

# *Completing the Performance Management System – Implementing Productivity Measures*

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# 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

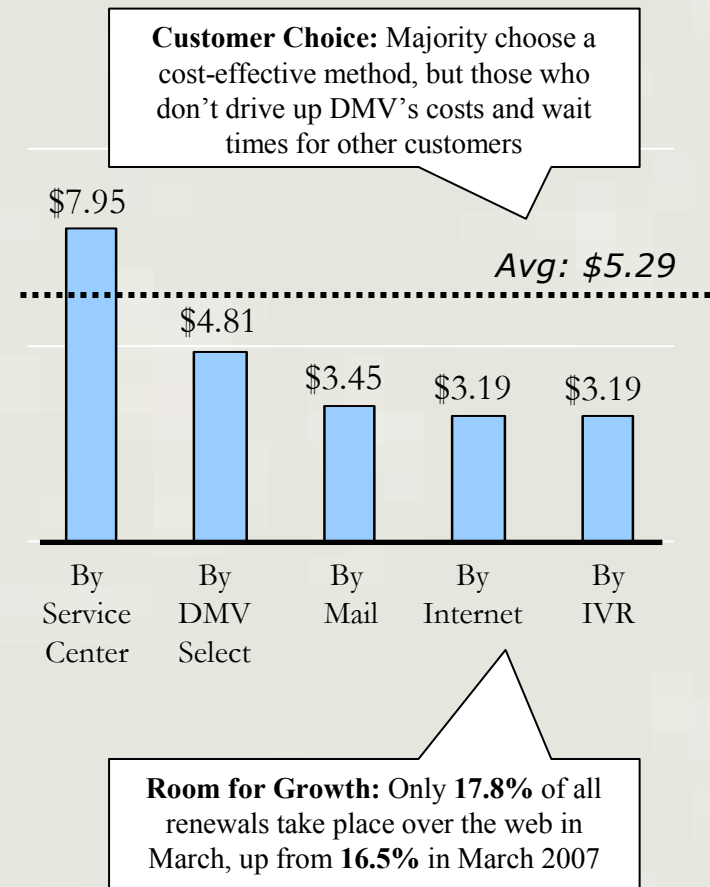
Date	Event
Jun-08	Agency training (1/2 day)
1-Aug-08	Deadline for agency entry into Virginia Performs
Aug-08	Cabinet and DPB review and feedback on measures
Sep-08	Governor's Office review and approval of measures
1-Oct-08	Productivity measures "live" on Virginia Performs
1-Oct-08	Agency data collection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



## 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)

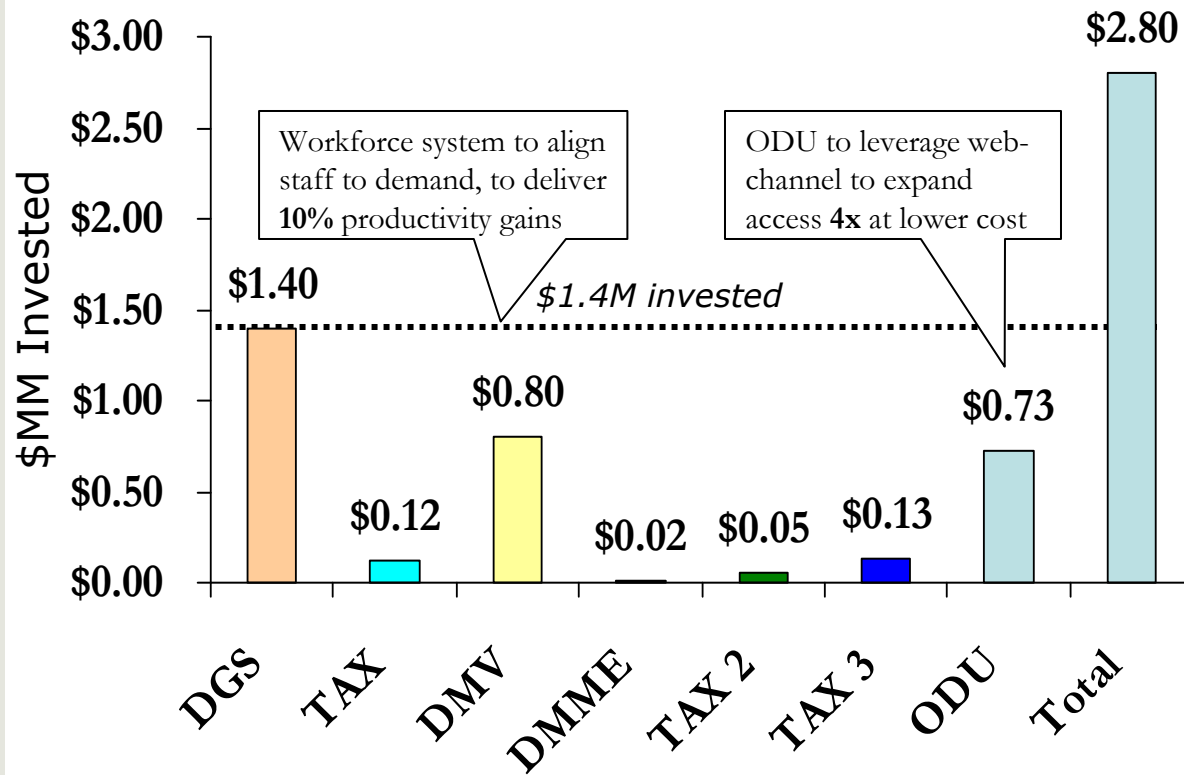
## Case Study #2: DMAS (Cont'd)

