State of Louisiana

Government Efficiencies Management Support

Final Report

ALVAREZ & MARSAL

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Division of Administration

Kristy Nichols, Commissioner of Administration

Ruth Johnson, Deputy Commissioner

Benjamin Huxen, Chief Advisor to the Commissioner

Meghan Parrish, Communications Director

Callan Joffrion, Research Analyst, Special Projects

Office of General Counsel

Elizabeth Murrill, Executive Counsel

Office of Group Benefits

Susan West, Interim Chief Executive Officer

Bill Guerra, Interim Chief Operating Officer

Office of Risk Management

Bud Thompson, Director

Patti Gonzalez, Assistant Director

Office of Facility Planning and Control

Mark Moses, Assistant Commissioner, Real Estate Office

Office of State Purchasing

Jan Cassidy, Assistant Commissioner

Sandra Gillen, State Purchasing Director

Department of Revenue

Tim Barfield, Secretary

Jarrod Coniglio, Deputy Secretary

Jason DeCuir, Executive Counsel

Natalie Stiltner, Undersecretary

Department of Children and Family Services

Suzy Sonnier, Secretary

Etta Harris, Undersecretary

Department of Corrections

James M. LeBlanc, Secretary

Thomas C. Bickham, III, Undersecretary

Department of Public Safety

Michael D. Edmonson, Deputy Secretary

Jill Boudreaux, Undersecretary

Office of Juvenile Justice

Dr. Mary L. Livers, Deputy Secretary

Connie Percell, Undersecretary

Louisiana Economic Development

Stephen Moret, Secretary

Anne Villa, Undersecretary

Department of Transportation and Development

Sherri LeBas, Secretary

Eric Kalivoda, Deputy Secretary

Michael Bridges, Undersecretary

Nita Chambers, Deputy Undersecretary

Department of Health and Hospitals

Kathy Kliebert, Secretary

Courtney Philips, Deputy Secretary

Calder Lynch, Chief of Staff

Jeff Reynolds, Undersecretary

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CHAPTER 1: EXECUTIVE SUMMARY

INTRODUCTION

Alvarez & Marsal's (A&M) objective in the Government Efficiency Management Support Project (GEMS) has been driven by the fundamental premise that the citizens of Louisiana deserve a government that is a careful steward of their tax dollars and is committed to provide services in the most effective way possible.

This administration – including many talented and dedicated government employees – have sought to do just that, to deliver constant improvement and efficient performance that, wherever possible, reduces costs while preserving and, in some cases, improving vital services in meaningful ways.

The GEMS project is the latest step in this ongoing process. Throughout this endeavor, A&M has kept its focus on:

- Identifying ways in which government can be both more efficient with its resources and effective with its services.
- Developing strategies for improving services and helping government function better – in addition to saving money.
- Producing recommendations that are practical and can be implemented to produce results in the near-term.

A team of more than 50 professionals from Alvarez & Marsal and its subcontractors has devoted more than 15,000 hours over the past five months to conducting an in-depth analysis of the operations of the agencies included in the GEMS contract.

The team included seasoned professionals, former corporate executives and former government officials, many with extensive expertise and experience developing and employing best practices on behalf of entities in government and the private sector. That background enabled them to identify issues that had not previously come to light, challenging existing norms, and to develop strategies for accomplishing long-sought after goals.

The mandate for A&M and its subcontractors was for consulting and management support services for strategic enterprise and agency policy, planning and transformation initiatives. The agencies reviewed were:

- Louisiana Department of Revenue
- Department of Transportation and Development
- Louisiana Economic Development
- Department of Health and Hospitals
- Department of Children and Family Services
- Department of Public Safety
- Department of Corrections
- Office of Juvenile Justice
- Division of Administration
    - Real Estate and Facilities Management
    - Procurement
    - Office of General Counsel
    - Office of Group Benefits
    - Office of Risk Management

This analysis has produced a total of 72 recommendations. These recommendations would result in approximately $2.7 billion in cost savings or additional revenue for the state over a five year period with over $574.6 million in annual savings or additional revenue after the first year of implementation.

Some of the most notable recommendations include:

- Generating additional revenue by the Department of Revenue of $45 million over two years through a new approach to litigation with delinquent taxpayers and recurring new revenue of approximately $53 million by working through the current backlog in audits, employing new technology and creating a cross-functional discovery team to make the audit function work better in the future.
- Obtaining savings through the Office of Risk Management of approximately $21 million a year by changing the process for procuring insurance on state-owned property, in ways that will attract more bidders and lower rates.
- Enabling the Department of Transportation and Development (DOTD) to save more than $20 million a year by centralizing some of the administrative functions now taking place at the district offices, consolidating some of the non-emergency equipment used by the nine district offices, and hiring staff engineers to bring in-house some routine engineering work, along with several other recommendations. As a part of this, DOTD could realize an additional $10 million over two years from sale of property.
- Utilizing computer-aided-dispatch (CAD) technology to provide the state police with a state-of-the-art dispatch center that improves operations and enhances public safety, while saving the State's taxpayers over $800,000 a year once in place.
- Requiring home healthcare aides, who are being paid for out of state funds, to log their time through electronic time sheets, rather than through paper time sheets, thus eliminating approximations, overstatements of time spent with patients and other errors and, based on the experience of other states, saving the state $18 million a year once fully implemented.
- Creating a statewide occupancy management system and database for all state facilities and doing light renovations to reconfigure underutilized space in order to free up state-owned space for use by agencies currently occupying leased space, and result in a cost savings of approximately $11 million per year after implementation. The state could also realize an additional $22 million over two years from the sale of excess property.

- Implementing a strategic sourcing Initiative for all state procurement (in excess of $3.2 billion in addressable budget is spent each year), reducing the number of vendors for each product or service, analyzing spending by category, rationalizing fee and price schedules, sharing information among agencies – resulting in cost savings estimated at more than $55 million a year.

The complete set of the 72 recommendations, along with a detailed discussion and analysis of the work, follows in this report.

OVERVIEW OF THE GOVERNMENT EFFICIENCY & MANAGEMENT SUPPORT PROJECT

OVERVIEW OF PERFORMANCE MANAGEMENT/IMPROVEMENT IN LOUISIANA

Since 2008, the State of Louisiana has enacted many reforms and instituted initiatives that have resulted in operational efficiencies across all state agencies. Projects such as the implementation of new call center technologies for customer service, modernizing existing legacy systems to reduce staffing needs, reorganizing divisions to improve productivity, realigning business functions within and between departments, and selling unused property and equipment improved the service of all state agencies to taxpayers. Other notable projects have included privatizing claims management and loss prevention in within the state government's self-insurance program, creating an Office of Mental Health by merging state mental health units, consolidating the state's corrections population, and privatizing Dabadie and Avoyelles correctional facilities.

In 2009, the Louisiana Commission on Streamlining Government released a report adopting 238 recommendations to improve efficiency (highlighted in Figure 1.1). Since 2008, the budget for the agencies in the scope of this report were reduced by 36% from $20.2 billion in 2008 to $12.8 billion in 2014.

The A&M team closely reviewed all existing efforts and integrated the Commission's suggestions into A&M recommendations where possible. There were no duplicative efforts and the process provided analyses that assisted in the development of final recommendations. A&M's final report provides recommendations across nine agencies, incorporates the best practices of earlier efforts, and extends Louisiana's transformation of government processes. A&M's goal is to extend and continue the productive efforts of the budget report over the next five-year period.

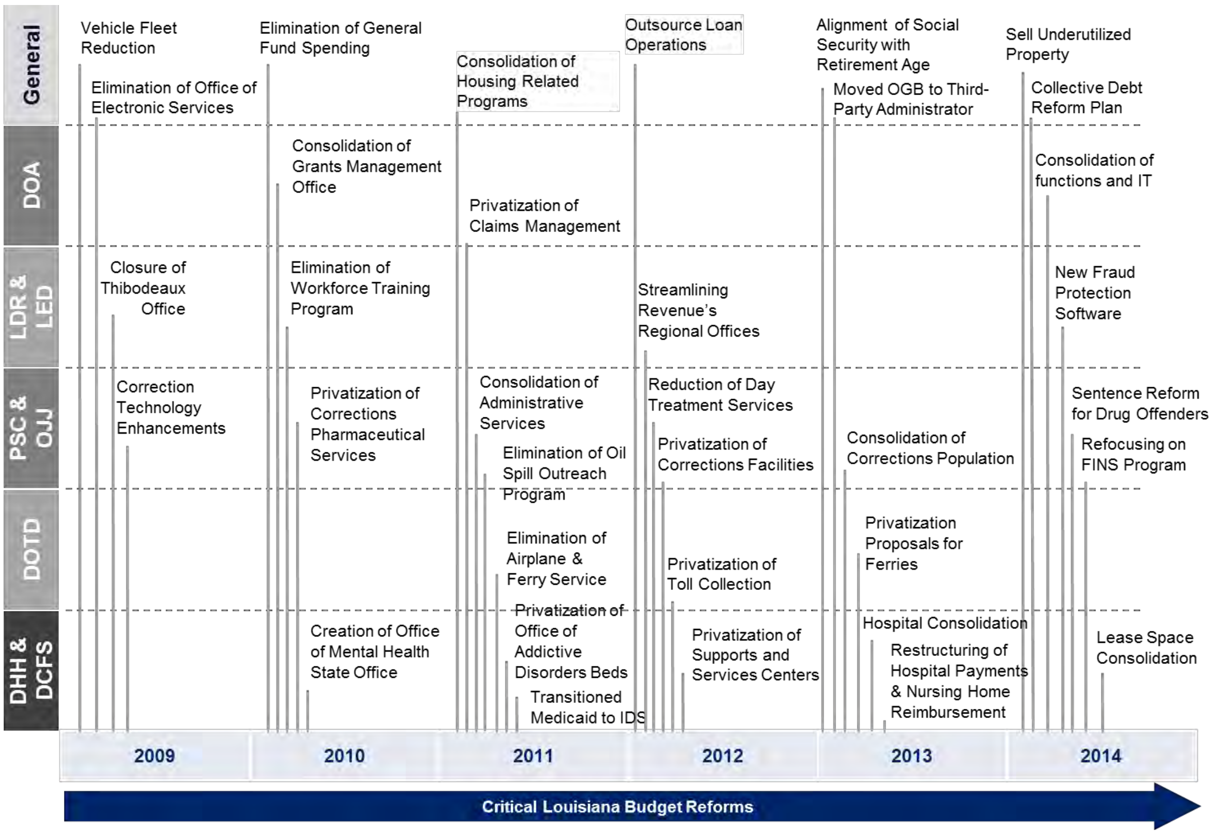

Figure 1.1: Highlighted Louisiana Reform Initiatives

COMPREHENSIVE REVIEWS

State governments are perennially faced with the conflicting imperatives of providing essential services to citizens while placing the minimum burden on taxpayers. This tension increases during and in the aftermath of economic downturns, when citizens become more reliant on government services at the same time that governments are operating under tightened resource constraints. The challenge is to determine whether to reduce services or increase revenue collection from the state's already burdened citizenry. Increasingly, states are opting to pursue a third approach: comprehensive efficiency reviews across governmental departments, designed to identify new, often innovative, ways of maintaining needed services at lower cost. After years of cost cutting and improvements in government efficiency, that is exactly the path that Louisiana state government decided to pursue – extending on previous years of progress.

Such an efficiency review is an evaluation that challenges the purpose, operations, and policies of state government with the objective of eliminating waste, saving money, and improving service. It is an intensive undertaking, intended to empower departmental managers and policymakers to challenge established operational norms, assumptions, and practices to find leaner, more efficient, and smarter ways to do business.

Louisiana has a long history of performance reviews, dating back to one performed by the Treen Administration in the early 1980s. A similar approach was performed by the State of Texas in 1991, with the creation of the Texas Performance Review. The Texas Legislature authorized the state's Legislative Budget Board and the State Comptroller to assemble a staff of more than 100 auditors, research analysts and other specialists from 16 state agencies and the private sector; in all, devoting about 54,000 hours to the initial review effort. The first Texas Performance Review report detailed nearly 200 proposals touching every facet of state government. Many failed to survive the opposition of competing interests; however, nearly two-thirds of the proposals were ultimately adopted, achieving $2.4 billion in general revenue savings and sharply reducing the budget gap.

Many other states have conducted comprehensive Texas Performance Review-modeled initiatives in recent years, including Arizona, California, Georgia, North Carolina, South Carolina, Virginia, West Virginia, Tennessee, Colorado, Iowa, New Mexico, Tennessee, Washington, Wisconsin, and others. Like Texas, some states – including Washington – now have statutorily mandated that they be conducted on a routine basis. States that have conducted similar top-to-bottom efficiency reviews have generally identified savings of five to six percent of the general fund budget, illustrated as follows:

- The first Texas Performance Review's $4 billion in savings represent a 6.7 percent savings in a two-year budget of about $60 billion
- A performance review of the New Mexico state government operations generated potential savings of $379 million over a five-year period
- Iowa's Efficiency Review in December 2009 identified potential savings of $344 million – or as much as seven percent of the state budget – and the legislature enacted, or the Governor ordered through executive order, $270 million of those efficiencies, amounting to more than five percent of the state's general fund budget
- The California Performance Review identified savings accounting for six percent of the state's budget
- Puerto Rico conducted a government-wide assessment in 2012 that led to the design of a multi-year, $1 billion fiscal and operations improvement program, including $500 million in additional revenue
- Tennessee's Top to Bottom Review resulted in 332 recommendations spanning 22 state agencies

The 6.5 percent savings target set by Louisiana set a high bar relative to what other states have achieved, especially given that extensive efficiency reforms have already been undertaken in the years preceding the launch of this review.

A&M's performance review of Louisiana has two key differentiating factors that set it apart from its predecessors, making it innovative and even more actionable. First, the recommendations that follow are not top-down reforms being mandated by leadership but rather the result of a collaborative process involving vigorous vetting of assumptions with relevant agencies and a lengthy process of obtaining buy-in from affected stakeholders. Secondly, A&M has provided a blueprint for the full implementation process for each recommendation, making all savings and new revenue not just notional but actually realizable.

Origin of the Government Efficiencies Management Support Project

Building on previous performance management and improvement efforts, the state leadership decided to target additional reforms and operational efficiencies to produce further cost savings and improve revenue collections for the FY15 budget cycle. Several agencies and areas were prioritized by the state as candidates for a wide-ranging assessment. The initial broad areas to be assessed across state agencies included but were not limited to the following areas of: public health, transportation, public safety and justice, revenue and debt collection/enhancement (with no net new taxes), facility and asset management, risk management and public finance, and general management and finance. The state determined to pursue this government efficiency effort across the following nine departments and offices:

- Division of Administration (DOA)
  - Office of General Counsel (OGC)
  - Office of Risk Management (ORM)
  - Office of Group Benefits (OGB)
  - Facilities

  - Procurement
- Department of Children and Family Services (DCFS)
- Department of Corrections (DOC)
- Department of Health and Hospitals (DHH)
- Department of Public Safety (DPS)
- Department of Transportation and Development (DOTD)
- Louisiana Department of Revenue (LDR)
- Louisiana Economic Development (LED)
- Office of Juvenile Justice (OJJ)

Through a Request for Information (RFI) process, the State of Louisiana determined that the use of consulting services to assess the operations of selected agencies would increase savings, operational efficiencies, and revenue maximization of state general funds in the next budget cycle. The state set the annual savings goal of $500 million in state funds.

A Request for Proposal (RFP) for Business Reengineering/Efficiencies Planning and Management Support Services was issued by the Louisiana Division of Administration, Office of the Commissioner on September 19, 2013. The State of Louisiana accounced its intent to award the contract to the firm of Alvarez & Marsal on November 22, 2013. Following contract negotiations, the project was launched on December 16, 2013.

Given the extensive scope of the state's existing efforts to streamlining government operations and the success of this administration in identifying opportunities for savings and implementing reforms, A&M understood from the start that this undertaking would be a challenging one. Identifying new efficiencies and other cost-saving measures required searching out less apparent opportunities to achieve the desired improvements and to complement the many reforms already in place and planned for coming years.

THE REVIEW PROCESS

THE CONSULTING AND STATE TEAMS

The Government Efficiency & Management Support project was conducted by Alvarez & Marsal in coordination with the Louisiana Division of Administration and leaders from each of the agencies participating in the review. Commissioner of Administration Kristy Nichols oversaw all aspects of the state's participation, supported by a GEMS Steering Committee and Project Team as illustrated below.

