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OFFICE OF THE LEGISLATIVE AUDITOR
Social Service Mandates Reform

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The 1991 Legislature enacted the Mandates Reform Law, authorizing county demonstration projects to test the impact of waiving some social service mandates. These projects were completed in fiscal year 1996. The law also specified that the projects would be evaluated by the Legislative Auditor. This report reviews the results of the 1991 mandates reform program and discusses the status of other social service mandate waiver programs.

County governments have long complained about the proliferation of detailed procedural requirements governing social service programs. Some of these requirements, or “mandates,” have been enacted into law by the Legislature. Others have been promulgated as state rules by the Department of Human Services. Local officials argue that many state mandates have added unnecessary red tape and hinder the cost effective delivery of services.

In response, the Legislature enacted three reform bills during the 1990s that authorized state social service procedural rules or laws to be waived in order to reduce unnecessary administrative burdens on counties or to test alternative ways of delivery services. The Department of Human Services (DHS) administered the first two programs established by the Legislature in 1991 and 1992.¹ The Board of Government Innovation and Cooperation administered the third program established by the 1993 Legislature.²

This report examines the results of these three programs, particularly the 1991 mandates reform

program, which ended in 1995. Projects approved under the other two programs are not yet complete, though some preliminary results have been reported by DHS and the Board of Government Innovation and Cooperation. Specifically, we address the following questions:

- **How many projects were approved and completed under each of the social service mandate waiver programs? How many proposals were not approved or completed? Why were proposals not approved or completed?**
- **What were the results of the demonstration projects completed? How did they affect administrative costs? How did they affect services?**
- **How useful have waiver demonstration programs been as a vehicle to reform county social services?**

To answer these questions, we interviewed staff from counties and the Department of Human Services. We reviewed project evaluations or monitoring reports, if any, that were completed by counties or DHS. For current projects, we examined preliminary reports by the Board of Government Innovation and Cooperation.

This report is not a full evaluation. We relied primarily on the information provided by counties, DHS, and the Board of Government Innovation and Cooperation rather than collecting our own data. In addition, we did not assess the reliability of data provided to us.

¹ *Minn. Laws* (1991), Chap. 94, Sec. 16; *Minn. Laws* (1992), Chap. 513, Art. 9, Sec. 42.

² *Minn. Laws* (1993), Chap. 375, Art. 15, Sec. 3.

Overall, we found that projects approved under the 1991 Mandates Reform Program reduced administrative costs without adversely affecting social services. Preliminary results for more recent programs also indicate that counties reduced their administrative costs. However, the savings reported as of the end of 1996 for all three programs are small relative to county social service spending. The mandate waiver programs have not yet had a major impact on social service programs because few waiver projects have been fully implemented and because the projects are generally narrow in scope. A few social service waivers recently approved by the Board of Government Innovation and Cooperation have broader scopes than previous projects, but it is too soon to determine their impact.

BACKGROUND

In 1990 the Department of Human Services conducted a study of social service mandates, finding that the “number of complexity of state requirements have made the system difficult to manage” and may have affected services by “limiting local innovation and flexibility and by diverting resources toward administrative costs and compliance related activities instead of services.”³ Among other things, the department recommended “county demonstration projects” to test “alternative methods of administering and supervising social service programs.”⁴

With the support of the Association of Minnesota Counties, the 1991 Legislature established the 1991 Mandates Reform Program, which was the first of three programs established by the Legislature during the 1990s that authorized state social service procedural rules or laws to be waived on a trial basis. The 1991 program authorized the

Department of Human Services (DHS) to waive its administrative rules, but not state laws. The 1992 Mandates Reform Program extended the authority of DHS to exempt counties from procedural requirements in state laws in addition to state rules.

Neither of these two programs is currently considering new proposals. State law required all approved demonstration projects to be completed by July 1995 under the first program and by July 1997 under the second program.

Currently, to obtain waivers from state rules and procedural laws, counties may apply to the Board of Government Innovation and Cooperation.⁵ The board’s waiver program, which was established by the 1993 Legislature, has broader authority to waive administrative rules and procedural laws than the previous programs in two ways. First, it may waive rules and laws pertaining to any local service, not just social services. Second, it applies

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³ Minnesota Department of Human Services, *Social Service Mandates* (St. Paul: 1990) i-ii.

