposes a financial burden on New Mexico to meet increasing demand as the population ages.</u> Federal funding comes through a discretionary grant program, subject to Congressional appropriations, unlike other programs such as Medicaid. As a result, rapidly expanding populations or service costs may not be covered. Funding through the grant has remained essentially flat over time, with New Mexico's senior population on a steep incline.

Chart 3. Federal Funding and NM Aging Population



Source: Department Data and LFC Projections

The OAA directs federal funding to the state for Title III services including supportive and nutrition services, family caregiver support, and disease prevention and health promotion activities.

<u>New Mexico does not have a good methodology for allocation of funds.</u> As part of the OAA requirements, each state must submit an Intrastate Funding Formula that details how federal funds will be disbursed across the state.

New Mexico's Intrastate Funding Formula has three main components which reward high cost at the expense of efficiency.

1. A hold harmless provision maintaining the PSA's funding amount from one year to the next.
2. Takes 10 percent of new base funds and divides it evenly across the four PSAs to give them additional base funding.
3. The final provision is the most complex. The state's formula uses an average of demographic percentages to create a distribution factor for any remaining funds. This component incorporates each PSA's 60+ population as a percentage of the total PSA population, the 60+ minority population as a percentage of the PSA total population, and the 65+ population below the federal poverty level as a percentage of that population.

Consideration of individual needs and targeted funding to rural areas are not included in New Mexico's formula. Other state funding formulas, such as Colorado, use a straight percentage calculation where certain percentages of OAA funding are distributed based on explicit criteria. For instance, 40 percent of the funds are tied to the population in a PSA that is over the age of 60, 15 percent of a PSA's federal funding is determined by the population over the age of 75. Kansas also targets funding to individuals over 75. New Mexico does not have a provision that targets funding towards possibly more fragile segments of the senior population.

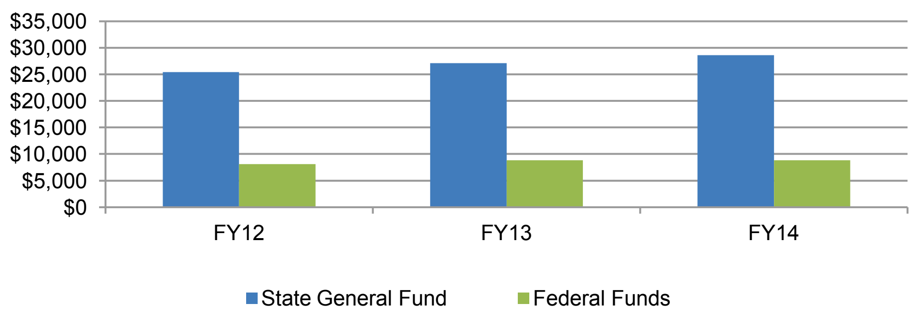
Arizona uses a different approach, weighting each individual and providing a base amount for programs and administration. Each PSA receives base funding of $110 thousand for programs and administration. A single person who is over 60 is weighted at a base of 1. The weight increases to reflect the need for services. For instance, if a person is over 60, a minority, and living in poverty, they receive a weight that is worth 3 points. The weighted totals for each PSA are calculated, and funding is distributed accordingly. This approach allows the state to better target PSAs with the highest number of seniors who meet all of the target requirements.

Colorado, Georgia, and North Carolina specifically target funding to rural areas. The percentage of funding to rural individuals in these three states varies from 10 percent to 15 percent. Georgia's plan specifically states this provision is designed to meet the needs of geographically isolated residents.

Most of New Mexico is defined as rural. Without a rural factor, the state cannot better target the rural communities which are aging faster than other areas.

New Mexico allocates three times as much funding as the federal government for aging services. The annual federal funding to New Mexico' senior network has been between $8 million and $9 million over the past three years, with the state contributing between $25 million to $29 million over those years.

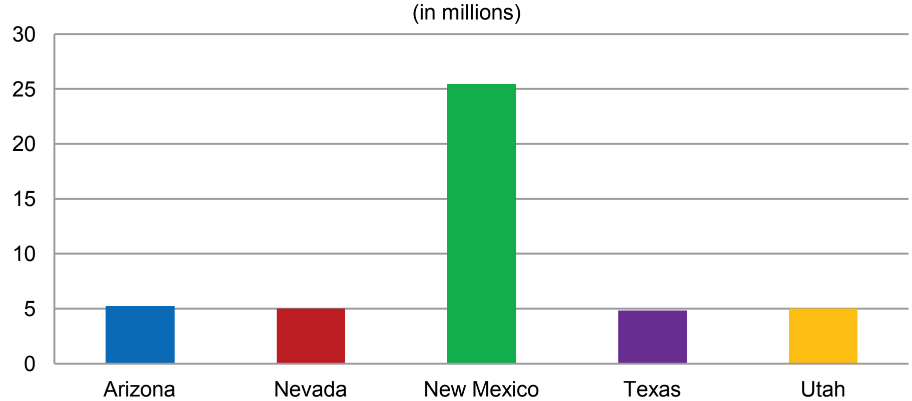
Chart 4. New Mexico's State and Federal Funding
(in thousands)



Source: LFC Files

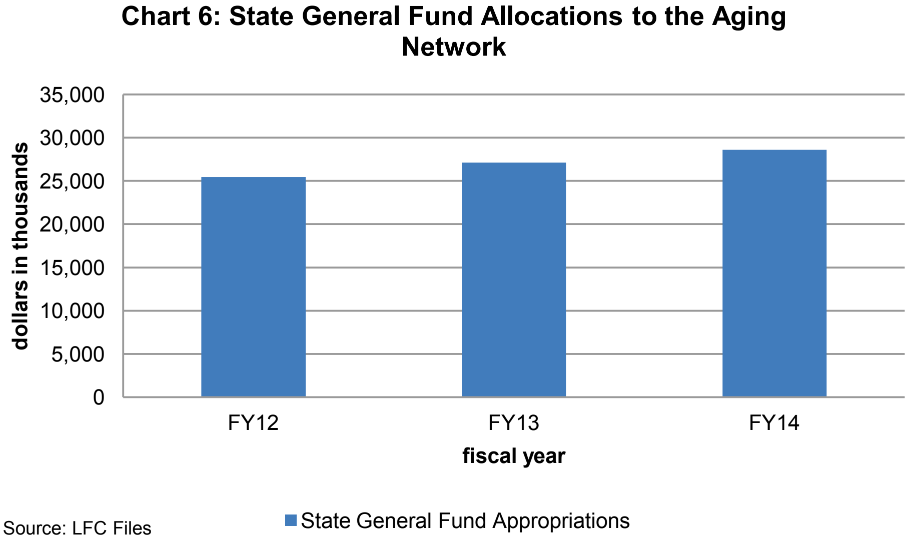
New Mexico provides substantially more state funding for aging services than other states in the region. From FY12 to FY14, New Mexico's contribution to the aging network increased from $25.5 million to $28.6 million. These are substantially larger contributions than other states in the region. Chart 5 shows the most recent available allocations from other states to their aging networks. Other states are making about one-fifth the contribution of New Mexico.

Chart 5. State Funding for Aging Networks
(in millions)



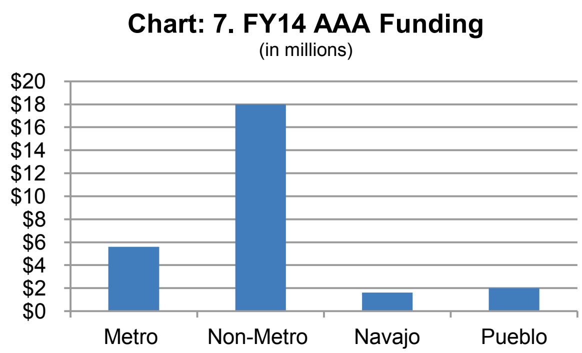
Source: Most recently available state plans and Texas DADS Overview

While state appropriations for senior programs have increased each of the past three years, the population served has increased minimally. New Mexico's legislature appropriates funding specifically to the Aging Network Division of the department. GAA language stipulates that funds in the "other" category will be contracted to the AAAs. The state's funding does not include local cash or in-kind donations. State funds for senior services are appropriated to the Aging Network Division of ALTSD. Despite a 12 percent increase in state funding over 3 years, the increase in consumers served increased by less than 5 percent.



Source: LFC Files

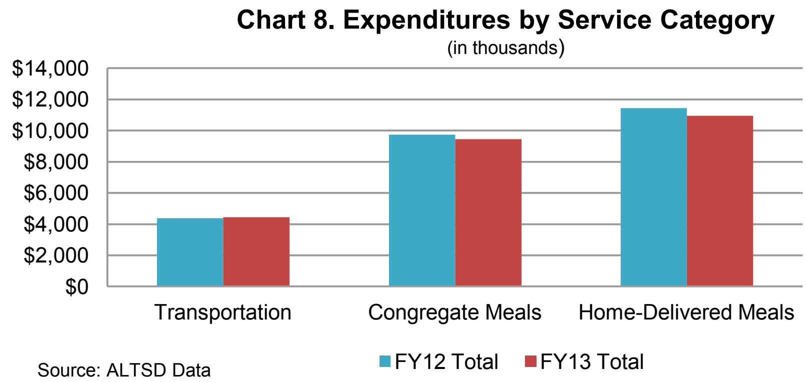
Contracted AAAs determine how federal and state funds will be distributed to individual providers. The Non-Metro and Albuquerque-Bernalillo County AAAs serve as pass-through agencies for both federal and state funding. Federal funding for Indian AAAs, pueblos, tribes, and the Navajo Nation receive funding directly from the federal agency. These funds may be supplemented with state funding. The AAAs contract with fiscal agents and service providers for program management and service delivery. The federal government recommends AAAs encourage local governmental entities to function as fiscal agents and service providers. Most of New Mexico's senior programs are either administered by a local government agency or, at a minimum, have that entity accept capital outlay funding on a provider's behalf.



