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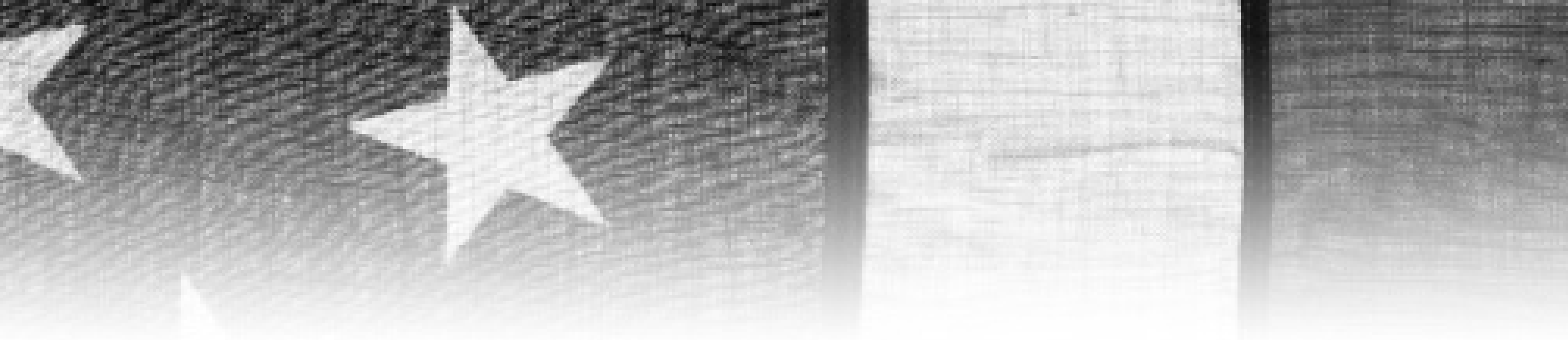

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2011 Better Government Competition

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Foreword & Acknowledgements

Dear Friend,

2011 will be remembered for many changes internationally, continued economic malaise, and as the year that some states stopped kicking the can down the road. Whatever you think of the tone of the debates in Wisconsin, Ohio, Indiana, and, yes, Massachusetts over how to deal with public employee benefits, the debate is real. Whatever you thought of the tone of the debate in Washington over the debt ceiling, there is little doubt that decision made this fall on Medicaid, Medicare and Social Security will have defining effects on the nation's fiscal footing.

The sharp tone in recent debates is as much a function of vested interests as it is of different visions for our states and for the country. Big change is hard. It has always been Pioneer's role to poke, prod and prepare the ground for major change. Through research and public argument we lay the groundwork for leaders who aim to enact significant reforms. And while we are best known for our work in education, , the Better Government Competition underscores the breadth and depth of our impact, helping to rethink how we deliver public services.

The 2011 Better Government Awards ceremony recognizes individuals and organizations that have best answered our call for ideas and programs that address state and local "budget busters"—those programs that are growing unsustainably and in need of dramatic change.

This year's winner is State Representative Will Brownsberger (Belmont) who proposes that we rethink Massachusetts' pension system. Brownsberger proposes to enroll all new public sector hires into a single system. His approach will insure fairness to all public employees, establish parity with private sector treatment, and alleviate the fiscal hangover for future generations.

Brownsberger beat out an impressive roster of competitors. The Healthy Indiana Plan provides an alternative to traditional Medicaid and is the nation's first consumer-driven coverage program for low-income adults; Arizona Correctional Industries has partnered with local businesses to provide inmates with important work experience; the New England Healthcare Institute and Massachusetts Technology Collaborative have developed a program that provides significant cost savings by allowing remote provision of specialized care; and Florida has devised an accelerated licensing process that saves time, money and trees.

The Competition says a lot about how Pioneer works. We set goals and seek out innovation and ideas from others. To guide this year-long effort, we have Shawni Littlehale, who has built the competition into a truly national effort, receiving almost 300 entries from virtually every state in the union.

Our thanks go to Shawni and also, importantly, to the volunteer panel of judges who have evaluated our entries. Our gratitude goes this year to: Ralph Jones, Ph.D., Managing Director, The Cadmus Group, Inc.; Brian Shortsleeve, Growth Equity, General Catalyst Partners; Chris Sinacola, Editorial Page Editor, Worcester Telegram & Gazette; Peter Skerry, Professor of Political Science, Boston College; and Patrick Wilmerding, Chairman, Private Signals, Inc. Judges, we appreciate your time and effort, and the great lunch debate over the merits of each of the top proposals.

Finally, I would like to thank all the state legislators, newspapers, and media entities that urged their constituents, readers, and audiences to participate. There are few things that will make our Commonwealth and Republic stronger than having individuals think about how to improve the work of government.

Thank you for your support and interest. I think you will find in this Compendium, serious and important ideas that deserve the attention of our elected and appointed leaders.

Cordially,

Jim Stergios, Executive Director

Better Government Competition

2011 WINNER

A Proposal for State and Local Government Pension Reform

State Representative Will Brownsberger
Boston, MA

Overview

Currently, in Massachusetts, public employees who serve for more than ten years are eligible to receive a pension. The pension amount is computed by multiplying the highest compensation level that the employee has received (three-year average) by a factor that works out to 80% for a full career of service. Public employees do make contributions to a fund to cover their future pension benefits. There are many special rules that provide for different computations of benefits to different groups of employees.

There are five fundamental problems in the state-local pension system as it works today: Complexity and resulting lack of transparency, high investment risk borne by taxpayers, disparity of benefits between public employees and private taxpayers, unfairness across groups of public employees, and recurring abuse.

Some have proposed eliminating the defined-benefit pension plan in Massachusetts. However, this would leave public employees without a basic retirement income guaranty – they are not eligible for Social Security. The alternative developed in this proposal is a radically simplified defined-benefit pension plan for new public employees. The plan would pay benefits comparable to Social Security benefits.

This proposal has been fully developed as legislation and filed as House 2930 in the 2011-12 legislative session. The present submission has been excerpted from documentation available at http://willbrownsberger.com/index.php/archives/6159.

Dimensions of Proposed Reform

Administrative Simplification

Currently, state and local pensions in Massachusetts are administered through 106 separate systems. They are all under the supervision of a single oversight board that has played an important role in setting standards. However, the administrative fragmentation creates vulnerability to waste and corruption and makes it harder to evaluate the overall condition of the system.

Current law provides for progressive migration of investment management of selected local systems to the state's retirement investment board (PRIM) if local investment returns are inadequate, but leaves fragmentation substantially in place. It is not designed to change the actual administrative cost of pension benefits.

The reform proposal would enroll all new public employees (at all levels) in a single new system. Over time, all existing pension boards would be consolidated into that system as their population under management dwindles naturally. The proposal uses the existing statutory accounting and legal framework and statewide oversight bodies to the maximum extent possible.

Benefits of a consolidated system, in addition to increasing transparency and strengthening administration, include:

- The opportunity to implement other pension reforms and have new rules administered consistently by a new statewide board.
- Removal of pension liabilities from the books of cities and towns (making them agents of collecting contributions and forwarding them to the state).
- Segregation of liability for a new system maintained permanently at full funding — a good bank/bad bank approach that will isolate existing funding deficiencies.

Reduction of Investment Risk

Investment risk for future taxpayers derives from the possibility that earnings on invested employee contributions will be insufficient to cover costs of future employee benefits. Pension fund administrators in Massachusetts are assuming that they can continue to achieve historical average investment returns. However, many analysts believe that the earnings available to dollar denominated pension funds in the last half of the 20th century will not be safely available in the first half of the 21st century. Future taxpayers may face sharply escalating costs.

The proposed reform would limit taxpayer investment risk in two ways. First, by reducing the size of the promised benefit, the proposal would proportionately reduce taxpayer risk. The proposal would define "regular compensation" to exclude amounts above a low ceiling subject to cost-of-living adjustment. The ceiling would be set at a little under $40,000 initially, so that full-career benefits (computed as 80% of highest earnings) would work out to a figure comparable to the maximum Social Security benefit.

This will not change the share of risk borne by taxpayers, as both employee contributions and employee benefits will change proportionally, but a smaller system means smaller risks.

Second, instead of locking in contribution rates (currently at roughly 10% of salary for most public employees), the proposal would make the employee contribution rate variable by a formula — to fluctuate slowly up or down to correct for sustained deviations from investment assumptions. Taxpayers would backstop sharp investment losses, but the system would assure that if investment returns in the 21st century are lower than in the past, employee contributions would correspondingly rise.

Parity with Private Employees

Our generous public employee pension system makes many private sector workers feel like second-class citizens, paying taxes to support benefits that are out of their reach. Few private sector workers have access to defined benefits other than Social Security and Social Security is less than half as generous as Massachusetts's government pensions.

By creating a defined benefit that is scaled at the same level as Social Security, the proposal puts public sector workers on the same retirement footing as private sector workers. In addition to capping benefits, the proposal would standardize full-pension retirement age for all employees at the same level, consistent with Social Security (age 67), except where there is a younger mandatory retirement age set by the personnel board.

The proposal would enroll all public employees in a deferred compensation savings plan so that, like employees at better private sector firms, they would have the ability to build tax-advantaged savings in addition to their defined benefit. The plan would require deferral of 7.5% of income above the compensation cap.

Finally, the plan would provide for automatic cost-of-living increases. In this respect it would be an improvement for public employees, especially those in lower paid jobs, who presently do not necessarily receive COLA's and typically only receive them on a fraction of their pension. Social Security does provide COLA's, so this feature would maintain parity of benefits.

Parity among Public Employees

The pension system as it exists today creates tangible unfairness among public employees — special deals for special classes of employees. Most special pension rules have reasonable motivations, but they create strong perceptions of unfairness among employees who do not benefit from them. The endless stream of special interest pension bills testifies to this.

The only reform that will put an end to perceived unfairness is abolition of the group system, which allows different employee groups to retire at different ages. For public safety jobs, where the personnel board has set a mandatory retirement age, the proposal would allow retirement with full benefits at that age (65). Otherwise, for all new employees, the proposal would use a single retirement benefit schedule without regard to groups. The proposal would eliminate early termination allowances and special treatment for judges, teachers, state police and correctional officers (new employees only).

Of course, this reform diminishes benefits for new employees in those categories that benefit from early retirement rules. But it will be much fairer to other workers who face similarly demanding jobs, who have not been able to win early retirement. There are many demanding and dangerous occupations in the private sector — fishing and roofing, for example. Social Security does not start earlier for these workers.

Reduction of Abuses

The existing complex system creates too many opportunities for clever people to take more from the system than they have earned. A radical simplification will eliminate most of those opportunities. Additionally, a low benefit will remove the incentive to abuse the system for most employees. The reform does attack some specific additional problems:

- It eliminates discounted interest for benefit buybacks (when people leave the system, withdraw their benefits and then seek to return) and eliminates all special group buyback rules.
- It lengthens the income-averaging period from three years to ten years. This will eliminate the opportunity to game final termination levels.

