Completing the Performance Management System – Implementing Productivity Measures

Ric Brown, Department of Planning & Budget

DB Smit, DMV

Pat Finnerty, DMAS

Aneesh Chopra, Secretary of Technology

Governor Kaine's Performance Management System – History and Future

2005

➢ Implemented a new strategic planning and budgeting approach, including objectives, measures, and targets; plans linked to budget through "service areas."

2006

➢ Identified 200 agency key objectives and metrics (v. 2,000 service area metrics).

2007

➢ Refined key measures and aligned them with societal indicators; linked budget decisions to performance.

2008

➢ New productivity measures will strengthen the relationship between internal improvement investments and desired outcome and performance targets.

Background

➢ DPB is charged with ensuring that the performance management system improves the efficiency and effectiveness of state government operations. (Chapter 900, 2003 Acts of the Assembly)

➢ The Governor made performance management one of his goals.

➢ The Governor and state agencies have established key objectives to begin to measure the effectiveness of state government.

➢ The next step is to address the efficiency of state government operations. This is where productivity measures come into play.

What are Productivity Measures?

➤ Productivity measures are a ratio of the volume of input to the volume of output.

➤ Example – cost per license issued.

➤ Four pilot agencies (DMV, DMAS, DMME and DJJ) worked with DPB, SOF and COVF to create a guidebook on developing productivity measures.

➤ Each agency should develop one productivity measure. The measure should be tied to a key process.
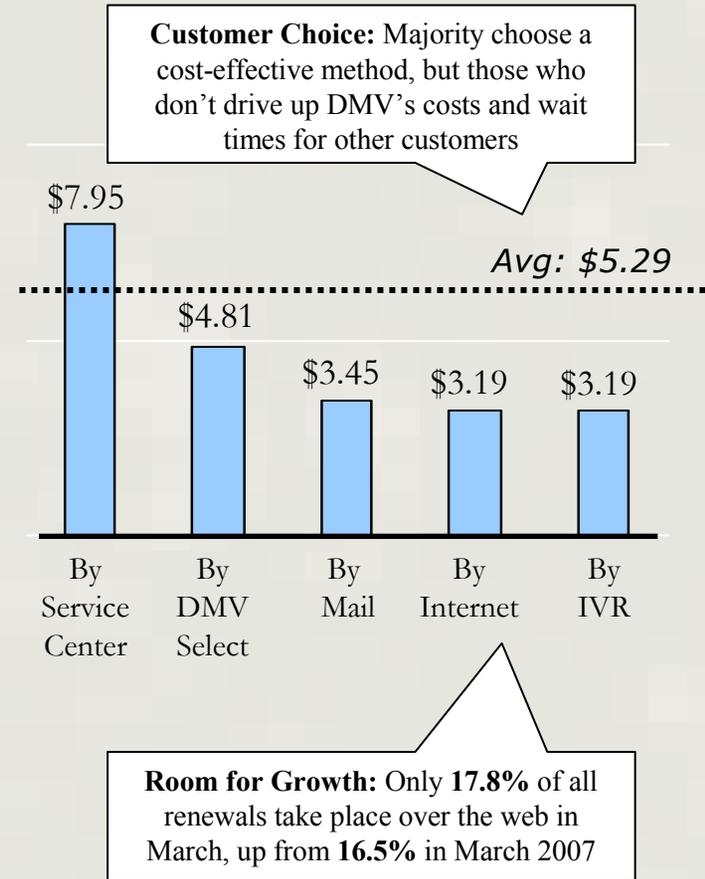
Important Dates

Date	Event
Jun-08	Agency training (1/2 day)
1-Aug-08	Deadline for agency entry into Virginia Performs
Aug-08	Cabinet and DPB review and feedback on measures
Sep-08	Governor's Office review and approval of measures
1-Oct-08	Productivity measures "live" on Virginia Performs
1-Oct-08	Agency data collection begins
31-Jan-09	First data reporting on productivity measures due

Case Study #1: Department of Motor Vehicles

DMV Productivity Measure

➤DMV currently uses Activity Based Costing to monitor and evaluate its activities for cost effectiveness. This allows DMV to determine unit costs across an array of activities.

➤Vehicle Registration Renewals represent the highest volume activity at DMV and impact most Virginians on an annual basis.

➤Vehicle Registration revenue primarily supports Virginia's Highways, but DMV retains $4 out of every registration to cover administrative costs.