Source: 2014 ALTSD Contracts

Federal and state funding also includes AAA administrative allowances. AAAs are allowed no more than 10 percent of their allocated federal funding for administrative expenses. ALTSD contracts with AAAs are silent on the percent of total funds which can be designated as administrative expense from state funds. However, in the most recent AAA-ALTSD contracts, Non-Metro AAA received a 13.6 percent administrative allowance, or $1.7 million from state general funds. The allowance for the Albuquerque-Bernalillo County AAA was 6.2 percent for the same year.

Provider funding from the AAA is based upon historical allocations, service utilization and cost per unit of service. During the budget process, the provider assigns funding to each category of service considering projected units of service and cost per unit of service. The calculated cost per unit of service includes: all salaries and fringe benefits, travel, maintenance and repair, supplies, and if applicable, contract costs.



Changes to the budgeted funding may be approved by the AAA under certain circumstances, such as increases or decreases in local funding. Providers may also request funding increases through a contingency plan for physical damage to facilities, operational issues (environmental contamination, regulatory problems), or financial issues (loss of state or local funding, lost of major in-kind contributions).

Providers are reimbursed, up to the contracted allocation, based upon units of service delivered. Reimbursement for a single unit of service includes all expenses associated with the delivery of the service. The most common services in senior programs are congregate meals, home-delivered meals, and transportation. The unit costs for services vary widely across providers.

Table 5. FY14 Projected Unit Costs by County within PSAs

PSA: County	Unit Cost: Congregate Meals	Unit Cost: Home-Delivered Meals	Unit Cost: Transportation
PSA 1: Bernalillo	$5.08	$5.33	$9.49
PSA 2: Cibola	$8.27	$9.83	$14.30
PSA 2: Colfax	$10.34	$8.23	$5.74
PSA 2: Los Alamos	$14.90	$11.28	$24.73
PSA 2: McKinley	$10.96	$13.67	$10.60
PSA 2: Mora	$11.13	$13.99	$13.78
PSA 2: Rio Arriba	$21.69	$12.13	$10.98
PSA 2: Sandoval	$14.12	$14.20	$39.39
PSA 2: San Miguel	$8.88	$5.60	$16.46
PSA 2: San Juan	$9.28	$5.46	$18.92
PSA 2: Santa Fe	$11.77	$11.11	$26.97
PSA 2: Taos	$10.45	$12.13	$6.88
PSA 2: Torrance	$10.57	$11.59	$15.91
PSA 2: Valencia	$6.34	$7.16	$5.93
PSA 3: Chaves	$8.28	$8.05	$8.85
PSA 3: Curry	$6.94	$5.92	$18.37
PSA 3: De Baca	$7.67	$6.30	$7.37
PSA 3: Eddy	$7.82	$6.19	$12.37
PSA 3: Guadalupe	$11.66	$14.97	$16.17
PSA 3: Harding	$18.89	$17.57	Service not available
PSA 3: Lea	$15.02	$13.23	$11.36
PSA 3: Lincoln	$12.35	$16.92	$38.56
PSA 3: Quay	$11.13	$11.16	$8.56
PSA 3: Roosevelt	$7.76	$4.87	$8.85
PSA 3: Union	$10.92	$12.68	$13.25
PSA 4: Catron	$12.81	$15.23	$10.76
PSA 4: Dona Ana	$7.83	$5.96	$10.77
PSA 4: Grant	$7.96	$7.20	$11.12
PSA 4: Hidalgo	$16.20	$8.66	$8.44
PSA 4: Luna	$6.95	$7.42	$6.57
PSA 4: Otero	$9.91	$12.59	$14.27
PSA 4: Sierra	$5.74	$7.05	$8.30
PSA 4: Socorro	$11.96	$11.84	$23.37

Source: Provider Data

Unit costs are impacted by several factors. Examples include: employer wage and benefit plans, geographic size of the service area, availability of supply vendors, population needs, maintenance needs, and use of volunteers. Unit costs drive per capita costs.

Table 6. FY13 Consumers and Cost per Consumer by County

County	Total Consumers Served	Cost per Consumer
Bernalillo	23,991	$360
Catron	598	$840
Chaves	1,467	$1,000
Cibola	684	$605
Colfax	898	$860
Curry	1,794	$478
De Baca	344	$567
Dona Ana	4,675	$607
Eddy	1,345	$989
Grant	984	$732
Guadalupe	545	$938
Harding	323	$840
Hidalgo	190	$1,707
Lea	1,618	$832
Lincoln	1,240	$650
Los Alamos	811	$815
Luna	1,216	$721
McKinley	2,135	$575
Mora	350	$804
Otero	3,282	$533
Quay	755	$812
Rio Arriba	1,478	$1,620
Roosevelt	404	$653
San Juan	3,011	$573
San Miguel	591	$922
Sandoval	3,503	$586
Santa Fe	4,567	$872
Sierra	1,123	$664
Socorro	469	$1,378
Taos	1,075	$945
Torrance	449	$926
Union	39	$1,568
Valencia	1,824	$566
Isleta Pueblo*	419	$2,284
Laguna Pueblo	386	$906
Zuni Pueblo*	419	$1,404
Mescalero Apache Tribe	159	$638
Jicarilla Apace Nation	390	$260
Ohkay Owingeh	194	$1,685
Cochiti Pueblo	152	$1,617
Jemez Pueblo	230	$538
San Felipe Pueblo	328	$425
Santa Clara Pueblo*	481	$1,240
Santo Domingo Pueblo	250	$951
Five Sandoval Indian Pueblos, Inc.	243	$721
Tesuque Pueblo	109	$204
Eight Northern Indian Pueblos Inc.	927	$406
Taos Pueblo	135	$1,455
Acoma Pueblo	262	$2,177

Source: ALTSD Data

*Includes Adult Day Care Enrollment and Cost

Lack of local cost-sharing requirements result in the state taking on a greater share of funding for aging services in some areas. At least two local governmental entities expressed concern that financially supporting the senior network with local funds may violate the state's constitutional clause addressing anti-donation. In 2013, the City of Las Cruces received an attorney general opinion that the city was in violation of the state's anti-donation clause by leasing space in public buildings below market value. This has prompted Dona Ana County to be wary of relationships with the senior programs. Because the county has not participated in the senior network, the AAA contracted directly with individuals for service delivery. This arrangement was in place for nearly two years before the AAA could identify a new provider under a single agreement, eliminating individual employee contracts.

The Grant County manager's interpretation of the clause prohibits use of public funds for the benefit of individuals, such as transportation of an individual to a medical appointment. Other counties cite funding restraints as the reason for limited or no funding to senior programs.

The table below shows the local cash and in-kind contributions for each county in New Mexico. Some local governments make significant contributions, while others provide little or no funding to the senior network. Clear criteria establishing what constitutes a local government's fair share for senior programs do not exist. This results in patchwork funding which reflects the unwillingness or inability of local governments to contribute and does not recognize the greater network needs.

Table 7. FY14 Projected Local Government Contribution by County

County	Local Cash	Local In-Kind	Total
Grant	$0	$0	$0
Torrance	$0	$0	$0
Mora	$0	$12,225	$12,225
De Baca	$2,000	$24,500	$26,500
Roosevelt	$3,500	$32,981	$36,481
Harding	$15,630	$52,919	$68,549
Chaves	$0	$69,193	$69,193
Sierra	$69,210	$0	$69,210
Hidalgo	$43,000	$28,968	$71,968
Union	$83,635	$5,245	$88,880
Cibola	$83,400	$12,800	$96,200
Catron	$16,200	$80,780	$96,980
Colfax	$116,147	$30,640	$146,787
Curry	$10,486	$156,641	$167,127
Guadalupe	$102,937	$88,604	$191,541
Taos	$0	$207,846	$207,846
Quay	$0	$210,827	$210,827
Lincoln	$171,932	$86,443	$258,375
Socorro	$239,723	$55,648	$295,371
Eddy	$157,767	$137,626	$295,393
Luna	$94,239	$205,158	$299,397
Valencia	$276,500	$65,000	$341,500
Los Alamos	$172,087	$199,038	$371,125
San Miguel	$46,818	$16,432	$463,250
San Juan	$59,950	$475,466	$535,416
Lea	$615,048	$37,918	$652,966
Otero	$422,585	$266,415	$689,000
McKinley	$664,869	$57,608	$722,477
Dona Ana	$752,062	$96,800	$848,862
Rio Arriba	$867,300	$480,658	$1,347,958
Sandoval	$1,604,210	$760,376	$2,364,586
Bernalillo	$1,032,888	$2,222,086	$3,254,974
Santa Fe	$1,855,988	$1,817,600	$3,673,588

Source: Provider Data

The task of soliciting cash and in-kind donations from local governments is contractually obligated to providers. Little evidence exists that the Non-Metro AAA or ALTSD actively participates in these campaigns. The Indian AAA organizational structure and personnel are new and have not had the opportunity to promote pueblo funding participation, although several already do. Albuquerque and Bernalillo County are major sponsors of senior programs.