- It rationalizes the computation of benefits for people who serve part-time or irregular hours (like local elected officials) specifying a pro-ration mechanism.

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The Path to Reform

The challenge of pension reform is often perceived as a political challenge. But first of all, it is a cognitive challenge. Developing motivation for change depends on an understanding of the need to change. Understanding the need for change requires exploration of three areas that are each abstract and technical: the pension system itself, private sector income security, the financial outlook for the U.S. economy and how that will affect the equity markets. The latter, of course, is not only technical, but also broad, uncertain and obfuscated by political and marketing spin. It is hard for most people to find the time to develop an informed gut feel for the pension issue.

My personal approach to the issue is to try to contribute to the understanding that will ultimately lead to change first by a) investing heavily in developing my own understanding; (b) looking for ways to communicate that understanding. My publications at willbrownsberger.com are part of both of those efforts.

I expect that we will see progress on the pension issue in the present legislative session, but I expect that it will take a few more years of sustained work before wholesale reforms like those outlined here will be enacted. It will then be several decades before reforms are fully implemented. The proposal as framed applies only to new employees.

This reflects constitutional constraints on changes to pension promises. Over time, though, existing employees may choose to shift to the new system because it offers some advantages, especially in portability of benefits. Governmental units could accelerate that movement through collectively bargained incentives.

Better Government Competition

2011 RUNNER-UP

HEALTHY INDIANA PLAN[SM]

Health Coverage = Peace of Mind

Healthy Indiana Plan

Seema Verma - State of Indiana

Background/Problem

In 2006, Indiana ranked second in the nation for incidence of adult smoking and had poor general health indicators including high rates of obesity and a low rate of preventive care utilization. Indiana's Medicaid program only covered non-disabled adults up to 23% of the federal poverty level (FPL), and approximately 350,000 adults in Indiana below 200% FPL were uninsured. The Indiana Medicaid program had one of the lowest eligibility thresholds in the nation for non-pregnant, non-disabled adults, resulting in many low-income, uninsured individuals. These individuals typically avoid care and then seek treatment in hospital emergency rooms after their condition has worsened and is expensive to treat. This situation often leaves providers with uncompensated care costs that are shifted to insured individuals, raising the cost of health care for all individuals.

While Governor Mitch Daniels and members of the Indiana General Assembly were anxious to address these issues, there was reluctance to expand the traditional Medicaid program because of its potential to drain the State's budget, inability to significantly improve the health status of individuals, and lack of incentives for participants to utilize health care appropriately. While public coverage programs are often the largest item on state budgets, few of them have proven to positively influence health behaviors and improve health status. Indiana was not interested in creating another unsustainable entitlement program to serve this population, but desired a fiscally responsible design that encouraged participants to be active consumers and offered them incentives to maintain and improve their health. Governor Daniels identified key principles for reform including a commitment to avoiding an open-ended entitlement, a focus on budget sustainability and a program that applied consumer directed health principles through the use of Health Savings Accounts (HSA's). These guiding principles and objectives laid the foundation for the innovative Healthy Indiana Plan (HIP). HIP sought to address the problems Indiana faced by expanding coverage through responsible stewarding of taxpayer dollars and the encouragement of cost-conscious behavior in program participants.

Solution

HIP, a program for uninsured adults, provides an alternative to traditional Medicaid and is the nation's first consumer-driven coverage program for low-income adults. HIP features a comprehensive high deductible health plan and a modified Health Savings Account (HSA) called the Personal Wellness and Responsibility (POWER) account, which invites members to be thoughtful and engaged health care consumers. Participants are required to make monthly contributions to their account and the State funds the remainder to ensure the account is fully funded. The $1,100 serves as the deductible to cover initial health care expenses. Once the deductible is met, individuals are still responsible for emergency department co-payments for non-emergency use of the ER. Participants have control over how POWER account dollars are spent and become active health care consumers demanding price and quality transparency.

At the end of the year, if individuals receive requisite preventive services, the full account balance (including State contributions) rolls over, reducing their required monthly contribution for the following year. Otherwise, only the pro-rated balance of their individual contribution rolls over. This provides Medicaid recipients with "skin in the game," and enrollees are encouraged to consume health care responsibly. Unlike a traditional Medicaid program, individuals are provided with Explanations of Benefits that explain costs of care. Early results indicate HIP's success: over 40,000 individuals are currently enrolled, and over 77,000 people have participated in the program since its inception. Enrollees have high satisfaction rates and for the first time are engaged in the costs of their health care.

There are no known public coverage programs that take HIP's approach. For low-income populations, HIP balances Medicaid and consumerism. It transforms the Medicaid paradigm by offering incentives for enrollees to responsibly make health care choices. This innovative convergence of private industry innovation, market principles and government programs is the foundation of HIP's unique accomplishments.

Costs/Funding

Indiana invested over $27 million dollars in the implementation of HIP. Start-up costs included significant State staff time, information technology investments, enrollment system, marketing, media, outreach and external support to help develop and negotiate the associated HIP federal waivers. Within a mere eight months after the passage of the legislation in April 2007, staff drafted the 1115 Medicaid demonstration waiver, negotiated it with the Centers for Medicare and Medicaid Services (CMS), procured two managed care vendors and managed the development and implementation of policies and IT upgrades.

In addition to the staffing investment, costs were incurred to alter the State's large public assistance IT systems, ICES and MMIS, which handle eligibility and Medicaid claims, respectively. These alterations aligned the systems with HIP's new eligibility rules and reimbursement rates (HIP reimburses at Medicare, not Medicaid, rates).

Like all Medicaid administered programs, HIP receives a federal match rate (FMAP). The remaining funds come from the implementation of a 44-cent cigarette tax increase, a portion of which (27.05%) is diverted to fund HIP. HIP's portion of the cigarette tax revenue is set aside in a trust fund that is separate from the State's general funds, and the HIP program enrollment is limited by the funds available in this account. The increased cigarette tax revenues have funded state expenditures on the HIP program for the first three years of the program. Current projections indicate HIP will remain financially sustainable through the remainder of the 1115 waiver period.

The 1115 waiver only allowed Indiana to cover 34,000 childless adults and required the State to commit to a budget neutrality agreement. This agreement requires the State to redirect funding for

Disproportionate Share Hospitals (DSH) to the HIP program and to commit to limits on spending for managed care programs.

The cigarette tax increase also positively influences Hoosier health. At the time of HIP implementation, Indiana had one of the nation's highest smoking rates and one of the lowest cigarette taxes. Smoking rates adversely affect health outcomes and increase health costs. Funding a health coverage program for low income Hoosiers with an increase in the cigarette tax addressed two health concerns in a fiscally responsible manner. Additionally, some of the cigarette tax increase was diverted to fund tobacco cessation programs through the Indiana Department of Health, in keeping with the goal to improve health outcomes for Hoosiers. Though it still remains high, since the implementation of the tax increase Indiana's adult smoking rate has declined gradually, and youth smoking has shown marked declines. The youth smoking rate decreased 50% between 2007 and 2008. Total sales of cigarettes are also declining. Since the increase of the cigarette tax in 2007, the number of cigarettes sold has declined by 25%. The decline in the number of cigarettes sold limits HIP funding but, nevertheless, is a positive sign for health in the state.

Positive Outcomes

Results from HIP show that elimination of cost barriers and the potential incentive for future financial benefits have been effective at increasing the number of individuals that seek preventive services. While only 24% of members were eligible for a POWER Account rollover, data from the first year participants show that 76% of HIP members completed their annual physical. Even though many HIP participants did not have a balance, the possibility of future financial benefits factored into individuals seeking preventive care. After this initial physical, well care visits are still high in HIP (45% of caretakers) compared to the State's existing Medicaid population, where only 20% received preventive services. HIP preventive care utilization was also found to be higher than commercial populations where only 35% of the population (age and gender adjusted to HIP caretakers) sought preventive services.

Although ER services are the least cost efficient method of care, uninsured populations are accustomed to using the ER for routine health needs. For this reason, the only co-payment required by the HIP program is for non-emergent ER use, and ER visits apply to the $1,100 deductible and deplete the POWER account. Comparison to the State's other Medicaid population shows that, in the first year of HIP, non-emergency ER visits were 8.5% less in the HIP population. In the future, the decline in ER use and the increase in use of preventative services could help Indiana to glean savings from increased positive health outcomes and the change in behavior of this population moving from expensive ER care to primary care facilities.

Legislation

Yes, HIP required empowering legislation, once the Governor's team devised the concept. Governor Daniels presented the design of the HIP program in November of 2006 to the public. Once proposed, Republican State Senator Pat Miller and Democrat State Representative Charlie Brown championed the effort and sponsored House Bill 1678 during the 2007 session of the General Assembly. Through their leadership, the Indiana Check-Up Plan, which contained the enabling legislation for HIP, passed with bipartisan support with votes of 70-29 in the House of Representatives and 37-12 in the Senate. The enabling law can be found at Indiana Code 12-15-44.2.

Changes/Expansion

Throughout the first three years, changes have been made to address problems and make improvements. One significant change to HIP relates to the required POWER account contributions, which are crucial to the program's structure. Due to the way CMS counts income, some HIP participants are not required to make contributions to their POWER accounts. This was an unintended consequence of the original legislation. Currently 23% or 8,900 HIP enrollees are not required to make contributions. Due to the strong success of the program and the belief that all individuals need to have "skin in the game," a bipartisan bill was passed by the Indiana General Assembly in April 2011 that will require all enrollees to contribute at least $160 annually to their account. The bill also includes a provision that allows not-for-profit groups to make up to 75% of an individual's contribution; it permits health plans to do the same for healthy behaviors. HIP already allows employers to contribute to individuals' accounts, so these changes expand this concept.

Applicability to Massachusetts

Every state, including Massachusetts, faces the problem of rising Medicaid costs and the operation of a Medicaid program with few incentives for participants to be cost-conscious consumers of their health care. The HIP program has the potential to be replicated in every state's Medicaid program. This potential is increasingly relevant in the current health care climate. The Patient Protection and Affordable Care Act of 2010 (PPACA) instituted an across-the-board Medicaid expansion to 133% of FPL. States around the nation are working to determine how best to serve these newly covered populations while containing costs and driving personal accountability for health care utilization.

HIP has not been used to cover aged, blind, disabled or child populations, and the program is untested for these more vulnerable groups. Also, HIP does not need to be replicated in its entirety; the program can be replicated by individual components. There are pieces of HIP that could be used in any Medicaid program, including the requirements for monthly contributions, the incentives for beneficiaries to receive preventive care, providing enrollees Explanation of Benefits or sending cost reports to participants. Other states could also model HIP efforts to provide cost and quality data.