⁴ Minnesota Department of Human Services, *Social Service Mandates*, 47.

⁵ In addition to granting waivers, the board is authorized to approve consolidations of units of local government and provide financial assistance for consolidation efforts, intergovernmental cooperation planning, service sharing, and innovative budget management activities.

to cities, townships, school districts, and special districts as well as counties.⁶

Another difference is that waivers are granted by the board rather than by the department responsible for writing the rules. The board includes the State Auditor, the Commissioners of the Department of Finance and Administration (or their designees), two administrative law judges, and six non-voting legislators.

Other active social service demonstration programs are targeted at specific services. For example, the 1995 Legislature authorized the Department of Human Services to select county pilot projects to test alternative ways of delivering adult mental health services.⁷

PROJECT STATUS

We reviewed the status of social service projects proposed by counties under the three broad waiver programs.

Since the first program was established in 1991, only 15 county proposals for social service demonstration projects have been or will soon be implemented under the three mandate waiver programs.⁸

Under the 1991 Mandate Reform Program, DHS began soliciting proposals from counties in 1991. Counties submitted a total of 37 proposals to DHS from November 1991 to March 1993, but only 3 were approved and carried out as demonstration projects. While the 1992 Mandate Reform Program expanded DHS's waiver authority to procedural laws as well as rules, counties

submitted six new proposals under this program, and only one project was approved.⁹ Under the current waiver program, counties have completed or are carrying out 11 projects that were approved by the Board of Government Innovation and Cooperation as of May 31, 1997.¹⁰

Proposals were not approved or carried out under these three programs for a variety of reasons, including (1) the county withdrew its proposal or stopped pursuing it, (2) the proposal violated federal regulations, and (3) the county did not need a waiver to carry out its project.

Out of 43 proposals made under the two DHS mandate reform programs, 11 proposals were withdrawn or no longer pursued by counties and 7 violated federal regulations. Some proposals could be carried out without a waiver, including seven that only required a change in county policies and two that required a letter of agreement between DHS and the county. In addition, one project was no longer necessary after DHS streamlined its procedures.

Four proposals were not approved under the 1991 Mandate Reform Program because they violated state law. Subsequently, DHS approved one project under the 1992 Mandate Reform Program and the Legislature made changes in the law to legalize what the other three proposals requested. Three proposals were not approved because they did not involve mandates of county services. Finally, five proposals were not approved for miscellaneous reasons.

Under the Board of Government Innovation and Cooperation's waiver program, social service proposals were not approved for similar reasons.

⁶ However, the board may not grant education waivers that are under the jurisdiction of the Minnesota State Board of Education.

⁷ *Minn. Laws* 1995, Ch. 207, Art. 8, Sec. 41.

⁸ We counted proposals that are submitted by more than one county as one proposal. If we counted each county that submitted a proposal, the number of proposals that have been or will soon be carried out would be 29, including six proposals from the 1991 Mandate Reform Program, 1 from the 1992 program, and 22 social service proposals from the Board of Government Innovation and Cooperation's waiver program.

⁹ The Stearns County citizenship project was authorized under the 1991 social service mandates program, but was extended for another six months under the 1992 program. We counted this project under the 1991 program, but not under the 1992 program.

¹⁰ This figure does not include two proposals that the county decided not to implement after receiving the Board's approval.

Out of seven social service proposals that were not approved, three violated federal regulations and three did not need a waiver, including two that only needed county policies to be changed and one that needed a letter of agreement between DHS and the county.

- **While counties have not carried out very many projects under the waiver programs, there were indirect benefits to the programs.**

First, the waiver programs may have helped several counties initiate projects even though they did not require a waiver. According to staff from the Department of Human Services, several counties learned that they could make proposed changes on their own as a result of meetings to discuss their proposals. In other cases, counties worked out an agreement with DHS to carry out their proposal within existing state rules either by obtaining a variance or through the department clarifying what the county could do within the rules. While these proposals did not need the waiver programs to be carried out, the programs helped start discussions between the department and counties.

