



NEWS RELEASE

For release: Feb. 28, 2013

Auditor General looks at alternative service delivery contracts in new report

VICTORIA—Auditor General John Doyle has released a report examining the contract between the Ministry of Health and MAXIMUS BC Health Inc. and its affiliates, titled *Health Benefit Operations – Are the Expected Benefits Being Achieved?*

The audit found that the 10-year, \$324 million contract, known as an alternative service delivery (ASD) agreement, has not realized all the benefits expected when the deal was signed in 2004. The expected benefits of the contract were:

- improved service levels to the public and health care providers;
- transformation of legacy systems;
- IT currency;
- transference of financial risk associated with meeting service levels and transforming technology;
- improved privacy and security of personal information; and
- gain sharing and profit sharing.

Doyle's report shows that some improvements in these areas have been made, but the benefits have not been fully achieved. For example, a number of new structural and technical privacy and security safeguards have been put in place, but two monitoring tools intended to identify privacy breaches were not implemented as expected. Further, the ministry has not verified that the service provider is complying with two key privacy contract terms.

“Although I did not find any evidence of unreported breaches, this creates a risk that breaches are occurring without the ministry's knowledge,” said Doyle.

Gaps in the ministry's monitoring of other benefits also interfered to varying extents with the Office's ability to conclude on the achievement of other benefits. The audit also reveals that the ministry has not been consistently holding MAXIMUS accountable for achieving the expected results and its public reporting on the contract has been incomplete.

“While government has reported on service levels, it has not reported on any of the other expected benefits of the arrangement,” said Doyle. “And, while it has included the contract's costs in annual reports, it has not presented this cost information alongside benefit achievement results.”

While this report deals specifically with the MAXIMUS contract, Doyle said that the recommendations here can be applied to other ASD agreements. The provincial government is reported to have signed 11 such deals, worth about \$2.4 billion.



“These are high-dollar-value, long-term deals that directly affect services that British Columbians use regularly, such as the PharmaCare and Medical Services Plan programs,” he said.

Specific examples in the report include the replacement of three legacy IT systems, which were initially expected to be completed by 2006. In reality, just one was replaced on time, another was replaced six years later, and the third has yet to be completed. It was also found that the ministry has paid costs that were originally expected to be borne by the service provider, highlighting the challenges around fully transferring risk for critical government services.

Doyle said that similar audits are planned for the future because of the large number of these types of arrangements present in government.

“Given the significant use of contractors to deliver provincial government services, my Office plans to conduct additional work in this area,” Doyle said.

About the Office of the Auditor General of B.C.:

The Auditor General is a non-partisan, independent Officer of the Legislature who reports directly to the Legislative Assembly. The *Auditor General Act* empowers the Auditor General and his staff (known as the Office of the Auditor General or the OAG) to conduct audits, report findings and make recommendations.

2012/13 Report 11 – *Health Benefit Operations – Are the Expected Benefits Being Achieved?*

For more information, please contact:

Office of the Auditor General

250 419-6100

www.bcauditor.com