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

<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
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<tbody>
<tr>
<td>Jun-08</td>
<td>Agency training (1/2 day)</td>
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<tr>
<td>1-Aug-08</td>
<td>Deadline for agency entry into Virginia Performs</td>
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<tr>
<td>Aug-08</td>
<td>Cabinet and DPB review and feedback on measures</td>
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<tr>
<td>Sep-08</td>
<td>Governor’s Office review and approval of measures</td>
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<tr>
<td>1-Oct-08</td>
<td>Productivity measures “live” on Virginia Performs</td>
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<tr>
<td>1-Oct-08</td>
<td>Agency data collection begins</td>
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<tr>
<td>31-Jan-09</td>
<td>First data reporting on productivity measures due</td>
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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

<table>
<thead>
<tr>
<th>Delivery Channel</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>By Service Center</td>
<td>$7.95</td>
</tr>
<tr>
<td>By DMV Select</td>
<td>$4.81</td>
</tr>
<tr>
<td>By Mail</td>
<td>$3.45</td>
</tr>
<tr>
<td>By Internet</td>
<td>$3.19</td>
</tr>
<tr>
<td>By IVR</td>
<td>$3.19</td>
</tr>
</tbody>
</table>

**Avg:** $5.29

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

**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 ClaimsProcessed (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

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

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
**Seed Capital to Plan for Streamlined Enterprise Operations**

**Mapping Enterprise Opportunities**

*By Size of Implementation Cost*

- **“A Strategic Investment”**
- **“Ready to Implement”**
- **“A Future Need”**
- **“Requires Diligence”**

**Ready for Implementation**

- Healthcare Admin Data Exchange
- Identity Management
- eSignature
- ePayments
- VEAP
- Paperless Government

**Size of Savings Opportunity**

**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

Virginia’s Performance Management System

- Agency Management Practices
- Effective & Efficient Agency Operations
- Agency Planning and Budgeting

- Key Measures Completed in 2006
- Version “2.0” Nearly Complete
- Productivity Measures Due in 2008

Outcome-Based Key Measures Linked to Long-Term Objectives