The department and AAAs lack a standard methodology for reporting in-kind contributions which could result in over- or under- reporting. During the course of this evaluation, the Non-Metro AAA issued guidance to providers on how to calculate the value of in-kind contributions. In-kind donations are defined as non-budgeted resources or non-cash resources. Directions state that valuations of in-kind contributions should be based on average commercial prices within the community with the actual value determined by the entity providing the service, space, or equipment. Personnel costs should be calculated at the hourly rate or fairly calculated based on the size of the budget. The Albuquerque-Bernalillo County AAA does not include non-budgeted resources in its unit cost.

Local governments that are unable or unwilling to contribute financially to their senior network benefit with higher percentages of their allocations from federal and state funds. The state and AAAs have an obligation to maintain senior networks across the state. This requires balancing funding sources across programs to ensure services continue. Local governments are faced with competing needs and decisions are difficult when the local tax base must also fund community safety nets, such as police and fire departments. Senior programs with minimal or no local contributions to the aging network have a higher reliance on state and federal funding. The table demonstrates that programs with little or no local government contributions receive a greater percentage of their total funding from the state and federal dollars.

Table 8. Funding Sources and Percentages

County	Federal Title III Funding Amount and Percentage of Total	State Funding Amount and Percentage of Total	Local Contribution Amount and Percentage of Total
Chaves County*	$355,427 (24%)	$703,081 (48%)	$69,193 (5%)
Grant County	$158,194 (26%)	$290,016 (49%)	$0 (0%)
Harding County	$13,306 (8%)	$61,159 (39%)	$68,549 (44%)
Los Alamos County*	$62,147 (9%)	$143,658 (20%)	$371,125 (51%)
Mora County*	$74,358 (27%)	$139,382 (51%)	$8,502 (3%)
Rio Arriba County	$172,577 (8%)	$470,566 (22%)	$1,334,008 (63%)
Sandoval County	$254,923 (7%)	$374,300 (10%)	$2,351,511 (67%)
Santa Fe County	$90,808 (5%)	$290,452 (16%)	$1,339,832 (74%)
Torrance County*	$78,725 (17%)	$278,432 (60%)	0 (0%)

Source: Provider Data
*Indicates a County where the provider is not the local government entity.

Harding County is the least populated in the state. Out of 695 people, roughly 40 percent (278 people) are over the age of 60 and are eligible for Title III services. Within the county's senior population, almost 13 percent live at or below the poverty level, and 41 percent are minorities. These individuals are targeted groups under the OAA, but this county only receives $13,306 in OAA funding. Their federal and state allocation is just under $6 thousand less than their local contribution, while other counties receive far greater percentage of federal and state dollars.

Clients receive services whether or not they make donations and programs receive little funding from consumer donations. The OAA provides direction for senior networks to prioritize services to the most financially-needy individuals, but prohibits means testing. Services must be delivered to any individual who is age eligible whether or not they contribute to programs. However, providers are required to seek donations by publishing recommended contributions for services and implementing systems for donations which maintain anonymity of the clients.

At least two senior centers, those in Lea and Sierra County, share the number of meals served and the costs of those meals compared to the recommended donation in their monthly newsletter or in letters presented to those receiving home-delivered meals. Two centers allow consumers to purchase a multi-day punch card for meal contributions. Other providers suggested a website where consumers or family members may make contributions for services.

There is no relationship between suggested donations and actual cash collected for congregate meals. The same pattern is true for other services. It also appears that higher recommended donations do not result in increased consumer donations.

Table 9. Suggested Donations, Donation per Unit, Percent Difference, Revenue Differences

Provider	Suggested Donation	Donation per Unit	Percent Difference between Donation and Donation per Unit	Revenue Difference Between Collected Donations and Possible Donations
Sandoval County	$2.00	$1.50	25%	$35,000
City of Gallup	$1.25	$0.87	30%	$16,325
City of Tucumcari	$2.00	$1.44	28%	$19,056
Valencia County	$1.00	$.59	41%	$22,724
Sierra Joint Office on Aging	$2.00	$1.54	23%	$16,611
Curry Resident Senior Meals Association	$2.00	$1.89	5%	$5,560
City of Las Cruces	$2.75	$1.20	56%	$151,500
Deming/Luna Commission on Aging	$2.00	$0.87	57%	$36,890
City of Hobbs Senior Center	$1.50	$1.45	3%	$1,250
Grant County	$2.25	$1.36	40%	$29,588
Rio Arriba County	$1.00	$0.58	42%	$17,182
Santa Fe County	$1.50	$0.90	40%	$21,250
City of Santa Fe	$1.50	$0.19	87%	$81,650
Torrance County	$1.50	$1.14	24%	$5,108

Source: Provider Data

The revenue generated from donations must be returned to the program to which the donation was made: congregate meals, home-delivered meals, in-home services, or transportation.

Fund raising results in minimal revenue for most senior programs. In the FY14 Summary of Budgeted Revenues, senior programs projected $278 thousand from fund-raising efforts, which is different from program income revenue. This is less than one percent of all program revenues. Luna County operates a state-certified bingo program which is open to the public. These events have resulted in about $50 thousand per year in additional revenue. This center also provides secure space for seniors to display their hand-made goods for sale to the public. By providing the space and employee time, the center receives ten percent of sales. The program in Sierra County operates a thrift store supplied with community donations. The shop, operating only two days per week, averages $75 per week in revenue.

Recommendations

ALTSD should:

- Work with local government entities to determine feasibility of a minimum threshold for local contribution, through cash or in-kind donations.
- Seek an opinion from the Attorney General regarding the Anti-Donation Clause.
- Review formulas from other states to evaluate if there are opportunities to improve New Mexico's Intrastate Funding Formula for federal funds and the disbursement of state general fund allocations to better target resources.
- Contractually cap the administrative allowance for AAAs for state general funds.
- Act as the lead in solicitation of funding from local governmental entities.
- Implement a standardized in-kind calculation formula across AAAs so comparisons are relational.
- Work with AAAs to develop individual donor solicitation materials or websites which are in compliance with federal regulations.

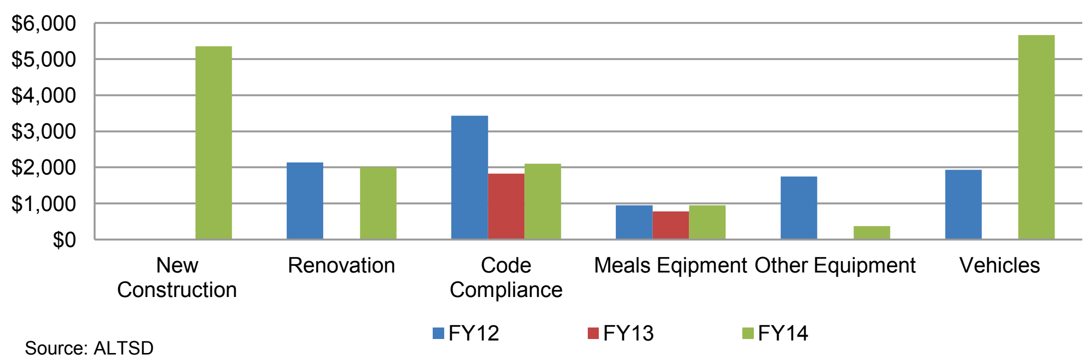
THE CAPITAL OUTLAY PROCESS MAY BE UNSUCCESSFUL IN FAIRLY AND EFFICIENTLY DISTRIBUTING FUNDS TO THE MOST NEEDY

ALTSD's Capital Projects Bureau (CPB) is responsible for compiling capital outlay requests from providers, contract funding allocations to providers, and administering capital outlay projects. ALTSD can only contract with local governments, tribes, nations and pueblos. Non-profit providers must apply through a local or tribal government that agrees to act as the fiscal agent. Capital outlay funds are disbursed on a reimbursement basis and the fiscal agent must expend the funds first and then submit a request for reimbursement to ALTSD. There is currently no requirement for matching funds by the fiscal agent, but according to the CPB, projects with matching funds are favored and may be given priority.

Providers are required to annually submit their capital requests to their AAA and to the department's CPB. There are six categories or eligible activities for which capital funding can be used:

1. New Construction/Major Addition: building a new structure, increasing the size of a structure by more than 35 percent of its footprint, demolishing or reconstructing more than 35 percent of the exterior walls or structural members of a building. Projects for enlarging a facility or completing construction of a center must be estimated at a cost of $200 thousand or more and parking lots and landscaping must be included in the plans.
2. Renovation: restoring a building to an earlier condition by repairing or remodeling. Projects for enlarging a facility or completing construction of a center must be estimated at less than $200 thousand.
3. Code Compliance: includes protecting property values and the environment; complying with regulations such as land use and zoning ordinances, health and housing codes, uniform building and fire codes; and complying with the Americans with Disabilities Act.
4. Meals Equipment: machinery, apparatus, components and any other articles for use in preparing, cooking and serving food. Consumable supplies or other non-capital items such as pots, pans, utensils, or trays may not be included.
5. Other Equipment: machinery, apparatus, components and any other articles to make an action, operation, or activity easier or to serve a particular purpose.
6. Vehicles: for transporting people or goods such as home-delivered meals.

Chart 9. Funded Capital Outlay Projects by Category
(in thousands)



Source: ALTSD

Capital outlay funds must be used by the fiscal agent in a manner that reflects the intent of the legislation that authorized the funds. Provider capital requests are made for a specific item within a specific category, but the departmental approval is generic. If a capital appropriation is not specific in its intended use, the provider has latitude to use the funds for purposes other than the original intent.