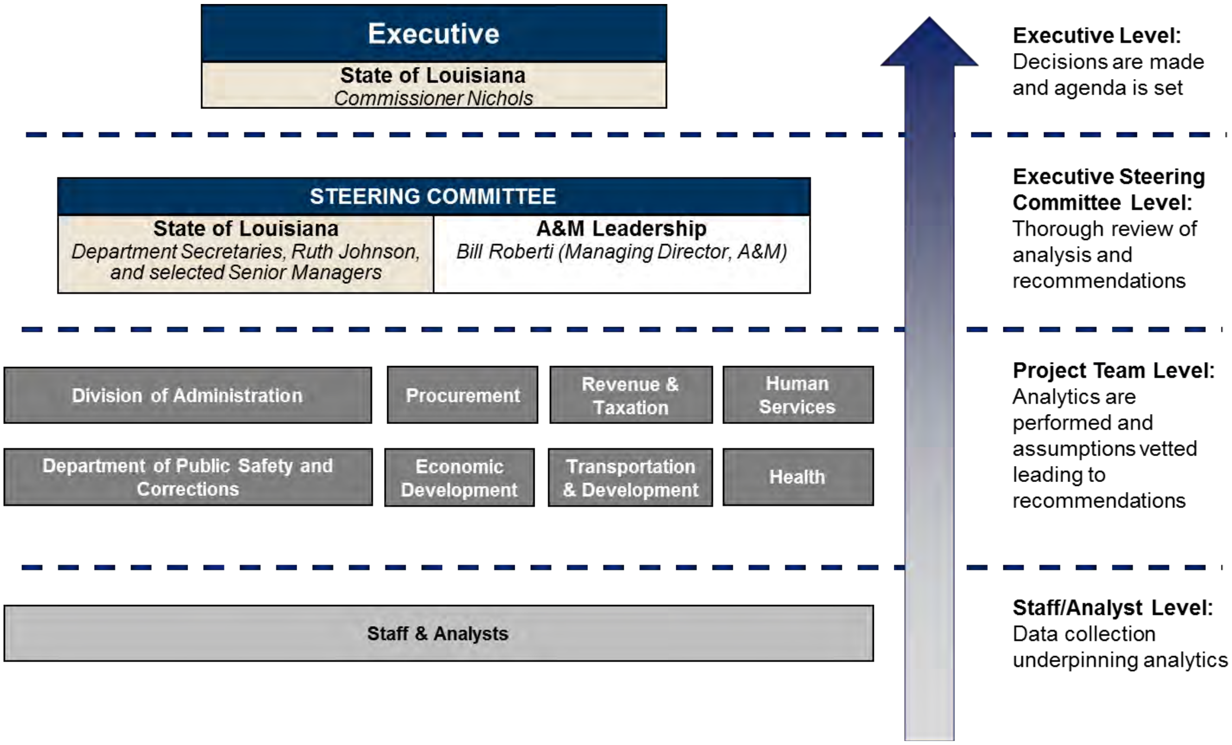

Figure 1.2: GEMS Project Roles and Responsibilities

PROJECT TIMELINE AND DELIVERABLES

In support of the administration's goals to drive significant cost savings over the next five years, Alvarez & Marsal conducted an intensive government effectiveness and efficiency assessment with overarching project management, communications, and stakeholder management. While the state's original RFP envisioned the first 90 days of the project consisting of initial project analysis, DOA challenged the A&M team to produce efficiency proposals so that Louisiana leaders could act as quickly as possible to position the state for success over the next several years.

To build and implement successful recommendations, the A&M team of professionals dedicated a significant effort working with the state: over 15,000 hours for the engagement, with a team of over 50 professionals, including six managing directors working full-time on the ground. The project culminated in a total of 72 recommendations with projected savings of $2.7 billion in state funds over five years with $574.6 million in the first full year after implementation.

Immediately following the December 16, 2013, kick-off meeting, DOA leaders and A&M met with DOA programmatic leads and undersecretaries of each department involved in the GEMS review. This group collaborated closely throughout the project to analyze data and budget information, and provide relevant history of particular department programs and processes. A&M immediately followed the project launch meetings with a comprehensive series of departmental interviews and the collection, review, and analysis of state finance and budget data, current staffing levels, and other recent efficiency reviews and savings initiatives in the state. The recommendations outlined in this report were developed through a collaborative process with the Steering Committee and Project Team to ensure that a wide array of opinions, insights, and analyses were considered for each issue.

After the initial four weeks of data gathering, compilation, analysis, interviews of state personnel in all departments under review, A&M developed a wide-ranging list of potential issue areas that could yield efficiency gains and budgetary savings either in individual departments and divisions or throughout Louisiana state government. These initial findings and opportunities for each department, division, or function were consolidated into an issues docket.

Over the course of the project, A&M developed component analytics and integrated them into the final report. These components fall into two distinct areas, the Core Analytics and the Project Implementation Planning Reporting Structure, illustrated as follows:

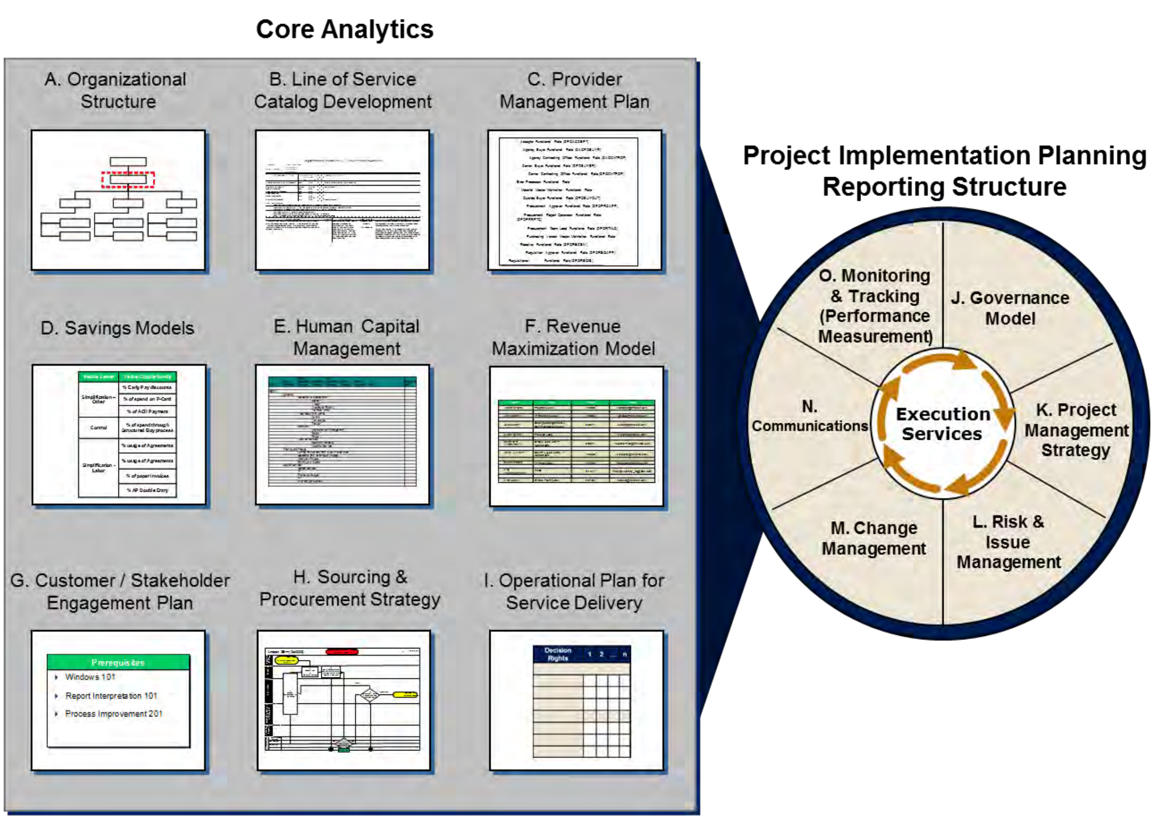

Figure 1.3: A&M's Analytic Framework for the Final Report

PROCESS

GEMS Project Management Strategy

Efficiency and management reviews are much more than financial audits. Efficiency reviews examine whether organizational structure and services are aligned or if they need to be changed and/or eliminated.

For the GEMS project, A&M used a structured approach to evaluate Louisiana's government services and to identify possible savings, efficiencies, opportunities for improved customer service and new non-tax revenues. This approach allowed the A&M team to highlight the effectiveness of each organization or program, challenge assumptions, and find new ways of doing business.

As a guiding principle throughout the GEMS review, Alvarez & Marsal worked with department employees to challenge assumptions about why a program or service exists, as well as how business is conducted.

The GEMS project was designed to look beyond simple budget cuts to answer questions important for the continued viability of each Louisiana department, division, and program studied.

The process was used to:

- Challenge the process by which each agency provides services
- Rethink how the department, program, or activity in question functions
- Determine whether any departments, programs, or activities are not as efficient in carrying out their duties as they could be and whether some activities could follow different service delivery models
- Identify duplication in procedures, programs, or staffing, and eliminate waste
- Assess optimal staffing levels and efficiencies
- Assess the status of communication between staff and management and recommend improvements
- Review and recommend corrections to problems that have caused issues or concerns
- Design implementation plans for recommended improvements so that the savings would not only be identified but also realizable
- Work with agencies to gain buy-in and enable leadership to take ownership of the recommendations and the implementation process

These final two points are especially important as they set this report apart from previous comprehensive reviews conducted by other states, which focused largely on identifying savings. Louisiana has already expended significant time and energy on identifying cost savings over the last five years. To make this review successful, Alvarez & Marsal, in conjunction with the State of Louisiana, had to examine many of the potential areas that would require a great deal of effort to obtain meaningful results. It was therefore vital for A&M to not only uncover where savings lay but also plot the course for bringing these recommendations to fruition.

As illustrated in Figure 1.4, A&M used a three-step process to create the recommendations included in this report:

Phase	Description
Information Gathering	• Utilize agency financial and operational data extracts, interviews, organization charts and benchmarking data from other states to establish a fact base • Develop a preliminary list of ideas to improve operations and capture savings
Business Case Development	• Evaluate each opportunity according to its relative cost and impact to estimate its return on investment • Refine the list of potential recommendations to include only the ones with the best chances of success
Implementation Planning	• Flesh out the final list of recommendations to include resource needs, performance metrics, communication plans and risk management strategies

Figure 1.4: GEMS Project Management Strategy

Efficiency reviews are multi-phased processes that begin with assessing the capabilities of existing programs, systems, and procedures. Based on these assessments, recommendations for improved efficiency and performance are developed. Then, in subsequent phases of the review, implementation plans are created to monitor progress toward improved outcomes.

Information Gathering

The information-gathering phase is a critical first step to establish the framework and processes for any efficiency review. At the commencement of the GEMS project, A&M met with DOA and state leadership to identify: 1) the best sources of qualitative and quantitative information for the initial budget and process analysis; and 2) any key state stakeholders who could serve as resources for information. A&M also distributed an initial data collection request that included financial, program, and operational data, as well as organization charts, to all in-scope agencies for information that would lead to initial hypotheses and in-depth analyses.

As the A&M team collected all the necessary data, the team held interviews, pursued follow-up data collection, gathered appropriate benchmarks and best practices, conducted budget and spend analysis, and reviewed operational efficiency efforts (current and planned).

A&M then identified opportunities specific to each department's operating plan and structure, designed hypotheses to test inefficiencies, and developed a preliminary case for action. From there, A&M submitted a second data collection request to establish the baseline analysis, and determined an efficiency assessment methodology.

Business Case Development

A&M's comprehensive and innovative approach to government-wide analysis and industry-based methodology for conducting program assessments is ideal for evaluating large-scale, cross-cutting government projects because it performs a detailed analysis into both pure government financial management areas as well as program management areas. A&M's technical approach builds on the decades of experience in multiple disciplines to ensure the right people with the right expertise, methods, and tools provide the right solutions to meet the state's goals.

A&M's expert consultants with years of experience in government and turnaround management generated findings and recommendations rapidly and laid the foundation for successful implementation, operational support, realization of savings, and government-wide benefits.

A&M conducted appropriate business reengineering analyses, including assessment of department leadership, operations, citizen services, and revenue enhancement possibilities. These activities led to a more detailed assessment of the department in which the initially identified opportunities were further refined, with agency input, into full recommendations. These recommendations were reviewed with both DOA and agency leadership through two tollgate meetings and further refined in numerous, less formal working sessions between the A&M team and state officials.

Implementation Planning

As the recommendations were further vetted and refined with relevant agencies, A&M developed implementation plans for each recommendation, leveraging its team's extensive experience in government and other transformation situations to detail project plans, communications and stakeholder engagement strategies, and risk mitigation procedures. A&M also outlined target performance metrics in order to appropriately track progress of implementation. The final recommendations, presented in this report, are the result of this extensive process of analysis, review, and testing. They present not only potential opportunities for the State of Louisiana but also actionable steps to achieve real savings and new revenue.

SUMMARY OF RECOMMENDATIONS

After five months immersed in the operations of the state agencies included in GEMS, the Alvarez & Marsal team has developed a set of 72 recommendations to provide more than $2.7 billion in savings or new revenue to the state over a five-year period.

In developing these recommendations, A&M examined all aspects of the agencies' operations and applied analysis based on its own direct experience and the experience and best practices employed by other entities around the country.

The goals included:

- Identifying ways in which the state agencies being reviewed could be more efficient with their resources and effective with their services
- Developing strategies, wherever possible, for improving services and helping government function better – in addition to saving money
- Working closely with the agencies and the DOA to produce a list of recommendations that are practical and can be implemented to produce results in the near-term

The final list of recommendations includes:

- Fourteen recommendations that fall under DOA's umbrella, including recommendations for the ORM totaling $128 million over five years, for Procurement totaling more than more than $234 million over five years, and for Real Estate and Facilities totaling $71 million over five years
- Thirteen recommendations for the DHH that will result in savings or new revenue of $234 million over five years
- Ten recommendations for the DOTD totaling $103 million in savings over five years
- Seven recommendations for the DPS that will save more than $45 million over five years
- Six recommendations for the DOC totaling $105 million in savings over five years
- Five recommendations for the LDR that will result in additional revenue of $333 million over five years
- Five recommendations for the OJJ that will result in savings or additional revenue totaling $44 million over five years
- Four recommendations for the LED that will save $1.9 million over five years
- A recommendation for the DCFS that will save $2 million over five years
- Cross-agency recommendations including ones for revenue opportunities surrounding improved federal funds management, that several agencies reflect the true cost of the service they provide in setting various fees, and that the state review its FMLA administration policies

The full list of detailed recommendations is found in the chapters that follow.

Total Five Year Savings and Revenues by Agency/Focus Area [$000s]							
#	Agency / Focus Area	FY15	FY16	FY17	FY18	FY19	Total
1.	Division of Administration						
a.	Procurement	18,575	50,634	55,188	55,188	55,188	234,773
b.	Facilites Management and Real Estate	4,130	28,316	12,160	12,770	13,551	70,927
c.	Office of General Counsel	685	785	785	785	785	3,825
d.	Office of Group Benefits	149,800	221,600	224,800	227,300	229,000	1,052,500
e.	Office of Risk Management	24,659	25,722	25,790	25,859	25,859	127,889
1.	*Division of Administration Subtotal*	*$ 197,849*	*$ 327,057*	*$ 318,723*	*$ 321,902*	*$ 324,383*	*$ 1,489,914*
2.	Department of Revenue & Taxation	54,418	90,843	77,718	55,218	55,218	333,415
3.	Department of Health & Hospitals	10,056	43,978	54,689	61,953	63,430	234,106
4.	Department of Transportation and Development	10,506	25,787	20,922	20,922	20,922	99,059
5.	Adult Corrections and Probation	9,488	16,233	26,456	26,531	26,581	105,289
6.	Department of Public Safety	5,130	8,886	9,686	10,609	11,109	45,420
7.	Office of Juvenile Justice	5,830	7,550	8,822	10,879	11,180	44,261
8.	Department of Children and Family Services	223	445	445	445	445	2,003
9.	Louisiana Economic Development	321	388	47,391	47,395	47,398	142,893
10.	Cross Agency Revenue Opportunities	3,029	40,747	40,947	41,157	41,378	167,258
11.	Human Capital	5,523	12,292	15,023	16,515	16,515	65,868
12.	Provider Management	178	418	480	529	579	2,184
Grand Total		**$ 302,551**	**$ 574,624**	**$ 621,302**	**$ 614,055**	**$ 619,138**	**$ 2,731,670**

CHAPTER 2: DIVISION OF ADMINISTRATION

AGENCY OVERVIEW

The Division of Administration (DOA) is the central management and administrative support agency for the State of Louisiana. DOA has been a center of increasingly consolidated core operations and functional efforts across the executive branch of Louisiana state government. The division serves as a provider of financial and accounting services, information technology, contract review, procurement, and other functions across 25 sections. Overseen directly by the Commissioner of Administration, DOA is responsible for the creation of the annual budget submission to the state legislature and functions as an oversight/control agency for the executive branch in addition to its service mission to other state departments.

Several component organizations were critical parts in their own right to the overall efficiency program. The offices included in the review include:

- Office of General Counsel
- Office of Group Benefits
- Office of Risk Management
- Procurement
- Real Estate

Each of these organizations included a project lead from the state and a dedicated team from Alvarez & Marsal working with the state counterparts to identify savings and develop the implementation plan.

BACKGROUND OF RECOMMENDATIONS

A&M's approach to DOA focused on enhancement of current capabilities, cost reduction, and the creation of new capabilities to enhance DOA's ability to function more effectively.

The recommendations made by A&M achieve savings through cost reductions and by improving funding related activities.