➤**Measure** - DMV will reduce the average cost of completing a vehicle registration renewal transaction by moving transactions to cost effective delivery channels

➤Pursuing cost effective service delivery will support two of DMV's Key Performance Measures: Customer Wait Time and Customer Churn Rate

Virginia DMV
Cost to Renew Vehicle Registration

Customer Choice: Majority choose a cost-effective method, but those who don't drive up DMV's costs and wait times for other customers

Avg: $5.29

$7.95	$4.81	$3.45	$3.19	$3.19
By Service Center	By DMV Select	By Mail	By Internet	By IVR

Room for Growth: Only **17.8%** of all renewals take place over the web in March, up from **16.5%** in March 2007

Case Study #2: Department of Medical Assistance Services (DMAS)

➢ **DMAS Background**
   - ○ Administer Virginia's Medicaid and SCHIP (FAMIS) programs
   - ○ Serve 700,000 participants
   - ○ Contract with more than 50,000 providers
   - ○ FY09 budget: $5.8 billion (total funds)

➢ **Goal:** Increase "electronic" claims and reduce "paper" claims

➢ **Productivity Measure:** Cost of processing/ adjudicating a provider claim
   - ○ *Numerator: (*Payment to Fiscal Agent + DMAS Admin Costs)
   - ○ *Denominator:* Number of Claims Processed *(*Avg. 50 million claims/year)
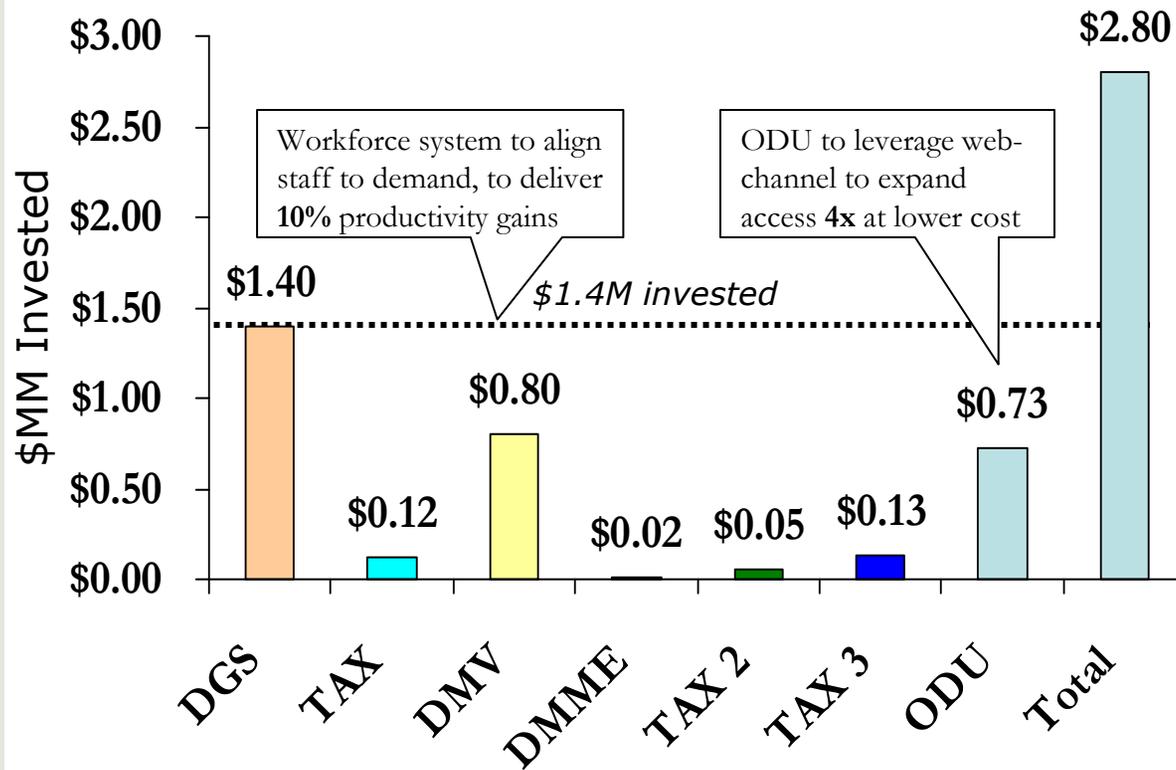
Case Study #2: DMAS (Cont'd)

➢ **Process/Reasons for Selecting Measure**
- o Integral business process
- o Efficiencies benefit Commonwealth and providers
- o Measurable metrics
- o "We know we can do better"
- o Ties in with Productivity Investment Fund (PIF) grant to institute web-based claims submission

➢ **How can Productivity Measure Help DMAS?**
- o Monitor impact of claims processing changes
- o Improve relations with key business partner (providers) through faster/more accurate payment and less administrative burden