The rating system implemented for the FY15 cycle is new to the capital outlay request process and replaces a system where projects were assigned a ranking of critical, high, moderate or low. The new ranking system assigns capital requests a score between one and one-hundred. The intent of the new rating system is to make the process less subjective and to give applicants guidance on how their projects are ranked and why they were given the assigned designation. Staff from the department's CPB and the AAAs form a Project Review Team (PRT) to determine the importance of a project using a rating system. The team reviews applications for eligibility, completeness, feasibility, and compliance. The project is then scored based on criteria that include the extent to which the project is needed, the planning and justification for the project, the scope of the work, cost benefit analysis comparing direct beneficiaries to the funds requested, and the feasibility and readiness of the project to proceed. The rating system determines which requests will be included in the ALTSD request presented to staff of the LFC and the Department of Finance and Administration, for presentation to policymakers.

The department's new prioritization process for FY15 lacks adequate operational criteria and subjectivity still exists in the process. Although the recently implemented prioritization process is an improvement, it still lends itself to subjectivity because the final decision lies with the PRT. In considering which projects to recommend for funding, the PRT has the responsibility to determine:

- Whether or not the qualifying project is important to the overall needs of the entity submitting the application and to the consumers it serves;
- Whether or not the proposed project fits within the statutory authority of the ALTSD; and
- Whether or not the proposed project is ready for immediate commencement.

The PRT may lack the knowledge and expertise to determine whether or not a qualifying project is important to the overall needs of a senior program and the consumers it serves. The importance of a project should be determined by the senior program and the fiscal agent. The PRT may also lack the legal understanding to determine whether or not the proposed project fits within the statutory authority of ALTSD.

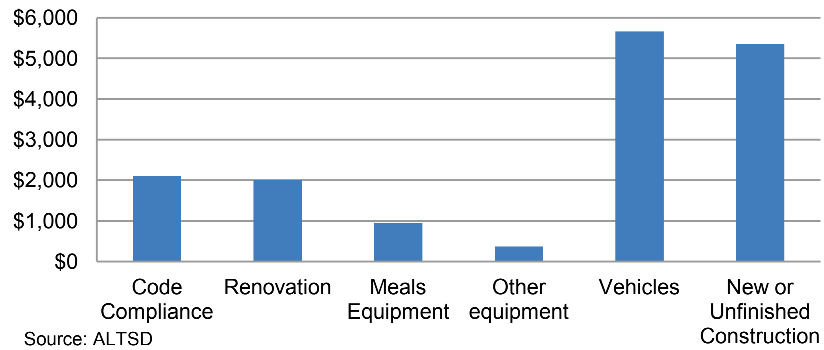
In addition, the prioritization system does not adequately take into consideration the program's ability to provide operational and maintenance costs once the project is complete. The criteria to determine whether the applicant can provide for the operations and maintenance of the facility can only be given a maximum of five points out of 100 in the new prioritization system. A separate criterion that does not allow a project to proceed in the ranking system if the applicant does not demonstrate the ability to provide for operations and maintenance would prevent unsustainable projects from being funded. Currently, the project prioritization system will not allow an application to proceed if the application does not have the appropriate certification from the fiscal agent. Likewise, an application should not proceed for ranking if the applicant is not in compliance with Executive Order 2013-006 and if the applicant cannot demonstrate that they can provide for the ongoing operations and maintenance of the facility.

Program specific capital outlay requests proposed by the legislature do not always consider the program's infrastructure, staffing, and operational budget to support the request. Legislators frequently seek capital outlay funding for senior programs in their districts because senior center directors and senior members strongly voice their needs to legislators on behalf of their centers. This type of funding can be detrimental to senior programs if the allocation is a one-time disbursement for a service that requires recurring funding. Although effective in the short-term, the program may not be capable of maintaining the funding once the allocation has been exhausted. Programs may revert funding for specific projects if operational ability does not exist to continue the project beyond the one-time allocation.

Severance tax bonds generate less money for capital funding and only limited capital requests can be financed. Without effective biennial budgeting and prioritization, providers may have unfunded needs in years where capital outlay requests are funded by severance tax bonds. ALTSD training distinguishes the difference between general obligation bond and severance tax bond funding, but does not inform providers that less funding is available in severance bond years and they need to prioritize their requests to account for the difference.

According to the LFC Fact Sheet, severance tax bonds are issued against revenue from severance taxes, derived from royalties paid by companies that severe a natural resource from the earth such as oil, gas, timber and minerals. General obligation bonds can only be authorized by the Legislature on even-numbered years when the state holds a statewide general election. General obligation bond capacity is equal to one percent of statewide assessed property value from the prior year less the outstanding bond debt. The general obligation bond capacity for FY14 was significantly higher than previous years and ALTSD was approved for $16.4 million in capital outlay funding for all six categories as shown in the chart.

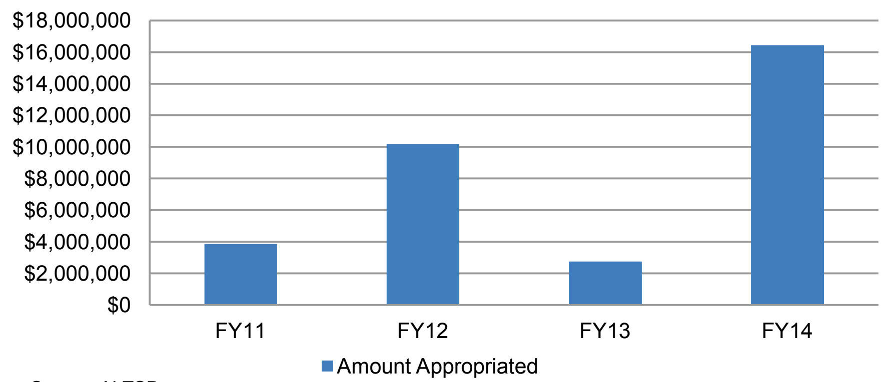
Chart 10. FY14 ALTSD Capital Outlay Appropriations
(in thousands)



Source: ALTSD

As demonstrated by the chart below, capital appropriation capacity is much greater in years where general obligation bonds can be authorized. In FY13 only code compliance renovation projects and meals equipment were funded.

Chart 11. ALTSD Capital Outlay Appropriations

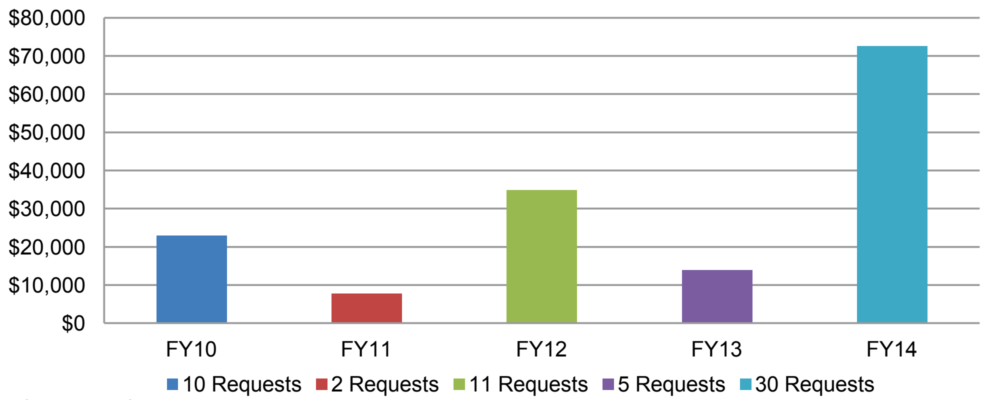


Source: ALTSD

Spending of approved capital outlay can be delayed for several years. There is high demand for capital outlay funding from many entities across the state and prioritizing where the funds should be spent is an arduous process. Many projects are funded because they are ranked as critical. A delay in spending on critical projects brings into question the immediacy of the need. A delay in utilizing the funding can also lead to increases in prices that could take the project out of the scope of the original allocation. During capital outlay training, the ALTSD Secretary expressed the importance of timely spending of capital outlay appropriations. In some cases senior programs request funds for critical projects but then do not spend the money for years. There are several reasons spending may be delayed. Authorized bonds must be sold, which typically does not occur until months after approval. Bonds are only issued twice a year, in June and December. Once the bond is issued it takes months to contract the disbursement of funds. There can also be delays if the fiscal agent is not in compliance with Executive Order 2013-006. Delay can also occur if the grantee is not adequately prepared to proceed with the project.

<u>The Department of Finance and Administration recently decided capital funding will only be available for purchases of equipment costing more than five thousand dollars with a life-span of ten years.</u> Until recently, the Department of Finance and Administration did not have a spending floor and capital outlay requests under five thousand dollars were funded. In 2014, ALTSD was allocated $175 thousand from general fund appropriations to fund small purchases such as stoves, mixers, tables, and computers until the department can implement a strategy to provide funding to providers for these purchases out of the department's operating budget. The Non-Metro AAA is directing providers to include low-cost items in their requests if they can bundle several identical or similar items together and the total cost is above five thousand dollars. The capital outlay requests for 2014 included 30 requests under five thousand dollars that totaled $72,560 including requests for exercise equipment, meals equipment, and other miscellaneous equipment. While the policy appears sound, the new threshold will cause short-term issues for providers.