RECOMMENDATIONS

Rec #	Recommendation Name	FY15	FY16	FY17	FY18	FY19	Total
		Target Savings and Revenue Estimate (All values in 2014 dollars, in 000s)					
Procurement							
1	Implement Strategic Sourcing in Key Areas	$18,575	$50,634	$55,188	$55,188	$55,188	$234,773
Procurement Subtotal		**$18,575**	**$50,634**	**$55,188**	**$55,188**	**$55,188**	**$234,773**
Facilities Management and Real Estate							
1	Increase Office Space Efficiency through Spatial Consolidation and Lower Space Usage Standards	($1,574)	$11,088	$11,232	$11,784	$12,506	$45,036
2	Surplus Assessment	$5,704	$17,112	$754	$754	$754	$25,078
3	Adjust the Office of State Lands Right-of-Way Lease Rates	$0	$116	$174	$232	$291	$813
Facilities Management and Real Estate Subtotal		**$4,130**	**$28,316**	**$12,160**	**$12,770**	**$13,551**	**$70,927**
Office of General Counsel (OGC)							
1	Increase organization efficiency of OGC	$395	$395	$395	$395	$395	$1,975
2	Increase efficiency of document review process and reduce internal and external attorney costs	$290	$390	$390	$390	$390	$1,850
OGC Subtotal		**$685**	**$785**	**$785**	**$785**	**$785**	**$3,825**
Office of Group Benefits (OGB)							
1	Execute on opportunities for administrative cost savings and efficiency	$2,800	$3,300	$3,300	$3,300	$3,300	$16,000
2	Redesign OGB's offered benefits to preserve plan options, maximize value and mitigate cost	$147,000	$218,300	$221,500	$224,000	$225,700	$1,036,500
OGB Subtotal		**$149,800**	**$221,600**	**$224,800**	**$227,300**	**$229,000**	**$1,052,500**
Office of Risk Management (ORM)							

Rec #	Recommendation Name	Target Savings and Revenue Estimate (All values in 2014 dollars, in 000s) FY15	FY16	FY17	FY18	FY19	Total
1	Property Insurance Procurement	$3,023	$3,125	$3,125	$3,125	$3,125	$15,523
2	Property Program Restructure	$16,984	$17,233	$17,233	$17,233	$17,233	$85,916
3	State Insured Builders' Risk Fund	$322	$526	$526	$526	$526	$2,426
4	Civil Service WC - Personal Sick Days	$1,250	$1,250	$1,250	$1,250	$1,250	$6,250
5	Workers' Compensation Loss Control and Safety	$2,875	$3,350	$3,350	$3,350	$3,350	$16,275
6	Organizational Headcount & Budget Analysis	$205	$238	$306	$375	$375	$1,499
ORM Subtotal		**$24,659**	**$25,722**	**$25,790**	**$25,859**	**$25,859**	**$127,889**
Division of Administration Total		**$197,849**	**$327,057**	**$318,723**	**$321,902**	**$324,383**	**$1,489,914**

PROCUREMENT

The Office of State Purchasing (OSP) is the central office that is charged with simplifying, clarifying, and modernizing the procurement process in the State of Louisiana. The current mission of OSP is to develop and implement sound procurement practices in accordance with executive policy and legislative mandates, and to provide quality and timely services to the agency and vendor communities.

The Office of Contractual Review (OCR) is a section within the Division of Administration (DOA), charged by law with adopting rules and regulations for the procurement, management, control and disposition of all professional, personal, consulting, and social services contracts required by state agencies. OCR decides all matters of policy relative to professional, personal, consulting, and social services contracts.

A&M conducted a thorough analysis of the state's procurement process by conducting interviews with key procurement personnel within OSP, OCR, and the in-scope agencies. While most agencies have buyers with many years of experience and knowledge of the commodities procured for the operations of the state, there are technology limitations and minimal reporting capabilities to aid in the decision making process.

Total spend is not leveraged across the state, and use of the statewide contracts currently in place is not mandatory, resulting in spending at a higher cost. The vendor base is not consolidated in many categories and there is little to no collaboration across agencies to share best practices, leverage spend, and manage/negotiate procurement areas of commonality. Managing the large number of vendors also causes a multitude of inefficiencies in the procure-to-pay (P2P) process and is costly to the state in terms of invoice processing, contract management, and vendor management. There are minimal formal vendor/contract management processes in place.

Procurement requirements governing state agencies, in the revised statutes of Louisiana law, are fragmented throughout the various chapters. This results in confusion among agencies and vendors and causes inefficiencies in procurement processes and contract compliance. No major updates have occurred since creation of the revised statutes in the late 1970s.

OSP and OCR have initiated a Lean Six Sigma business transformation project to streamline the procurement and contracting process, improve efficiency, and reduce cycle time while improving quality. The project is currently in the pilot phase and initial results are positive. A&M closely reviewed the existing efforts and integrated them into its recommendations where possible, making sure not to duplicate efforts.

Background of Recommendations

A&M's primary recommendation is the implementation of strategic sourcing. This recommendation will be integral to the success of a more efficient and effective procurement process for the state and its vendors.

This recommendation includes the establishment of a cross-functional, cross-agency strategic sourcing team with the appropriate skillsets to ensure agency needs are well understood and that those needs are met in the procurement process. The establishment of strong analytical capabilities to extract and analyze spend is also required to strategically manage spend categories. The implementation of strategic sourcing should also include development of a consistent procurement strategy across agencies and other state entities; robust vendor and contract management processes; targets for procurement cost savings with clear metrics; routine evaluations of spending and contract compliance; vendor evaluations; cross-agency cost reduction and quality improvement targets and programs; and improved technology and reporting capabilities.

In order to improve technology and reporting capabilities, A&M is also recommending that the state implement an electronic procurement (eProcurement) system including electronic document and workflow capabilities to streamline processes and improve information flow and accessibility. It should additionally develop a classification structure to properly code expenditure information. As outlined in a recent survey conducted by the National Association of State Procurement Officials (NASPO), benefits of an eProcurement system include "increasing transparency, achieving [cost savings and] value and promoting competition, expanding the supplier base, maintaining financial controls, measuring performance, and promoting efficiency in workflow and approval authority."[1]

In addition to the qualitative analysis required to develop this recommendation, A&M completed a high-level spend analysis by utilizing FY13 spend information from LaTrac, which extracts information from three central systems (CFMS, AGPS, and LaGov (SAP)) and multiple agency side systems.

The analyzed expenditures included goods and services contracts managed within OCR, OSP, and state-wide agency spend. Overall state spend was first analyzed to determine the procurement-addressable spend of $3.9 billion. The overall spend was then broken down by category, sub-category, and by agency. The analysis also included review of the spend by vendor, including total number and those comprising 80 percent of the spend, commonalities and differences in vendors base between agencies, and review of selected contracts. (For additional information, please see Appendix A.)

A&M has examined and recommended how to best approach and implement a new and more efficient model to deal with the vast array of needs for the state in the realm of procurement. Savings and cost avoidance opportunities were estimated based on the current-state analysis of each category described above, internal and public-sector benchmarks, and previous A&M experience.

The table on the next page summarizes the targeted savings opportunities identified in procurement.

[1] "ERP and eProcurement Systems," Emerging Issues Committee – ERP/eProcurement Systems Work Group, NASPO, June 2013

RECOMMENDATIONS

		Target Savings and Revenue Estimate (All values in 2014 dollars, in 000s)					
Rec #	Recommendation Name	FY15	FY16	FY17	FY18	FY19	Total
1	Implement Strategic Sourcing in Key Areas	$18,575	$50,634	$55,188	$55,188	$55,188	$234,773
Total		$18,575	$50,634	$55,188	$55,188	$55,188	$234,773

Recommendation #1 - Implement Strategic Sourcing in Key Areas

OSP/OCR should establish strategic sourcing capabilities to leverage overall state purchases, in order to obtain the lowest cost of ownership. A&M is also recommending the state implement an electronic procurement system (eProcurement) and develop a spend classification structure to properly code spend information.

Findings & Rationale

Following is a list of key observations regarding OSP/OCR operations, which served as the foundation for the recommendation to implement strategic sourcing. These observations were obtained through interviews and spend/contract analysis:

1. **Category management structure:**
   - Individuals involved in purchasing decisions are not well-trained in how to develop category strategies to effectively negotiate the lowest total cost of ownership
2. **Consistent and standard processes**:
   - Consolidation of spend in OSP is done on an ad-hoc basis and not at all in OCR, resulting in multiple contracts with the same vendor, often with different pricing, resulting in lack of leverage and redundant work
   - Inventories are not shared across agencies and vendor-managed inventory is not widely utilized
   - No category strategies are in place for managing spend, sharing best practices, standardizing agency processes and driving year-over-year cost savings.
   - Tiered pricing strategies (volume discounts) are not widely utilized because data is not available to manage procurement activities
   - Purchasing policies and procedures are not standardized across the state
3. **Contract management:**
   - Procurement and contract review functions are established in each agency, limiting state-level spend visibility and potentially duplicating work between OSP / OCR and the agencies.
   - In some cases, higher cost brand names are specified rather than evaluating based on "fit for use" specifications
   - Procurement and contract information and plans are not shared or pooled across agencies to identify opportunities to leverage spend and concentrate the vendor base
   - Contract administration is inefficient as it is difficult to manage contract compliance, expirations dates, etc. because of the manual processes in place today
4. **Vendor Relationship Management (VRM):**
   - There are no vendor performance metrics to monitor quality or to drive cost savings
5. **Technology:**
   - Limited visibility into spend data at a category and at a line-item level. Reliable spend data by contract was not available

- Aggregation of spend data is cumbersome and labor intensive due to system limitations in extracting data and reporting, standardization of classifications, and coding that is done for budget purposes.
- Data management could be improved by moving to electronic management systems, where possible
- Minimal visibility into the status and location of the procurement of goods and/or services in the procurement process
- SAP has been implemented at the Department of Transportation and Development and the Department of Environmental Quality and is being rolled out to additional departments, but full implementation will be long-term
- A reverse auction system is being implemented by the state and will be an important sourcing tool to capture savings

OSP/OCR should establish strategic sourcing capabilities to leverage overall state purchases, in order to obtain the lowest cost of ownership.

Using a systematic, strategic sourcing approach to leverage the agencies' combined spend and consolidate the vendor base is an opportunity for significant savings on the $3.9 billion of addressable spend (based on the FY13 spend data analyzed). When fully implemented, A&M's research and experience indicate strategic sourcing can significantly reduce costs of the overall spend of categories that are strategically sourced and improve service levels. However, in the state's current purchasing environment, it will take two to four years to realize this magnitude of savings as the foundation, organization, skill-set, and technology will take time to deploy.

Strategic sourcing is a rigorous, disciplined approach to sourcing that will result in the lowest total cost of ownership for the state. Effective strategic sourcing must be run in conjunction with technology improvements and overall process improvement within the procure-to-pay process. Other benefits of enhanced procurement practices are less tangible, more long-term, and not immediately obvious or easily measurable. Such benefits include:

- Higher quality goods and services
- More favorable contract terms
- Time savings for staff
- Stronger, trusting relationships with vendors

Short-term savings can be achieved as the strategic sourcing capabilities and plans are developed for the longer term. A&M recommends the following short-term actions:

- Review all key contracts where the agencies have common vendors and negotiate with current vendors to see if there are cost savings available
- Make use of statewide contracts a requirement. This should not only result in improved pricing, but also greater leverage as spend is consolidated and moved toward strategic sourcing
- Provide a comprehensive training program and educational requirements for agency personnel that purchase goods and services
- Conduct a post-invoice audit to identify possible refunds where the state may have paid a higher price than contract and request vendors refund the price differential from the paid rate to the negotiated rate.
- Utilize reverse auction tools in certain categories

It is important to note that savings opportunities are dependent on data visibility. By improving technology and reporting capabilities through an eProcurement system, to be phased in over a multi-year period, the state can streamline the procure-to-pay process in order to reduce costs, drive dynamic reporting capabilities, and further capture of procurement savings by:

- Increasing automation to drive productivity and paperless transactions throughout the P2P process, including the invoice approval and match process enabling capture of early pay opportunities
- Identifying sourcing opportunities through spend analytics to leverage robust, detailed spend data by commodity, across departments and agencies to drive fact-based initiatives with improved positioning in negotiations, without relying on vendor intelligence

- Enabling the organization to use a standardized approach shortening turnaround times and having immediate impacts, via electronic RFx and continuation of reverse auctions
- Implementing eRFI, eRFP, eRFQ, and contract collaboration modules to collaborate with vendors, optimize the process and negotiate savings
- Measuring internal and vendor performance metrics and drive continuous improvement

Benefits to vendors include:

- Easy access to profiles, licenses, contracts, and purchase orders
- Ability to submit electronic bid responses, thus lowering vendors' cost to do business with the state
- Provides local government entities visibility to contracts available through OSP

Benefits to the state and agencies:

- Streamlines the procure-to-pay process
- Promotes competition in the bid process
- Allows simple and easy method for agencies to view and utilize state-negotiated contracts

RECOMMENDATION #1 - (DOLLARS IN 000'S)				
FY15	FY16	FY17	FY18	FY19
$18,575	**$50,634**	**$55,188**	**$55,188**	**$55,188**

Assumptions

The projected savings are based on the following assumptions:

- Savings in FY15 are based on addressing $864 million of state and federally-funded spend in the first phase, in 10 categories and estimated savings of three to 22 percent based on the particular category. The table of savings above depicts state savings only, realized over time through a phased approach, starting in FY15.

- For FY15, the assumption is that 67 percent of state savings can be realized in the first four to six months of the implementation. Eight months following that, at year-end, it is assumed that 100 percent of the estimated state savings for the first phase categories can be realized.

- For FY16, the same phased approach applies. In December of 2015 after the first phase categories have been completed, the implementation of second phase categories will begin. The second phase addressable spend, including state and federal savings, is $2.5 billion in seven categories with category savings percentages ranging from two to eight percent, depending on the particular category.

- The assumption is that eight months following the start of the project, the second phase categories will have been implemented and 83 percent of the savings estimates to be realized in FY16, with 100 percent of the savings realized the following year. Recurring savings are the sum of first and second phase total savings. Achievement of the savings requires improved technology tools and data capabilities and establishment of the strategic sourcing organization within OSP. The cost for improved technology tools will be identified by the state's IT department. These costs are not included in this report.

- The procurement categories to be sourced in year one, FY15 include:
  - Fuel, industrial liquids and gas
  - Office supplies
  - Courier services
  - Waste management
  - Copiers
  - Professional services
  - Maintenance, repair and operating supplies
  - Logistics
  - Janitorial
  - Medical and dental pharmaceutical
  - Opportunistic contract negotiations

- Details of potential areas for savings can be found in Appendix A.

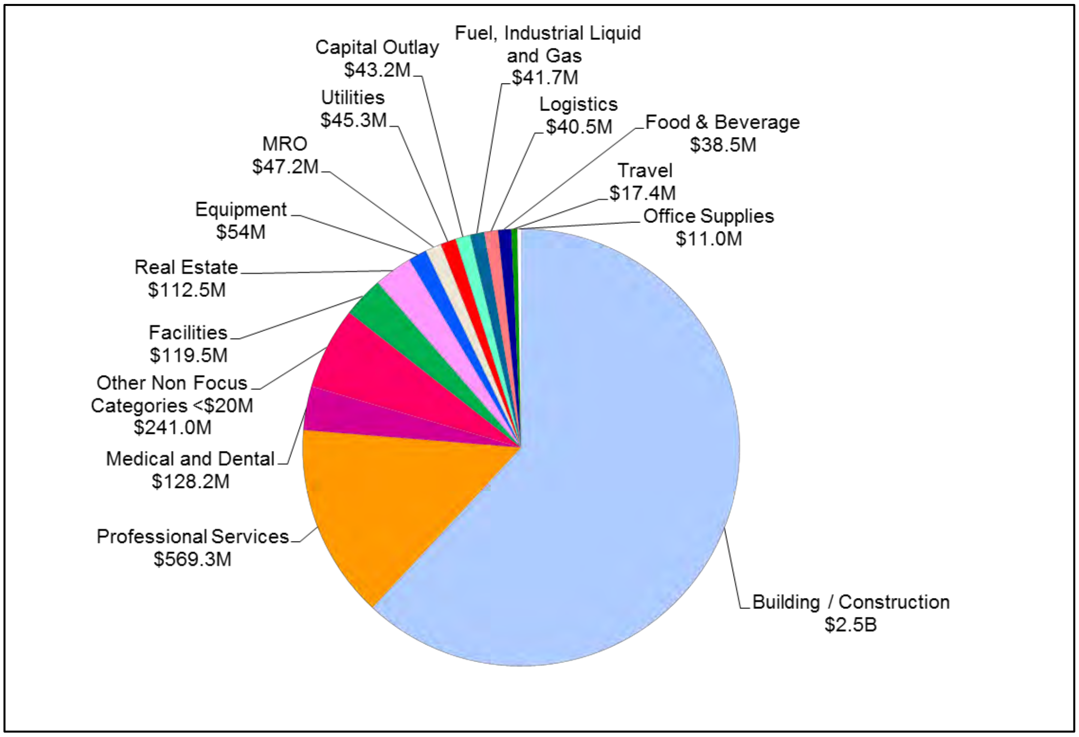

Figure 2.1: Overall Spend by Category Analysis (FY13)

Recommendation #1 - (dollars in 000's)					
Categories in Year One	FY15	FY16	FY17	FY18	FY19
Year 1 Phasing Schedule	67%	100%	100%	100%	100%
Year 2 Phasing schedule	0%	83%	100%	100%	100%
Year 1 Phased Savings Schedule	$18,575	$27,863	$27,863	$27,863	$27,863
Year 2 Phased Savings Schedule	**$0**	$22,771	$27,325	$27,325	$27,325
Total Savings by year	**$18,575**	**$50,634**	**$55,188**	**$55,188**	**$55,188**

PROJECT IMPLEMENTATION PLAN

To ensure the success of strategic sourcing within the state, a well-defined implementation plan is critical.