Second, the waiver programs may have helped change state laws that prohibited some of the proposals. For example, Hennepin County proposed that the Board of Government Innovation and Cooperation waive state rules and laws that required duplicative investigations of abuse or neglect of vulnerable adults in state-licensed facilities. According to a Hennepin County administrator, the waiver process was a “catalyst” for passing a new state law, which made the state licensing agency solely responsible for these investigations.¹¹

Another possible benefit is that according to both county and department staff we interviewed, department staff became more receptive to county concerns with state mandates. For example, the department has modified rules to remove some of the detailed procedural requirements and leave

more discretion to the counties. While other factors may have played greater roles, the waiver programs may have helped. Under the current waiver program, some counties negotiated satisfactory changes with the state health or human service departments after applying for a waiver with the Board of Government Innovation and Cooperation. According to county staff, the board’s program gives the counties additional leverage in negotiations with state agencies.

PROJECT RESULTS

To date, only the three projects approved under the 1991 Mandate Reform Program have been completed. In addition, counties have reported preliminary results for two projects that are currently active under the board’s waiver program. Each of these five projects was designed to reduce unnecessary paperwork. The project in Stearns County was also designed to use the time saved to test an alternative way of delivering services to people with developmental disabilities. We summarize the results of these five projects below. We discuss the three completed projects in more detail at the end of this memorandum.

- **For all five projects that have results, counties reported that the waivers reduced paperwork, though savings are small relative to their total social service spending.**

Counties report that all five projects reduced their paperwork burden, resulting in cost savings or more time for direct services. Among three projects which reported dollar savings, savings ranged from \$2,400 per year for the project involving four Southwestern counties to \$28,000 per year for a Hennepin County project. Stearns County and Dakota County reported time savings, ranging from roughly one full-time staff to two full-time staff positions.

¹¹ Board of Government Innovation and Cooperation, *A Synopsis of the Waivers and Exemptions Granted By the Board* (St. Paul: December, 1996), 14.

The waivers do not necessarily reduce spending because the counties may use the time saved to provide more services. For example, in the Stearns County project, the time saved by reducing paperwork requirements was used to improve the quality of services. In Dakota County, social workers used the time saved to provide more direct and collateral services.

In any case, the reported savings are a very small percent of the county's social service spending. If time savings are converted to dollars, the savings range from about 0.01 to 0.2 percent of the county's social service spending.

These projects did not produce large savings because the waivers were small in scope. However, a few current waivers may have greater impact than previous waivers. For example, Itasca County obtained a waiver to replace the fee-for-service system for chemical dependency services with a managed care system. The county contends that the new approach will result in less paperwork and more efficient services. This pilot project is authorized to continue until June 1999.

One of the concerns with waiving rules designed to assure that recipients receive proper services is that the county will save money at the expense of service quality. There is little reason to believe that any of the three projects completed under the 1991 Mandate Reform Program adversely affected services. In fact, the Department of Human Services found that people with developmental disabilities who participated in the citizenship portion of the Stearns County project were highly satisfied with the project, as were their families.

It also seems unlikely that the two waivers granted by the Board of Government Innovation and Cooperation reduced service quality. Dakota County contends that the change improved services since social workers spend more time providing direct and collateral services as a result of the waiver.

A waiver obtained by Hennepin and Ramsey Counties changed the process for verifying incomes of Medical Assistance recipients with fixed incomes. Instead of requiring fixed-income recipients to report their income to counties every six months, counties determine incomes by matching recipients with social security and federal pension records.¹² The new approach is more convenient for Medical Assistance recipients since they no longer have to fill out forms reporting their income every six months.

CONCLUSIONS

The results of projects completed under social service mandate waiver programs are generally positive. They have reduced paperwork without any apparent reduction in service quality. However, the impact of these programs is very small relative to total county social service spending.

To date, the impact of the social service waiver programs has been limited by the relatively small number of projects carried out and the narrow scope of most waivers. Furthermore, the number of proposals has tapered off since the early 1990s. All 44 proposals submitted under the 1991 and 1992 mandate reform programs were made between November 1991 and March 1993. Under the Board of Government Innovation and Cooperation's waiver program, counties submitted 11 social service proposals in 1993, but only 10 from 1994 through May 1997.

Do these facts indicate that counties are more satisfied with social services or that they do not have major concerns with state mandates? While county and DHS staff both indicated that DHS has made social service rules less prescriptive, counties still have substantial concerns with state mandates. County and DHS staff have pointed out several factors that impede the effectiveness of waiver programs. First, counties found the process for the 1991 social service mandate reform program complex and frustrating. State social service rules

¹² The 1995 Legislature changed the law so that all counties could use this new method for verifying income.

and laws and federal regulations are complex and interrelated. It may be difficult to figure out how to change state rules without running into problems with federal regulations.