Replicating the HIP model in its entirety or in parts is feasible for other state Medicaid programs and has the potential to provide significant strides in improving health, increasing quality and containing costs. The trends in decreasing ER use and the increased use of generic drugs have immediate cost containment impacts, while the increase in preventive care will reduce the state's long term health care cost commitments. HIP also works to impact the quality curve by encouraging enrollee choice and providing information on cost and quality ratings. Today, impacting the cost and quality in health care is more desirable than ever, and, when considered alongside the easily replicable nature of HIP, these features provide a testament to the program's strong and innovative design.

Future Goals/Conclusion

Currently, the 1115 waiver from CMS, under which the program operates, will expire on December 31, 2012. However, the Affordable Care Act will require all states to expand their Medicaid programs to 133% FPL. Indiana desires to use HIP as the vehicle for the newly eligible in 2014, instead of the traditional Medicaid program. In 2014, Milliman, Inc., the Indiana Medicaid program's actuary, anticipates that over 500,000 additional individuals could enroll in the Medicaid program, once the eligibility is expanded.

If HIP is approved, the State expects to see similar results of increased use of primary and preventive care and a decrease in the use of ER in the Medicaid expansion population. This program will incentivize this low income, underserved group to become conscious consumers of health services. Harnessing the power of consumerism in the Medicaid population and increasing the use of preventive services will help to reduce the future program outlays.

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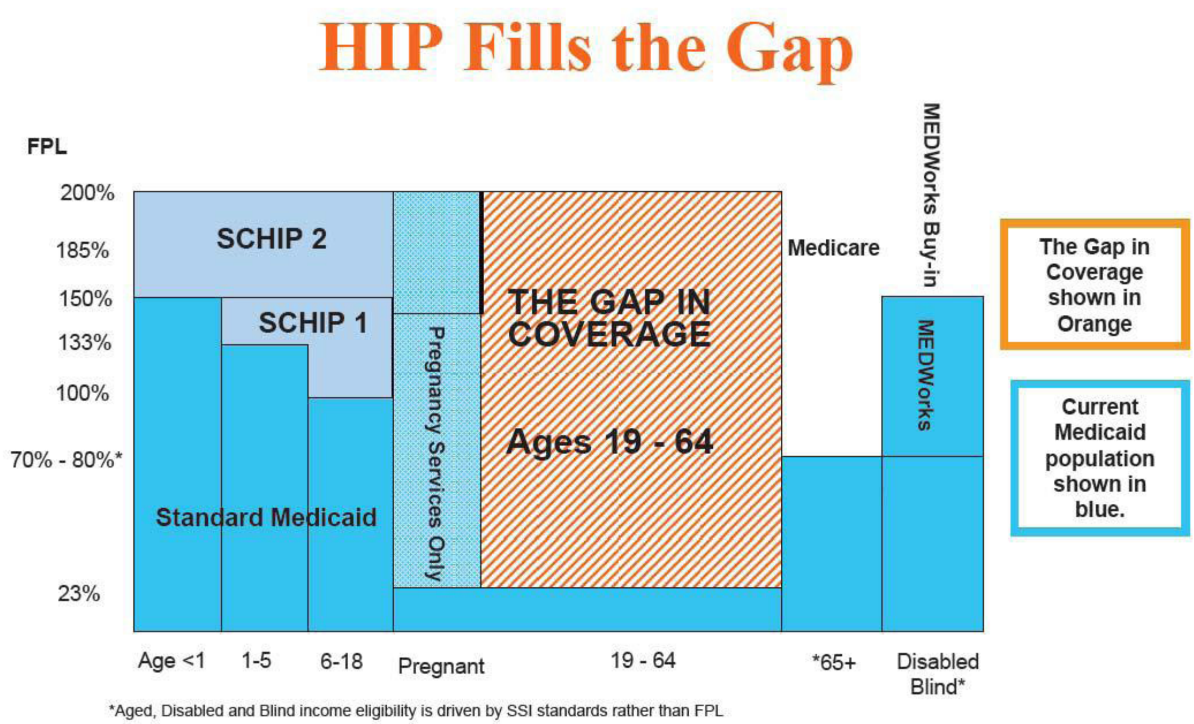


Better Government Competition

2011 RUNNER-UP

Arizona Correctional Industries Partnering with Private Sector Companies

Bill Branson - Arizona Correctional Industries - State of Arizona

Background

In 2004, Arizona Correctional Industries expanded their inmate labor programs for private sector partnerships. By entering into a contract with Arizona Correctional Industries, private sector companies commit to the parameters set by the government agency to provide inmate labor. The location of the work force varies from work locations on the institutional property, such as telemarketing centers, manufacturing or off-site locations for agricultural needs and services. Contract employers are given training to understand the policies and expectations related to this unique labor force to ensure the safe and orderly operation of their business; training is renewed annually and reflective of topical issues.

Problem

Many of the ventures were born as a result of the private sector needing to fill a void that was not being filled by free-world labor. Private sector companies entrepreneurial enough to engage in a contract with Arizona Correctional Industries reap many benefits. Specifically, they are given the opportunity to employ an affordable work force that is eager to learn and earn their way to being independent. Inmates working in the program benefit from making a higher wage that contributes to their ability to save for their release. Additionally, inmates acquire in-demand occupational skills and experience which increase employability and decrease recidivism, as demonstrated through empirical studies. Only inmates with good work and disciplinary records are considered and evaluated based on criteria that private sector companies utilize. The benefit to the state is perhaps the most noteworthy. Through inmate wages, the state recovers costs associated with Room & Board; Alcohol & Treatment Funds; Vocational Training and Restitution (to citizens, courts, etc.). In light of the unprecedented fiscal crisis being felt throughout the nation, these programs have provided relief to the State for an unavoidable public safety function—the incarceration of inmates.

Currently, Correctional Industries has 19 private sector companies as partners. In Fiscal Year 2010, inmates provided 2,079,731 hours of inmate labor through these contracts.

Solution

Many states have correctional industries; however, our program is unique, based on the exceptional strides made to enhance partnerships with the private sector. The constructive use of inmate time and labor has a direct and positive impact on the State budget. One of the most impressive benefits was reported in a comprehensive evaluation of inmates participating in rehabilitation programs while in custody that demonstrated Correctional Industries to be the most effective at reducing recidivism by 31.6%. At the core of our program is an understanding that the majority of inmates will be released into our communities, so offering them opportunities to be productive citizens is to our advantage.

Correctional Industries has many successes with manufacturing, service and agricultural industry partnerships. Amongst the various manufacturing operations, the largest United States common carrier trucking company has a repair facility at one of our institutional sites. To their credit, this operation employs inmates in the rebuilding, repairing and refurbishing of every vehicle that requires these services nationally. This is a multi-million dollar operation and the training that inmates receive is invaluable.

In our service industries, our leading partnership employs 250 female inmates utilizing the most recognizable names in software and hardware. The company is nationally recognized for customer support, lead generation, and updating customer data/information. This company has been the most progressive in transitioning their well-trained inmates from incarceration to release. They have successfully employed nearly 100 ex-offenders, making them well-paid, productive citizens.

Correctional Industries successfully incorporates a progressive business approach to government including a state recognized quality program that continues to improve with the mentoring of world-class programs and companies, such as Intel.

Programs that closely resemble ours are Washington Correctional Industries and Colorado Correctional industries. These organizations also employ inmates, but have the advantage of a government-imposed mandatory use law that obliges state entities to contract products and services with them. There is not another program in the country that has partnered with the private sector in such a diverse way, and at the same time competed on a level playing field with the private sector.

Costs

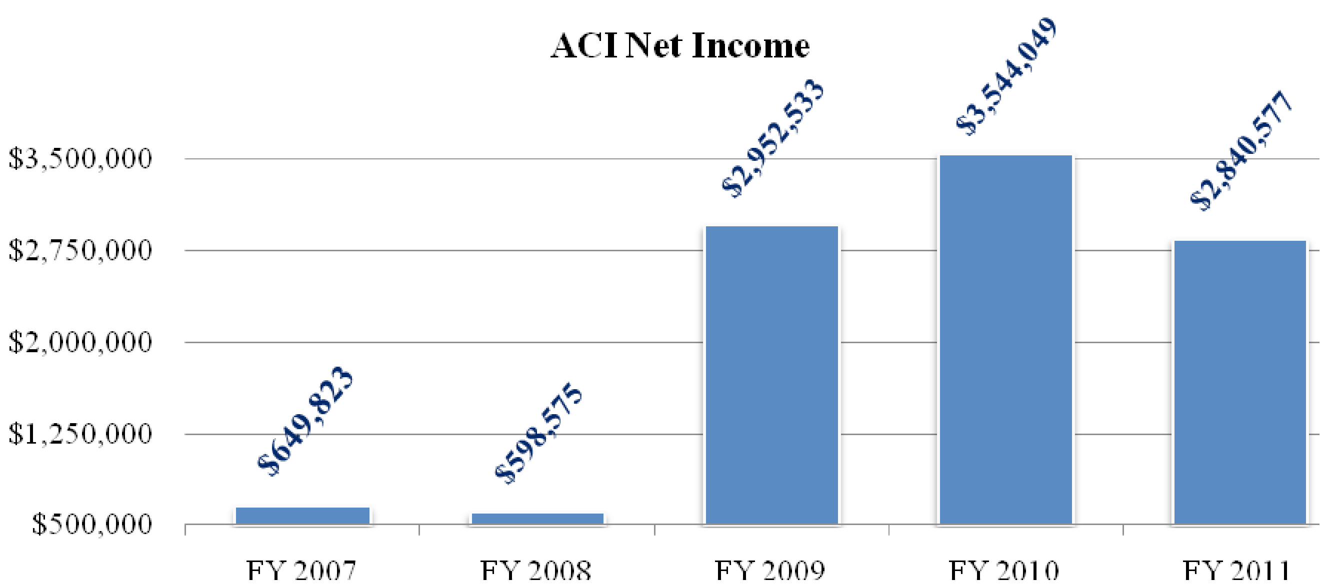
Correctional Industries Private Labor Contract Program is an adaptation of the federal program that Congress created in 1979 (Prison Industries Enhancement Certification Program – PIECP) to encourage states and units of local government to establish employment opportunities for prisoners that closely parallel private sector work opportunities. PIECP exempts agriculture and services industries. Congress imposed wage and benefits requirements in order to create a level playing field with private industry because the inmate-made goods would be entering private interstate markets. The federal guidelines were also implemented to reduce idleness in prison environment, while assuring no civilian workers would be displaced from their jobs. Ultimately the goal was to enable the inmate workforce to acquire marketable skills that would increase their potential for meaningful employment upon release.