It is important to note that the implementation of strategic sourcing is a gradual process, taking place over several years.

Project Management / Implementation Strategy

The following tables depict the high-level recommended project plan at the category level.

				FY 2014-2015				FY 2015-2016			
Project	Project Name	Duration (Weeks)	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1	Strategic Sourcing	48									
2	Follow on Support	68									

Figure 2.2: Procurement Project Plan Gantt Chart

WBS	Tasks	Resources
1	**Program & Change Management**	
1.0	Change Management	1 PM / CM FTE
1.0.1	Execute Stakeholder Analysis	1 PM / CM FTE
1.0.2	Develop Communication Plan	1 PM / CM FTE
1.0.3	Communications Development & Distribution	1 PM / CM FTE
1.0.4	Facilitate Train the Trainer Workshops	1 PM / CM FTE
1.1	Program Management / Governance	1 PM / CM FTE
1.1.1	Facilitate key project decisions, meetings, etc.	1 PM / CM FTE
1.1.2	Provide tracking and monitoring information	1 PM / CM FTE
1.1.3	Facilitate transparency throughout project	1 PM / CM FTE
2	**Recommendation #1 -- Strategic Sourcing**	
2.0	Office Supplies	1 Gov't FTE/agency + ½ IT FTE + 1 OSP FTE/category
2.0.1	Create Opportunity Assessment (Spend Analysis)	1 Gov't FTE/agency + ½ IT FTE + 1 OSP FTE/category
2.0.2	Evaluate Category & Supply Market	1 Gov't FTE/agency + ½ IT FTE + 1 OSP FTE/category
2.0.3	Develop Category Strategy	1 Gov't FTE/agency + ½ IT FTE + 1 OSP FTE/category
2.0.4	Conduct Sourcing Events	1 Gov't FTE/agency + ½ IT FTE + 1 OSP FTE/category
2.0.5	Negotiate & Form Recommendation	1 Gov't FTE/agency + ½ IT FTE + 1 OSP FTE/category
2.0.6	Develop & Implement Agreement	1 Gov't FTE/agency + ½ IT FTE + 1 OSP FTE/category
2.0.7	Measure Savings & Manage Compliance	1 Gov't FTE/agency + ½ IT FTE + 1 OSP FTE/category

Figure 2.3: Procurement Project Plan

Affected Stakeholders

Potential stakeholders who will be affected by these recommendations include:

- State employees involved in the procurement process
- IT department employees responsible for implementing technology improvements
- Vendors/suppliers of products and services to the state

Communications/Stakeholder Engagement

Agency and central procurement staff will require training as new systems are implemented. The staff will collaborate in developing tactics for communicating among themselves for the purposes of sharing information and employing best practices.

It may or may not be productive to employ a broad-based vendor communications program. On a case by case basis, staff should determine whether it is more effective to communicate directly with specific groups of vendors.

Change Management

Every project must have three elements to achieve success: leadership/sponsorship, project management, and change management. Each of these three elements is essential to achieving success.

Goals for Change Management within Procurement are as follows:

- Increase the probability of project success by connecting change management to results with a strong focus on:
  - Meeting project objectives
  - Managing the project schedule and budget
  - Helping clients realize the return on investment (ROI) as defined by the project's business case
- Mitigate negative consequences by managing employee resistance to change
- Translate change management to financial performance by helping the state minimize the impact of productivity loss, turnover, and impacts to stakeholders and citizens
- All of these success factors are based on a new way of managers collaborating across the agencies to better grasp and execute on the common core disciplines and practices of strategic sourcing. It requires a cultural shift away from department independence into a more practical platform for introducing and reinforcing positive change.

Monitoring and Tracking Models

Below is a sample of the monitoring metrics that will be used to track project progress through completion.

Rec#	Objective	Performance Measure	Unit
1	Maximize Cost Savings	Amount of cost savings	Dollars
1	Maximize Cost Avoidance	Amount of cost avoidance	Dollars
1	Spend strategically sourced	Amount sourced	Dollars
1	Track supplier relationship strategy	% of supplier relationship strategies in place	% of suppliers
1	Decrease purchase order processing time	Time taken to process purchase order	Days

Rec#	Objective	Performance Measure	Unit
1	Decrease requisition processing time	Time taken to process requisition claim	Days
1	Increase compliance with statewide contracts	% of state organizations who are purchasing through the contract	% of Orgs

Figure 2.4: Procurement Tracking Tool

REAL ESTATE / FACILITIES MANAGEMENT

Within the Division of Administration, (DOA) real property, leasing, and facilities management services are provided by three unique agencies: (1) Facility Planning and Control, (2) the Office of State Lands, and (3) the Office of State Buildings.

Facility Planning and Control (FP&C) provides three major services: (1) administration of the capital outlay budget process, (2) project management for the design and construction of state owned facilities, and (3) acquisition of owned or lease facilities to house the operations and match the needs of user agencies. In order to deliver these services in the most efficient manner, FP&C divides these functions among six sections/groups:

1. Real Estate Leasing
2. Capital Outlay Budget
3. Contracts & Property Acquisition
4. Fiscal
5. Projects & Contracts
6. Projects & Special Projects

Within *FP&C, Real Estate Leasing (REL)* ensures the availability of appropriate leased space to house state agencies' personnel, operations, and equipment in accordance with Title 39 of the Louisiana Procurement Code. In instances when appropriate space is unavailable within state-owned facilities, REL will procure space in the private market.

Capital Outlay coordinates the efficient administration of the capital outlay budget process, overseeing the legislative process that allocates capital funding to most essential projects. Capital Outlay's work culminates in the introduction of the Governor's Capital Outlay Budget Bill by the eighth day of the Legislative Session. After capital projects are funded, Project Managers and Contract Support within FP&C oversee the design and construction of state-owned facilities.

Office of State Lands (OSL) is responsible for the identification, administration, and management of state public lands and water bottoms. Its primary goal is to maximize public utilization and ensure the highest economic return to the state, while at the same time protecting the state's proprietary interest in lands and water bottoms through the permitting process. Emphasis is placed on increasing revenue production through land and timber sales, surface and sub-surface leasing, water bottoms permitting, and the issuance of rights-of-way, surface and subsurface agreements.

Office of State Buildings (OSB) is one of the largest public sector operating entities providing real estate and facilities management services in the state. OSB currently manages a portfolio of office, garage, and plant facilities comprising over six million square feet (SF). OSB divides responsibilities for operations and preventative maintenance in four regional divisions: Alexandria/Lafayette, Shreveport/Monroe, New Orleans, and Baton Rouge. Depending on the project need, the OSB's Architectural, Electrical, Horticultural, or Mechanical groups are equipped with the expertise to manage service delivery. OSB's Administrative group oversees all groups within OSB and tracks operations and maintenance spend at the facility level and against industry benchmarks. According to OSB, over the past five years, OSB managed facilities have exceeded energy efficiency savings goals by three to five percent annually.

Challenges and Approach

The lines of service each agency provides are essential to the efficient management of the state's lands and facilities, and many of these services are required by statute. Having three completely separate agencies handling real estate and facilities management is inefficient, and there are potential synergies from consolidating these offices. As such, FP&C, OSB and OSL, the three real estate and facilities management organizations within DOA, are being considered for consolidation in FY15 into one agency named the Office of Property & Facilities. This effort is meant to address the decentralized management of real estate assets which these agencies provide in their current, segmented form.

Type	Square Feet	Percent of Portfolio
Office	7,668,000	34%
Warehouse	2,382,000	11%
Dormitory	2,214,000	10%
Education	2,067,000	9%
Residential	1,858,000	8%
Corrections	1,797,000	8%
Other	1,481,000	7%
Healthcare	1,185,000	5%
Utility	868,000	4%
Transportation	855,000	4%
Recreation	193,000	1%
Total	**22,586,000**	

Figure 2.5: Portfolio Size

Outside of these offices, the management of the state real estate portfolio is decentralized in each agency. By statue, several in-scope agencies (e.g., DOTD, DHH) are exempt from any oversight in the management of their real estate assets. Being autonomous allows these agencies to operate and manage their assets as they see fit. This, however, can lead to lack of prudent investment in preventative maintenance programs that extend the useful life of state owned assets and save taxpayer dollars. Further, the systems are not in place to track facility maintenance and utility spend at the facility level. The inability to track facility maintenance costs makes it impossible to benchmark state spending against industry norms.

Given that most of the real estate asset management is handled within the agencies, the Real Estate / Facilities Management team focused on cross-agency opportunities to rationalize the entire real estate portfolio across agencies. This effort is complicated by the fact that each agency may have a variety of facility types (offices, hospitals, labs, hangars, etc.) and occupancy in both owned and leased facilities.

From our assessment, the Real Estate / Facilities Management team believes the current decentralization of facility services within the agencies creates cost and occupancy inefficiencies in the asset management of the state's real estate holdings, and that economies of scale can be gained by centralizing the cross-agency management of several services into the Office of Property & Facilities.

Portfolio Summary

Portfolio Size - The State of Louisiana's real estate portfolio contains over 200 million SF of space across a multitude of facility types. However, the cross-agency in-scope real estate portfolio consists of 22.6 million SF of space, in over 3,600 facilities, across 10 different facility types.

In FY13, the state financial system tracked $95 million in facilities maintenance and utility expenditure.

Office Portfolio - Of the 22.6 million SF within the in-scope real estate portfolio, 7.7 million, or 35 percent, is in commercial office space. The state owns and manages 4.5 million SF of office space, or 59 percent of the total commercial office space portfolio, and leases the remaining 3.1 million SF.

Among the agencies, the Department of Health and Hospitals *owns* the most commercial office space (962,000 SF), while the Department of Children and Family Services *leases* the most commercial office space (1.3 million SF). Of the facility types, commercial office space is the most universally consistent across all Divisions, making it the most addressable in terms of cross-agency utilization assessment and consolidation efforts.

Regional Office Portfolio - The commercial office portfolio can be broken down regionally, encompassing the seven largest cities in the State of Louisiana. Of the 7.7 million SF of office space, 6.1 million SF or 81 percent of the office portfolio falls within the greater Alexandria, Baton Rouge, Lake Charles, Lafayette, Monroe, New Orleans or Shreveport areas. Among these regions, the largest portion of office space falls in the greater Baton Rouge area, where 3.6 million SF or 48 percent of the commercial office portfolio resides. The management of this space is ripe for inter- and intra-agency consolidation and occupancy cost reduction.

	Owned (SF)	Leased (SF)
Alexandria	383,000	98,000
Baton Rouge	2,443,000	1,218,000
Lake Charles	47,000	114,000
Lafayette	133,000	146,000
Monroe	477,000	145,000
New Orleans	225,000	490,000
Shreveport	123,000	151,000
Total	**3,831,000**	**2,362,000**

Figure 2.6 Regional Office Portfolio

Facilities Management, Rent, and Utility Spend - In FY13, the nine in-scope Divisions collectively spent approximately $94 million dollars on facilities-related operations and maintenance. Just over $59 million of that spend went to facilities maintenance and repairs, while the remaining $35 million was for utilities.

Electricity Spend - $25.4 million or 73 percent of utility-related expenditures was on electricity. It should be noted that the most detailed level of real estate-related financial information attainable with current financial tracking systems is at the division level. Cost accounting cannot be reported on at the facilities level.

Background of Recommendations

All real estate and facilities management performance improvement recommendations focus on improving the efficiency of, and lowering the costs of, operating state-occupied facilities through increased centralization of asset management services, continuous portfolio occupancy management, and detailed operating and financial reporting capabilities. These performance improvement and cost-saving recommendations are outlined in:

- Two Savings Models (#1 and #2)
- One Revenue Maximization Model (#3)

The table below details the targeted savings and revenue estimates associated with each recommendation, which fall within the low and high range described in the enclosed descriptions.

Recommendation Overview

Recommendation #1 – Increase Office Space Efficiency through Spatial Consolidation and Lower Space Usage Standards.

Develop occupancy-related asset management plans by measuring and tracking utilization of all state facilities against state space use guidelines and external benchmarks, reducing space usage through facility consolidation and space reduction within the portfolio of owned and leased facilities.

Recommendation #2 – Monetize Under-Utilized Assets through Surplus Property Sales and/or Public-Private-Partnerships.

Identify under-utilized assets for monetization, through the sale of surplus properties and/or public-private partnerships, to maximize value of under-utilized assets.

Recommendation #3 – Raise the Office of State Lands Lease Rates to Market Rates.

Strategically adjusting lease rates, managed by the OSL, for pipeline right-of-ways over time to match regional benchmarks will increase revenue to the state for no additional cost.

Recommendations

		Target Savings and Revenue Estimate (All values in 2014 dollars, in 000s)					
Rec #	Recommendation Name	FY15	FY16	FY17	FY18	FY19	Total
1	Increase Office Space Efficiency through Spatial Consolidation and Lower Space Usage Standards	($1,574)	$11,088	$11,232	$11,784	$12,506	$45,036
2	Monetize Under-Utilized Assets through Surplus Property Sales and/or Public-Private Partnerships	$5,704	$17,112	$754	$754	$754	$25,078
3	Raise the OSL's Right-of-Way Lease Rates to Market Rates	$0	$116	$174	$232	$291	$813
Total		$4,130	$28,316	$12,160	$12,770	$13,551	$70,927

Recommendation #1 – Increase Office Space Efficiency through Spatial Consolidation and Lower Space Usage Standards

Each state agency is responsible for tracking the efficiency of its own portfolio of facilities, but several manage their facilities without space occupancy plans, facility management capacities, or knowledge of the current number of employees working at each facility. This tends to lead to inefficient space usage over time as annual assessments of the portfolio are not conducted.

Findings and Rationale

The state does not currently have a state-wide occupancy and space management system that measures and tracks facility utilization for all facilities. This analysis has assessed the space utilization of office facilities across the in-scope Divisions, identifying high-level cost savings and implementation costs for renovating and/or consolidating those Divisional office facilities that are currently over 30 percent inefficient in relation to existing state space use guidelines.

The size of the in-scope portfolio of state office space is approximately 7.7 million SF within 511 owned facilities (4.5 million SF) and 303 leased facilities (3.2 million SF). The preliminary results of the office portfolio utilization analysis indicate that the office portfolio is approximately 18 percent oversized for its current occupancy load. The value of this 1.4 million SF of under-utilized space – calculated using existing lease rates and lease rates the state is paying in nearby locations – is approximately $11.7 million annually.

By developing occupancy-related asset management plans, by measuring and tracking utilization of all state facilities against state space use guidelines and external benchmarks, the state will reduce space usage through facility consolidation and space reduction within the portfolio of owned and leased facilities.

The cost and savings from shedding the under-utilized office space within the state's assets can be quantified from known space-use standards, known occupancy levels, and known costs for rent, utilities, and tenant improvement projects, because office space is generally used/occupied similarly across private and public entities.

Centralized authority to manage and execute across agency assets will be critical for the successful reduction of portfolio square footage through minor projects, consolidations, and lease closures. There will be significant coordination requirements between agencies and the DOAs Offices of FP&C and the OSB. These offices have the capabilities to lead this space reduction project.

RECOMMENDATION #1 - (DOLLARS IN 000'S)				
FY15	FY16	FY17	FY18	FY19
($1,574)	**$11,088**	**$11,232**	**$11,784**	**$12,506**

Assumptions

The feasibility of achieving cost savings from this recommendation is based, on the following high-level assumptions:

- Agencies specifically exempted from this level of centralized management through statutes will be directed by the state to participate fully and grant project management authority to a centralized state team
- Under-utilized office space within agency facilities will be open and available for other divisional users, through leases with terms to be determined
- The leasing/consolidation projects will be overseen by combined the DOA's offices of FP&C, OSB, and OSL
- All facilities with under-utilized leases are open to re-assessment and landlord negotiation with the state, as necessary to realize cost savings

Below are the assumptions that support the process of identifying potentially inefficient office facilities, and outlining potential savings and costs associated with improving the efficiency of the office facilities to levels more consistent with both large private and public sector users of office space.

Base asset information on owned and leased facilities was gathered from the state's Office of Risk Management (former SLABS) database as well as the state's SAP Enterprise Resource Planning (ERP) system (through Office of Telecommunications Management).

For each agency, only office-related facilities use and/or occupancy codes were included for the office space efficiency analysis. The square footage of the office space for the agencies in scope is approximately 7.7 million SF.

Benchmark information on space usage and space standards were gathered from current trends in office space design and overall space usage for public and private entities.

For the first phase of the space efficiency analysis, only intra-divisional space efficiency opportunities were identified. A second phase of the analysis could include cross-agency office space efficiencies within the largest cities where multiple agencies own or lease facilities and space inefficiencies exist.