Chart 12. Funded Capital Outlay Under Five Thousand Dollars



Source: ALTSD

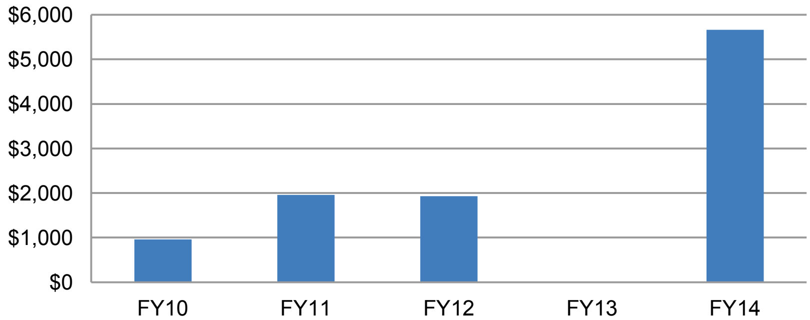
<u>It is unclear if capital outlay funding is available to multigenerational centers.</u> Some senior centers are under-utilized outside of meal times. Local governments have attempted to address this potential problem by building multigenerational centers that can be used by citizens of all ages and can therefore be utilized for larger portions of the day. These centers are used by senior programs for congregate meals and activities for older individuals but their use is not limited to these programs. These centers promote the co-mingling of generations while still allowing older individuals their own space when needed. The centers can apply for capital outlay only if the funding is specifically targeted towards a senior program and no other uses within a center.

<u>Not all local governments serving as fiscal agent and proprietor of capital equipment accept the responsibility for cost of maintenance and repair and they are not required to contribute to the cost.</u> Assets purchased with capital outlay funds are property of the entity awarded the funding. This creates a situation where an entity assumes possession of an asset that was purchased from funds through capital outlay and the incentive to maintain the asset may not exist. The AAAs provide training to the providers on asset management and maintenance and preventative care for capital assets, but it appears as though not all providers maintain their equipment with the same level of effort. ALTSD officials emphasized the need for asset management at a capital outlay training session in 2014 and expressed concern providers were not projecting the lifespan of assets and determining replacement needs prior to equipment failures.

ALTSD indicates disposal of surplus equipment is done according to protocol established by the State Auditor's Office. However, application of this process varies across the network specifically identifying what entity benefits from the sale of the equipment. Non-Metro is considering equipment exchanges between provider entities. This may decrease capital acquisition costs, but implementing the process may be difficult with so many local governments involved.

Many providers are not securing other funding sources and rely solely on state capital outlay for the purchase of vehicles. The state provides large amounts of capital funding to ALTSD for vehicle purchases as portrayed in the graph below. In addition, funding for vehicles dedicated to seniors and the disabled is available through the US Department of Transportation (USDOT). The US Department of Transportation, through the New Mexico Department of Transportation (NMDOT), provides funding for vehicles used to transport older individuals. Annually, the USDOT allocates funding based upon area populations. Few New Mexico local governments take advantage of this program, but many providers were not aware of this opportunity.

Chart 13. ALTSD Capital Outlay Appropriations for Vehicles
(in thousands)



Source: LFC Files

In FY14, New Mexico's available funding for this program totaled $2.1 million for distribution in the following categories:

Table 10. US DOT 5310 Vehicle Purchase Program

Grant Distribution	Amount Allocated	Balance
Albuquerque	$743,434	-$154,000
Rural/Small urban	$743,086	$786,897
TOTAL	**$1,486,520**	**$632,897**

Source: USDOT

The requesting entity applies for funding from NMDOT. Each grant requires a local match, usually 20 percent for vehicles. The match can be provided by a local government entity or state agency. However, the local match is a reimbursement program where the match funds are used as a mandatory "down payment." This would require payment prior to purchase of the vehicle which is in conflict with existing procurement policies mandating purchases are made before reimbursement is issued.

Indian tribes can also apply for funding from the USDOT Public Transportation on Indian Reservations Program (Tribal Transit Program (TTP)). Federally-recognized tribes are eligible recipients under the TTP and may use the funding for capital, operating, planning, and administrative expenses for public transit projects that meet the growing needs of rural tribal communities. A 10 percent local match is required under the discretionary program, however, a local match is required under the formula grant.

In FY14, New Mexico's apportionment for this program totaled $1.2 million for distribution to the following Pueblos:

Table 11. FY14 US DOT 5311(c) Tribal Transit Program

Pueblo/Tribe	Amount Funded
Ohkay Owingeh Pueblo	$195,014
Pojoaque Pueblo	$77,114
Pueblo of Laguna	$188,602
Pueblo of San Ildefonso	$82,464
Pueblo of Santa Ana	$73,388
Pueblo of Santa Clara	$239,312
Tesuque Pueblo	$90,866
Zuni Pueblo	$256,940
TOTAL	**$1,203,700**

Source: USDOT

The tribal allocations are not distinct from rural and small urban allocations so it cannot be determined how much of the allocation to the state has been disbursed to the pueblos.

A system for maximizing purchasing does not currently exist. Large capital purchases should garner better pricing. Capital funding for vehicles currently goes directly to the provider's fiscal agent. This results in many purchases of vehicles at several vendors. If the funding was centralized and applied to bulk purchases the purchaser could be in a position to leverage a lower price. Currently, the purchaser decides whether or not to use the state purchasing agreement. The department encourages vendors to be included in the state purchasing agreement list, however, providers have reported that they are able to negotiate local pricing lower than available through the state.

Recommendations

The Legislature should:

- Consult with LFC staff analysts and the Department prior to proposing specific service and location capital outlay to ensure the program has the infrastructure, staffing, and operational budget to support the project.

ALTSD should:

- Work with the NM Department of Transportation to develop strategies where grant applicants most in need are considered priority for funding and investigate options on how procurement code and grant requirements can be met, in lieu of upfront match payments.
- Develop a plan to address provider equipment needs costing less than five thousand dollars.
- Remove subjectivity from capital outlay project prioritization and instead rely only on a quantified system.
- Create gateway criteria in prioritization system that will not allow an application to proceed for ranking if the applicant is not in compliance with Executive Order 2013-006 and if the applicant cannot demonstrate that they can provide for the ongoing operations and maintenance of the facility.
- Promulgate and enforce the existing policy directing the proper disposal of equipment and identification of party benefiting from any proceeds acquired in sales of equipment.
- Investigate if bulk purchasing through the department is feasible and if cost savings would result.

STRATEGIC PLANNING IS NECESSARY TO ENSURE THE ADEQUACY AND EFFICIENCY OF THE AGING NETWORK IN MEETING CURRENT AND FUTURE NEEDS

ALTSD's performance measures do not reflect the aging network's current capacity or its ability to meet future needs of the aging population. Many communities in the state are aging rapidly. Efforts to increase contact with eligible participants with the aging network, as part of the OAA outreach mandate, creates potential issues. Current performance measures reported by ALTSD reflect the volume of services provided, but strategic planning and capacity are not clearly tied to these measures.

The Older Americans Act requires active outreach to increase network participation. Outreach is a key component of introducing individuals who are distanced from the system to the services provided by the aging network. All centers in New Mexico comply with the federal mandate for outreach. Although outreach is mandatory, it is not a specifically budgeted service in the provider budgets, and costs associated with outreach must be assumed within the service budget. However, LFC staff were unable to verify the cost of outreach. Outreach could potentially create waiting lists if providers are already at capacity. Some providers sought and received external grant funding, primarily from Wal-Mart, to fund outreach efforts and increase services. Those providers could face budget constraints when grant funding expires unless they are able to change their budget to reflect the increase in consumers.

The state is given latitude by the OAA in how to address outreach, but it is not possible to waive the requirement. Outreach is tied to accessibility which is identified as a priority service by ALTSD, so the state cannot eliminate this component. However, ALTSD does have latitude in how it chooses to address outreach given the state's number of providers and the desire to limit waiting lists. Any adjustment to how providers conduct outreach should be done carefully so as not to reduce the accessibility of the state's network.

Planning for future shifts in services is hindered by inadequate tracking of performance measures related to capacity or service outcomes. The department reports primarily volume-based performance measures. For instance, 90 thousand people received community services through the aging network, and 656 thousand one-way rides were given to eligible consumers. Although these measures tell us something about the network's current services, they do not explain if there is excess capacity to deliver more services within the existing structure. For those receiving services, there is no information reported regarding the specifics of the services provided. The transportation measure provides no information about the client's destination and efforts to help seniors maintain their independence. A lack of outcome-based performance data makes comparisons with other states difficult.

The department reports one outcome measure that relates to the scope of this project, which is the percent of older New Mexicans whose food insecurity is alleviated by meals received through the aging network. According to ALTSD, in FY13, 60 percent of older New Mexicans had their food insecurity alleviated through aging network provided meals. The department reports the number of respite hours provided, but there is no measure related to the effectiveness of these hours in alleviating stress on caregivers. Without measuring effectiveness, it will be difficult for the department to direct resources in the most judicious manner.

ALTSD annual reports are designed to meet the federal reporting criteria, which integrate budgets and demographic information. The data ALTSD provides to the federal government is published in certain state documents. However, there is not enough transparency surrounding reporting requirements or network expenditures, making it difficult for the general public and policy makers to see how and if the department is addressing future needs.

Providers face challenges and inefficiencies in understanding, preparing for, and meeting the needs of seniors. Providers rely on the AAAs for direction on addressing senior needs and budgeting appropriately to meet these needs. However, service effectiveness is not tracked.