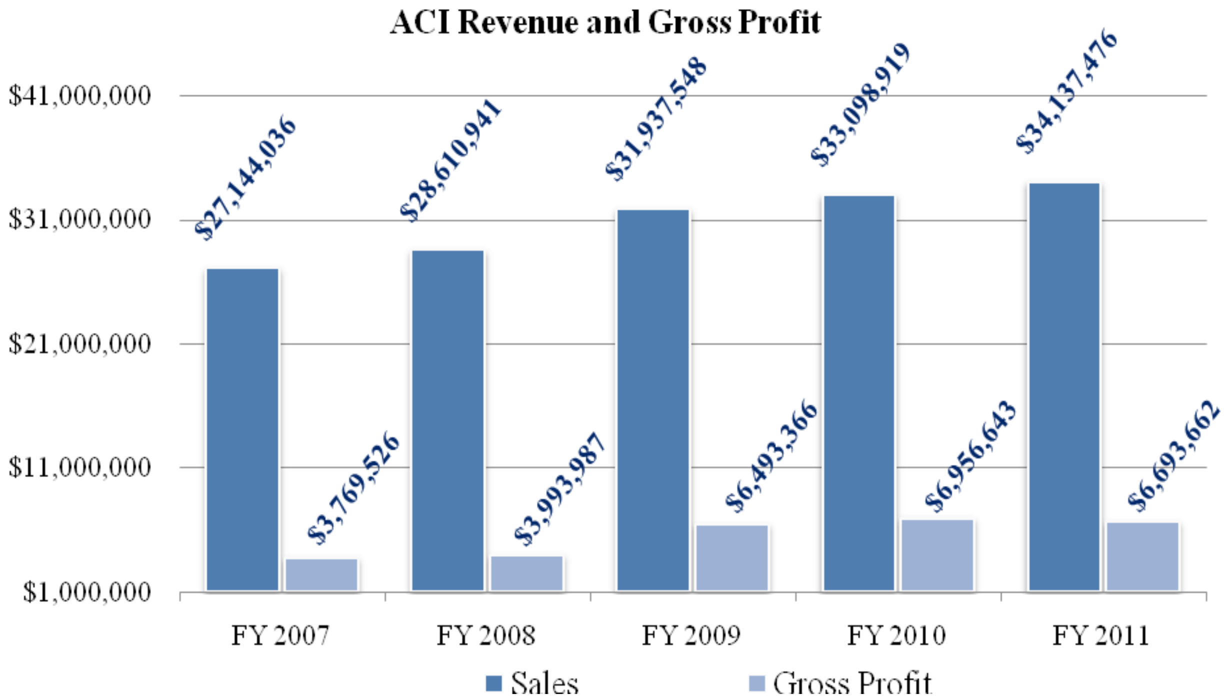
Congress determined that a total of 50 jurisdictions may be certified under PIECP. Each certified program must be determined by the Director of the Bureau of Justice Assistance, U.S. Department of Justice, to meet statutory and guideline requirements. As of June 30, 2009, 42 jurisdictions were certified. Arizona Correctional Industries (ACI) was among the first group of programs to be certified in 1984, along with California, Idaho, Kansas, Minnesota, Nevada and Utah. Currently ACI has only one Prison Industry Enhancement Certification Program, but has adapted the federal program to the State of Arizona's mandate to employ the inmate workforce in meaningful and marketable job skills.

The changes that were required for ACI's labor programs centered on interstate commerce. By seeking labor programs that were headquartered in Arizona, with sales restricted to intrastate (Arizona only) commerce. ACI programs replicated the wage requirements for non-PIECP programs by instituting a wage that mirrored the federal minimum wage. However that wage was paid to Arizona Correctional Industries to help fund the inmate work programs that were outside the private sector classification. ACI has programs that are referred to as "Owned and Operated," meaning that all of the financial requirements are met by ACI's operating budget. Since ACI is no longer state funding-appropriated, sufficient net income must exist to insure the programs' survival. Inmates in the non-PIECP programs are required to make a minimum wage of $2 per hour, but the average wage is typically $3-$4 per hour.

Arizona statute requires that all inmates that are making $2 per hour will have deductions of 30% to offset the cost of their incarceration. In addition, thirty percent of the prisoner's wages will be deducted for court ordered restitution. In Fiscal Year 2010, the room and board deduction (30%) was $2.2 million. Since the inception of the ACI private sector programs, over $16.5 million has been deducted from inmates' wages for room and board that goes to the State's General Fund.

Since ACI does not receive state-appropriated funds, the company must be self-sufficient. What is even more impressive is that with annual sales over $33 million, ACI is not allowed to have a commercial banking relationship. This means no line of credit, no leveraged inventory or capital equipment, and no financial safety net. Prior to 1992, ACI was appropriated but consistently operated at a net loss. The Arizona Legislature mandated self-sufficiency and ACI has achieved a profit every year except 2003. ACI also has to finance all capital improvements from retained earnings. Monthly and even daily cash flow analysis is a critical component of executive management's focus. In 2010 ACI had a record net income of $3,544,048. The previous year was also a record year with a net income of $2,965,596. In 2008 the net income was $595,575, and in 2007, earnings were $649,873.





The program utilizes business methods to establish partnerships that are providing some much needed relief to the fiscal responsibilities of the citizens of our state. Furthermore, the Arizona State University WP Carey School of Business has estimated that our Correctional Industries (Owned & Operated and Private Sector Partnerships) has contributed $186,424,774 to the state economy, resulting in the creation of over 1,774 new jobs.

As previously noted, Correctional Industries programs are recognized as reducing recidivism amongst inmates who participated in the work program. We have witnessed many successes of inmates that participated in the program and have gained employment with the private sector partner upon release or been successful utilizing their newfound skills to seek employment opportunities.

Legislation

The program started in 1979 when federal legislation was enacted to provide a level playing field between inmate labor programs and the private sector. The Prison Industry Enhancement Certification Program (PIECP) was created to encourage states to establish employment opportunities for offenders. Our Correctional Industry program was established in 1968 when the state legislature established guidelines for the creation of a governmental unit, under the direction of the Director of the Department of Corrections that could employ inmates. The legislation that speaks specifically to our program is:

A.R.S. § 41-1622. Correctional Industries; establishment; purpose

> Arizona Correctional Industries may purchase raw materials, components and supplies for use in the manufacture of products for sale or provide services. In support of its retail operation, correctional industries may purchase or consign items for sale to the public that are produced by other state correctional industries or by inmates who are incarcerated in facilities that are located in this state but that are outside the custodial responsibility of the state department of corrections.

Arizona Correctional industries shall pay all obligations in accordance with section 41-1624 at any location under the control of correctional industries. The industries or enterprises shall be conducted for the employment of prisoners for the purposes of manufacturing or producing such articles or products or providing services as may be needed for the construction, operation, maintenance or use of any office, department, institution or agency supported in whole or in part by a state or its political subdivisions or for sale to the public.

41-1623. Powers and duties of director:

The director or his designee shall, when necessary, conduct market research, establish marketing procedures and develop product specifications for sale of Arizona correctional industries products to public agencies, the public and private industry.

Our correctional industry program had its initial start in the mid 1990's, but began to accelerate in 1998 with the integration of three private sector partnerships. The three new partnerships included a well-known automobile auction company, the leading chicken egg producing facility in the state, and a new telemarketing call center that targeted leading technology companies to assist with lead generation. These three programs became the basis for the procedures, policies, and systems that would help our program successfully grow by 700% to date.

Applicability to Massachusetts

ACI's program is replicable throughout the United States and there has even been interest in our program internationally. Thirty-one other states do not have a program that allows inmates to work for private sector companies. The value to other state governments is three-fold:

First, in tight economic times, this program helps alleviate some of the high costs of incarceration. Thirty percent of the wages earned is returned to the State's General Fund. Though this equates to roughly $1 per inmate hour worked, the hard cost savings is nearly 10%.

Secondly, products that are manufactured, or services that are provided, have significant benefit to the State. An independent study from Arizona State University states that the financial contributions ACI made to the State's economy in 2010 was $186,424,774. These contributions come from two areas: the actual raw materials and services that ACI purchase from Arizona businesses and the staff required to meet the purchasing demands of ACI. It is also estimated that considerable consumer expenditures were generated as a result of ACI-related employment. This would have a positive economic impact on any of the states that established similar programs.

And third, inmates learn valuable skills. The skills are not only job related, but also skills of civility, punctuality, responsibility, and teamwork. The learning skills are harder to quantify, but the impact is equally important to the community that will receive the inmates upon release.

Massachusetts currently has a program that employs 300+ inmates. By expanding inmate labor opportunities for private sector partnerships, the state of Massachusetts can positively impact the fiscal responsibility of incarcerating inmates by contributing to the General Fund through inmate wages, as well as further reduction of recidivism through demand occupation experience. The program has had a positive and lasting impact on individuals currently incarcerated and their successful transition back into society as our neighbors, co-workers and/or community members.

Conclusion

Correctional Industries successfully incorporates a progressive business approach to government including a state recognized quality program that continues to improve with the mentoring of world-class programs and companies, such as Intel. Recently, ACI has initiated an Executive Quality Program to certify six executives as Lean Six Sigma Green Belts through Purdue University. Upon completion of the program several of the executives will enroll in the Lean Six Sigma Black Belt Certification. We are always striving for improving the quality of our products, processes and customer service.

In addition to improving our current program, we are always seeking opportunities to expand our internal and external business opportunities.

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2011 RUNNER-UP

Critical Care, Critical Choices: The Case for Tele-ICUs

New England Healthcare Institute - Massachusetts Technology Collaborative
Cambridge, MA

Background

Intensive care units (ICUs) are a vitally important component of health care in U.S. hospitals, treating six million of the sickest and oldest patients every year. The choices about how to manage ICUs carry high stakes: ICUs have both the highest mortality and the highest costs in health care, accounting for 4.1 percent of the nation's $2.6 trillion in annual health care spending, or nearly $107 billion per year.

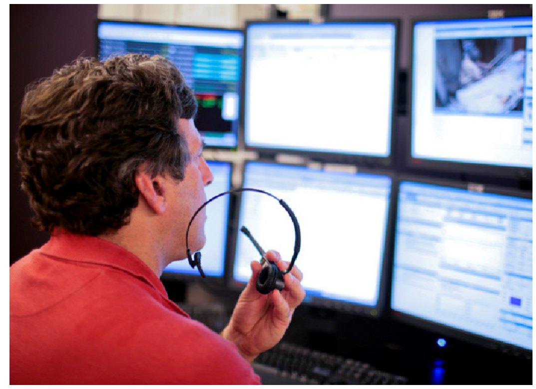
Problem

Adding to the complexity of these ICU management decisions is the collision of two strong trends: the increasing number and severity of critical care patients as the U.S. population ages, and the decreasing supply of critical care physicians (known as "intensivists") available to manage the growing number of ICU patients. The obvious result of these colliding trends is a shortfall of intensivists, just as the need for critical care increases.

Physicians and nurses who are not certified in critical care medicine can also work in ICUs and, in fact, represent the majority of the clinicians in those units. However, research indicates that ICU patients have lower risks of death and shorter ICU and hospital stays when an intensivist physician is on duty in the ICU to oversee patient care. The presumption is that when intensivists are available to manage and monitor ICU care, patients' problems are identified sooner, leading to more rapid and complete interventions and lower mortality rates. The mortality reduction attributed to intensivist staffing varies among research findings, ranging from 15 to 60 percent lower than in ICUs where there are no intensivists. Similarly, costly ICU and hospital length of stays for ICU patients have been observed to be shorter in units staffed with intensivists.