Space efficiency analyses are optimally completed at the specific facility level, and with a thorough knowledge of the work proposed for each location/facility, rather than at the portfolio level. For this portfolio level space efficiency analysis, basic metrics of space efficiency, known occupancy, and known occupancy costs were used to identify those facilities exceeding current state space use guidelines and should be investigated further for space consolidation through the application of new, lower state space use guidelines.

Analysis-specific assumptions include:

- Occupancy data - actual headcounts of employees occupying office space - was received from the Department of Transportation and Development, Department of Health and Hospitals, Department of Revenue, Louisiana Economic Development, Department of Corrections, Department of Public Safety, Office of Juvenile Justice, and Division of Administration (through the OSB). The Department of Children and Family Services provided headcounts for leased office facilities based upon the RL-2 programmatic documentation required PRIOR to leasing facilities, listed in the state's SAP system.
- Within each agency, office facilities smaller than 3,000 SF were excluded from the analysis. Because of their size, consolidating space within small facilities often does not return the savings or facility use benefits associated with space consolidation and efficient space use efforts.
- For office facilities greater than 3,000 SF, which comprise 95 percent of the overall office portfolio square footage, if space utilization was determined to be higher than 30 percent above the current state guideline of 250 SF/occupant (meaning higher than 325 SF/occupant), then the facility was deemed a candidate for space consolidation.
- For these facilities, space consolidation analysis focused on utilizing less of the existing space through the design of minor tenant improvements and minor workstation furniture reconfigurations at a space standard of 225 SF/occupant, ten percent below the current 250 SF/occupant guideline. Based upon current trends in occupancy, lower space standards can, and should be applied to newly designed space, but renovating existing space to significantly lower space standards often results in a substantial capital outlay for swing space, new tenant improvements and all new systems furniture. The approach to reduce the space standard by ten percent (250 to 225) significantly reduces the necessary capital outlay, due to the comparatively minor tenant improvements and minor furniture reconfigurations required, and also results in fewer new furniture purchases for existing and occupied facilities.
- For facilities that met these criteria (greater than 3,000 SF and more than 30 percent above the current 250 SF/occupant), the required space need within the existing facility was calculated by the number of occupants and the new, lower space standard of 225 SF/occupant.
- Subtracting the required space need from the existing space usage determined the excess under-utilized space figure.
- These portfolio level analyses do not reflect the reality that portions of projects may be infeasible, and that entire projects may also be infeasible due to

a variety of reasons such as unnecessary disruption, inability to reconfigure, and/or low cost-benefit outcome. To accommodate for the reality of infeasible projects, High, Target, and Low Project Feasibility Loss factors (20 percent, 25 percent and 30 percent) were applied to both cost and savings calculations to account for the percent of projects and partial projects that would not be completed.

- The analysis assumes that through the potential consolidations of space across offices, and rolling lease expirations, that the excess under-utilized space is fully separable. For optimal results, this may require procedural changes that allow the state to cancel longer-term leases with consideration.
- The savings from excess under-utilized leased space were valued at the current lease rate of the facility. Savings from excess under-utilized owned space were valued at the average lease rate the state is currently paying in the nearest municipality.
- High and Low cost estimates include Project Costs ($7.50 to $9.00/SF), and Design and Project Management Costs (seven to 10 percent of Project Costs).
- For leased facilities, the analysis incorporates lease expiration dates as the trigger for project start, assuming that all costs and 50 percent of the savings are realized in the year of expiration, with 100 percent of savings realized in each of the following years through FY19.
- For owned facilities, the analysis assumes all projects start in year 1 (FY15), and that all costs and 50 percent of the savings are realized in FY15, with 100 percent of savings realized in each of the following years through FY19.

Recommendation #2 – Monetize Under-Utilized Assets through Surplus Property Sales and/or Public-Private Partnerships

The current process for identifying under-utilized assets is passive and without specific criteria for tracking under-utilized assets that could be candidates for monetization through surplus sales or public-private partnerships. The list of under-utilized assets gathered through this project provides opportunities for monetization through the sale of surplus properties or through public-private partnerships for assets that are under-utilized and could be revenue-producing through ground leases or development, but that the state does not yet consider surplus.

Findings and Rationale

Because each agency currently is responsible for identifying under-utilized assets, no consistent standard or metric is applied to state-wide assets in the determination of under-utilized assets. When an under-utilized asset is identified by an agency, the OSL manages the formal process of certifying the parcel as surplus, and manages the valuation and marketing processes. The OSL generally receives less than five under-utilized assets for processing each year.

The one-time request for under-utilized assets though the GEMS Project has identified over 50 under-utilized assets for monetization consideration.

In addition to Recommendation 1, which focused on increasing the utilization of assets across the state, an annual and consistent process for identifying under-utilized assets for monetization, through surplus sales or public-private partnerships is a critical component of ensuring the state's real estate portfolio is properly sized for its operations and services and should be implemented by the state.

State statutes may need to be reviewed and augmented for public-private partnerships and authority of OSL to manage the sales process for land sales. For instance, current Public-Private Partnership Guidelines of the Louisiana Transportation Authority focus on the delivery of transportation facilities only, not other revenue producing opportunities. Similarly, La. R.S. 41:137 permits property leases for up to 99 years, but only for research and business parks.

RECOMMENDATION #2 - (DOLLARS IN 000'S)				
FY15	FY16	FY17	FY18	FY19
$5,704	**$17,112**	**$754**	**$754**	**$754**

Assumptions

Below are the assumptions for the process of identifying under-utilized assets and the savings and costs associated with each asset.

- Lists of under-utilized properties were requested from all the agencies, and under-utilized properties were submitted by DCFS, DOTD, DOC, DHH, and OJJ.
- For select assets, property sale comparables from CoStar were collected and reviewed to determine appropriate High and Low sale price ranges.
- For smaller Department of Transportation and Development assets in particular, with low-value facilities, land values were used from the state's 2014 Asset Management Reports. The OSL controls the valuation estimates for these Asset Management reports.
- From Days-on-Market from the Sale Comparables, the marketing and sales time frame of 12 to 24 months was determined to be appropriate for all assets identified.
- These under-utilized assets will need to go through the state's Surplus Process and garner several approvals and valuations before specific marketing plans can be developed.
- A Surplus Program of this size will need to be managed and structured for efficient valuation, review, and approval, and to expedite asset marketing and sales.
- High and Low Estimates include a two percent and three percent fee respectively, applied to estimated sale prices, for both internal and external costs for managing the Surplus Program and potential marketing costs.
- Valuation work within the surplus program is expected to follow the State Office of Land's valuation and procurement process, with oversight from OSL professionals.
- Additional OSL positions have not been included in this analysis; decisions on the use of internal or external staffing will not be required until the Surplus Program is established and work levels are evaluated.

Recommendation #3 – Raise the Office of State Land's Right-of-Way Lease Rates to Market Rates

The OSL facilitates the identification, administration, and management of state public lands and water bottoms. Part of this duty involves the leasing of surface and subsurface easements, right-of-ways, and water bottoms for public use of the state's public lands.

Findings and Rationale

The primary goal of the OSL is to "ensure the highest economic return and the maximum public utilization possible of state public lands and water bottoms." To confirm it is doing so, it is necessary for the state to benchmark its rates against other states in the region that offer similar services.

The standard lease duration for pipeline right-of-ways is 20 years. Preliminary research indicates that the State of Louisiana's current rates for similar pipeline right-of-way leases are up to 50 percent of comparable benchmarks for states in the region.

The state should strategically adjust lease rates, managed by the OSL, for pipeline right-of-ways over time to match regional benchmarks, which will increase revenue to the state for no additional cost.

Based on a benchmark analysis for similar rates among states in the region, the state should propose an adjustment to the rate charged for a 20-year pipeline right-of-way lease. The adjustment will be tiered in the same way it exists in its current form, based upon the class of pipeline being laid. Upon acceptance by the state legislature, as current leases come up for renewal, they will be charged the adjusted rate. At the end of the adjustment period, lease rates for pipeline right-of-ways will meet current neighboring state benchmarks.

Recommendation #3 - (Dollars in 000's)				
FY15	FY16	FY17	FY18	FY19
$0	**$116**	**$174**	**$232**	**$291**

Assumptions

- One rod is sixteen and a half feet in length

- Pipeline right-of-ways are 50 feet in width
- Pipeline right-of-way leases are twenty years in duration
- Alabama and Texas were the states used as regional benchmarks
- Due to variance among the unique state designations of class pipeline diameter, a blended rate was used to make an analogous benchmarking comparison
- FY13 revenues for pipeline right-of-ways were $805,000 per a report from OSL
- Ten percent of leases were assumed to renew during each of the five years in the adjustment period for the high estimate
- Five percent of leases were assumed to renew during each of the five years in the adjustment period for the low estimate
- This analysis assumes the state legislature approves this rate increase in FY16

PROJECT IMPLEMENTATION PLAN

Project Management / Implementation Strategy

Although all the recommendation-based projects are expected to be led from the new Office of Property and Facilities (OP&F), independent project plans for each recommendation have been developed due to potential approval, timing, and resource availability constraints that could lead to staggered project implementations.

The chart below illustrates the overall timing for implementing the proposed recommendation-based projects given a single project start date.

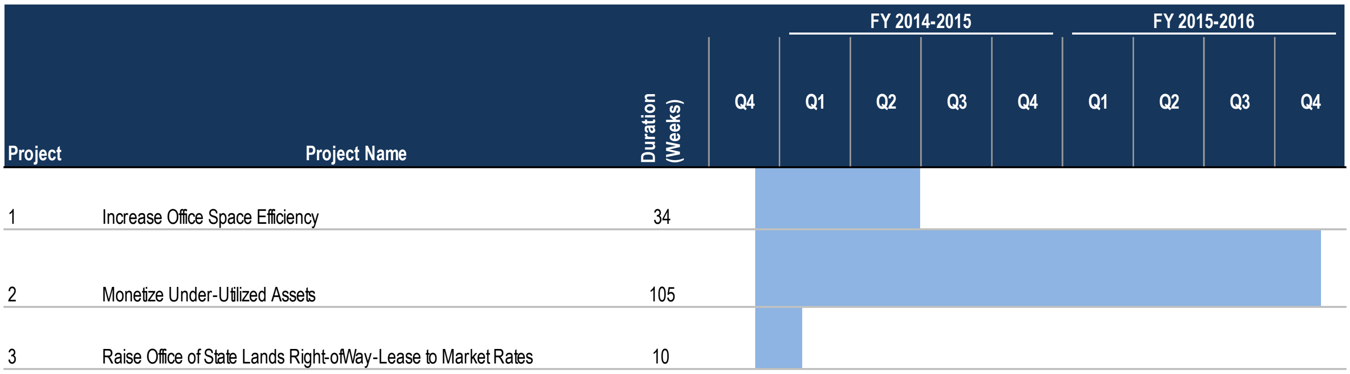

Figure 2.7: Summary of Estimated Project Durations (in Weeks) for the Proposed Three Projects in relation to FY15 and FY16

Project-Specific Implementation Strategy

<u>Recommendation #1: Increase Office Space Efficiency through Space Consolidation and Lower Space Usage Standards</u>

Task 1: Project Mobilization

- Identify internal project team members
- Review project goals, timing, and outcomes
- Identify external resource needs and approach
- Establish project success and criteria for project assessment and communications
- Division communication on project scope and expected outcomes
- Divisional protocols on participation, costs, responsibilities, subjugation, etc.
- Procure outside vendor for cost estimate

Task 2: Portfolio Rationalization Plan

- Review potential project opportunities for intra-divisional and cross divisional consolidation in major LA cities
- Review existing portfolio for underutilized office space to receive new state tenants/projects
- Establish potential project timelines
- Create cost estimating tool for potential projects

Task 3: Project Business Case Development

- Assess timing, costs, disruption, savings from identified projects that meet overall criteria
- Visit properties as necessary and introduce physical site constraints, if any
- Get outside cost estimate
- Communicate project list, findings, costs, and potential schedule to project sponsor for approval
- Develop matrix of DOA concerns and outline resolutions
- Outline requirements: costs, staffing, access, leasing, etc.
- Identify contractors for project moves, IT, furniture procurement
- Develop bundles of projects for contracting purposes

Task 4: Approvals and Division Communications

- Communicate project schedule for Divisions for feedback
- Gain approval from Divisions to move forward with projects with minor modifications

Task 5: Project Management/Project Set-Up

- Establish detailed project schedule and communicate plan
- Put set of bundled projects out to bid
- Establish Project Reporting
- Establish Project in state accounting system

Task 6: Ongoing Project Management and Tracking

- Select first contractor
- Commence and oversee first project
- Put additional bundles out to bid
- Select contractors
- Commence Projects

<u>Recommendation #2: Monetize Under-Utilized Assets through Surplus Property Sales and/or Public-Private Partnerships</u>

Task1: Project Mobilization

- Identify internal project team members
- Review project goals, timing, and outcomes
- Identify external resource needs and approach
- Establish project successes and criteria for system implementation

Task2: Surplus Determination

- Determine if owned property is non-essential
- Secretary transfers to Division of Administration

Task 3: Valuation Procurement

- Bundle assets for appraisal
- Using pre-qualified appraisers, seek third-party valuations for all identified assets

Task 4: Report Preparation

- OSL prepares land valuation report including appraisal

Task 5: Committee Submissions

- Submit report to House Committee on Natural Resources and Environment
- Submit report to member of House and Senate whose district the property is located in

Task 6: Advertising and Marketing

- May solicit up to 3 appraisals to determine value
- Post advertisement of sale

Task 7: Sales Transaction Management

- By means of either Sheriff Sale, Sealed Bid, or Broker Sale

<u>Recommendation #3: Raise the Office of State Lands Right-of-Way Lease Rates to Market Rates</u>

Task 1: Project Mobilization

- Identify internal project team members and any additional resources
- Outline initial risks and required statute changes
- Plan communications to affected stakeholders

Task 2: Market Research and Rate Setting

- Determine appropriate regional benchmark comparables
- Establish regional lease benchmarks
- Analyze current stock of pipeline leases
- Determine current lease roll-over schedule
- Establish appropriate adjustment period

Task 3: Implementation and Communication

- Propose necessary statue changes
- Communicate new lease rates to stakeholders
- As leases roll annually, institute benchmarked lease rates

WBS	Tasks	Resources
1	Recommendation #1 -- Increase Office Space Efficiency	
1.1	Project Mobilization	3 Gov't FTE + 2 Project Co./Consultant
1.2	Portfolio Rationalization Plan	3 Gov't FTE + 2 Project Co./Consultant
1.3	Project Business Case Development	3 Gov't FTE + 2 Project Co./Consultant
1.4	Approvals and Division Communications	3 Gov't FTE + 1 Project Co./Consultant
1.5	Project Management/ Project Set-Up	2 Gov't FTE + 1 Project Co./Consultant
1.6	Ongoing Project Management and Tracking	2 Gov't FTE
2	Recommendation #2 -- Monetize Under-Utilized Assets	
2.1	Project Mobilization	2 Gov't FTE + 1 Project Co./Consultant
2.2	Surplus Determination	2 Gov't FTE + 1 Project Co./Consultant
2.3	Valuation Procurement	2 Gov't FTE + 1 Project Co./Consultant
2.4	Report Preparation	1 Gov't FTE + 1 Project Co./Consultant
2.5	Committee Submissions	1 Gov't FTE + 1 Project Co./Consultant
2.6	Advertising and Marketing	1 Gov't FTE + 1 Project Co./Consultant
2.7	Sales Transaction Management	2 Gov't FTE
3	Recommendation #3 - Raise the Office of State Lands' Right-of-Way Lease Rates to Market Rates	
3.1	Project Mobilization	1 Gov't FTE + 1 Project Co./Consultant
3.2	Market Research and Rate Setting	1 Gov't FTE + 1 Project Co./Consultant
3.3	Implementation and Communications	1 Gov't FTE

Figure 2.8: Facilities Project Plan

Affected Stakeholders

The recommendations for facilities generally related to organizing state-owned facilities and office space more efficiently, to make better use of underutilized state-owned properties and, as a result, being able to use less leased space.

The potential stakeholders for these recommendations are:

- State employees
- Citizens who access services in facilities that may be moved, even if only a short distance
- Real estate industry

Once space is designated to be redesigned, employees should be brought into the discussion, with agency leadership sharing plans and describing the benefits to be gained.

If an office that interacts with the public is moved, communications – in the form of flyers and appearances at community meeting – can be used to provide information about the new location. Also, updates should be posted on agency websites.

To the extent that the state eventually develops an inventory of leased space that it is obligated to continue paying rent on and wishes to sublet, publicity in business and real estate oriented publications, including those published by relevant business groups, can be a valuable part of an overall marketing effort.

Change Management

Business changes ultimately disrupt the order and flow of activities, requiring an effective change strategy to guide the organization through the process of transitioning from its current reality to the desired future state. It is important for Real Estate and Facilities Management to focus on leadership, communications, analysis, training, performance management, and knowledge transfer to ensure recommendations are implemented properly.

The circumstances of a change program are unique to each organization. A structured approach enables leadership to develop a program tailored to the organization's specific needs with a focus on increasing the speed of adoption and proficiency of the new technology, process or cultural initiative. Listed below are more detailed change management considerations for each recommendation.