Non-Metro AAA provider assessments monitor performance and compliance but do not link service cost to outcomes. The initial part of the assessment is a questionnaire completed by the provider by checking boxes and providing explanations when prompted. This piece of the assessment has three main sections: Program Operations and Management, Financial Operations and Management, and Service Delivery. The Program Operations and Management section includes information on organizational structure, basic trainings, facilities, and employees. The Financial Operations and Management section covers cash handling policies, contractual requirements like time studies, unit goals, suggested donations, employee payroll information, audit records, and disposal of capital. In this section, the provider can indicate if it complies with their contractual obligations and if their units served is on target. Performance tracking is also part of this section. In this sub-section, the provider can indicate how it uses the SAMS system, the trainings provided, and the client assessment process. The cost of meals is briefly mentioned in this section, but this is the only time it is reported in the assessment.

The final section is on service delivery. This section contains information about the quality and effectiveness of the services provided. One question asks the provider to describe their efforts to ensure that the services provided are of high quality and effective. None of the responses include metrics on service outcomes, and instead are general descriptions of policies designed to gage consumer satisfaction. Given limited cost information and no outcome data, the LFC was unable to determine if there is a correlation between the cost for services and outcomes.

AAA staff conduct site visits as part of the assessment process. The on-site review does include some document review and analysis, such as evidence of reconciliation of actions in the procurement process. The assessment demonstrates that providers meet many compliance demands through development of internally generated policies and procedures. This creates program differences and the use of varied practices. As a result, standardized performance monitoring is difficult, and since the Non-Metro assessment tool only looks at yes or no answers, the AAA has difficulty assessing the risk of providers across the network. Other states, such as Texas, include risk assessment on the assessment tool as shown in Appendix B.

Training is either not standardized or is lacking for providers across the aging network. The Non-Metro AAA Direct Purchase of Service Manual (DPS) outlines specific trainings that providers are responsible for conducting. There is little information from the AAA on how to conduct these trainings. ALTSD has only standardized trainings for specific issues like capital outlay. This results in providers having different training requirements across AAAs. For instance, the Non-Metro providers have over 20 required or suggested trainings while the City of Albuquerque/Bernalillo County AAA providers are only required to conduct trainings mandated by the OAA. Budget trainings are not standardized, but Non-Metro conducts one annually.

Data system training is particularly lacking given the role of the system in generating provider reimbursements. The state's data system, known as SAMS, is the heart of data collection for the senior network. ALTSD runs trainings on data, but the role is primarily an AAA responsibility. The AAAs provide ad-hoc training instead of more formalized training to providers for the SAMS system, and there is no training manual. Non-Metro does require specific SAMS trainings for providers, but there is no indication of who is supposed to provide these. The SAMS system has an online tutorial, but it is not supplemented with additional material specific to New Mexico's aging network. For instance, one issue is translating the individual assessments into the SAMS format, which causes providers to struggle with understanding how the questions in assessments are reflected in the system. The lack of training is compounded by infrequent use by providers. Some providers have data input access while others do not. Many providers do not use the system daily and lack an understanding of its potential benefits. Provider comfort with the system would improve if allowed access was more frequent.

Rural providers face the hurdle of recruiting and retaining qualified personnel. Limited applicant pools are available in small communities, especially for supervisory staff. Many of the senior center directors interviewed by LFC were new to their positions, and several had not previously managed senior centers and face a steep learning curve. Several center directors indicated a significant barrier to efficient operations was the lack of qualified candidates to job postings. An AAA staff member indicated high turnover in provider data entry positions places strain on their offices to complete trainings.

Providers are challenged by developing current budgets based on year-old prices and two-year-old service units. Provider contracts are submitted to the AAA using service costs that do not reflect the current year's prices. When identifying the number of contractual service units, providers use the last completed year of data to project the number of units. That data, by the time the budget is active, is two years old. Reimbursement to providers is based upon direct purchase of services that is based on outdated information. Providers do not have fluidity to respond to changes in service needs and prices as they occur, and instead are left to try to guess how services may change when they submit their next budget.

State purchasing agreements do not meet the needs of all providers creating an inefficient system for purchasing and delivering food. State purchasing agreements lapsed for a period of time, and vendors suggested that prices may increase without the renewal of purchasing agreements. When a non-profit entity serves as a provider, it does not have access to state purchasing agreements. This both leaves them vulnerable to higher prices, but allows them to negotiate with all possible delivery services in the area. As a result, some non-profits and local governments have negotiated better agreements than the state. Some state-contracted vendors do not deliver to all areas of the state, leaving providers responsible for food distribution to all of their sites. Although only a few areas are impacted, it creates system inefficiency when a provider must dedicate resources to moving food instead of providing other services.

Providers were subject to significant increases in food pricing. According to a provider's invoices, raw food prices have escalated approximately 20 percent in the past month and may continue to rise depending on growing conditions, making well-negotiated price agreements even more critical. Further complicating a provider's ability to maintain a budget are the increases in cost of fuel over the past few years. Non-Metro AAA considers rising food costs a provider level problem to be addressed through each center's contingency plan, although this is a network issue which may create cost increases too large for a provider to accommodate. Without being able to anticipate these fluctuations in input prices, providers are risking delivery of their budgeted services by absorbing increased costs.

Although senior centers may currently be underutilized throughout the day, changes in the senior population will require a strong infrastructure and more innovative service approaches. System utilization increased by 11 percent from FY12 to FY13, and utilization should continue to increase as the 60+ population jumps from around 400 thousand in 2010 to an estimated 682 thousand in 2030. Although meals continue to be the most utilized service, the demands could change as the boomers age, retirees move in from community to community, and other population changes occur.

If congregate meals are the only service offered, buildings sit empty generating expenses for the better part of the day. Few centers limit services to just meals, but those that do often sit empty when it is not meal time. A center's ability to better use space is handicapped by municipal regulations regarding the use of buildings, lack of staffing to cover additional hours, and insurance costs associated with other programs.

Providers have two options to address building operational costs. One option is for providers to increase service offerings to boost utilization without charging. This means expanded programming and activities, and possibly increasing the number of people who could utilize the center. Becoming a 50+ center would increase the number of individuals who could utilize centers without shifting to a multigenerational model. Centers could also work to expand their offerings to entice more 60+ individuals. The other option is for centers to start charging for other activities to generate more revenue. This could be done in conjunction with increasing center access. For instance, several centers have fitness equipment that could be utilized by a larger portion of the local population.

Innovative service approaches are needed to attract new, more tech-savvy seniors and meet the changing needs as the population ages. The Baby Boomer Generation is shifting into retirement, placing increased demands on the aging network. As this trend continues, boomers will place more stress on the network. Members of this generation are different than preceding generations: they are working longer, raising grandchildren, or living close to family members. Their characteristics make boomers less likely to utilize the current system, so centers will have to adapt. Part of attracting new seniors will be related to increasing program offerings that align with their needs. However, senior centers also carry a stigma created through the OAA mandate to target impoverished members of the senior community, and this may keep boomers who could possibly contribute more for services away from centers.

Various ideas are being developed to meet the needs of the new generation of seniors. Two providers in Deming and Farmington stated that they were looking at how to make the congregate meal setting more appealing to boomers by moving to a college cafeteria style setting where meals could be available throughout a larger portion of the day. This would allow boomers to come in on their own schedule instead of having to eat at a certain time. Providers also mentioned increasing internet accessibility in centers to allow the new generation of retirees on-site access. One provider in Las Cruces, mentioned expanding their existing café where seniors could bring wireless devises, get coffee, and socialize with other seniors. Unless centers change, more communities could face the issue expressed in Tucumcari, where the director noted the stigma associated with the existing senior center prevents them from recruiting new seniors.

Some centers and local government entities have recognized changing needs. Albuquerque's multigenerational model is geared to all residents which is reflected by later hours and one weekend day to accommodate working individuals. Valencia County is trialing buffet meals, monitoring costs and consumer satisfaction. In Torrance County, the advisory council has a key to the center, and hosts events after regular hours. This provider sees those seniors as property owners because of the county and state taxes they pay. Two other local government entities are investigating a move towards a centralized kitchen to prepare meals for a multitude of different municipal programs, including public schools, allowing centers to shift their funding and focus away from preparing meals and towards other services. The center in Sierra County is offering grief counseling to groups, recognizing the impact of the loss of a spouse or a senior center friend. The service is staffed by volunteer professionals from the community.

At the other end of the spectrum, individuals will be living longer and subject to increased frailty and disabilities. The increased life expectancy of the senior population will put a strain on certain services that are already provided. As individuals become more frail, home-delivered meals, transportation, caregiver respite, and homemaker services will likely increase. These services have higher unit costs than congregate meals, and as the population ages, providers will be tasked with innovative ways to address these needs.

<u>Data is not effectively used to provide active management and strategic planning for the aging network.</u> Having a data system is an AoA requirement, and the state has used the SAMS system since 1998. The data is primarily used to generate reports to federal and state governments and to reimburse providers.

The data reporting structure is convoluted inhibiting timely understanding and use of the data. ALTSD uses the SAMS system to compile and report data. In their reports to the AoA, the state must explain any variance of plus or minus 10 percent in services or costs. However, ALTSD does not see provider specific data and therefore, it is hard to understand the specific provider-level motivations behind service and cost changes.

ALTSD relies on the AAAs to get the information from the providers. The Albuquerque/Bernalillo County AAA collects data for their PSA, and reports it to the department. Indian AAA compiles the data from the 19 Pueblos and two Apache Tribes. A couple of Indian providers have access to the SAMS system and are able to report in that format. However, most of the tribes do not have access to the system, and submit their data to the Indian AAA in spreadsheets.

