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MISMANAGING THE DRUG PROBLEM

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This is the first installment of a two week series that explores how the state's decision to transfer management of behavioral health services to a private company has impacted Rio Arriba County's drug treatment programs.

The complete privatization of the state's system for managing drug treatment and other mental health services has been followed by the closure of several crucial substance abuse programs in Rio Arriba County and has coincided with an increase in drug overdose deaths in a county already ravaged by drug abuse.

State officials handed over management of hundreds of millions of dollars in taxpayer money in 2005 to the for-profit corporation ValueOptions New Mexico. ValueOptions is a subsidiary of a Virginia-based company that has donated heavily to the political campaigns of Gov. Bill Richardson.

When ValueOptions won the contract to oversee the statewide system, state officials said that a private company at the helm would lead to cuts in bureaucracy, infighting and ultimately increase services in a state that has long fallen behind on addressing behavioral health issues.

Instead, as the contract has continued to increase by tens of millions of dollars each year, providers across the state have complained of cuts to services. Also, the state legislature has found administrative costs have risen under ValueOptions, and the state has violated its own procurement laws by providing the company with money up front.

In Rio Arriba County, the change has taken funding decisions out of the hands of a provider community who was often at odds over funding priorities. But the emergence of ValueOptions has also brought a new bureaucracy that has contributed to cuts in services at treatment centers, set up regulations that in some cases prevent addicts from getting into treatment and has overseen a system that has been unable to replace lost services.

Ironically, the total amount of money flowing into the coffers of County treatment centers and providers has increased since the new system was implemented. Nevertheless, in the last 18 months, the HOY Recovery Program in Velarde lost the only medically-monitored detoxification program in the area; Ayudantes closed one of the County's two methadone-maintenance clinics; and Rio Grande Treatment Center shut down its treatment center completely. To date, none of those services has been reinstated.

A complicated series of events led to these closures, and has allowed a ValueOptions executive to claim there have been no losses in services in the area.

Overall, the state's handover of drug treatment management to a private company has led to a large change in how business is done at the highest levels of government but has met with limited traceable results on the ground in Rio Arriba.

State officials say the changeover is a ten year process, but with ValueOptions' contract up at the end of next year, the company's performance has already drawn the ire of state legislators.

"A single point of coordination, better ability to streamline the system, more people being served. Obviously that sounded great," State Rep. Sue Wilson Beffort, (R-Sandia Park) said. "But we're seeing exactly the opposite. We're not seeing people being served, and we're not seeing happy providers."

Over the next two weeks, the SUN will take an in-depth look at how the system works and what ValueOptions' leadership of the system as meant to Rio Arriba County. The SUN looked at hundreds of documents and conducted dozens of interviews both on and off the record over a period of nine months in an effort to decipher this often confusing system.

Several attempts to reach ValueOptions New Mexico executives resulted in one 30-minute interview with the company's Vice President for Government Relations and Region 2 Director Patsy Romero.

A request was made to interview Governor Richardson through his communications staff, but a reporter was referred instead to a spokesman and state Behavioral Health Purchasing Collaborative Chief Executive Officer Linda Roebuck. The Collaborative oversees the State's contract with ValueOptions.

THE SYSTEM

The seeds of ValueOptions were planted in a 2002 study funded by the state.

For the group of bureaucrats responsible for bringing ValueOptions, it is often referenced, and often relied on to make their arguments.

The study states that New Mexico's Behavioral Health system served only 15 percent of substance abuse and mental health clients in need of treatment.

At that time, the state spent close to $16 million on substance abuse treatment services alone, the report states. That amount didn't include funding for other mental illnesses and issues that fall into the behavioral health category.

The study reported New Mexico ranked 51st in the nation, behind all 50 states and Washington, D.C., on behavioral health spending. At that time, the state was spending close to $157 million on behavioral health care, the report states.

For this fiscal year, the state will pay ValueOptions a total of $384,682,544 to administer behavioral health services, a report states. The state paid about $286 million in the first year of the contract, and about $367 million in the second year, a report to the legislature delivered in February states.

The 2002 study also addressed the way funding for all behavioral health care was handled in the state. Funding received from the federal government used to be distributed through 15 different state agencies, which the study said also led to skyrocketing administrative costs, and confusion about how the money was distributed among providers.