Recommendation #1: Increase Office Space Efficiency through Spatial Consolidation and Lower Space Usage Standards

- Communicating the intended benefits for the Divisions from each project
- Gaining division approval for the OP&F to lead the project
- Ensuring key divisional staff are part of the broader team
- Resolving individual project issues with individual divisions and across divisions
- Communicating the actual moving, renovating, and relocation activities associated with each project

Recommendation #2: Monetize Under-Utilized Assets through Surplus Property Sales and/or Public-Private Partnerships

- Minimal external needs from divisions for implementation
- Gaining divisional approval on permitting the OP&F to lead the state surplus approval process and surplus disposition process on behalf of divisions

Recommendation #3: Raise the Office of State Land's Right-of-Way Lease Rates to Market Rates Minimal external needs from divisions for implementation

- Allow OP&F to raise lease rates to be in line with market rates for similar leases
- Communication to the lessees of the state's intent to manage its land lease rates in line with market rates

Monitoring and Tracking Models

Monitoring is a critical component of success for these recommendations. All of these tracking metrics should also include a bottoms-up build of each aspect of the metric for review on a regular basis (monthly or more frequent review). The metrics detailed below will allow Real Estate and Facilities Management to monitor and address any performance gaps in its implementation.

A&M recommends Real Estate and Facilities Management provide incentives for performance associated with these initiatives and accountability for lack of participation, rigor, or results from managers. These incentives can range from recognition or awards from peers or more public settings to promotions, performance related bonuses (subject to statutory limitations), and other means of recognition.

Rec#	Objective	Performance Measure	Target	Unit
1	Reduce occupied square footage in Divisional leased and owned facilities.	Reduction in total office square footage	18% of Total Office SF	Square Footage (SF)
1	Increase space utilization of State office portfolio.	Occupancy utilization	225 SF/FTE	SF/Occupant
1	Sublease under-utilized office space in large full-facility leases.	Subleased square footage	100%	Percentage of Available SF
1	Control the average costs of minor renovation and furniture reconfiguration projects.	Average cost of projects, per square footage	< $9.00/ SF	Costs/SF
1	Control the average costs of design and management fees on projects.	Average cost of fees, per square footage	< 10% of project cost	Costs/SF
1	Complete consolidation projects according to project timeline and individual project schedules.	Variance from schedule	0%	Schedule Variance (in # weeks)
1	Achieve occupancy targets on all identified utilization projects.	Feasibility loss factor	<25%	Expected Reduction in SF (overall)
1	Achieve occupancy targets on entire utilization program.	Feasibility loss factor	<25%	Expected Reduction in SF (overall)
2	Completion of appraisals and reports according to schedule.	Variance from schedule	0%	Schedule Variance (in # weeks)
2	Approval of all identified under-utilized assets as Surplus Properties.	Percentage of all identified projects	100%	% of Assets
2	Sell all Surplus Properties by end of FY16.	Variance from schedule	0%	Schedule Variance (in # weeks)
2	Achieve appraised value from all Surplus sales.	Sales price to appraisal value ratio	100%	$ Sales Price/$ Appraised Value
3	Increase all ROW lease renewals to market rates.	Increase in lease rates to market	100%	% of Renewals at Market Rates
3	Achieve market rates on all new ROW leases.	Set lease rate schedule	100%	% of New Leases at Market Rates

Figure 2.9: Real Estate and Facilities Management Tracking Tool

OFFICE OF GENERAL COUNSEL

The Office of General Counsel (OGC) provides the state with a wide range of requested legal services such as legal advice and counseling, public records request for DOA, prosecution and defense of lawsuits drafting legal documents, legislative services, administrative review and subrogation/collections of state payments.

OGC provides legal support services and counsel in the following major areas:

- To ensure compliance with federal and state laws and regulations
- To minimize adverse actions against the division and its programs and operations
- To provide variety of document review activities associated with litigation
- To provide legal representation
- To provide advice and counsel regarding appropriate courses of action and the probable results of those actions

The Office of General Counsel currently provides the following services within the current organization structure:

- **Legal Advice and Counseling:** Provided to the 29 offices within the Division of Administration; the Commissioner's Office; and programs designated by the Governor's Office regarding constitutional, statutory and regulatory compliance, the application of policy, legal procedures, promulgation of rules, legislation, assertion of rights and risk avoidance in connection with their core/critical functions.
- **Public Records Request:** The legal section is responsible for ensuring that the commissioner's statutory duty to respond to public record requests in a timely and legal manner is carried out. As the custodian of the DOA's public records, it is the commissioner's responsibility to receive and process public records. The OGC has instituted internal policies and procedures designed to:
  - Identify the receipt of a public record request through release authorization, subpoena or court order
  - Respond to the requester within the applicable time
  - Provide legal oversight to determine whether or not a record is excluded from release by law or applicable privilege
  - Compliance with communicating imminent release of sensitive or contested records or denying the release of records
- **Prosecution of Lawsuits:** The commissioner, under the Louisiana Constitution and statutory law, has the legal prerogative to take legal action to recover or protect state funds, land, property, rights, programs, rules and policy, or to legally and properly exercise its statutory oversight duties and prerogatives. OGC, in consultation with DOA and agency executives, is charged with developing the legal and factual basis for filing suit; performing cost-benefit analysis; instituting alternative dispute resolution options; filing of timely and legally compliant petitions, pleadings, and motions; conducting pretrial discovery and motion practice; conducting trials, appeals, and writ applications; obtaining judgments; and collection/enforcement strategies.
- **Defense of Lawsuit:** With the exception of torts insured by the Office of Risk Management and defended by the Attorney General, the Commissioner, under the Louisiana Constitution and statutory law has the legal duty to defend the Office and DOA against lawsuits filed against them to obtain money, possession of property, or the exercise disputed rights. The OGC, in consultation with DOA and agency heads, is charged with developing the legal and factual basis to defend the lawsuit; developing legal strategy to enhance the probability of a favorable outcome; filing of timely and legally

compliant pleadings; analyzing the impact of favorable or unfavorable outcomes; participating in pretrial discovery and motions; seeking of supervisory writs and appeals; and post judgment implementation of rulings.

- **Drafting Legal Documents:** Under statutory law, DOA, through its various offices, is charged with drafting or participating in the drafting of legal documents, including Invitations to Bid (ITBs); Requests for Proposals (RFPs); contracts, rules, regulations, memorandums and policies. OGC is charged with ensuring that legal documents comply with statutory and regulatory law, applicable executive orders, and internal policies, and will provide sufficient legal foundation to uphold specific, critical and core goals, benchmarks, incentives, protections, or economic benefits if challenged or enforced.
- **Legislative Services:** DOA and its offices and programs are responsible for the oversight of proposed legislation that affects the state budget. This service requires the advanced review of filed legislation to conduct impact analysis, coordination with effected entities, and develop legal strategies to support or oppose the legislation.
- **Administrative Review:** DOA, through its various offices, is statutorily required to conduct administrative review of matters at the agency level, including conducting hearings and appeals when appropriate, in matters related to rule promulgation, contract approval, contract protests, contract appeals, contract rescissions or controversies, and complaints by program recipients. OGC is charged with assisting agency executives in developing the pertinent and applicable facts; applying applicable statutory and regulatory law, rules and policies; ensuring due process; and drafting legally and factually sound decisions. OGC is also responsible for preparing the applicable record of the matter for submission to the district court if the decision reached is challenged based on judicial review. OGC is also charged with advising non-DOA agencies that are required by law to have protests and appeals heard by the DOA regarding the process, decision and post-decision relief and procedures.
- **Subrogation/Collections:** Subrogation represents the recoupment of payments to participants where a third party is responsible for payment such as workers' compensation, torts, medical malpractice, and other insurance payments or where the Office of Group Benefit's plan provides secondary health coverage. Collections includes recoupment for the overpayment of wages to state employees and members of boards and commissions, the overpayment to vendors, theft and non-payment of funds, garnishments, and liens filed wages state employees.

Background of Recommendations

A&M's approach to DOA focused on enhancement of current capabilities, cost reduction, and the creation of new capabilities to enhance DOA's ability to function more effectively.

The recommendations made by A&M achieve savings through cost reductions and by improving funding related activities. In FY15 and FY16, the DOA and the state are estimated to be able to save $0.7 million and $0.8 million, respectively.

Recommendations

		Target Savings and Revenue Estimate (All values in 2014 dollars, in 000s)					
Rec #	Recommendation Name	FY15	FY16	FY17	FY18	FY19	Total
1	Increase organization efficiency of OGC	$395	$395	$395	$395	$395	$1,975
2	Increase efficiency of document review process and reduce internal and external attorney costs	$290	$390	$390	$390	$390	$1,850
Total		**$685**	**$785**	**785**	**785**	**785**	**$3,825**

Recommendation #1 – Improve Office of General Counsel Organizational Efficiency

Due to recent reorganizations and consolidations, current staff expertise is not aligned with departmental needs. Savings estimates include the elimination of six vacant positions and the realignment of programmatic work to paralegals and law clerks. A&M recommends the use of outside legal counsel on an as-needed basis to address specialized litigation cases and need. This recommendation will result in savings over a five-year period.

Findings and Rationale

The areas of focus needed by OGC include subject matter experts on real estate, human resources, document review, and contractual law. The OGC staff includes a mix of transactional attorneys, subject matter experts, and policy/program-focused employees. One of the primary areas of potential savings related to OGC is to realign transaction program tasks and services within OGC and DOA.

A number of OGC staff attorneys have migrated to the office as a result of mergers between legal functions from other DOA sections and other state departments.

OGC needs attorneys with the right experience to complete the work required. This may necessitate changes within OGC staff and also include contracting of outside counsel with relevant one-time specialty experience as needed.

OGC has been searching for a different approach to realize a more cost-effective operation while maintaining the core mission. The reorganization is based on creating specialized practice groups with assigned attorneys for also address specific office needs. The practice group concept will improve customer service with OGC attorneys and business support professionals being focused on specialized areas.

Recommendations stem from interviews with the acting head of OGC, both of the deputy general counsels, several OGC staff attorneys, Support/Business Office Manager, leadership personnel from each of the DOA offices, review of OGC procedure and policies manual, review of best practice law firm models, hands-on experience working within state department administrative offices, and reviewing information provided on office operations, organization, and budgets.

Secondly, a number of the current tasks being performed by the professional attorneys will be reassigned to trained paralegals to support the legal services being requested.

Practice Group A: Human Resources and Employee Benefits

- General Human Resource Legal Advisory Services
- Employee Group Benefits Legal Advisory Services
- Public Records and Legislative Affairs
    - Public Record Requests
    - Legislation Affairs/Monitoring

Practice Group B: Contract and Litigation Services

- Procurement/Purchasing Contracts
- Construction/Facilities, Buildings, & Property Contracts and State Leases
- Litigation (Prosecution and Defense)

Practice Group C: Administrative Support & Project Management

OGC performs a variety of essential functions for DOA and other state agencies. Delays and incomplete work can create issues with larger, sensitive impacts beyond the operations of OGC. Using outside firms on an as needed basis with relevant expertise and/or hiring experienced, appropriate staffing levels could have a positive impact on OGC's work and therefore DOA's broader efforts and activities.

A summary of the workload of the current staff can be found in Appendix A.

Recommendation #1 - (dollars in 000's)				
FY15	FY16	FY17	FY18	FY19
$395	**$395**	**$395**	**$395**	**$395**

Assumptions

The estimated savings is based on the elimination of six positions (five currently funded) at the midpoint of an entry-level and overall average salary rate including the applicable benefit rate of 38.88 percent. Monies are already included in the OGC budget and DOA offices for use of external legal counsel as needed.

Recommendation #2 – Increase Efficiency of the Office of General Counsel Document Review Process

The existing documentation review process is time consuming, inefficient, and manually intensive. The implementation of a document intelligence software package could generate long-term savings over five years or more and improve efficiency. The low-end estimate is based on a document review volume of 2,000,000 documents over a five-year period. The high-end estimate is based on a review volume of 5,000,000 documents over a five-year period dependent upon further discussion with OGC. Budget savings related to litigation will be applied to budgets and expenditures beyond OGC, based on where the litigation resides.

Findings and Rationale

OGC is responsible for a variety of document-review activities associated with litigation which affects the state and the constituent responsibilities of DOA. In some cases, these document-review processes can involve the reading and filing of millions of documents to create a case for the state in large litigations. OGC currently uses a manual process to review documents for relevance to cases with a combination of internal and outside counsel. This is potentially highly inefficient as it uses professional legal staff (at corresponding rates) to identify relevant documents for further review in a given case.

OGC should migrate to an electronic document review and record management system. Such a system would allow for multiple search approaches and options.

OGC currently has a two-tier review process for all records requests. The office also processes all DOA record requests. OGC should assign the initial review of the documents presented by the various DOA offices to an internal paralegal or law clerk for data gathering and analysis and perform the legal document review. DOA should also require the responding department to provide preliminary sorting and classification of the requested information. The second/final review should be done by a staff attorney in consultation with the general counsel and/or executive general counsel.

This recommendation involves FTE reduction as a result of such efficiency improvements in order to realize budget savings.

The issue and recommendations are based upon interviews with OGC's acting head, deputy general counsel and other DOA employees.

There is considerable precedent for the use of more analytically focused document review platforms rather than the document-by-document review of files by individual lawyers. The use of analysts and big data analysis platforms can improve efficacy, lower cost, and shorten the document review timeframes for the state.

A&M analysis of the OGC organization also leads to the following efficiency and operational improvements:

- Office of General Counsel Pre-Review/Approval of All Procurement Actions. In an effort to help address the potential number of challenges to the state's procurement process currently being handled by DOA, it is recommended that the OGC be required to review all RFPs, ITBs, and competitive bids prior to the proposal documents being released. This pre-review will ensure that the terms and conditions are properly stated for the type of service or goods being provided. The legal review will also ensure that the scope of services being requested is legally defined with clear and concise specifications and evaluation criteria are clearly defined.

- Job Descriptions. All OGC job descriptions should be reviewed and modified to reflect the subject matter expertise and specialized training requirements.
- Client/Customer Service Satisfaction. Client/customer satisfaction should be measured on a routine basis to ensure that DOA offices and state agency legal service needs are being meet in a professional, ethical, timely, efficient, and effective manner.
- Cross-Training. There is currently limited cross-training of attorney positions. A need for enhanced training for the current staff attorneys and professional support staff in areas like family medical leave, subrogation and collection recovery, fair labor standards, and emergency disaster assistances (FEMA/HUD).
- Central Reception for OGC. Currently there are rotating persons handling the front desk reception duties. There should be one full-time administrative support/paralegal assigned to address general questions and needs including notarization of documents. Each day, OGC attorneys handle many routine and standard procurement and human resource related questions. The front receptionist position should be handled by a paralegal that could answer some of the general questions and also address many of the transactional tasks.
- Streamline Garnishment Review/Approval Process. Finally, OGC needs to streamline the review process for employee garnishments. OGC should work with Payroll to streamline the review and approval of requested garnishments.
- Annual Training for Office/Agencies on Employee Service and Purchasing/Procurement Contract Procedures. OGC should hold at least annually for existing DOA office/unit and agency heads an overview of the rules and regulations related to the state's employee benefit and contract services. This annual training and reference materials can assist in reducing questions from agency personnel.
- Public Record Request Staff/Research Charges. The state should consider necessary legislative change to allow OGC to charge for "reasonable" staff costs to prepare and produce open records requests. Many other state governments allow for the cost to prepare the document request to be passed on to the requestor. In those states, an estimate of the amount of time to prepare the document is provided to the requestor prior to the start of the preparing the record request. As noted earlier, DOA had 180 record requests in 2013 and 68 year to date.

The DOA Uniform Fee Schedule for Copies of Public Records (§301 Regulation) allows for copies of public records furnished based on the following schedule.[1]

- Charges for the first copy of any public records shall be at a minimum $0.25 per page for microfiche reproductions or paper copies up to 8.5 by 14 inches. A two-sided copy shall be considered two pages.
- Charges for copies of public records on paper larger than 8.5 by 14 inches shall be the same as the actual cost to the agency for copying same.
- Charges for copies of public records on preprinted computer reports shall be the same rate specified above.

Each agency shall develop a uniform fee schedule for providing printouts of public records stored in a computer database utilizing routing utility programs. Such uniform fee schedule shall be first approved by DOA. An estimated cost shall be given for reproduction of public records stored in a computer which require program modification or specialized programs. The requesting party shall be advised of the estimate, and that it is an estimate, but the actual cost for reproduction, including programming costs, shall be charged if it differs from the estimate.

The regulations, however, allow agencies which have an established fee for copying public records that is in excess of those set forth in the rule must justify that fee in writing and have the established fee approved by the DOA.

Additionally, A&M did explore the option for an outsourced legal services model with the attorney services being provided by an external third-party provider based on specialized needs or subject matter expert. Using external legal services could address some of the current organizational structure issues including:

- Not enough experts for other identified capabilities (privacy, construction, others)
- Lack of internal document management and case tracing processes and systems
- Difficulties in response in purely transactional work flow given a gap in appropriate resources at any given time; need for ability to flex volume of attorneys to address cycling workload
- Need to have a varying amount of experts at different times versus a steady-state/fixed number of attorneys with specific skills
- Many of the staff were inherited from other agencies where duties were far more agency regulation specific instead of strictly law focused

The average rate for outside counsel services within the State of Louisiana government ranges from $140 to $250 per hour for general services and up to $400 per hour for specialized legal requirements.