Hospital standards set by The Leapfrog Group, a leading national health care quality association, call for full-time intensivist staffing as a way to reduce ICU deaths by an estimated 50,000 lives per year. However, in 2006 there were reported to be fewer than 6,000 actively practicing intensivists in the U.S. with less than 20 percent of ICUs staffed with intensivists.

Solution



There is a potential solution for addressing the critical care staffing shortage: a telemedicine technology, known as tele-ICUs, which puts intensivists and other specialists in a central "command center" to remotely monitor, consult to, and care for ICU patients in multiple and distant locations. Tele-ICUs hold great promise to improve the care of ICU patients, save lives, lower costs, and increase both the productivity and the reach of specialists in critical care medicine.

A single tele-ICU command center can provide care for up to 500 patients, with staffing constellations of one tele-intensivist, four advanced practice nurses and a pharmacist to care for 75 patients. By increasing the number of ICU patients that critical care teams can manage, tele-ICU technology can effectively extend both the productivity and the reach of intensivists, other critical care specialists and nursing staff.

Although tele-ICU technology holds promise to expand ICU capacity and solve the mismatch between the supply and demand for intensivists, a number of barriers has contributed to its slow adoption nationally. These include:

- Physician resistance to using the technology
- Technical compatibility issues
- Capital costs
- Regulations regarding cross-institution and cross-state physician licensing and credentialing
- Lack of Medicare reimbursement for tele-health services
- A lack of documented clinical and financial outcomes of the benefits of tele-ICU care

As of 2010, approximately 250 hospitals had implemented a tele-ICU program in the U.S. (including 42 tele-ICU command centers) representing just 7.6 percent of U.S. hospitals with adult ICU beds or 6.8 percent of adult ICU beds.

Costs

Given the barriers described above, the adoption of tele-ICU technology by hospitals in Massachusetts and nationally has been slow and uneven despite its potential to provide remote intensivist coverage to critical care patients. It is against this backdrop that NEHI and MTC determined that a demonstration project was warranted to assess the benefits of tele-ICUs. The study analyzed two metrics, ICU mortality and ICU length of stay. According to these metrics, tele-ICUs would prove they had significant clinical and financial value if they could demonstrate a 10 percent decrease in ICU mortality rates coupled with an average decrease of 12 hours for an ICU length of stay.

The University of Massachusetts Memorial Medical Center (UMMMC) was an ideal site for the demonstration project because it had installed the only tele-ICU command center in Massachusetts and was extending coverage to both the medical center's seven adult ICUs and to two outlying community hospitals' adult ICUs (covering a total of 116 beds). Data were collected for a six-month period both prior to and following implementation of tele-ICU coverage, thus enabling a determination of whether patient outcomes as measured in mortality and length of stay improved.

Implementation of the tele-ICU command center at UMMMC entailed substantial capital expenditure and one-time operating costs ($7,120,000) and requires an increment of annual operating costs of $3,150,000. For each of the community hospitals implementation required capital and one-time operating costs of approximately $400,000 and incremental annual operating costs of about $400,000.

Positive Outcomes

The NEHI-MTC demonstration project resulted in a report, "Critical Care, Critical Choices: The Case for Tele-ICUs," released in December 2010, with the following key findings:

- Tele-ICUs save lives. At UMMMC, patient ICU mortality decreased by 20 percent and total hospital mortality rates (which is time spent in ICU plus the remainder of their hospital stay) declined by 13 percent. At one of the community hospitals, ICU-adjusted mortality rate decreased 36 percent.
- Tele-ICUs shorten ICU stays. Patient ICU stays were reduced by 30 percent or an average of two days in the academic medical center. Community hospital stays were also reduced.
- Tele-ICUs save money. Hospitals recovered the up-front investments for tele-ICU in approximately one year. Health insurers saved $2,600 per patient treated in the academic medical center. Tele-ICUs also enable community hospitals to care for a substantial portion of patients instead of transferring them to teaching hospitals (as is common practice). Retaining these patients in community hospitals saves the payers approximately $10,000 per case.
- Tele-ICUs should be implemented statewide. Given the clinical and financial benefits, NEHI and MTC recommend that all academic medical centers implement tele-ICUs by the year 2014 and that all community hospitals in Massachusetts implement them by 2015.

Summary Report Card for Outcomes Post Tele-ICU Across the Three Hospitals

Expert Panel Standards for ICU Success:	UMMMC	Community Hospital 1	Community Hospital 2
Achieved a 10% reduction in ICU mortality	Yes	Yes	No
Reduced LOS in ICU by .5 day	Yes	Yes	Yes
Additional Standards:			
Reduced total hospital mortality	Yes	Yes	No
Increased compliance with treatment guidelines	Yes	Yes	Yes
Increased ICU patient volumes	Yes	Yes	Yes
Increased ICU occupancy rates	Yes	Yes	Yes

Source: NEHI, 2010

The report concluded that if tele-ICU systems were broadly and effectively implemented in Massachusetts, more than 350 additional lives could be saved each year, the hospitals would benefit financially, and the potential savings for payers would exceed $122 million annually. If these results were realized on a national scale, the clinical benefits and savings would be considerable and significant.

Funding

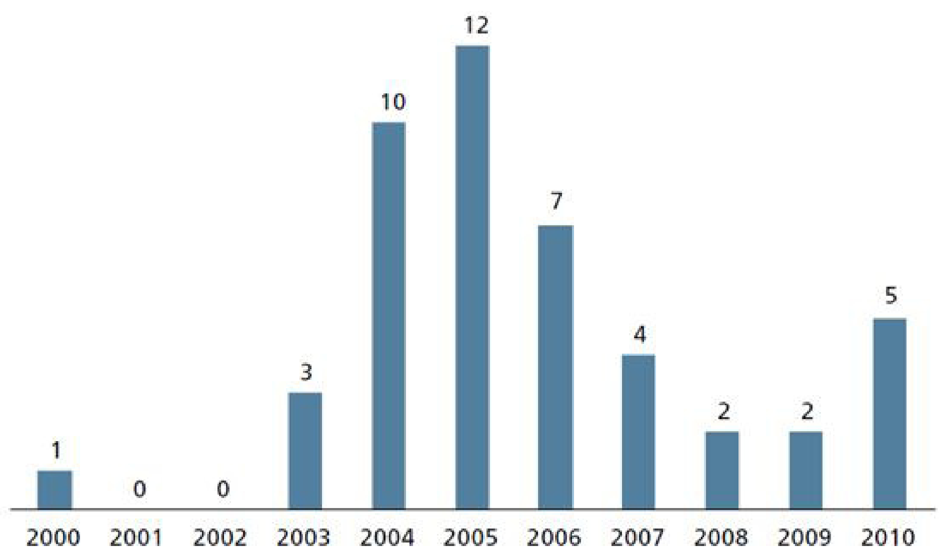
The funding of tele-ICU technology is at the discretion of a hospital system. Although access to capital can be a recurring problem for many community hospitals, the short-term (approximately one year) payback period for tele-ICU capital and operating costs significantly reduces the impact of this perceived barrier. For the full promise of tele-ICU to be realized on a national scale, hospitals will need to embrace the technology and implement it into practice. While legislation or executive orders aren't a necessary pathway to widespread implementation, tele-ICU technology has enough market benefits to compel innovative institutions to adopt it. Since the release of our report, the Steward Healthcare System (formerly Caritas) approved funding in February 2011 to implement a tele-ICU initiative and five community hospitals have also expressed interest in adopting tele-ICUs.

In terms of regulation, NEHI and MTC have been working with Massachusetts Public Health Commissioner John Auerbach to license hospitals in the state and give them credit for improved patient safety standards. Additionally, NEHI and MTC are working with The Leapfrog Group (which provides patient safety ratings for hospitals) to identify ways to encourage hospitals to adopt tele-ICUs.

Expansion

Since the report was released in December 2010, NEHI and MTC have expanded the program to include all academic medical centers and community hospitals in the state. NEHI has partnered

Number of ICU Command/Support Center Installations per Year, 2000 to 2010



Source: NEHI, 2010.

with the Massachusetts Council of Community Hospitals and the Massachusetts Hospital Association for an outreach effort to community hospitals statewide.

Due to the success of the program in Massachusetts, NEHI was awarded a grant from the California HealthCare Foundation to study the potential of using telemedicine to improve the care delivered in ICUs in California. The grant is being used to assess the state's current ICU capacity and examine whether tele-ICU technology can expand the availability of trained critical care specialists in California.

Up until now, there has been slow adoption of tele-ICU technology in Massachusetts and across the country. Since the release of the NEHI-MTC report, there has been a growing interest in the technology. As for current practices nationally, as of 2010 there were 42 installed and active tele-ICU command centers across the country.

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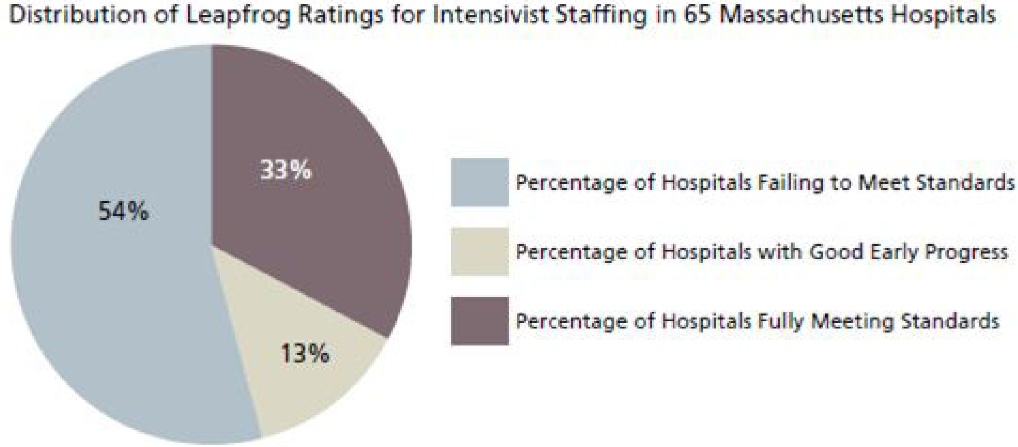
Future Goals/Conclusion

The goal of NEHI and MTC's research project is to provide decision-makers with evidence-based data on the clinical and financial benefits of tele-ICU technology. Given what has been learned about the promise of tele-ICUs to improve patient care and reduce costs, the case for implementing the technology is compelling. As a result, NEHI and MTC recommend that all academic medical centers in Massachusetts implement tele-ICUs by the year 2014 and that all community hospitals in the state implement them by 2015. On a national level, our goal is to change hospital standards to encourage the use of tele-ICU across the country.