In addition to better funding, the study states that instead of a collection of services that are controlled by separate state departments, New Mexico needed to organize all of its behavioral health care into a more centralized system.

The effects of a fragmented system were felt especially in Rio Arriba County, where the drug problem was on national display due to increased media attention and field hearings held in 1999 at the behest of United States Sen. Pete Domenici(R-NM).

At that time, money for substance abuse services was doled out between five regions. In all of the regions except the County's Region 2, money was then distributed to providers by health care corporations, like ValueOptions.

In Region 2, local service providers organized to form Region 2 Behavioral Health Providers, Inc., a non-profit organization. All 14 local agencies that received money were on the board of the organization, and it often led to battles that further fragmented an already-fragmented system.

The other four regions were managed by Presbyterian Medical Services and Rio Grande Behavioral Health Care, Inc.

Under the old system, Rio Arriba service providers that received money had to sit on the same board that oversaw where the money was going. While they sat on the board, some members were bidding on contracts to acquire new funding for their own organization.

And as they claimed the pot of money they fought over grew smaller and smaller, local providers became protective of their interests.

In one well-documented incident in 2004, former Rio Grande Alcoholism Treatment Center Executive Director Arturo Rangel accused the state Health Department of distributing funds and appointing planning committees solely based on the needs identified by Rio Arriba County government officials.

But as Rangel was making his claims, a reorganization of the state's system for distributing funding was already underway.

That year, Richardson supported the state legislature's organization of a committee of the 15 state agencies and other interested parties into a one-of-a-kind bureaucratic arm known as the New Mexico Interagency Behavioral Health Purchasing Collaborative, Beffort and other legislators said.

New Mexico was the first state in the nation to attempt to send all of its money through one channel. But the Collaborative took the recommendations from the 2002 report one step further. Instead of leaving the regional system in place, it set out to completely change the system for distributing money.

As previously mentioned, in every one of New Mexico's five regions except Rio Arriba County's Region 2, behavioral health money was managed by managed care companies.

But the new system would require one company that was capable of handing all of the state's money, and it would wipe away the regional providers.

"It was a strategic change to get to the bigger goals," Roebuck said.

These bigger goals included more people getting served by the system and ultimately better services being provided, Roebuck said.

The change means Region 2 Behavioral Health Care was disbanded, and the funding decisions that were once made at the local level would instead be made by a corporation. The corporation was also tasked with overseeing the services that receive funding, and making changes to those services when necessary to preserve them or ensure that they line up with what ValueOptions considers its best practices.

It is a system known as managed care, and is utilized by large companies, known as health maintenance organizations, around the country. ValueOptions reported nationwide revenue of $1.4 billion in 2006.

Managed behavioral health care providers like ValueOptions do not actually provide services like therapy and substance abuse treatment.

Instead, the company passes state money to behavioral health providers, which are primarily local governments and non-profit organizations.

The company is then responsible for signing contracts and managing providers' money for its different services.

Under the state's new system, the service providers that once controlled funding were given a new role within the state. Rather than decisionmaking, they would instead be providing input as a localized version of the statewide Collaborative, and were organized by state judicial district. Providers in Rio Arriba County, Santa Fe County and Los Alamos County make up Local Collaborative 1.

In late 2004, the state rolled out a call to find the one company that would manage all of the money.

Four companies applied: ValueOptions New Mexico, a subsidiary of Norfolk, Va.-based ValueOptions, Inc., Magellan Health Services, Esparanza (a partnership between between Presbyterian and APS Healthcare), and United Behavioral Health, of San Francisco, Calif.

The proposals submitted to the state had no dollar amounts attached to them. Rather, ValueOptions' proposal laid out the programming approach to how the company would manage the money.

Public documents state that an extensive list of questions was vetted before the four companies. In four out of five categories, which included administration, services, customer rights and protection, plans for later stages of the transition and oral presentations to the committee, ValueOptions recorded the highest scores.

"Both other bidders were significantly lower, due largely to the evaluation that their plans for these later phases were less detailed and less congruent with the stated goals of the Collaborative," a state report on the procurement process states.

United Behavioral Health, who finished second in the bidding, was rated higher only in the category of innovation and creativity.

Bids were received in January, and ValueOptions was selected as the winner by March. A contract that would grow to be more than $380 million was vetted and signed within two months.

On July 1, 2005, the new system took hold.

