



THE CITY OF NEW YORK
INDEPENDENT BUDGET OFFICE
110 WILLIAM STREET, 14TH FLOOR
NEW YORK, NEW YORK 10038

February 4, 2008

Ms. Chris Winward Read
Human Services Council
130 East 59th Street
New York, NY 10022

Re: Senior Options Pilot Program

Dear Ms. Winward Read,

Last fall, you and other members of the Human Services Council met with the Independent Budget Office (IBO) to discuss a set of questions you had regarding the Department for the Aging's (DFTA) Bronx Senior Options Pilot Program. At the meeting and in subsequent conversations it was determined that IBO could help provide answers to some of your questions, specifically those concerned with DFTA's expenditures and funding for the program and whether there were any cost savings from the pilot.

Background. In April 2003, the Bloomberg Administration proposed a consolidation and restructuring of the delivery of a variety of social service programs. As part of that initiative, DFTA was asked to find \$8 million in savings within the agency. Originally this savings was to come from a centralization of food purchases by DFTA and other city agencies. When the plan for centralized purchasing was abandoned, DFTA developed the Senior Options Pilot Program to determine whether more streamlined contracting for home delivery of meals to New York's seniors would result in savings for the city without reducing services. The Bronx was chosen as the site for the pilot program. (See IBO's Inside the Budget # 142, "Progress Report: The Mayor's Social Services Streamlining Plan.")

In the following paragraphs we discuss actual spending for the Senior Options Pilot Program for fiscal years 2005 through 2007.¹ We also looked at 2004, the fiscal year prior to the start of the pilot program as a baseline for comparison. Data were obtained from the agency, the Request for Proposal (RFPs) and the KPMG 2007 report on the pilot program.² We were not able to obtain the administrative costs associated with the pilot program because according to DFTA, the program is part of the agency's overall portfolio and it is not possible to break out the administrative costs directly attributable to this program from the agency-wide totals. The contract costs provided however, covers all cost of the providers including their administrative cost (see table below).

Cost per meal. Prior to the pilot, reimbursements by DFTA were made on a cost reimbursement basis which meant that contractors' costs were covered, up to an overall

contract amount, regardless of the number of meals served. Based on the expenditure and the number of meals served under each contract, the average cost per meal in the individual contracts across the city in 2004 ranged from \$2.79 to \$18.00.³ With the Senior Options model, providers operate on a fixed cost system. Their payment per meal does not vary, so that providers are reimbursed by DFTA based on the number of meals served or delivered and not by the specific costs they incur related to meal preparation or delivery.

Though there was no set per meal rate prior to the pilot program, IBO has estimated the cost for meals delivered through the pre-pilot contracts in the Bronx averaged \$6.96 in 2004. The pilot's initial Request for Proposal (RFP) assumed there would be a fixed rate of \$4.00 per meal. Due to community concerns that such a rate was insufficient, DFTA raised the level to \$5.00. Once the pilot began, the actual per meal rate for fiscal year 2005 was \$5.38. (See table below.) The actual per meal rate in 2007 was \$6.48, \$1.48 more than originally budgeted at the start of the pilot, but still below the pre-pilot borough average.

Voluntary Contributions. According to the Home Delivered Meals Bronx Pilot Addendum #1 (January 2004), responsibility to collect voluntary contributions was not included in the contracts awarded from the RFP. As a result, the amount of such contributions is presumably small, although we were not able to obtain information on these monies from DFTA.

Discretionary Funding. As with other DFTA programs, the pilot program has received some discretionary budget allocations from the City Council and other elected officials. Any discretionary money received as part of City-wide initiatives to all programs that provide meals and maintain vehicles is included in the reported actual total spent each year. In 2007, there was \$372,925 in discretionary money allocated by the City Council that added to the spending for the pilot program. No allocation from elected officials was received in 2005.