Second, it is time consuming to develop and negotiate the changes necessary to obtain a waiver. One county official who successfully obtained a waiver from DHS noted that it took many meetings over the course of six months in order to obtain the waiver. According to DHS staff, the process has become smoother over time as the parties became more familiar with waiver programs.

Nevertheless, there are several factors that continue to limit the effectiveness of waiver programs. For example, federal regulations can still be a problem. In addition, it takes considerable effort to develop and implement the details of a new system that would replace the existing system. The large number of proposals that were dropped by counties reflects the complexity and amount of work involved in establishing a demonstration project. Another limitation is that waivers that affect service eligibility are specifically prohibited in the legislation that established the waivers. Thus, county concerns that some recipients should not receive services cannot be addressed by waivers. Finally, major reforms are difficult without involving other interested parties, including legislators, Department of Human Service officials, and advocacy groups.

Projects Completed Under the 1991 Mandates Reform Program

APPENDIX

The three projects completed under the 1991 social service mandates reform program were carried out by four counties in Southwestern Minnesota (Nobles, Cottonwood, Pipestone, and Rock counties). These projects are described below.

Stearns County's Project to Reduce Paperwork and Promote Citizenship for People with Developmental Disabilities

Under the citizenship project, Stearns County obtained waivers from various "paperwork" requirements to test an alternative way of serving people with developmental disabilities. The philosophy behind this project was that services should shift emphasis away from treating disabilities to helping clients become citizens. By focusing on people's abilities and how they can participate in their community, county staff hoped to build informal supports (such as friends, families, community organizations, schools), and reduce unnecessary dependence on formal supports (providers, county staff).

Stearns County obtained waivers and variances so that case managers and providers would spend less time documenting services and more time working with clients. For example, instead of writing detailed quarterly reports, providers would spend more time working one-to-one with clients in order to increase their community participation. In addition, county staff changed provider contracts to place greater emphasis on increasing citizenship activities.

When the project began in February 1993, 275 out of 287 people who received developmental disability services agreed to participate in the paperwork reduction part of the project. From this group, county staff selected 50 people to participate in the citizenship part of the project based on who they thought would succeed. An additional 25 people were selected in each of the following two years. By the end of the project, 100 people were participating in the citizenship project, about 35 percent of all these receiving developmental disability services in Stearns County.

After the completion of the project in December 1995, Stearns County completed a report in 1996 that summarized the outcomes of the Citizenship Project. In addition, the Department of Human Services prepared monitoring reports that summarized their interviews with clients, client families, providers, and case managers.

The county report found that people with developmental disabilities who participated in the citizenship part of the project made progress towards their goals, including greater involvement with families and friends, more use of community resources, and more volunteering in the community. While these results show progress, county staff noted that the questionnaire "did not show the quality of the progress."

The Department of Human Services' report generally found a high degree of satisfaction by project participants and their families with community activities such as going to shops, restaurants, churches, banks, parks, and movie theaters. For example, all participants who responded said that they enjoyed these activities. Ten out of eleven friends or family members

interviewed thought that the frequency of these activities met the disabled person's needs.

While the satisfaction results are positive, methodological limitations prevent measuring the effect of the project on satisfaction levels. The department did not interview non-participants nor did it interview participants prior to the project. As a result, it is difficult to say how satisfied people would be if the citizenship project did not exist.

Nevertheless, both county and DHS staff were impressed by the reactions of participants and their families to the project. For example, county staff said that because of the positive response by participants, other people were eager to participate.

The project was also designed to reduce paperwork and the need for formal supports. County staff estimated that the project reduced the amount of time providers and county staff spend on paperwork by roughly 2,000 hours per year (one full-time position). This estimate is not precise because the county did not track how much time was spent on paperwork before and during the project. Instead, staff estimated how much time would be saved by no longer requiring providers to complete detailed quarterly reports. According to county staff, completing a typical quarterly report took about two hours compared with 15 minutes for an event log, which replaced the quarterly report. According to DHS staff, interviews with social workers and providers indicate that the project saved time, though not as much as anticipated. About half of the providers interviewed by DHS thought that the project reduced the amount of time spent preparing reports.