The clinical and financial benefits of a fully implemented tele-ICU system offer a win-win-win opportunity for patients, hospitals and payers across Massachusetts. Now that tele-ICUs are gaining a strong reputation based on clear evidence, we must seize the chance to speed adoption of this valuable technology in hospitals around the country.

Distribution of Leapfrog Ratings for Intensivist Staffing in 65 Massachusetts Hospitals



Source: Angus, Derek. 2006. The author found that Leapfrog compliance may be exaggerated by "very optimistic self-reporting by ICUs."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2011 RUNNER-UP

Florida Plan Review - Saving Trees, Time and Stamps

Diann Worzala - Department of Business and Professional Regulation (DBPR)
Division of Hotels and Restaurants, State of Florida

Background

At the height of a national recession, the state of Florida's Division of Hotels and Restaurants Plan Review Office took innovative steps to not only help businesses open and expand faster, but also to increase its efficiency to save money and valuable resources. A huge side benefit is that the division's enhanced use of technology allowed it to operate in a more environmentally friendly manner with these changes.

Florida's statewide restaurant plan review process saves "Time, Trees & Stamps" while accelerating the licensing process, improving customer service and protecting public health. Program savings include the elimination of postage, electronic submission of plans, and 100% paperless document storage for immediate statewide electronic access to files.

Conceptually, the centralization project involved adapting existing technology to an existing process, and as such, can be duplicated by any regulating agency willing to creatively consider new methods of operation.

The division takes pride in being one of the leading food safety programs in the nation and is currently enrolled in the voluntary U.S. Food and Drug Administration (FDA) Program Standards. A strong plan review program is necessary for the division to be able to meet Standard 1 of the FDA Program Standards. The division's current program serves as a model for other state and local jurisdictions in its customer-friendly, technically-accurate and innovative approach to plan review and has been recognized nationally for government innovation.

Problem

Although the division already met Standard 1 of the FDA Program Standards, the plan review program was fragmented between seven state offices and lacked consistency and uniformity. Problems identified with the previous program included:

- Delays in getting businesses opened and operating
- Customer (Food Service Operator) complaints
- Significant staff workload inequities across the state (see chart below)

• Statewide quality problems

• Mailing delays

• Taking inspection staff away from their duties to assist in high volume offices

• More than $57,000 in annual shipping and storage costs

Solution - The Change Begins

In early 2007, the division identified potential program improvements and efficiency gains that could be attained by centralizing the plan review program. The planning phase for this project began in May 2007. Planning included creating a project proposal and discussions with industry stakeholders.

DBPR Leadership saw that centralization with an emphasis on the use of available technology was the key to resolve previous problems. Implementation started in August 2007. Over the next seventeen months, each of the district plan review offices was moved in a staggered timeline to ensure a smooth transition and effective customer communication. Implementation was successfully completed January 20, 2009.

Florida has the first statewide-centralized food service plan review program. Plan review centralization achieved the following benefits:

• Aggressive attention to national science-based policies supports the continuing trend for decreasing incidents of food borne illness outbreaks in Florida's restaurants.

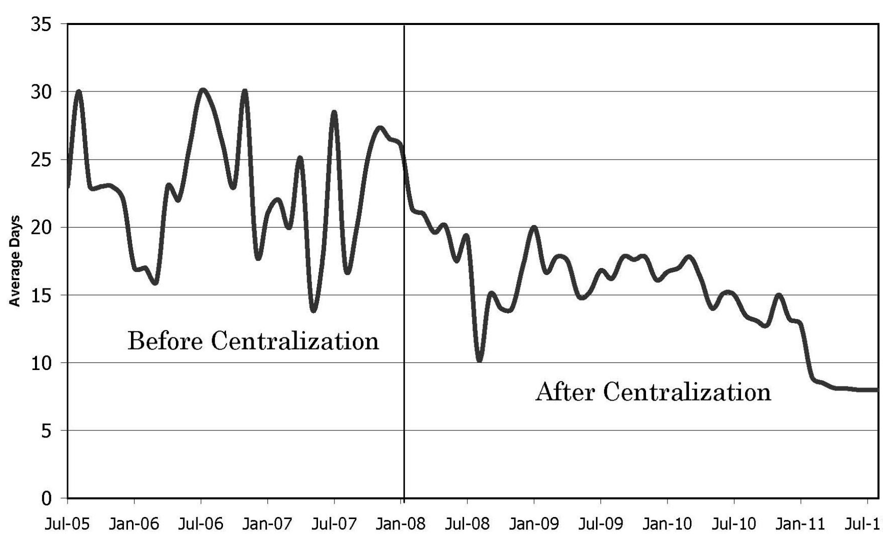
• Reduced plan review turnaround time on average by ten (10) days, which accelerates the licensing process.

• Electronic storage reduced the number of documents requiring submission, as well as the amount of space to store paper files.

• All paper that is not returned to customers is recycled.

• File retrieval is now accessed within seconds, resulting in prompt customer service.

Average Time to Process a Plan Review



• Internal and external customer satisfaction is achieved through the higher level of accountability and information sharing this system provides.

• Resolved workload equity issues

• Addressed and corrected quality control problems

When centralization was complete, the plan review program adapted and implemented a system similar to the Florida Department of Transportation electronic submittal and processing of shop drawings. This electronic submittal provided added value to the Department and the industry it serves by shortening turnaround times for approval, reduction of shipping and reproduction costs, and getting businesses open and operating faster than ever before.

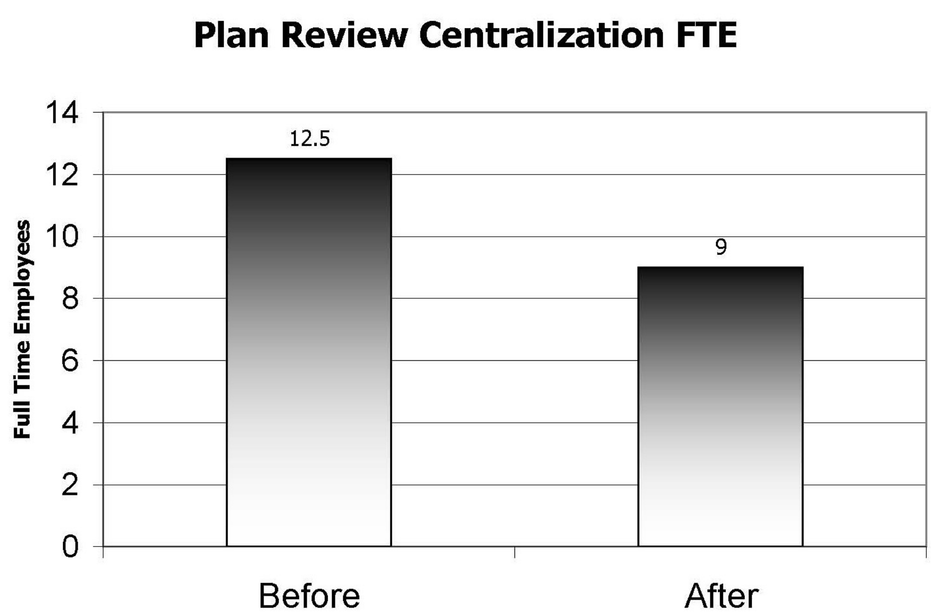
Costs - Impact for the State of Florida

The division's process enhancements greatly improved customer service, saved internal costs and did not disrupt government processes or require the passage of any new legislation. There was no additional cost for the enhancements to the program because existing funds were reallocated for the changes.

The combination of centralization of plan review and the electronic submission enhancement not only saved the division valuable resources, but has also provided a significant cost saving for the public it serves. The plan review program is totally fee-supported and does not receive any money from general revenue. The cost of each individual plan review is funded completely by the food service operator, with fees that are lower than the national average.

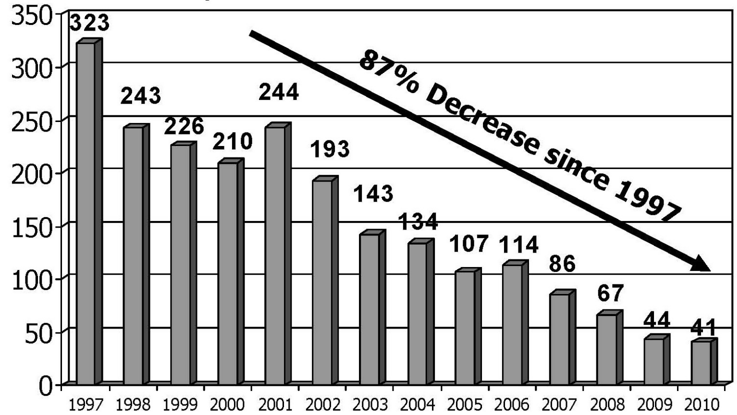
Positive outcomes: The future benefits of this process are only beginning to be realized. In addition to fiscal improvements, the program also addresses food safety concerns and advances objectives set out in the U.S. Department of Health and Human Services "Healthy People 2020" initiative, which lists food safety as one of its 42 priority areas.

During the last decade, the division has actively sought national recognition through the FDA's set of benchmark standards for programs of our type. Not simply a list of minimum requirements,



Florida Restaurant Foodborne Illness Trends

Suspected & Confirmed Outbreaks



Each year, the Florida Department of Health publishes annual reports summarizing food and waterborne disease activity in the state. This page contains links to annual reports dating back to 1997 - http://www.foodandwaterdisease.com/

these are the gold standard for retail food safety inspection programs. There are currently 357 programs enrolled, and the division is the largest restaurant inspection program to achieve five of the nine FDA standards. No restaurant inspection program of this size in the nation has achieved more in this effort.

Since 2008, 1,234 of 1,500 restaurant plans have been submitted electronically. This state-of-the- art process improves turnaround and response times while providing customers with a user friendly, time saving alternative. Customer feedback indicates this option has saved certain businesses an estimated $1500 per plan review.

Florida TaxWatch, a private, non-profit, non-partisan research institute that is widely recognized as the watchdog of citizens' hard-earned tax dollars, recognized the division through multiple Prudential - Davis Productivity Awards for its innovation, dedication and commitment to excellence while enhancing productivity within state government and the lives of Florida's citizens.

The division received a 2009 Certificate of Commendation for savings and cost avoidance of approximately $600,000 during their first year of centralization. The electronic storage of documents reduced the office space needed and saved $12,370. Total shipping costs for the previous year was $45,000, which was not incurred the following year as a result of centralization. On average, the number of days to review and approve plans was reduced by 4 days per review in the first year of centralization, and has now been reduced by an average of 10 days. Conservatively, this was an added value to our licensees of $545,000 in the first year of centralization. Florida TaxWatch awarded the division a 2010 Certificate of Commendation for savings and cost avoidance of approximately $768,000.

