

**MINUTES OF THE
SOCIAL SERVICES APPROPRIATIONS SUBCOMMITTEE**

Room 30 House Building, State Capitol Complex
Wednesday, January 30, 2013

MEMBERS PRESENT: Sen. Allen M. Christensen, Co-Chair
Rep. Ronda Rudd Menlove, Co-Chair
Rep. Daniel McCay, House Vice Chair
Sen. Deidre M. Henderson
Pres. Wayne L. Niederhauser
Sen. Brian E. Shiozawa
Sen. Evan J. Vickers
Sen. Todd Weiler
Rep. Rebecca Chavez-Houck
Rep. Paul Ray
Rep. Edward H. Redd
Rep. Marc K. Roberts
Rep. Earl D. Tanner

MEMBERS EXCUSED: Sen. Peter C Knudson
Sen Luz Robles
Rep. Tim Cosgrove
Rep. Brad L. Dee

STAFF PRESENT: Mr. Russell Frandsen, Fiscal Analyst
Mr. Stephen Jardine, Fiscal Analyst
Ms. Paula Winter, Secretary

Note: A copy of related materials and an audio recording of the meeting can be found at <http://le.utah.gov>. A list of visitors and a copy of handouts are filed with the committee minutes.

Co-Chair Menlove called the meeting to order at 8:19 a.m.

There was no one signed up for public comment. Time was turned over to Mr. Frandsen.

Russell Frandsen, fiscal analyst, reviewed how to connect to SharePoint and also cards for contact of the analysts which were supplied today.

Plastic Eligibility Cards

Rep. Menlove returned to the item of plastic eligibility cards for use in Medicaid. Dr. David Patton, executive director, Department of Health, was invited to speak.

Dr. David Patton recognized that this is an option in many states but there are complications. Paper cards are used now and they are color coded as to plan. Churning or moving around through the system is common. To issue a magnetic card could be problematic. A request for information (RFI) was issued to find a company to do a card. There were 21 companies that looked at the RFI but no one actually responded. The plan now is to look at other states and how this is managed. The option is to do a pilot program by taking those who may be on Medicaid for a longer period of time. The providers do not have readers for the cards which would provide information they would need and which would be an additional expense for the providers. There

is a desire to move forward carefully.

Mr. Frandsen asked about the need for a magnetic versus a plastic card without the magnetic feature. Dr. Patton replied that when the RFI was done we asked the companies to tell us which would work best and it could be either of the two. The magnetic was used as an example. Mr. Frandsen questioned whether the RFI was based on the magnetic card alone. Dr. Patton replied that whatever is most viable would be used.

Rep. Menlove asked if other states had been looked at and about the cost savings.

Dr. Patton stated that they had contacted other states to know what to put on the RFI. We found most states were doing it for the long term recipients. The cost savings comes actually to the Department of Workforce Services - not to the Department of Health. It is actually the cost of mailing that would be saved. That savings is because there are many cards being mailed all the time because of churning within the system. The cost savings would be about \$500,000.

Rep. Menlove asked Dr. Patton about the next step.

Dr. Patton indicated that the next step is for them to do their own RFI because companies didn't respond. More research will be done with other states and a pilot program will be attempted this year looking at a larger segment that is more stable.

Sen. Shiozawa spoke about the positives of the proposal.

Rep. Chavez-Houck inquired about using the cards across programs.

Dr. Patton replied that they had not yet looked into that but possibly will because the information would be there.

Rep. Redd clarified by saying that as he understood this the cards would have people's information on it and then it could be updated on a database for individual offices daily. Rep. Redd asked how that would work exactly?

Dr. Patton replied that they are not sure if the card would be magnetic or a chip or a number that the provider looks at. A magnetic card would hold more information.

Rep. Redd asked, how is it done now with the color coded paper cards?

Dr. Patton responded that people show the card and the provider knows the code from the color of the card and it has an expiration date on it.

Rep. Redd asked if this would save the paperwork and the mailing and that some sort of updating would happen in the offices and therefore have to communicate with the system daily.

Dr. Patton answered in the affirmative.

Sen. Christensen indicated the positive nature and asked if there was consideration for extending the time to 6 months on the expiration date of the card to save mailing costs. What about using

the paper cards and extending the time of the expiration to 6 months?

Dr. Patton replied that currently they do not have the authority to extend the time longer than a month and it would have to be legislated to be able to make the change. It isn't so much durability because the paper cards seem to last but it is the eligibility time change.

Sen. Christensen said that could be taken care of quickly with statute.

John Pierpont, Executive Director of Workforce Services, spoke to using a plastic card for other benefits. Currently they are working on something called U Card which would be a one card solution for all other programs. It is similar to a debit card for TANF which is a financial program, child-care benefits and unemployment insurance. They are loaded on one card and we are in the implementation of that right now. Medicaid is not included in that. A possible solution may be to contact the vendor. Mr. Pierpont stated that it saves them money.

Mr. Frandsen stated he is not sure if it would take a statutory change to increase the time and would like to get a legal opinion on that.