After detailed review of the specific client/office needs, A&M determined that retaining a smaller OGC staff with specialized focused or practice areas was the best solution for OGC. The services being requested are very transactional and require an understanding of agency needs.

The recommended organization model shifts to a preventive legal approach and strategy with increased focus on front end review and due diligence efforts. Actions like the pre-approval review process for all procurements, training of agency heads and procurement specialist, and enhanced focus on client needs is deemed to provide a more responsive and customer-focused legal advisory services approach.

Having the professional-personal client relationship within the proposed model can have the frequent legal interpretation and advisory questions that arise daily. Use of external legal counsel to handle routine legal questions, review of documents and general advisory services may not meet the short term around time needed by DOA offices and state agencies.

RECOMMENDATION #2 - (DOLLARS IN 000'S)				
FY15	FY16	FY17	FY18	FY19
$290	**$390**	**$390**	**$390**	**$390**

Assumptions

The savings is based on the established review rate for legal documents (approximately 100,000 per FTE per year) versus the pace and completeness with which the work could be completed on an analytics platform by analysts. An estimate of the cost to license/purchase an analytics-based document review platform is also included. The savings will result from reductions in one (filled) attorney and one (vacant) paralegal due to better initial filtering of documents for review.

PROJECT IMPLEMENTATION PLAN

Project Management / Implementation Strategy

The project plan for DOA is comprised of two different recommendations:

- Recommendation #1: Improve Office of General Counsel Organizational Efficiency
- Recommendation #2: Increase Efficiency of the Office of General Counsel Document Review Process

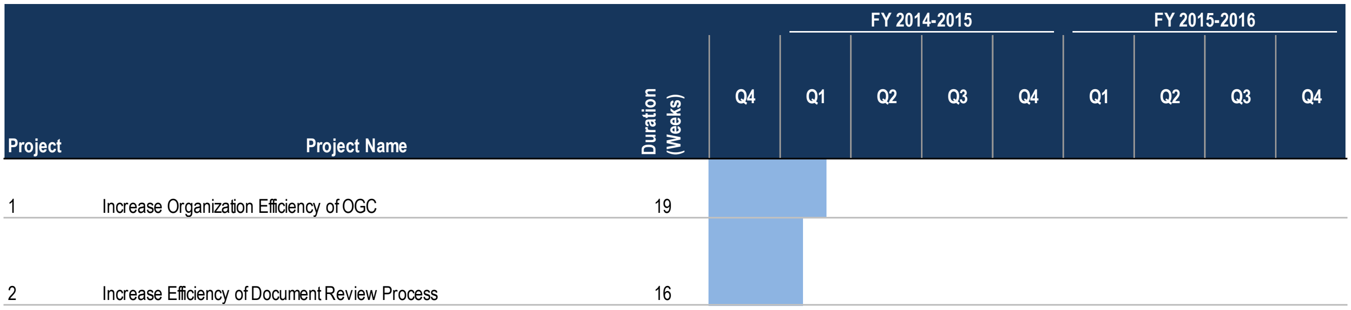

Figure 2.10: OGC Project Plan Gantt Chart

WBS	Tasks	Resources
1	**DOA Recommendation #1 --Increase organization efficiency of OGC**	
1.1	Review and update job descriptions	2 Gov't FTE
1.2	Align job descriptions to proposed organizational structure	2 Gov't FTE
1.3	Train staff in new practice groups	2 Gov't FTE
2	**DOA Recommendation #2 -- Increase efficiency of document review process**	
2.1	Install and implement software	1 Gov't FTE + 1 Project Coordinator
2.2	Paralegals must be certified as notaries	Each paralegal
2.3	Amend current procurement process to allow for protest bids	2 Gov't FTE
2.4	Increase cost per copy to account for research costs	1 Gov't FTE

Figure 2.11: OGC Project Plan

The organizational plans for each of these recommendations can be viewed in the organizational design sections of this report above. The implementation plans shown below include steps that A&M has identified as necessary to complete an effective launch of the recommendations.

Recommendation #1: Increased organizational efficiency of the OGC.

This recommendation will require the reassignment of existing current attorney positions and the occasional use of outside counsel on specialized litigation and legal advisory matters in order to accomplish the most efficient use of expert legal services related to division legal questions.

This change in service delivery will enable OGC management to manage client matters and engagements on a much more proactive and front-end basis with regard to turnaround expectations, dispute of costs and outcomes, and staffing for individual matters.

One of the key areas of emphasis as OGC transitions to a line of service legal model is staff training. It is also important that OGC reintegrates any and all programmatic work (regulatory, oversight and compliance activities) back into the relevant agencies. Some staff have been absorbed by OGC from other sections where the individuals brought programmatic work portfolios with them. These activities should return to those agencies (primarily the Office of Group Benefits and the Office of Community Development), leaving OGC personnel focused on transaction, legal, contract, and litigation work on behalf of the division.

Recommendation #2: Increase efficiency of OGC's document review process. Use of an analytical platform and experienced non-attorney reviewers will require OGC attorneys to adapt to an entirely different review product and process and require the following:

- Training staff attorneys to change perspective from being a primary data collector to creating primary data requirements (search terms, themes, and articulating lists of key players, timeframes, concepts, transactions, and hypotheses of potential issues)
- Training staff attorneys to understand the functionality and limitations of new analytical platforms and the theories of data/knowledge that drive the analytical engines associated with such platforms
- Developing the process for analyzing retrieved results by staff attorneys and/or outside counsel for relevance. It is likely that effective use of an analytics data review platform will result in a smaller number of highly relevant documents that will, though smaller in scale, be delivered much more quickly for detailed legal review

Affected Stakeholders

A focused communications plan (based on the final form and number of recommendations undertaken by the division) will be required that presents the following areas for each stakeholder/group:

- Current state
- New initiative summary
- Rationale for change
- Specific relevance
- Step by step changes
- Measuring performance and completion
- Next steps

Each area must be stated clearly and succinctly for each stakeholder. The length of the related materials should be in a briefing that is no longer than one hour in length. Additionally, DOA must set expectations for transparency regarding the duration of the implementation, level of completeness, and performance of the recommendations as initiatives once fully launched.

Key DOA stakeholders include:

- DOA employees and staff in transitioning roles
- Relevant departmental clients across the executive branch; including those who will be new recipients of service as envisioned in the internal audit recommendation
- Executive leadership at the division and departments regarding performance metrics and performance improvement efforts
- External law firms

- Federal funding agencies across the executive branch
- Press

Change Management

A&M's recommendations for the division will require adjustments and an explicit change management strategy. All change management efforts will require a biweekly quality assurance process which ensures that any gaps in policies and procedures are addressed and that relevant training on new processes or the use of external resources is delivered in a prompt and complete fashion. Metrics should also be created and used to track performance post kick-off. Here are some examples for OGC recommendations.

Metric Name	DOA Office	Units	Rationale
Total average budget per current employee	OGC	$	Allows Commissioner and Office Head to determine the level of effective utilization of budget funds vs. agency capacity and the "efficient" use of total budgeted funds for the
Employee billing by type of work/cost driver categories	OGC	% of total employee time per cost category	Allows Commissioner and Office Head to determine how OGC teams are spending time vs. Office priorities for staff time and resources
% of time outside counsel consulted	OGC	%	Allows Commissioner and Office Head to determine how outside teams are spending time and driving cost for OGC
Average records request response time	OGC	Hours or days	Allows Commissioner and Office Head to determine effectiveness of records request process and identify staff relative performance to legal requirements
% of cost/benefit analysis goals achieved/met	OGC	Existing	Existing

Figure 2.12: Metrics, DOA Recommendations

Monitoring and Tracking Models

Monitoring is a critical component of success for these recommendations for the Division. All of these tracking metrics should also include a periodic review. As an example, all may require intensive periods of review throughout certain periods of the year.

Briefings should be organized around the significant items (whether these items are classified as important because of timing, size, compliance or other concerns) with all supporting documentation available to inform effective strategy development.

The tracking and monitoring process becomes effective only when it becomes the means by which decisions are made within the agencies, the division, or in some cases, the executive branch of the state as a whole. There is plenty of flexibility within the form, but these tools and approaches should create an integral part and agenda item of all executive briefings, meetings and workshops.

Rec #	Objective	Performance Measure	Target	Unit
1	Determine total average budget per current OGC employee	Allows Commissioner and Office Head to determine the level of effective utilization of budget funds versus agency capacity and the efficient use of total budgeted funds for the office	Reduce Budget to reflect true costs	$ Cost/ Employee
1	Average records request response time	Allows Commissioner and Office Head to determine effectiveness of records request process and identify staff relative performance to legal requirements	Average Response Time	Days/hours
1	Total Cost Per Matter	Allows Commissioner and Office Head to determine investment in particular legal matters and evaluate prioritization of office efforts	Total $ per year, and cumulative from origin of matter	$ state costs
2	Total Documents Reviewed per Month (% Completion)	Allows the Office Head to evaluate progress against total documents for a given litigation	Total documents reviewed as %	% of total documents

Rec #	Objective	Performance Measure	Target	Unit
			of total documents	
2	Cost per Document Reviewed	Allows the Office Head to evaluate efficiency of process	Total cost divided by total documents reviewed	$ state costs/ document
2	Total Documents referred for further review by outside counsel, internal attorneys from analytic platform	Allows the Office Head to evaluate identification of relevant documents for litigation	Total referred documents as a % of reviewed and total documents	% of total documents that were reviewed and referred

Figure 2.13: DOA Tracking Tool

OFFICE OF GROUP BENEFITS

The Office of Group Benefits (OGB) is responsible for the administration of state health and welfare benefit programs to over 230,000 active and retired State of Louisiana employees and their dependents, as well as the employees and dependents of other government entities that have selected OGB benefits. Offered benefits include health insurance, flexible spending account benefits, and life insurance.

As of January 2014, there were approximately 79 individuals in OGB, down from 389 in 2011. OGB is located on Florida Avenue in Baton Rouge, at a standalone, non-state facility with a private lease.

OGB prior to 2013 internally administered significant aspects of the benefit program including the self-funded medical plan. Effective January 2013, Blue Cross Blue Shield of Louisiana (BCBS of LA), the third-party administrator for the HMO plan option, assumed additional responsibility for the preferred provider organization (PPO) and consumer driven health plan (CDHP) options of the self-funded medical insurance. This change prompted OGB to adjust the organization from one resembling the operations of an insurance company by administering its own claims, into an ancillary agency of the DOA responsible for managing the administration of the benefit program.

FY15 Revenues and Expenditures

The FY 2015 Executive Budget is $1.36 billion, a 5.2 percent increase from FY 2014.

Revenues:

This program is funded with Interagency Transfers, Fees, and Self-generated Revenues. The Interagency Transfers budget authority is received from the Department of Health and Hospitals (DHH) for the administration of Louisiana Children's Health Insurance Program (LaCHIP), Family Opportunity Act, and the Medicaid Purchase Plan. Fees and self-generated revenues are received from state agencies, colleges and universities, judicial and legislative branch entities, school boards, non-appropriated state boards and commissions, and non-state agencies that participate in the group insurance program and premiums collected from plan members and employees, as well as earnings of program funds.

Category	Amount
Salaries	$4,548,560
Other Compensation	$130,834
Related Benefits	$3,513,044
Total Personal Services	**$8,192,438**
Travel	$34,381
Operating Services	$2,579,693
Supplies	$26,018
Total Operating Expenses	**$2,640,092**
Total Professional Services	**$1,164,500**
Other charges including PS	$1,329,859,059
IAT Line Item Expenditure	$13,134,409
Total Other Charges	**$1,342,993,468**
Total Acquisitions	**$69,217**
Total Expenditures	**$1,355,059,715**

Figure 2.14: Existing Operating Budget

Significant changes include:

- An increase of $44.3 million for a base adjustment to medical, prescription drug, and other health care claims and costs.

- An increase of $35.7 million for medical and prescription drug claims and administrative fees incurred in FY13.
- A decrease of $20.0 million due to prescription drug claims savings resulting from the change to MedImpact as the pharmacy benefit administrator.
- An increase of $8.4 million (total $14.7 million) for the cost of fees, taxes, and increased claims cost as a result of the Affordable Care Act.

Background of Recommendations

In 2013, OGB began a transformation that was intended to fundamentally change the delivery of state health and welfare benefits. As part of its evaluation of DOA, A&M conducted an accelerated initial assessment of OGB in January 2014 to evaluate the progress of the transformation as well as the operations and finances of the office. A&M made preliminary findings about the current state and recommended future course of OGB, mindful of the goals set for the transformation initiative. During that initial assessment, A&M found that OGB needed:

- A redefined strategic direction to be communicated and used to drive decisions
- A new leadership model that supports the strategic direction
- Improvement of spend management
- Overall operations reengineering

As a result of the initial assessment findings, the State launched the Acceleration of Benefits Transformation initiative in order to make the OGB more efficient, with a goal of lowering costs for taxpayers and limiting premium increases for those covered by OGB's benefits.

A&M supported the Acceleration of Benefits Transformation initiative by:

- Supporting the operations of OGB through leadership transition
- Defining strategic direction of OGB to guide further decision-making
- Providing benefit review and a set of recommendations regarding preserving plan options, maximizing value, and mitigating cost increases due to healthcare reform and medical inflation
- Cataloging the current state of OGB operations and performance
- Identifying opportunities for administrative cost savings and efficiency by examining use of resources, facilities and other large expenses, and reducing and managing administrative expenses
- Designing a plan for transformed OGB with leadership that is aligned with its future direction, a budget that is managed and in line with benchmarks, and an organization to be structured for efficient delivery of services

In addition, A&M researched a number of other state benefits departments and related associations to generate ideas and best practices around organization structure, population health, and benefit design. A&M benchmarked OGB program against five similar state departments:

- Alabama State Employees' Insurance Board
- Arkansas Department of Finance and Administration, Employee Benefits Division
- Employees Retirement System of Texas
- Georgia Department of Community Health
- Mississippi Department of Finance and Administration Life and Health Plan

A&M partnered with OGB to create the recommendations in the following sections. Recommendations for OGB focus on three main areas: strategic direction, operational efficiency and effectiveness, and benefit plan design. Together, these recommendations will form a strong foundation for OGB to build upon going forward, as illustrated in Figure 2.16.

Figure 2.15: Office of Group Benefits, Group Benefits Administrator in charge of Benefit System proposed Organizational Structure

RECOMMENDATIONS

		Target Savings and Revenue Estimate (All values in 2014 dollars, in 000s)					
Rec #	Recommendation Name	FY15	FY16	FY17	FY18	FY19	Total
1	Execute on opportunities for administrative cost savings and efficiency	$2,800	$3,300	$3,300	$3,300	$3,300	$16,000
2	Redesign OGB's offered benefits to preserve plan options, maximize value and mitigate cost	$147,000	$218,300	$221,500	$224,000	$225,700	$1,036,500
Total		**$149,800**	**$221,600**	**$224,800**	**$227,300**	**$229,000**	**$1,052,500**

Foundational Recommendation Redefine strategic direction of the OGB to drive further decision-making

A&M recommends that OGB redefine its strategic direction, and build an infrastructure to drive that strategic direction to best serve OGB and the State of Louisiana. While considering best practices from both the public and private sector, A&M recommends a strategic direction to guide the future state for OGB: The OGB should complete its transformation into an ancillary agency of the DOA responsible for managing the administration of the benefit program available to state employees, retirees, and their dependents, as well as employees of certain other government entities.

To achieve maximum efficiency and success, OGB should restructure to operate as a flat, functional organization that manages the administration of benefits. This direction will involve a new leadership model as well as organizational chart, all reflecting clear staff responsibilities.

The accelerated transformation of OGB into an agency responsible for managing the administration of the benefit program would drive decisions about the operations of the agency, including completing the leveraging of vendors and streamlining operations within OGB. The transformation will involve:

Leverage Current Vendor Partnerships

- Administrative savings
- Claims payment savings
- Other increases in cash (e.g., through subrogation)
- Automation & Innovation with improved technology resulting in a better member experience
- Improved HIPAA compliance
- Improved plan management
- Improved process for budget projections

Integrated health plan management coordinating wellness, care/disease management and consolidated program utilization reporting, leveraging the partnership with Blue Cross Blue Shield of Louisiana

Explore Other Vendor Partnerships to Manage Complex Services with High Compliance Risks

- Administrative savings
- Administrative efficiency
- Automation and innovation with improved technology – better member experience
- Improved compliance

Streamline Operations to Leverage State Resources

- Administrative savings
- Administrative efficiency
- Improved member experience
- Improved compliance

Future OGB Mission and Definition of Success

A&M recommends a strategic vision to drive the transformative future of OGB. OGB's mission should be to successfully manage an employer-based comprehensive benefit program for employees of the State of Louisiana and other subscribed government entities.

OGB's mission must be carried out in recognition and fulfillment of its critical role in Louisiana state government. That commitment means that OGB's actions must be executed in coordination and communication with the DOA. That coordination and communication begins with a clear understanding between the DOA and OGB management of how a transformed OGB would function and define success.