CAMPAIGN DONATIONS

ValueOptions had dominated the formal procurement process, but the company also scored highest of the four bidders in donations to Richardson's campaigns – a category that didn't make the evaluation.

The large state contract was perhaps a vision, but no more than that, while Richardson was completing his first run for governor in 2002.

ValueOptions gave $2,000 to that campaign, public documents state.

Presbyterian Health Plan, which was part of Esperanza, was the only other bidder who gave to any of Richardson's campaigns. The company, which is responsible for managing most of the state's medical health care, gave Richardson's campaign a total of $25,000 between 2001 and 2004, public documents state.

Since ValueOptions won the contract, political help for Richardson and his allies hasn't slowed down. In fact, it's only increased.

ValueOptions, Inc. President Ronald Dozoretz and his wife Beth Dozoretz have longtime connections to the national Democratic Party establishment, which Richardson was a part of as President Bill Clinton's secretary of energy – even before his current presidential campaign.

Public records state Beth Dozoretz gave $3,983 to Richardson's 2006 gubernatorial campaign, former ValueOptions New Mexico chief executive officer Pamela Galbraith also gave $125 to Richardson's 2005 gubernatorial campaign, and ValueOptions, Inc., gave $500 to Richardson ally Diane Denish, for her campaign for lieutenant governor.

Beth Dozoretz was finance chairwoman for the Democratic National Committee in 1999, and the Dozoretzes are longtime friends of the Clintons – the former president and U.S. Senator Hillary Clinton (D-NY), a current presidential candidate.

But they have shifted monetary support for candidates to Richardson in the 2008 presidential campaign.

Including the Dozoretzes, five executives who are identified in federal records as working for ValueOptions, Inc., have donated to Richardson's presidential campaign, an online database kept by the Federal Election Commission states. The 11 contributions by seven people total $26,300, the database states.

The Washington Post reported in February that the Dozoretzes hosted a Washington, D.C., fundraiser for Richardson, as well.

Dozoretz has been willing to break party ranks in states were his company has a contract. Federal records state he gave $10,000 to the Arizona Republican Party. The company's subsidiary in Arizona was recently denied renewal of a behavioral health care management contract in Maricopa County, Arizona, on the heels of complaints there that too many patients were not receiving services.

With ValueOptions' contract up for renewal in New Mexico in 2009, the stakes may be even higher at this point.

Legislators and other state employees interviewed for this article acknowledged there is speculation around the state about ValueOptions' political positioning to win the large contract, but none offered a direct link between the contributions and the contract.

The SUN made repeated requests to interview Richardson about the campaign contributions, but was instead directed to a spokesman.

Asked how it looked to the public that Richardson was gaining money for his campaign by a company that would be bidding for huge state contract in less than two years' time, Allan Oliver said the contributions were immaterial.

"The governor makes decisions based on what's good for the people of New Mexico, not on campaign contributions," he said.

LOCAL LOSSES

Rio Arriba County recorded 19 drug overdose deaths in 2006. This was the highest number of drug overdoses recorded in the County since at least the mid-1990s, according to the state Office of the Medical Investigator, and they weren't solely a result of the County's usual scourge: heroin. Prescription drugs, cocaine, alcohol and even methadone played a role in the deaths, state Health Department data states.

The state's and ValueOptions' response to this problem has been to redirect spending when services have been lost and to deny that services have been lost.

Before ValueOptions' arrival, treatment centers run by non-profit organizations often struggled with structural issues in their buildings, maintaining licenses to run programs, misspent money and other woes.

The difference now is when these services have run into problems they have been shut down with nothing taking their place. In the first two years of the new system, one of the county's main treatment centers lost its license (Ayudantes), one building was closed due to structural issues (Rio Grande Treatment Center in Embudo) and the non-profit Rio Arriba Family Care Network saw their board scale down their organization pending the outcome of an audit.

Even as the state and other regulators dictate that centers are out of compliance, providers fire back that they don't receive enough funding.

"We live by the golden rule," HOY Recovery Program Director Ben Tafoya said. "And those that have the gold rule."

The new system has created more accountability for public money as it is spent by providers. By monitoring providers' contracts and conducting audits, ValueOptions has put the programs under a microscope they were never under before. But the County has been left with an unenviable choice: Do you want bad services or no services"

Next week, the SUN will explore how Rio Arriba has been affected by the new system.