Rep. Menlove and Mr. Pierpont discussed the viability of bringing this issue back later in the session.

Other States Efforts for Efficiency

Mr. Todd Hagerty from the National Conference of State Legislatures was introduced and spoke to the theme of efficiency.

Mr. Todd Hagerty is with the fiscal affairs program and does work with budgets and tax matters as well as efficiency and government innovation. Efficiency has been dealt with for a long time and his focus is trying to get employees involved in the process of efficiency. He referenced his handout called *Encouraging Efficiency and Innovation in State Government* and it's overview of four areas will be used. The four areas are: 1) Employee Reward Programs, 2) Lean Government, 3) Agency and Flexibility, and 4) Customer Service Improvements will be used. Three states referred to on page 3 of the handout were covered. Each state has specific requirements to be followed for participation but in each there is a monetary reward for a plan that is viable. The result has been savings for each agency. The next component is Lean Government or the Lean six Sigma program with it's goal being identifying waste, improving productivity, engaging employees - with the goal being continual small incremental changes - in combination with longevity to produce savings in the long run is the important piece. He shared the example of Minnesota using this program in all agencies. He referred to page 4 in his handout. As far as Agency Flexibility there are not a lot of examples. Iowa has the greatest example. The final point is Customer Service. In Georgia the governor sent out an executive order calling for a forum to figure out how all agencies can identify better ways to deal with constituents. This has helped with better relations with customers and government. Two other examples were given with similar results which are better service, and the amount of time that the agencies have to spend in going to the regulatory framework to move ahead. No exact dollar figure can be put on these examples.

Rep. Menlove inquired if anyone is looking at data over time.

Mr. Hagerty responded that he would be the one keeping that data. Many of the programs are fairly new so that the hard data is not necessarily out there but it is important to have.

Rep. Menlove and Mr. Hagerty discussed the idea of being included in further data collection and updates as these processes and programs continue to move forward.

Rep. Chavez-Houck asked if there has been an analysis in looking at those programs providing a bonus back to the agency or employee and cross referencing it with customer satisfaction to make sure we are not incentivizing efficiency to where we may not be giving the customers what they need and how that is evaluated.

Mr. Hagerty has not seen a correlation between the two. The criteria is strict and it has to be a process so that it is not just random ideas but the agency has to make sure these are vetted.

Rep. Redd asked if this has ever happened in Utah inside the government.

What are Agencies Doing to Encourage Efficiencies

Rep Menlove moved on to let some of the agencies report on what they are doing to encourage efficiencies in their departments.

Mr. Palmer DePaulis, Department of Human Services Executive Director, outlined four things that their department should focus on. They are collaboration, transparency, evidence-based outcomes, and creativeness/inventiveness. We are trying to create a culture to find the best way to serve people. Our incentive program for employees includes having them looking at processes - a way to improve a program - a great idea to identify productivity increases - ways to cut costs or serve the public. That program is filed with Human Resources and allows us to give from \$100 up to \$4,000. The higher reward would come with an extraordinary idea. Most awards range around \$300. The way we got this out to employees is by using an electronic suggestion box. We are in testing now and are piloting it in our division of aging and adult services. The slides presented go through the process of sharing their idea electronically.

Sen. Christensen had concern about the idea, particularly if someone submits a program to the system and someone comes in and says I just told him that and now he gets the money.

Mr. DePaulis stated that the system records who submitted the idea but if the idea is talked about before then that is another situation that needs to be refereed.

Mr. John Pierpont, Director of Workforce Services, had three points they are working on as it relates to efficiency. He referred back to target ideas from the previous day. The handout entitled *Department of Workforce Services Employee Compensation Plan Updates October 2012* was referred to with the three points being: 1) High Performance Administrative Salary Increases, 2) Pay-for-performance, and 3) Cost Saving Incentive Plan being detailed on the handout. Mr. Pierpont stated that there have been gains in over 50 percent productivity. A little over one third of the DWS eligibility division is participating in pay for performance. In the

Unemployment division around one-third as well, and in the Appeals division also. In comparison, those who are not participating in the pay-for-performance program are making about 106 determinations per month as compared to 158 for those who are participating. There have been four submissions for the Cost Savings Incentive Plan so far. The requirements are included in the handout.

Sen. Christensen and Mr. Pierpont discussed the concern about some saying pay-for-performance employees are cherry picking and creating some negative feelings. Mr Pierpont replied that he didn't think that was happening. Instead, when people finish with their own caseloads they go to assist others. Also, as far as some being paid more, there is a cap of \$8,000 each year. Some have reached the cap and are still producing at the same level.

Rep. Tanner and Mr. Pierpont discussed the question as to whether the \$8,000 was on the Administrative Salary Increase (ASI) program or on pay for performance. He was told it is on the pay for performance. The ASI is based on a recommendation from the director on what percentage of their salary would increase. Some are saying five percent others eight percent but it is a permanent salary increase. The other incentive is based on their performance.