The model plan review program was also recognized in 2010 by the Ash Center for Democratic Governance and Innovation at the John F. Kennedy School of Government, Harvard University, in the inaugural year of its Bright Ideas program. Bright Ideas is designed to recognize and share creative government initiatives around the country with interested public sector, nonprofit and academic communities. The most important praise the division can receive is from the food service industry it regulates, which has expressed thanks to the Florida Governor, for the outstanding positive results of the enhancements to the plan review program.

Applicability to Massachusetts/Conclusion

Any state could profit from this idea, if food service plan review was consolidated from multiple authorities having jurisdiction into one centralized location. The centralized plan review allows a jurisdiction to use one standard under the FDA guidelines that eliminates different interpretation of the rules (and application procedures) while reducing approval times across the state. Use of existing technology can also vastly reduce expense and resources if information can be shared through an interconnected database.

Florida's state-wide food service plan review, licensing and inspection programs ensure that every food service from Pensacola to Key West is held to the same standard and receives the same benefits.

The Division of Hotels and Restaurants has provided the sanitary review of food service establishments for approximately 17 years. Originally, plan review was conducted on food service establishments for the division by the local health departments, via a memorandum of understanding. In most areas of Florida, local building officials require plans to be approved by the division prior to the building department reviewing and/or approving the plans.

Statewide, building department personnel rely on the division's expertise in evaluating the design and layout of food services – and then apply their expertise to more general construction requirements. Even though both the building departments and the division conduct plan reviews, because each concentrates on a different area of expertise, there is no conflict or redundancy in the application of code requirements – it is a symbiotic relationship where each agency relies on the other to obtain the best outcome for the customer.

Tech specs: It is important to remember that the centralization project and electronic enhancements were instituted utilizing existing equipment and technology adapted to the specific program. For example, the statewide database storage system was instituted in 2009 for the Department as a whole. Prior to the change, plan review utilized standard Microsoft data storage.

Even if another state did not have the same interconnectivity with databases (Florida uses both LicenseEase and OnBase systems), a centralization of plan review is practical because plans can be scanned at full size and emailed to satellite offices as PDF or TIFF files for local inspection.

Florida found in early testing that 42″ x 30″ plans can be scanned and stored at less than 3 megabytes (MB) per file as a CMYK (24 bit color), at 150 DPI (dots per inch) in the TIFF file type with the Océ cs4142 scanner. The use of color is important for Florida, because while most plans are drawn in black, plan reviewers in Florida use a color-coded highlight system to help inspectors verify compliance and speed up the inspection and licensing process.

Plans can be submitted electronically through email as JPEG, TIFF or PDF files to the plan review office (along with application and other required documents), where they are printed for review. Fees can be paid instantly over the phone or online once the packet is received and a confirmation is sent to the applicant. Approved plans are stamped and rescanned for electronic return to the applicant, and transferred electronically to a local office for the inspector to use and stored in the database.

The use of technology to scan each individual plan and disseminate approval packets on demand can also enhance the government's response time to the people it serves. The statewide network of data storage and shared access allows state offices in Florida to provide localized customer service for food service operators, and to update viewable records in real time on the network.

At the present, DBPR is working on an enhancement to the electronic submission process that will allow customers to pay for the plan review online in the same form when they upload plans and application files. In the future, since all plans are scanned and stored electronically, one day if technology becomes affordable, it may be possible for field inspectors to complete opening inspections by downloading digital plans to a tablet (such as an iPad or comparable tablet technology) for instant review.

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Automated Community Connection to Economic Self Sufficiency – ACCESS Florida

Florida Department of Children and Families (DCF)
State of Florida

ACCESS Florida comprehensively reengineered the eligibility process for public assistance services in the state. ACCESS uses innovative technology and relationships with over 3,300 community partners to achieve efficiency and cost-effectiveness, while allowing for customer self direction, self-service and self-reliance. Legislative direction following welfare reform and the Department of Children and Families' (DCF) internal self-examination of Florida's public assistance service delivery model concluded the eligibility determination system was stagnant, and the business model too dated to provide the efficiencies required of public agencies.

ACCESS Florida processes people monthly, food stamps to 1.6 million households and temporary cash assistance to 56,000 families and provides Medicaid to 2.5 million people. We process 5 million cases per year. The administrative costs incrementally reduced by $83 million annually between 2003 and 2006. This represented a 29% reduction in funds and an initial 43% reduction in staffing despite an increase in caseload. Those savings are now sustained and recur each year.

Policy simplification and technology innovations formed the basis of this "re-invention" of Florida's public assistance delivery system, now known as modernization. In July 2004, ACCESS Florida became operational statewide. Within four months, four hurricanes hit the state, creating an urgent need to accelerate development of a web front end for the legacy computer system to expedite processing disaster aid. The new technology not only supported the provision of $381 million in disaster aid to 3.4 million people during the 2004 and 2005 hurricane seasons, but fundamentally changed operation of the regular programs.

Key features of the model include:

<u>Simplified policy and procedure</u>: Fewer requirements for face-to-face interviews and paper documentation, improved use of electronic data matches and telephone communication.

<u>Web-based application</u>: Over 90% of applications are now submitted electronically from homes, businesses, government offices and a network of community organizations.

<u>Call centers</u>: Three regional offices equipped with an automated response unit receive more than two million calls a month, about a third of which are handled without a need to speak with a call agent.

<u>Expanded customer access</u>: A network of more than 3,100 partner agency sites provides access to Florida's public assistance services.

<u>Electronic document management</u>: A virtual case filing system using scanning technology supports workload management and reduces storage and retrieval costs.

Electronic Case Management System: the ACCESS Management System gives workers the ability to complete their work in a web-based environment instead of than the Mainframe.

On-line Customer Account System: My ACCESS Account is a secure electronic portal that allows customers to complete an eligibility review, apply for additional benefits, report changes to their case or request a replacement Medicaid card.

Reduced administrative costs: Savings of $83 million a year including an overall 41% reduction in staff. (Initially 43% reduction, plus about 200 positions funded by medical providers and community partners.)

Florida's redesigned model has fundamentally changed public assistance service delivery in this country. Beginning in 2004, staff basically turned the Economic Self-Sufficiency program upside down and was able to show efficiencies to the entire country. Over 40 states have visited to examine the practices and replicate pieces of the model to fit their structure. The term "modernization" is one we coined and it has taken hold nationally. In 2006, the Southeast Regional Office of the Food and Nutrition Service (FNS) created a matrix of changes to the food stamp (now known as Supplemental Nutrition Assistance Program or SNAP) service delivery system based on Florida's model. The major categories listed were: policy, procedures, enhanced technology, eligibility systems, and outsourcing. At that time, the FNS benchmarked other states around what Florida had implemented. By December 2006, Florida was the only state with on-line change reporting, on-line case status and a document imaging system. Florida was first to create the vision of a sound Community Partner Network with not-for-profit agencies, faith-based partners and others providing "access" to customers.

Start-up costs for modernization into the ACCESS model were funded by savings from existing appropriation generated through a 43% reduction in employees and leased space. The ACCESS program held money back (beyond the legislatively required reductions) to invest in things like:

- The Automated Response Unit and equipment for the call centers.
- New desktop computers and dual monitors.
- A document imaging/storage and retrieval system.
- Web application programming and hardware.

Florida developed a web page for state replication of the ACCESS innovations with award money from a 2007 Innovations in American Government Award. The website is: www.accessfloridainnovations.com.

Most importantly, the model improves services to Floridians. Reviewing statistics since the model changed in 2003, the number of eligibility workers has decreased by 41% but the number of applications per month has increased since by 115% and the average number of applications disposed of per worker, per month has increased by 179%. Increased efficiencies of the model are dramatic.

The national economic recession impacted Florida by more than doubling the SNAP caseload since 2007. ACCESS would not have been able to meet the needs of the citizens if processes for eligibility determination for public assistance benefits were not continuously improved. Florida's redesigned model began with streamlining policy, requesting federal waivers to policy, enhancing technology, specializing business functions, and redesigning office locations to host self-service areas.

Florida's ACCESS program is a forerunner in administrative efficiency. In 2003, at legislative direction, the program embarked on the most dramatic and sweeping reengineering of public assistance eligibility determination in the history of the United States. As a result, staffing was initially reduced by 43% and the state and federal governments are saving $83 million per year. Since the reengineering of ACCESS, more than 40 of the 50 states, including Massachusetts, have sent representatives to Florida to experience first-hand the changes the program made to its business processes and service delivery system.

Technology is an integral and growing part of life in 21st century America, and provides tremendous opportunity for efficiency and cost effectiveness. The ACCESS vision therefore relies heavily on expanded and improved technology in both the outward facing (directly used by customers) and inward facing (directly used by staff) systems. Each activity that can be achieved through technology frees human resources to do what technology cannot. This includes answering non-routine phone calls, and providing individual assistance to those who need special help, including people with disabilities and literacy issues that can make technology more challenging.

ACCESS Florida is clearly the way of the future for service delivery across the country. The model is adaptable and flexible, with potential to save millions of dollars in administrative costs nationwide. It expands customer access by making it easier to apply for benefits. It promotes self-service, reducing data entry and paper documentation, eliminating required travel to a DCF office. It allows for faster benefits issuance and supports self-sufficiency. This is a process of continuous quality improvement, in which the system evolves in response to changes in customer needs and technology.

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Florida Benchmarking Consortium

The John Scott Daily Florida Institute of Government
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Accountability and transparency are the 21st Century watchwords for local governments. Local governments must demonstrate to citizens and taxpayers that they provide efficient, quality and effective public services. To address these concerns, the Governmental Accounting Standards Board (GASB) suggests that state and local governments should collect, report and benchmark their public services using performance measurement data.

Several challenges arise when local governments attempt to collect, report and benchmark performance measurement data. First, local governments possess varying degrees of expertise in the technical aspects of performance measurement. Second, it can be costly for local governments to either hire or contract for performance measurement expertise. Third, many local government services lack generally accepted performance measures. In these instances, new performance measures must be developed. Finally, if local governments do not define, collect and report comparable performance measurement data, the result is a 'Tower of Babel' that precludes valid benchmarking comparisons from being made.

While national and international level local government performance measurement and benchmarking groups paved the way for related intergovernmental collaboration, the FBC desired to move beyond the abilities of such organizations, by removing the variables that exist when comparing performance across state boundaries. This has allowed the FBC to identify and share best practice approaches that address the unique environmental, demographic, and economic issues, to name a few, which impact service delivery for local governments and government agencies within the State of Florida.