Non-Metro providers receive a set of Excel generated rosters at the beginning of the month from the AAA. The roster has the names and identification information for all of the center's registered clients. At the end of the month, the rosters are used by the AAA to verify the services provided. One AAA representative stated that the roster process is used because providers often do not enter their data accurately, but providers indicated rosters received from the AAA also have errors. This requires another exchange of the rosters before they are usable by the providers.

Statewide, there are 279 SAMS licenses that have either been allocated to or purchased by providers, but providers still use an Excel sheet provided by Non-Metro AAA to track their data throughout the month. Once data is submitted to the AAA, on either the Excel sheet or in the SAMS system, it is checked by consumer coordinators in the regional offices for correctness. Any issues are then sent back to the provider to be reconciled before reimbursement. Maintaining the Excel sheets is important for providers because they must explain any variance of plus or minus five percent to the AAA. The providers have two days to submit their data to the regional office, but they cannot enter data until the client assessments are put into the system by the AAA. Despite a contractual obligation for provider data input to be completed within two days prior reimbursement, there is no contractual agreement that the AAA will enter the assessments in a timely manner. One provider indicated that they push up against their entry deadline because the assessments have not all been entered.

The state is currently working with Indian AAA and Navajo AAA to bring them online in the SAMS system. ALTSD has also agreed to purchase 35 additional licenses for the Non-Metro AAA to increase system accessibility.

ALTSD's information system policy lacks specificity in the prescribed uses of data. The state's data policy, the New Mexico Aging Programs Information System (NewMAPIS) policy, suggests that all entities use the data to:

- Develop care plans
- Meet AoA and state reporting requirements
- Measure utilization and costs
- Provide additional reports

The policy does not prescribe what kind of data should be collected by the providers. Under the Provider Level: User responsibilities, the policy only states that data should be collected and entered into the system on a monthly basis. The assessments and day to day operations will dictate some of that, but for any additional data, there is no policy on what the provider should track.

The Use of Data section provides some basic guidelines on what data should be collected and possible uses. Developing care plans and coordinated care is the main purpose of the data, followed by meeting AoA reporting requirements. The policy suggests that additional reports should be run, but it does not specify which additional reports, or who should run these reports.

The plan does have a robust privacy and confidentiality policy. The data collected includes sensitive information, so to protect this information, the policy requires that all documents be stored in a locked cabinet when not in use, that data is not entered or used in an easily observable location, and that individuals notify their supervisors immediately if there is a violation of confidentiality. Breaking this part of the policy can result in severe penalties and dismissal for individuals.

Despite a wealth of consumer data ALTSD does not use longitudinal analysis to assess current trends or predict future service needs. The state adopted the SAMS system in 1998, and some individual consumers have been in the system since that time. A consolidated database comprised of data from Non-Metro and the Albuquerque/Bernalillo County AAAs was created in the mid 2000s. This database gives the state the opportunity to run longitudinal analysis of clients in the aging network. Leveraging this data better would be helpful in analyzing the impact of the rapidly aging population and better directing funding to areas in the state where large fluctuations occur. Longitudinal studies can be useful in assessing if services are really helping their target population, and if the services are being used correctly to achieve desired outcomes.

One issue with implementing this approach at this time is that the Indian AAA and the Navajo AAA are not in the system, making a full state-wide study incomplete. ALTSD indicated that once everybody is on the system, the system could handle longitudinal assessments. However, ALTSD and the other two AAAs could currently leverage the data that is available to better understand changes in costs and needs of a majority of the population.

Recommendations:

ALTSD should:

- Track service outcomes like the effect of respite care on longevity of the caretaker, and report these as performance measures to give a better idea about the Aging Network's capacity and its adequacy in meeting the needs of the senior population.
- Create standardized training manuals and provide more direct training to providers to help them understand all aspects of the aging network system.
- Work with AAAs and providers to leverage the network into better purchasing positions that all providers have access to.
- Work with AAAs to streamline the data reporting system, and to allow ALTSD to see provider data directly.
- Enhance the state's data policy by providing more direction on how providers and users can better utilize the SAMS system to produce different reports and generate a better understanding of senior services.
- Work with the LFC and other partners to develop a strategy for a longitudinal analysis of aging network data. Use these results to track and predict changes in service needs allowing the department to target resources to areas with the highest demand and changing service needs.
- Work with AAAs and providers to determine the changing demands of the aging population and to assess the network's adequacy to meet those shifts as they occur.

NEW MEXICO AGING & LONG-TERM SERVICES DEPARTMENT

Susana Martinez, Governor
Gino Rinaldi, Cabinet Secretary
Myles Copeland, Deputy Secretary

May 5, 2013

Mr. David Abbey
Director, Legislative Finance Committee
325 Don Gaspar, Suite 101
Santa Fe, NM 87505

Dear Mr. Abbey,

The Legislative Finance Committee's evaluation of the Aging Network in draft form has been received and reviewed. Attached are comments related to the report's twenty-four recommendations, which address oversight, state appropriations, capital outlay and strategic planning.

The comments are offered to clarify or correct information about the Department and the Aging Network's current operations and improvement initiatives within the context of the mission to help New Mexico's elders lead healthy, independent, high-quality lives.

I want to thank the LFC evaluation team for giving us an opportunity to review the draft report and discuss the feedback in an exit meeting. We are especially appreciative of the time and effort that the staffs of the Area Agencies on Aging, the Aging and Long-Term Services Department and local senior service providers devoted to this evaluation.

Sincerely,

Gino Rinaldi

Gino Rinaldi
Cabinet Secretary
Aging and Long-Term Services Department

LFC Evaluation Report Recommendations for the Aging and Long-Term Services Department and Responses of the Department:

Oversight

- **Take action to resolve external audit findings by implementing systems which correct findings and prevent future occurrences.**

The Department has developed and implemented policies, procedures, controls, training and monitoring processes to ensure financial and auditing requirements are met and to reduce the likelihood of future audit findings.

- **Establish standards of service, including allowable units and install edits in the information system to prevent billing errors.**

The Department has in place standard unit of service definitions per AoA regulations. The Department is working with Harmony Information Systems, the vendor for the SAMS data information system, to enhance the system.

- **Assess departmental contracts with AAAs and administrative code to determine if the department should recall any portions of the scope of work to ensure ALTSD maintains appropriate control of the aging system.**

New scopes of work have been developed for all contracts for use in FY15, based in part on FY14 performance. These reflect needs identified in the AAAs' Area Plans, which are submitted every four years and amended annually as necessary. The Department is also revising outdated administrative codes and will ensure that all relevant entities comply with these revisions.

- **Standardize through policy, procedure, or administrative code those activities and actions relevant to AAAs and providers.**

The Department's administrative code – NMAC rules & regulations – is currently under revision. ALTSD is on target to have this completed by the end of the year. Additional operational policies will be developed to address the revisions, once adopted.

- **Align the ALTSD assessment process of AAA to reflect monitoring of duties assigned to the AAAs in NMAC.**

Once the NMAC is revised, the AAA assessment process will be revised to align with NMAC.

- **Review the AAA process for provider assessments to more quickly discover and address issues, with a priority on measuring financial health of agencies, which cause major disruption in the system.**

The Department's Aging Network Division staff will work with AAAs to assist them in revising their provider assessment instruments, as warranted, to build capacity for early identification and reporting of provider issues. The AAAs currently submit to the Department copies of all provider assessments conducted by AAA staff. These assessments are reviewed by Aging Network Division Senior Services Bureau staff. AAA staff also notifies ALTSD staff promptly by phone and/or e-mail of any critical provider issues as they are identified.

State Appropriations

- **Work with local government entities to determine feasibility of a minimum threshold for local contribution, through cash or in-kind donations.**

The Department and its partners will continue to work with local communities to ensure the needs of seniors are met.

- **Review formulas from other states to evaluate if there are opportunities to improve New Mexico's Intrastate Funding Formula and state general fund allocations to better target resources.**

The Department remains vigilant in surveying other states' formulas and national best practices for opportunities to optimize the manner in which it targets resources to serve New Mexico seniors.

- **Contractually cap the administrative allowance for AAAs for state general funds.**

The Department will evaluate whether a cap is appropriate for the optimum delivery of senior services.

- **Act as the lead in solicitation of funding from local governmental entities.**

As noted in this report, senior services are delivered through a partnership which includes the federal Administration on Community Living, the State, the Area Agencies on Aging, and local providers, typically counties or municipalities. The Department will continue to work with local communities to ensure the needs of seniors are met.

- **Implement a standardized in-kind calculation formula across AAAs so comparisons are relational.**

A standardized method of calculating in-kind contributions will be made available to all four AAAs.

- **Work with AAAs to develop individual donor solicitation materials or websites which are in compliance with federal regulations.**

The Department's Aging Network Division staff and the Public Information Officer will develop a template for individual donor solicitations. This will be shared with providers at Aging Network Training events and through the Aging Network e-distribution list. Efforts in this area will be tailored to ensure materials do not stifle the current, broad access of senior services.

Capital Outlay Process

- **Work with the NMDOT to develop strategies where grant applicants most in need are considered priority for funding and investigate options on how procurement code and grant requirements can be met, in lieu of upfront match payments.**

The Department is currently in collaboration with NMDOT's rail transit bureau. This partnership is exploring a multitude of opportunities for coordination of funding and services, which include the Federal Transit Authority-5310 (Senior and Disabilities Transit), and FTA-5311 (Rural Transit) and FTA- 5316 (Job Access Reverse Commute) programs. The Department is also exploring training and technical assistance opportunities.