Dr. David Patton, Executive Director, Department of Health, brought Jeff Mulitalo in less than a year ago to work with efficiency and he will speak to that. First the incentive policy and suggestion policy was introduced. This program was established in the summer when an employee found a federal error of \$7,000,000 that did not have to be paid back to the government so he was rewarded. This program is implemented now.

Mr. Mulitalo reported that their agency has invited ideas which are collected and identified. Those that have the best chance of succeeding are prioritized, approved and a case is built, then they are released into the work que. This began with 30 employees and there were 18 ideas for efficiency gains and four of them are currently being developed into business cases for evaluation. These go through all the phases.

Dr. Patton explained that their agency is very large and has a wide spectrum of programs. They believe in a tool box approach so there are many kinds of efficiency methods to be used. Streamlining was done in the agency and there was a savings of about \$500,000. Some consolidation was done and has worked well. Strategic planning is another area currently being used. There was a \$49,000,000 cut and some employees were lost. Also, money for incentives was lost. One problem was that there were some federally funded programs that were more flexible and could give incentives. Then there were programs that were funded more from the General Fund that had less room to provide money to employees within their own budget. Looking for the correct tool is essential to this department. In the Medicaid enrollment program we have implemented pay for performance and have seen a 115 percent increase in performance.

Jeff Mulitalo referred to the handout titled *2013 Efficiency Report*. The targets are to achieve greater efficiency through performance improvements. The methods to do this are listed in the handout. Some successes are also listed in the handout. There are several processes currently underway. He referred to the performance pay graph in the handout. Infrastructure issues have also been addressed.

Dr. Patton reiterated that this has been a cooperative effort with the legislature not imposing efficiencies.

Rep. Menlove thanked Dr. Patton for the information especially the impact translated into dollar amounts which assist the committee.

Rep. Redd asked how the improvement in the Medicaid drug list came about.

Dr. Patton explained that they looked at the variety of drugs and chose some less expensive ones to treat the same ailment and save money and from that created the list and are still adding to the categories as the legislature allows and as they can.

Sen. Shiozawa asked Dr. Patton if there have been any adverse health outcomes?

Dr. Patton replied that he has not seen any. The physician and patient still have the final say as to the drug prescribed. They say there is a preferred drug and would rather have it used so that the State can benefit by that.

Sen. Shiozawa asked for more information about emergency dental access.

Don Uchida, Director of the Utah State Office of Rehabilitation (USOR), referenced the handout *Encouraging Efficiency Ideas*. USOR has found value in using groups and teams. The first on this handout is the DRS Horizons group. This is extracurricular activity and the reward is administrative leave. They have found that money is not always a good reward but being recognized is. The second group is the Department of Human Resources Management CPM program. All supervisors are mandated to attend this. Motivation for this is the certificate with the CPM initials after it. The third group is the Staff Advisory Committee. This includes support staff and professional staff from each district and unit. This groups meets quarterly. Further information can be found on the handout. On the back of the handout is the "Hey I have a Bright Idea" explanation. Recognition is the reward received for all the programs.

Palmer DePaulis introduced Mark Braser - his Deputy Director and they continued with the second part of the efficiency presentation. This part of the presentation includes implementation of cultural and systemic changes within the department. The department focus is people and is restorative. The goal is to align services internally. A system of care has been created to use the resources available efficiently. Another value called Trauma Informed Care has also been implemented. This is a way for them to be supportive and to not re-traumatize the people they deal with. This is a cost avoidance program. Their care needs to be done differently and pay for performance would not work in these instances. As part of their Lean Government attempt they are looking at processes and technology to help drive down costs. Teams were put together to look at the quality of our work independent of us. The traditional things we use are: 1) privatizing services, 2) consolidation of services, and 3) centralizing services especially for the Division of Child and Family Services. The handout *Department of Human Services (DHS), not including the Juvenile Justice System, Total Spending vs Clients/Services Provided* was referenced to look at final graphs.

Rep. Menlove directed the committee to the back of the handout and the Mental Health piece and she

asked the agency to clarify the Division of Aging and Adult Services (DAAS) individuals served and why it is so low.

Mr. Braser clarified the way the services were provided and that some of the numbers were duplicated in 2008 and 2009. They are trying to correct that by counting number of services per person.

Rep. Menlove wanted explanation of the Division of Services for People with Disabilities (DSPD) where a similar effect exists and why it looks like in 2008 there were more services provided with less money and less services now in 2012 with more money.

Mr. Braser stated that he would have to defer to the DSPD director to get the information.

Rep. Menlove felt that was an important area because there are more people waiting and there has never been enough funding. There was a conversation between Mr. DePaulis and Rep. Menlove about finding and providing more information about this with a plan to talk about Mental Health in the future. She encouraged all to ask hard questions and asked Mr. Hagerty to evaluate how the presented information sounds to him. His response was positive.

MOTION: to adjourn from Sen. Christensen.

Co-Chair Menlove adjourned the meeting at 9:58 a.m.

Minutes were reported by Ms. Paula Winter, Senate Secretary

Sen. Allen M. Christensen, Co-Chair

Rep. Ronda Rudd Menlove, Co-Chair