The Florida Benchmarking Consortium (FBC), established in 2004, has addressed the major challenges cited above via the creation of a virtual organization comprised of some 60 county, municipal and special district governments. The FBC has been variously described as: a network, a community of learning, a public-private partnership, and as the largest local government organizational development effort in the state of Florida. FBC member governments cooperate to develop, test, implement, report and benchmark performance measurement data. By sharing expertise and workload, the FBC has enabled local governments (large and small/urban and rural) to develop and implement state of the art performance measurements systems. If any one local government had tried to undertake this task by itself, the costs in terms of money and time would have been prohibitive. Through negotiation and compromise a common set of performance measures have been developed for eighteen (18) local government services including: police, fire, building development, environmental management, information technology, traffic engineering, solid waste collection, solid waste disposal, stormwater/drainage maintenance, road repair, animal services, code enforcement, human resources, purchasing, fleet management, risk management, parks and recreation, and water and wastewater. Other service areas will be included according to FBC member government priorities. Because the performance measures are jointly developed, tested and adopted, all FBC member local governments collect, report and benchmark using the same service areas, service definitions and performance measures. Thus, the 'Tower of Babel" problem has been avoided.

Start-up costs for the FBC are somewhat difficult to estimate, but were kept low by the fact that staff from member local governments volunteered their time and expertise to initiate and maintain the program. In addition, due to this public/public partnership, the FBC was able to take advantage of the use of graduate students to assist in keeping the initial cost low. The relationship between the Institute of Government and the FBC was an integral element of getting this initiative off the ground and this partnership continues to be an element of the FBC's success. Using our model, the salary of a part time coordinator, plus office space, telephone, etc. is estimated at $35,000 for the first year of operation.

Historically, the FBC was funded by asking each individual local government member to pay an annual membership fee of $1,000. In 2010 the annual fee for membership was increased to $1,250. The FBC has a small number of corporate sponsors who annually contribute a total of $5,000. Sponsors are recognized by the FBC and provided space to advertise their services at both the Fall Workshop and Spring Conference. One sponsor, Covalent (a performance measurement software company headquartered in the United Kingdom) allows the FBC to utilize its software at no cost.

The results, accomplishments and impacts of the FBC have been several:

- The FBC has advanced accountability and transparency in Florida local governments.
- The FBC has demonstrated the viability of an internet platform approach to local government performance measurement and benchmarking.
- The FBC has increased its local government membership steadily from the original 6 to 60 in 2011.
- The FBC has developed performance measures for 18 local government services. In some instances creating industry standards as a byproduct.
- The FBC has developed and maintains a website (http://www.flbenchmark.org) accessible to both members and non-members.
- The FBC annually publishes a comprehensive report containing all performance measurement data reported by member local governments.
- The FBC provides low cost training and technical assistance on performance measurement and benchmarking to member local governments.
- The FBC member governments have utilized performance measurement data and benchmarking to: analyze their services; report the cost, quality and effectiveness of their services to elected officials and citizens; and help cope with revenue shortfalls and budget cutbacks.

No statute or regulatory authority was required to create or to maintain the FBC. Because participation in the FBC is voluntary, any local government may join or discontinue participation at any time.

The FBC was born at a meeting that took place at the City of Orlando in 2004. Represented at this initial meeting were six Florida local governments and the University of Central Florida. Since then, new local governments have joined and existing FBC member governments have increased their participation. Today, total FBC membership stands at 60 including: 23 counties, 35 municipalities and two special district governments. Additionally, one state agency (Florida Department of Health) is in the process of joining as an associate member. From its beginning with six service areas, the FBC has expanded to 18 today. The FBC considers new service areas depending upon the interest of member local governments.

The FBC encourages member and non-member organizations, as well as other interested agencies to attend FBC conferences and other training events. It is a core belief that our structure allows us to continue to reach out to local governments and improve their ability to collect and report comparable performance measurement data.

Membership is always open to any Florida local government that desires to join. With 67 counties, 410 municipalities and an unknown number of special district governments, the FBC hopes to grow to over 100 local governments in the coming years.

The FBC has also created a new member category (associate) to cover members other than Florida local governments. The FBC membership believes that we have learned many valuable lessons about performance measurement that other Florida governments would profit from. Consequently, the FBC has recently adopted a policy of allowing other non-Florida governments to join as "associate" members. Associate member governments are accorded all the benefits that accrue to full members, but because they are not Florida local governments, their data are not collected and merged with that of full members. The FBC's first associate member is anticipated to be the Florida Department of Health. The Florida Department of Health has recognized that the FBC experience and expertise can be of benefit to them when the time comes.

The FBC is currently in discussions to enter into partnership arrangements with the Florida League of Cities, the Florida City and County Management Association, the Florida Association of Counties as well as several other professional associations. This will continue to enhance the FBC's credibility and add another dimension to limiting the 'Tower of Babel' problem.

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A Roadmap to Recovery: Comprehensive Pension Reform

Office of City Councilmember Carl DeMaio
San Diego, CA

Several years ago, San Diego became the national poster child for irresponsible administration of government pensions. Dubbed "Enron by the Sea" for deceptive and dishonest pension accounting practices, San Diego was first to show the signs of trouble that have now mushroomed into a crisis in states and municipalities around the country.

The outlandish scale of generous city employee retirement packages is neither subtle nor difficult to see. In some instances, rich retirement packages pay retirees more even than active city employees are paid to work in positions that the retirees vacated. As a particularly egregious example, the City's former head librarian receives $227,249 in an annual retirement allowance, while the head librarian actually working for the City earns $139,680.

Retirement system data show a long list of City retirees earning six-figure pension payments, with one retired City employee's pension payout actually hitting $299,103. The top 10 pensioners combined are expected collectively to receive a whopping $ 61 million over 25 years. These pensions are wasteful and disrespectful to our city's taxpayers.

One former member of the City Council "retired" at 31 years old, and began collecting a $21,058 annual pension. This pension payment for this 31-year-old "retiree" is roughly equal to San Diego's median per capita income.

Estimates show that under the City of San Diego's current defined benefit pension system, annual pension payments required of the City will consume a full 20% of General revenue by 2014. As staggering as these numbers are, they do not represent the full cost of retirement benefits granted to city employees.

When the annual costs to the City of other city employee retirement benefits and retiree health care costs are added, the total annual employee retirement cost exceeds $370 million, or roughly two-thirds of the City's entire payroll expense. These costs dwarf the retirement costs to employers in the private sector, where total employee retirement costs are generally between 14 percent and 16 percent of payroll.

The City's annual pension payment has climbed from $154 million in FY 2010 to approximately $230 million in FY 2011. The pension system actuary estimated that the City's annual pension payment would climb to $343 million in FY 2016, and spike to $511.6 million in FY 2025. (To see the cost of pensions as a percentage of the General Fund, the Roadmap to Recovery assumes General Fund spending of $1.15 billion for FY 2012, increasing to over $1.2 billion by FY 2015.)

The Roadmap to Recovery offers specific proposals for comprehensive pension reform. The Roadmap's pension reform proposals are the centerpiece of a broader package of reforms that rein in city employee retirement costs, including retiree health care costs and rich benefits that are layered on top of the City's already highly generous pension benefits.

1. Close the Old Pension System

The Roadmap to Recovery proposes phasing out the defined benefit pension system and establishing a retirement system that is centered on defined contribution 401(k)-style plans. This element of the comprehensive pension reform closes the current pension system and prevents any new city employees from enrolling in the pension program.

2. Shift New Employees into Defined Contribution Retirement Accounts

Under the Roadmap's comprehensive pension reform, all new City employees would receive a defined contribution retirement plan modeled after 401(k) plans. To provide for a complete and lasting solution to our pension crisis, these retirement plan changes apply equally across every category of city employee, including public safety pensions, which are the most generous and costly city pensions.

The Roadmap to Recovery is already gaining traction. The Little Hoover Commission, California's independent oversight agency, recently made the proposal to transition from defined benefit pension plans to defined contribution plans the centerpiece of its reform proposals.

3. Require Fair and Equal Pension Contributions by City Employees

In order to comply with the San Diego City Charter, and to reduce costs to the taxpayer, the Roadmap proposes requiring City employees to pay their fair and equal cost of annual pension costs. The Roadmap also proposes to achieve compliance with the Charter's "substantially equal" requirement by ending the generous City "offset" contributions that greatly inflate the taxpayers' pension costs.

4. End Pension Spiking and Cap Pensionable Pay

It is not just that employee base pay, which is often subject to automatic annual increases, produces overly generous pension payouts. On top of base pay, in calculating pension payouts the City tacks on "add-ons" and "specialty pays" to employees' base salary. These "add-ons" and "specialty pays," such as supplementary payments to firefighters for Emergency Medical Technician (EMT) certification, produce pension "spiking."

In order to end pension "spiking" abuses, the Roadmap to Recovery proposes reducing and capping "pensionable pay." Pension payouts should be calculated using only an employee's base pay.

The Roadmap to Recovery's comprehensive pension reforms will incur no start-up costs. These reforms move the City from an unaffordable and unfair retirement system to a new affordable and fair retirement system.

These reforms will produce significant savings for the City of San Diego, beginning the very first year. These pension reforms will save $40 to $50 million in the first year alone, and save at least $300 million over five years:

1. Reduce Pension Costs

Assuming that City labor costs are capped for five years, the Roadmap to Recovery estimates that together these pension reforms could reduce costs to taxpayers for the City's annual pension costs by at least 25% in five years.

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2. Save Services and Avoid Bankruptcy and Tax Increases

Tackling the City's pension costs, which are the biggest driver of San Diego's budget deficit, is absolutely necessary to protect essential city services. These reforms will fix the City's presently unsustainable pension commitments without requiring any tax increases. Moreover, these reforms reorganize and restructure the City's employee retirement system, and will avoid the City even needing to consider bankruptcy.

3. Preserve Take-Home Pay for City Employees

City employees themselves will be primary beneficiaries of these pension reforms. The escalating pension costs compromise the City's ability to preserve employee take-home pay. The labor unions that represent our city employees must face the choice between preserving our City's unsustainable pensions and protecting their members' take-home pay. If the necessary pension reforms are not achieved, the City could be faced with the unappealing options of layoffs or cuts to employees' take-home pay.

4. Reduced Taxpayer Risk

Constraining "pensionable pay" will save the City taxpayers approximately $150 million over just five years. The Roadmap to Recovery estimates General Fund savings from freezing pensionable pay of $8.1 million in the first year, with savings of $53.8 million in the fifth year. Ending the employee pension contribution "offset" was estimated to achieve a savings of $4.8 million in the first year.

Massachusetts faces the same problem addressed in this proposal, namely that of unaffordable public employee pension obligations. States and municipalities around the United States are facing this problem. In fact, the Massachusetts pension system is in almost the identical dire condition that the City of San Diego's pension system is. Each is only funded to about 68% of liabilities.

In addition to pension reform, the Roadmap to Recovery offers a number of reforms to hold the City accountable for meeting performance goals, improve transparency in the way the City conducts its business, create safe neighborhoods, align City employee pay with comparable pay in the San Diego area, and many others. Together these reforms will fundamentally improve the way our City provides essential services, enable the City to properly maintain the City's streets and other infrastructure, and provide essential services at the high level that San Diegans rightly expect.

Roadmap to Recovery was released in November 2010. In spite of continual insistence on implementing these reforms, the Mayor and the City Council have yet to take the action that is needed. The push for these reforms will continue until such time as they are implemented.

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