- **Develop a plan to address provider equipment needs costing less than five thousand dollars.**

A plan to address provider equipment needs costing less than $5,000 is under development. $175,000 was appropriated in the 2014 legislative session for this purpose, and the Department is developing protocols on how to best utilize this funding. The Department is committed to working with the

Department of Finance and Administration and the Legislature to develop an ongoing means of funding these needs.

- **Remove subjectivity from capital outlay project prioritization and instead rely only on a quantified system.**

The Department has redesigned its capital outlay process in the past year, emphasizing provider asset management and minimizing evaluative subjectivity in a manner which seems consistent with the direction prescribed by this LFC report. The 2015 Project Prioritization System sets forth specific criteria that is evaluated in the application and has a corresponding point system assigned.

- **Create gateway criteria in prioritization system that will not allow an application to proceed for ranking if the applicant is not in compliance with Executive Order 2013-006 and if the applicant cannot demonstrate that they can provide for the ongoing operations and maintenance of the facility.**

The Department's capital outlay application and process have been revised for 2015. Capital outlay bureau staff will engage with appropriate partners to evaluate and revise the process and related documents for subsequent years.

- **Promulgate policy directing the proper disposal of equipment and identification of party benefitting from any proceeds acquired in sales of equipment.**

When requests for disposition are submitted by the fiscal agent, ALTSD follows protocol set forth by the State Auditor's Office. It is a requirement that if there are any proceeds as a result of the sale of the equipment, those proceeds must be utilized to support the senior program.

- **Investigate if bulk purchasing through the department is feasible and if cost savings would result.**

The Department will investigate the viability of bulk purchasing of capital assets.

<u>Strategic Planning</u>

- **Track service outcomes like the effect of respite care on longevity of the caretaker, and report these as performance measures to give a better idea about the Aging Network's capacity and its adequacy in meeting the needs of the senior population.**

The Department is committed to developing, tracking and improving outcome and capacity measures in meeting the needs of the senior population, and will continue working with DFA and the LFC in the refinement of its performance measures.

- **Create standardized training manuals and provide more direct training to providers to help them understand all aspects of the aging network system.**

The Department is currently collaborating with the AAAs to ensure trainings address identified provider needs. The Department will continue conducting Aging Network Trainings twice annually, in coordination with the AAAs. The trainings target specific needs and are designed to enhance provider competencies in the administration, management and delivery of senior services, including nutrition, transportation and financial management. The New Mexico Conference on Aging will also develop a workshop track for providers.

- **Work with AAAs and providers to leverage the network into better purchasing positions that all providers have access to.**

The Department will continue to encourage the sharing of best practices among providers at Aging Network Training events and through the Aging Network e-distribution list.

- **Work with AAAs to streamline the data reporting system, and to allow ALTSD to see provider data directly.**

The Department is expanding the use of the SAMS system by all AAAs. The Department is dedicated to the use of this data in execution of its program management duties.

- **Enhance the state's data policy by providing more direction on how providers and users can better utilize the SAMS system to produce different reports and generate a better understanding of senior services.**

The Department is contracting with Harmony Information Systems to provide additional SAMS training, and will continue to work with appropriate partners to refine the New Mexico Aging Programs Information System (NewMAPIS) data management policy so as to improve service to seniors.

- **Work with the LFC and other partners to develop a strategy for longitudinal analysis of aging network data. Use these results to track and predict changes in service needs allowing the department to target resources to areas with the highest demand and changing service needs.**

The Department is committed to engaging all appropriate partners, including providers, users, and state institutions of higher learning, regarding the analysis of data in the interest of meeting the evolving needs of New Mexico's seniors.

- **Work with AAAs and providers to determine the changing demands of the aging population and to assess the network's adequacy to meet those shifts as they occur.**

The Aging Network Division uses a multi-level planning and assessment process with AAAs to determine the needs and changing demands of the aging population and to assess the network's adequacy to meet those needs and demands. The planning process includes the development and review of the State Plan, which is built on Area Plans created by each of the four AAAs with local provider input, and is approved by the federal Administration on Community Living. This plan is the basis for Aging Network performance measures and interfaces with ALTSD's Strategic Plan, as well as supporting plans for the Department's Aging and Disability Resource Center and information technology. Aging Network Division staff will also continue to stay abreast of national, regional and local trends through active membership in professional organizations in the field of aging.

APPENDIX A: Evaluation Objectives, Scope, and Methodology

Evaluation Objectives.

- Assess the state's use and oversight of funding.
- Determine the adequacy of the state's senior services network.
- Review the performance outcomes of programs and services for the aging.

Scope and Methodology.

- Reviewed applicable laws and regulations, LFC file documents, previous evaluations, fiscal audits, relevant performance reviews from other states, and performance measures.
- Reviewed available information on ALTSD website.
- Conducted interviews with ALTSD key personnel.
- Reviewed available budget, contracts, and financial data.
- Met with LFC staff, including analysts and LFC staff leadership.
- Reviewed state plans and intrastate funding formulas of other states for best practices.
- Conducted site visits to Area Agencies on Aging and service providers across New Mexico.

Evaluation Team.
Pam Galbraith, Lead Program Evaluator
Andrew Rauch, Program Evaluator
Nathan Eckberg, Program Evaluator

Authority for Evaluation. The LFC is authorized under the provisions of Section 2-5-3 NMSA 1978 to examine laws governing the finances and operations of departments, agencies, and institutions of New Mexico and all of its political subdivisions; the effects of laws on the proper functioning of these governmental units; and the policies and costs. The LFC is also authorized to make recommendations for change to the Legislature. In furtherance of its statutory responsibility, the LFC may conduct inquiries into specific transactions affecting the operating policies and cost of governmental units and their compliance with state laws.

Exit Conference. The contents of this report were discussed with the Aging and Long-Term Services Department during the exit conference on April 22, 2014. A report draft was provided the department on April 23, 2014 for a formal written response.

Report Distribution. This report is intended for the information of the Office of the Governor, the Aging and Long-Term Services Department, the Office of the State Auditor, and the Legislative Finance Committee. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Charles Sallee
Deputy Director for Program Evaluation

TOOLKIT FOR NEW MONITORS – APPENDIX C

Agency Risk Evaluation Matrix

	Risk Level						
	Low Risk		Moderate Risk		High Risk		Evaluation
Criteria	Description	Rank	Description	Rank	Description	Rank	Score
1. Staff Qualifications:							
Staff Qualifications	Staff in key positions have 3 or more years of experience in the position.	1	Staff in key positions have 1 to 3 years experience in the position.	2	Staff in key positions have less than 1 year of experience in the position.	3	
	Staff in key positions have the necessary knowledge, skills, and abilities to perform the job duties.	1	Staff in key positions have some but not all necessary knowledge, skills, and abilities to perform the job duties.	2	Staff in key positions lack the necessar}r knowledge, skills, and abilities to perform the job duties.	3	
Staff Turnover	No change in staff in key positions in 2 or more years.	1	No change in staff in key positions in less than 2 years.	2	New or no staff in key positions in less than 1 year.	3	
2. History of Meeting Requirements:							
Program	Agency has provided services and met all program objectives specified in the contract/funding agreement for past 3 years.	1	Agency has provided services and met most of the program objectives specified in the contract/funding agreement for past 3 years.	2	Agency has provided services and has consistently failed to meet most of the program objectives specified in the contract/funding agreement for past 3 years.	3	
Reporting	Programs and fiscal reports are almost always submitted in timely and accurate manner	1	Routine reports are frequently late (more than 15 days) and/or contain some errors	2	Routine reports reflect significant discrepancies or omissions and routine reports are frequently late (more than 20 days) and contain some errors	3	
3. Funding Utilization:							
Planning/Use of Funding	Spending reported monthly; spending pattern is appropriate to the Program.	1	Spending not reported monthly and/or spending pattern includes under spending or over spending with justification.	2	Agency over spent or under spent without justification or plan for adequate service provision.	3	
4. Amount of Funding/Other							
Annual Amount	$25,000 or less requires Certification and brief accounting of how funds spent and purpose; Due to agency within 6 months after end of grantee's fiscal year.	1	$25,001-$499,999 requires Certification, State Grants Compliance Reporting $25,000, Schedule of Receipts and Expenditures, and Program Activities and Accomplishments Report; Due within 6 months after end of grantee's fiscal year.	2	$500,000 and over requires Certification, State Grants Compliance Reporting$25,000, Yellow Book Audit, Schedule of federal and state awards included in audit, Program Activities and Accomplishments Report; Due within 9 months after end of grantee's fiscal year.	3	
Fiscal	Agency had no unresolved audit findings for the most recent audit period.	1	Agency had minor audit findings for the most recent audit period with pending corrective action.	2	Agency had significant audit findings for the most recent audit period with pending corrective action.	3	
Subcontracts	Agency does not subcontract	1	1 - 5 subcontracts	2	More than 5 subcontracts	3	
5. Self Assessment							
Internal Control Questionnaire	Self assessment shows few or no internal control weaknesses	1	Self assessment shows several internal control weaknesses.	2	Self assessment shows major internal control weaknesses.	3	

Evaluation Score Key:
Low Risk= 10- 16
Moderate Risk= 17-22
High Risk= 23- 30

Completed by: ____________________

Date: ____________________

Rev. February 8, 2011