- **Process/Reasons for Selecting Measure**
  - Integral business process
  - Efficiencies benefit Commonwealth and providers
  - Measurable metrics
  - “We know we can do better”
  - Ties in with Productivity Investment Fund (PIF) grant to institute web-based claims submission
  
- **How can Productivity Measure Help DMAS?**
  - Monitor impact of claims processing changes
  - Improve relations with key business partner (providers) through faster/more accurate payment and less administrative burden
  
- **Summary:** Higher percentage of claims processed electronically equals:
  - Fewer errors
  - Less Staff time
  - Fewer “reprocessed” claims
  - Faster payment
  - Lower costs



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

Annualized Savings Potential – Base Case



## 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**.

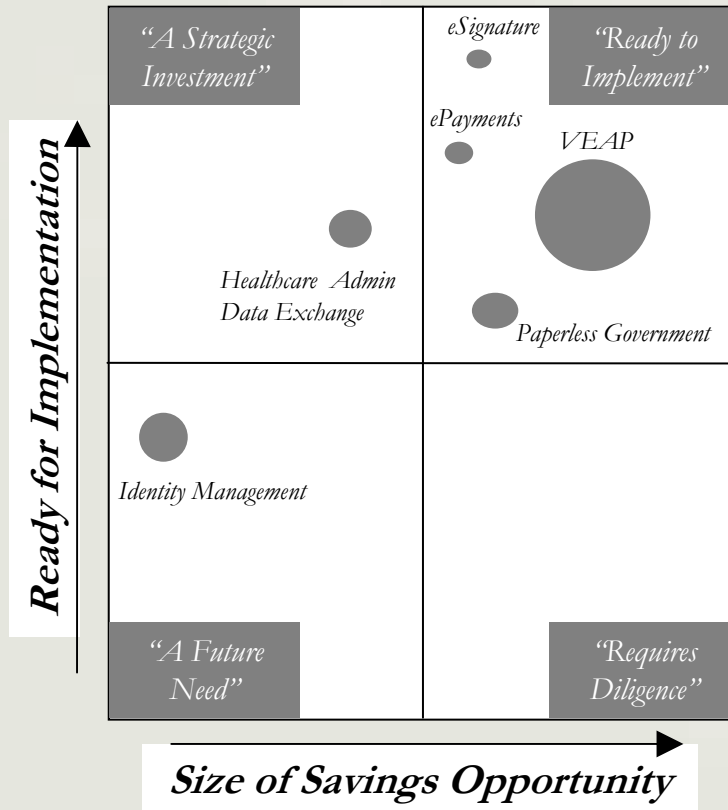
**Portfolio:** Across two rounds, we have invested **\$1.4M** to fund the following savings initiatives:

- 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*



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