➢ **Summary:** Higher percentage of claims processed electronically equals:
- o Fewer errors
- o Less Staff time
- o Fewer "reprocessed" claims
- o Faster payment
- o Lower costs

Productivity Investment Fund: Seed Capital to Kick-start Innovative Projects

Annualized Savings Potential – Base Case

$MM Invested

- $3.00
- $2.50
- $2.00
- $1.50
- $1.00
- $0.50
- $0.00

Workforce system to align staff to demand, to deliver **10%** productivity gains

ODU to leverage web-channel to expand access **4x** at lower cost

$1.40   *$1.4M invested*

$1.40 $0.12 $0.80 $0.02 $0.05 $0.13 $0.73 $2.80

DGS   TAX   DMV   DMME   TAX 2   TAX 3   ODU   Total

Productivity Investment Fund in Brief

Capital: Governor Kaine established **$3M** fund in **January 2007** to simplify government operations.

Goals: In addition to **operating cost savings**, PIF encourages agencies to **lower constituent transaction time** and advance the Governor's **key performance measures.**
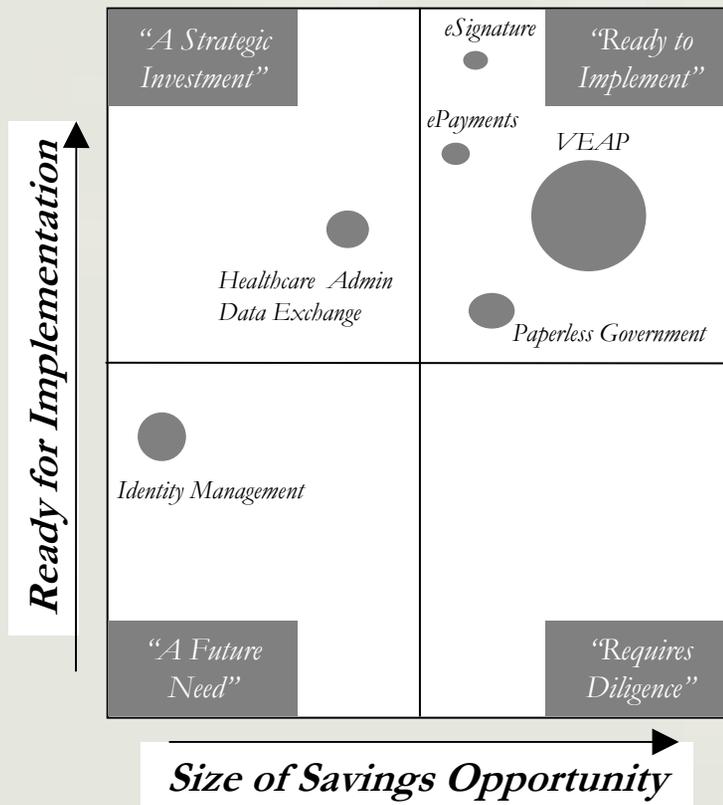
Portfolio: Across two rounds, we have invested **$1.4M** to fund the following savings initiatives:

- ➢ DGS: Consolidated Mail
- ➢ Dept of Tax: Image Cash Letter
- ➢ DMV: Workforce Mgmt System
- ➢ DMME: Field GIS
- ➢ Tax 2: Corporate E-File
- ➢ Tax 3: Eliminate Vouchers
- ➢ ODU: VIDEO-D-U

Using the base case, the 3-year return per dollar invested is approximately $6

Seed Capital to Plan for Streamlined Enterprise Operations

Mapping Enterprise Opportunities
By Size of Implementation Cost

Ready for Implementation (vertical axis)

- "A Strategic Investment"
- "Ready to Implement"
- eSignature
- ePayments
- VEAP
- Healthcare Admin Data Exchange
- Paperless Government
- Identity Management
- "A Future Need"
- "Requires Diligence"

Size of Savings Opportunity (horizontal axis)

Chief Applications Officer
Addressing IT Governance

APA Report:

November study expresses concerns regarding Commonwealth approach to IT Governance

Chief Applications Officer

Governor Kaine appointed **Peggy Feldmann** in **January, 2008** to work with all key stakeholders to address APA concerns

VEAP

Applications strategy focused on existing spend and demand governance; VEAP partners with "lead" agencies on enterprise capabilities
- eSignature (DMME, VDOT, DGIF):
- Paperless Government (DEQ)
- VEAP - Financials (VDOT, DOA)
- ePayments (Treasury, DOA)

$591K investment yielded four viable projects including a public-private healthcare partnership

Denotes Size of Investment Cost at Full Implementation

Virginia's Integrated, Outcome-driven Performance Management System