Meal Ratio, Hot vs. Cold. According to DFTA, the overall average of the split of hot versus frozen meals for the Senior Options Pilot Program was 60 percent hot and 40 percent frozen/alternative. Case management agencies are responsible for assessing which clients will receive a hot or frozen style meal. We did not obtain a breakdown of meal ratio by provider, but the RFP states that each provider has a greater flexibility in meal delivery and gives them a maximum proportion of both hot meals and frozen meals.⁴

Total Cost. In 2004, prior to the pilot, DFTA spent a total of \$3.7 million on home delivered meals in the Bronx. Total home-delivered meals expenditures totaled \$21 million city-wide. In 2005, the year the pilot program started, IBO's estimate of annualized total spending on meals in the Bronx was \$3.1 million.⁵ Spending for meals on wheels in the Bronx grew to \$3.5 million in 2007, a 12 percent increase from its first year. Spending for meals in the rest of the city (excluding the Bronx) grew by a similar amount (12.5 percent) from 2005 to 2007.

Start-up Costs and Unexpected Costs. There was a total of \$267,000 in start-up costs in 2005 (\$211,000 for replacement of vehicles and \$56,000 for vehicle repair). Additional money was spent on replacement of vehicles for 2006 and 2007. There were a total of 41 vehicles itemized in the inventory list in the Senior Options Pilot Program RFP addendum #1. These vehicles had been used by the previous contractors and would be available for the new pilot program contractors. DFTA had said they would consider the age and condition of the vehicles on a case by case basis if replacements were needed.

Waiting List. Prior to the Senior Options Pilot Program, there was a waiting list for meal delivery service in the Bronx, although DFTA could not provide us with information about the number of seniors who were on the list. According to DFTA, the pilot program has eliminated the waiting list in the Bronx since the program has the capacity to serve larger numbers of people.

If you have any questions regarding this letter, please feel free to contact me, or Nashla Salas, who is IBO's budget and policy analyst for DFTA (nashlar@ibo.nyc.ny.us, 212-442-8619).

Sincerely,

George Sweeting

Cc: Nashla Salas

Senior Options Pilot Program (Bronx)

	2004	2005	2006	2007
Contract	\$3,135,939	\$2,845,012	\$2,883,605	\$2,883,975
Central Insurance	282,183		183,998	183,998
Discretionary money	269,127	-	179,400	372,925
Replacement of vehicles		211,000	90,000	46,592
Vehicle repair		56,000		
Total	\$3,687,249	\$3,112,012	\$3,337,003	\$3,487,490
Total meals served	530,151	528,609	530,643	530,643
Per meal cost	\$6.96	\$5.38	\$6.12	\$6.48

SOURCES: IBO, Department for the Aging.

NOTES: The FY 2005 contract and total meals served amount are an annualized figures calculated by IBO. The actual 9 month cost was \$2,133,759, with 396,457 meals served.

Central insurance covers fringe benefits (medical, disability, liability, etc.) that are paid by the city for some contractors. For such contractors, the contract cost is lower since fringe costs are excluded.

Unit rates does not include the start-up costs in FY2005 and the cost of vehicle replacement in FY 2006 and 2007.

Unit rate includes contract amount, central insurance and discretionary funding.

The FY2004, unit cost was calculated by IBO.

The total meals served are DFTA-funded only meals, does not include City Meals on Wheels.

¹ Unless otherwise noted, references to years pertain to a city fiscal year.

² The KPMG report is the "Evaluation of the Senior Options Pilot Program", March 2007.

³ "Evaluation of Senior Options Pilot Program", March 2007.

⁴ The original RFP sets a maximum proportion of hot meals at 40% and a maximum proportion of frozen / alternative meals at 60%. This was then changed to 70% hot meals and 30% frozen / alternative meals. DFTA has said that this ratio is not mandatory and tends to fluctuate from time to time.

⁵ In its first year the pilot program ended up being a 9 month contract due to a delay in the start date. IBO has estimated what the amount would have been if it were a 12 month contract. The 9 month total was \$2.1 million.