To determine whether the project reduced formal supports for participants, Stearns County tracked service costs and case management time for citizenship program participants and a comparison group of nonparticipants. County staff measured service costs and county caseworker time during the year prior to the project and during the last year of the project. They found no evidence that the project had any effect on service costs, though county case management time decreased slightly

over the course of the project. Service costs increased for both groups by about the same amount because of a variety of factors unrelated to the project. Case management time decreased by 16 percent for participants, compared with 6 percent for nonparticipants. The time savings for county caseworkers disregards the additional up-front time case managers spent training providers and getting the project started. County staff estimate that case managers spent about 50 percent more time per case during the first year of the project.

Overall, the citizenship project took substantial up-front effort, resulting in improved services with little effect on service costs. After the demonstration project was completed on December 31, 1995, the previous paperwork requirements went back into effect. Nevertheless, Stearns County has continued the citizenship component of the project, though with less support. Without the paperwork reduction, providers and county staff have less time to support citizenship activities.

While the citizenship project continues at a reduced scale, Stearns County is extending the citizenship idea to mental health services under the Department of Human Services' adult mental health pilot program. Recently, DHS approved a joint proposal by Stearns, Benton, Sherburne, and Wright counties to test the citizenship model for mental health services. The state will waive rules as it did for the citizenship project, but, unlike the citizenship project, it will also provide a grant of \$300,000.

Chisago County's Project to Reduce Duplicate Records and Case Management Duties for Homemaker Services

Chisago County obtained a waiver from department rules that required both the provider and the social service agency to perform certain case management duties and maintain complete files for each person who received homemaker services. In Chisago County, the county human

services department contracts with the county health department to provide homemaker services for senior residents. As a result, prior to the waiver, the county had to maintain duplicate files in two departments and provide two case managers for each recipient. County staff claimed that this was wasteful because (1) the two departments were located next to each other in the same building under one director and (2) the social services department did not need to provide case management services nor maintain a complete file for most homemaker service recipients since few recipients receive any other social services from the county.

Chisago County staff estimate that the waiver saved about \$18,000 per year in county personnel costs. In addition, there was no evidence that the project adversely affected service quality. In fact, the Department of Human Services found that the county health department was properly maintaining files for homemaker service recipients. After the demonstration project expired in July 1995, the Department of Human Services allowed Chisago County to continue operating as they did under the waiver.

Southwestern Counties' Project to Reduce Paperwork in Chemical Dependency Programs

Nobles, Rock, Cottonwood, and Pipestone counties received a waiver to reduce paperwork involving their chemical dependency programs. To receive treatment under Minnesota's chemical dependency programs, Department of Human Service rules require that recipients first receive chemical use assessments. Counties may make the assessments or contract with qualified assessors who have no financial interest with treatment providers. However, the four southwestern counties wanted to contract with Southwestern Mental Health Center to make the chemical use assessments even though the center also provided chemical use treatment programs. To contract with the medical center prior to the waiver, the four counties had to obtain a rule variance from the department every year by

demonstrating that there was a lack of qualified chemical use assessors in their area. In practice, this meant annually advertising for assessors and reviewing applications.

The waiver allowed the four counties to contract with the medical center without going through the variance process from September 1, 1992 through June 30, 1995. The four counties estimated that collectively they saved about \$2,400 annually because of the waiver.

There is no evidence that the waiver affected chemical dependency services in the four southwestern counties. The rationale for the rule against hiring chemical-use assessors who have a financial interest in treatment facilities was that their financial interest may inappropriately influence their treatment referrals. Neither our review nor DHS has examined the appropriateness of assessor's referrals. But, since the county contracted with Southwestern Mental Health Center before, during, and after the waiver, there is little reason to believe that the waiver affected decisions made by Southwestern Mental Health Center.

In January 1996, shortly after the waiver expired, the department changed its rules to reduce the paperwork requirements. Instead of requiring counties to document a shortage of qualified assessors every year, the new rule requires documentation every two years. In addition, instead of requiring counties to apply for a variance, the rule requires counties to maintain appropriate documentation in county offices. Staff from the Southwestern counties consider the new rule an improvement over the previous rule, though they contend that it still requires unnecessary paperwork.