As an employer offering a comprehensive benefit program, successful management of benefit program administration in a transformed OGB includes:

- **Overall Plan Management** – OGB will continue to develop and manage the plan design with consideration of an advisory board comprised of representatives elected by members and appointed by the governor. In accordance with the best interest of the health and well-being of its members, OGB will manage the plan with consideration of overall program cost containment and compliance with federal and state legislative mandates. OGB will maintain the insurance plan documents, which contain the governing terms and conditions of the benefit program offered. OGB will monitor administrative costs of benefit programs and recommend cost containment strategies including alternative methods for administration. OGB will be responsible for preparing budgetary recommendations and assist in the monitoring, verifying and reconciling of budget funds.

- **Medical Management** – OGB will oversee the vendors' performance of services related to medical management. OGB will monitor experience data from available sources, and work with actuarial and other resources and third party administrators in assessing strategies to address areas of focus derived from experience data resulting in improved management of member care and cost efficiency. OGB will manage and coordinate third party audits to ensure proper claim adjudication. OGB will review both short and long range costs estimates/projections and relevant statistical analyses regarding modifications in plan design and potential implementation of new programs.
- **Vendor Management** – OGB will provide oversight of all vendors related to the administration of the benefit program. OGB will manage any Request for Proposals ("RFPs") for any eligible contracts, and negotiate with vendors to ensure cost containment, efficient program administration, and adherence to performance standards.
- **Communications** – OGB will work with vendors to develop communication tools to enhance understanding of the benefits package. OGB will provide information to members on the Plan's benefits, eligibility, policies and requirements. Each year, OGB will provide an Open Enrollment period where program changes may be announced and employees will be allowed to make changes to enrollment elections.
- **Agency Services** – OGB will assist and work with agency benefit coordination liaisons with billing and training.
- **Member Services** – OGB will assist its members with all matters related to eligibility including member changes and premium payments.

In order for OGB to successfully drive its strategic direction, OGB must redefine the roles of the Chief Executive Officer ("CEO") and Chief Operating Officer ("COO"). The CEO and COO will be responsible for the management and adherence to the strategic direction.

The CEO of OGB is a statutorily created, unclassified position, serving at the will of the Commissioner of Administration. The CEO of OGB should be ultimately responsible for OGB's successful management of offered benefit programs, management of vendors related to the administration of the benefit program, and stakeholder communication and coordination, including with the DOA.

The COO is a statutorily created, unclassified position, appointed by the Chief Executive Officer of the OGB. The COO should assist the CEO in carrying out his or her executive responsibilities, as requested and at the direction of the CEO. The COO should assist the CEO in defining and executing on the strategic direction of the OGB, and carrying out the OGB's functions in coordination with the DOA. Under the supervision and control of the CEO, the COO per statute must perform and administer all functions of the office which are in the nature of accounting and budget control, management and program analysis, and grants management, and exercises all functions of the program which relate to payroll, personnel management, procurement, and contract management.

Together, the CEO and COO will lead the transformation of OGB by driving its strategic direction through management. The strategic direction must be communicated to every employee through the new leadership.

Recommendation #1 – Execute on opportunities for administrative cost savings and efficiency

With a redefined strategic direction, OGB can redesign its organizational structure to complete this transformation and realize savings.

OGB can operate as an efficient and effective organization, eliminating operational redundancies and maximizing the contribution of each employee through a new organizational structure. The redesigned structure will support the effective management of third-party administrators and best serve the state's population, by driving the strategic direction set forth by the CEO and COO.

Findings and Rationale

OGB leadership will be engaged with DOA and OGB staff, and take a proactive approach to the management of OGB. A detailed restructuring plan can be found in the Organizational Structure section of this report.

In addition to a reorganization effort, OGB must transform policies and procedures to reflect the new role of third party administrators and to improve functionality of the OGB organization. A&M conducted operational assessments of each OGB work stream, and prepared recommendations for each:

- **Communications** – OGB Communications should migrate to electronic communication from historically paper mailing to members and agency liaisons. This transition will require participation from agency HR liaisons, as well as an OGB website redesign. Migration to eCommunications will save over $350,000 in printing and postage costs. In addition, OGB Communications should also leverage third-party benefit vendor agreements to increase communication with members through third-party administrator (TPA) mail distribution. OGB and DOA Communications should coordinate to handle press and any large roll out of benefit changes.
- **Eligibility** – Currently, OGB does not uniformly enforce all rules involving agency benefit enrollment. This inconsistency creates unnecessary work for OGB employees. OGB needs to enforce enrollment rules already in place, including the use of eEnrollment technology. All state agencies should use eEnrollment, rather than paper forms, to elect benefits. In addition, A&M recommends that dependent verification be performed at the agency HR liaison level, subject to random audit by the new OGB audit team. The implementation of these recommendations will streamline the eligibility department's responsibilities, while enforcing OGB's new strategic direction.
- **Imaging Services**— OGB images several types of documents that were necessary for the legacy organization. A&M recommends that Imaging Services cease imaging of several document types, including BCBS of LA claims and most dependent verification documents. BCBS of LA claims are inconsistently sent to OGB rather than BCBS. A&M recommends that OGB send the claims directly to BCBS rather than imaging them first. The number of enrollment and eligibility documents will decrease significantly after the implementation of eligibility recommendations.
- **COBRA and Flexible Benefits** – OGB currently administers both COBRA and flexible spending account benefits in house. Both require extensive compliance knowledge, exposing OGB to great risks due to regulatory changes. A&M recommends that these operations be outsourced to a third party. Releasing the administration of these plans allows OGB to focus on its core operations, and removes responsibility for and ensures consistently applied compliance, thus reducing liability. In addition to diminished HIPAA liability concerns, moving the administration of these benefits to a third party reduces need for imaging services. The customer service department will be

relieved of excess calls and complaints from members due to the TPA customer service offering. Members will have access to better technology and easier management of Flexible Benefits reimbursements and COBRA payment options.

- **Facilities** – While DOA is housed in the Claiborne Building in downtown Baton Rouge, OGB has operated separately on Florida Boulevard. A&M recommends that OGB move to the Claiborne Building. The move will allow the state to recognize $680,000 in annual savings by eliminating private sector rent and maintenance. At the same time, the closer proximity to DOA will encourage constant interface and communication with the parent organization. This will foster a new environment for the transformed strategic direction and culture of OGB.
- **Contracts** – OGB oversees billions of dollars in state expenditures through benefit plan vendor contracts. This function is currently underserved by personnel and organizational structure. A contracts team with minimal technical knowledge is responsible for the management of specialized benefit vendor contracts. The disconnect between contract knowledge and technical knowledge presents great risk for successful vendor management. As a result, A&M recommends that emphasis be placed on the contracts management function in the new organization. An OGB "procurement" team (RFP team) comprised of individuals with technical expertise and individuals with state, legal, and contract expertise will work together to manage vendor contracts moving forward. Duplicative and unnecessary contracts were identified and should be eliminated, achieving an approximate savings of $70,000.
- **Subrogation**—A&M recommends that OGB utilize BCBS to pursue subrogation collections. This initiative will leverage BCBS' experience and expertise, resulting in $390,000 cost avoidance for OGB. Transferring the subrogation function will save OGB $334,000 in personnel costs through the IAT and $420,000 in vendor costs incurred directly by OGB.
- **Customer Service Infrastructure**-- A&M recommends that OGB invest in an Interactive Voice Response (IVR) for its customer service department. This $5,000 investment will improve efficiency of customer service calls by directing callers to the correct service representative from an automated menu. For example, a plan member with a question about a claim will be directed to BCBS with a push of a button instead of an inefficient conversation with an OGB customer service representative.

The implementation of these operational recommendations is enabled by a successful organizational change. Full cost savings are captured in that section. A&M recommends the centralization of OGB policies, completed in a standard OGB policy format. The following policies and procedures must be created or edited:

- Policy Issuance Policy
- eEnrollment Policy
- Dependent Verification Policy
- Record Retention Policy
- Call Center Procedures
- Imaging Services Procedures
- Reporting Policy and Procedures
- Standard Operating Procedures

RECOMMENDATION #1 - (DOLLARS IN 000'S)

FY15	FY16	FY17	FY18	FY19
$2,800	$3,300	$3,300	$3,300	$3,300

Assumptions

- The DOA and Civil Service Commissioner would grant OGB the authority to reorganize its business structure
- Per recommendations from A&M, OGB would outsource the following:
    - COBRA administration

- Flexible Benefits administration
- The estimated cost of third party administration, calculated through a market survey, remains reasonably constant
- Current IT infrastructure can support migration to full eCommunication and eEnrollment
- The savings associated with these recommendations assumes timely execution
- The savings associated with these recommendations assumes a successful reorganization effort. Cost savings of this effort were calculated using an average of current personnel costs

Recommendation #2 – Benefit review and set of recommendations regarding preserving plan options, maximizing value, and mitigating cost

OGB manages medical benefits for over 230,000 members through a self-funded medical plan administered by BCBS of LA, an insured plan through Vantage, and a Medicare-eligible retiree exchange, One Exchange, with an array of plans and carriers available. In addition, OGB manages life insurance benefits and administers COBRA benefits, surviving spouse benefits, and Flexible Spending Account (medical and dependent) to members of the plan.

Findings and Rationale

Current premium rates for the OGB major medical plan do not cover expected spend and do not include required Healthcare Reform taxes and fees. Members have also been allowed to enroll or drop coverage at any time, compromising the underwriting of the program. The following key findings on the PPO, HMO, and HSA plan utilization create a case for change for improved plan management:

- OGB membership has a 53 percent higher rate and 9% higher cost of hospital admissions than benchmark for general membership in Louisiana
- Medical claims per OGB member are 17 percent higher than benchmark
- Pharmacy claims per OGB member are 129 percent higher than benchmark
- Three cardio-metabolic diseases are in the top six conditions impacting claims costs: diabetes, hypertension, and renal failure
- Diabetes is a preventable condition that plagues approximately 25,000 OGB members, while an additional 10,000 are pre-diabetic.
- Another 4,000 members have diabetes and are not seeking treatment. If not treated properly, those members are more likely to have strokes, kidney failure or cardiac events.
- The highest cost claim driver is chronic renal failure, which can be preventable, but once diagnosed is not reversible, costly to treat, and difficult to manage.
- 30 percent of high claimants are repeat high claimants in subsequent years
- OGB's HMO plan is the primary cost driver and has the highest cost per member compared to regional state plan benchmarks
- Plans as designed today with corresponding premiums are at risk for Healthcare Reform Cadillac Tax of 40 percent effective 2018

Recommendations to address these concerns include:

Improved Plan Management (FY15: $19 million)

- Apply standard Blue Cross Blue Shield medical and pharmacy plan management (i.e. Prior Authorization and Standard Benefit Limits) to ensure appropriate plan utilization and prevent current abuses of the plan
- Focus on preventive health & member well-being with OGB branded wellness program (Live Better Louisiana), to encourage relationships with a Primary Care Providers and address prevention of cardio-metabolic disease (diabetes, obesity, hypertension, dyslipidemia, heart disease, and kidney disease)
- Add Diabetes Prevention and Management program as part of Care/Disease Management

pillar of integrated health plan management strategy managed by OGB and BCBS of LA

- Communication/education on Medicare-eligible retiree health exchange where members could benefit from low or no cost options
- Give members the opportunity to make changes to their plan elections only during designated Open Enrollment periods or after an IRS Qualifying Event.

Changes to Plan Design (FY15: $114 million)

- Implement pharmacy formulary three tier design to encourage lower cost drug utilization where available
- Communication/education on new lower cost plan options such as Consumer Driven Health Plans with Health Savings Accounts ("HSA") and Health Reimbursement Accounts ("HRA")
- Remove Standard Excluded Benefits per BCBS Commercial Book of Business (i.e. exclude medical foods)
- Additional plan adjustments which better align with national trends to mitigate large rate increases

Rate Increases (FY15: $14 million)

- Incremental rate increases each year in line with OGB plan trend rate

RECOMMENDATION #2 - (DOLLARS IN 000'S)				
FY15	FY16	FY17	FY18	FY19
$147,000	$218,300	$221,500	$224,000	$225,700

Assumptions

- FY15 rate increase of five percent ($57.9 million total increase) - illustrated assuming 25 percent average employee cost share, or $14.47 million
- Actuary and other vendor projections are accurate – dependent upon actuarial value of changes and OGB experience
- Member headcount and demographics do not materially change
- Medical inflation remains consistent
- No federal or state laws that may affect recommendations or member behavior adversely are enacted

PROJECT IMPLEMENTATION PLAN

Project Management / Implementation Strategy

The Project Plan for OGB consists of recommendations that focus on three main areas:

- Strategic direction
- Operational efficiency and effectiveness
- Benefit plan design and plan management

Each area has unique levels of impact and requires different approaches. Operational effectiveness recommendations that can be changed without requiring legislative involvement and only affect a small number of people can be made quickly and easily. Other items vary on their implementation schedule based on levels of involvement and magnitude of change.

The key implementation tasks of each of the recommendations can be found below. The plans and estimates do not include the full set of incremental steps that OGB needs to perform. A&M's recommendations affect all OGB employees, and each employee will be involved in the successful transformation at varying levels. DOA and OGB will need to determine the desired level of involvement from state employees and outside contractors to successfully implement each recommendation. The timeline in Table 1 represents only the high level implementation tasks, each of which can be broken down into individual timelines for precise execution.

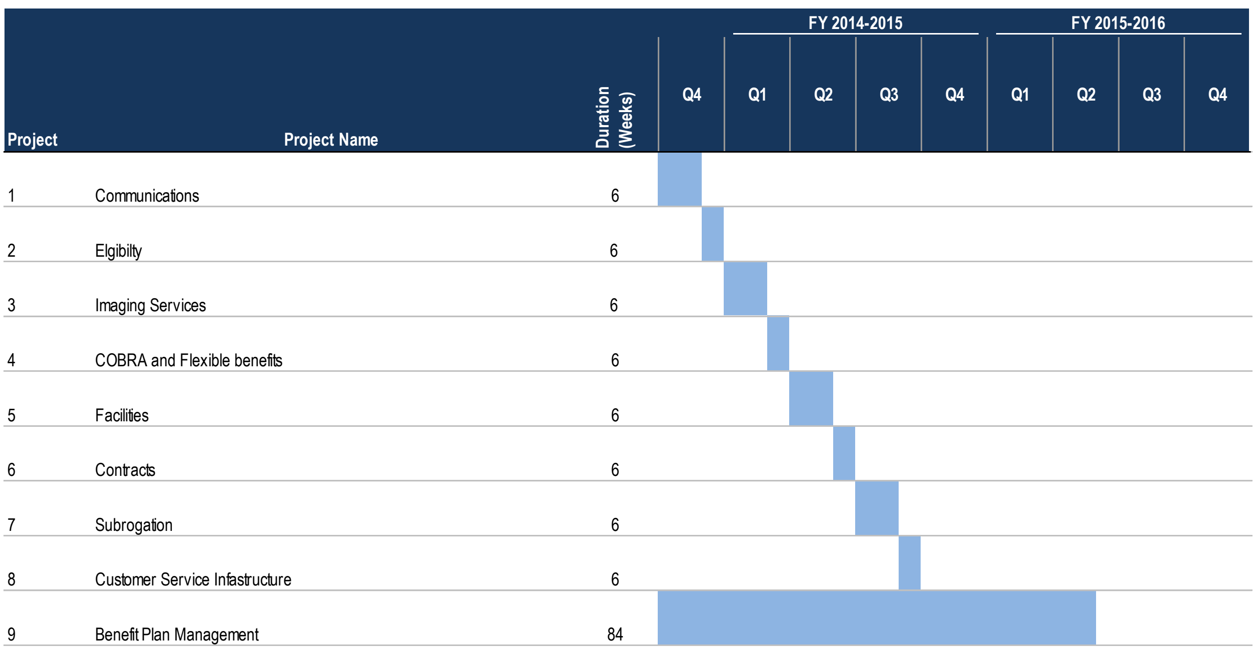

Figure 2.16: OGB Project Plan Gantt Chart

Affected Stakeholders

Three groups of stakeholders are affected by the recommendations at OGB: (1) state employees and their dependents, as well as employees and dependents of government entities that participate in OGB benefits and retirees (collectively referred to as "covered individuals"); (2) state agencies and other government entities; and (3) employees of OGB itself.

The recommended organizational direction is designed to positively impact members through streamlined administration with an emphasis on members' health & well-being.

State agencies and other government entities that participate in OGB benefits will be affected due to implementation of new processes that rely on state agencies to drive benefit communications and enrollment.

Communication and enrollment will be driven through human resource liaisons in the respective employee agencies.

OGB employees themselves will be affected by the agency reorganization. The reorganization will result in a new functional structure.

Change Management

Under the Acceleration of Benefits Transformation Initiative, there are several significant and interdependent change initiatives. Any one of those initiatives would require significant attention from the CEO and management team. The most significant, but not exclusive, change initiatives are:

- Adopting a new strategic vision
- Transitioning new executives
- Transitioning to new executive roles
- Restructuring the organization to realign business functions
- Moving to a different facility
- Implementing benefit plan management changes
- Completion of previously executed BCBS outsourcing
- Initiation of and execution of FSA/COBRA third party administration

Therefore, change management will be a significant component of the success of the transformation.

A&M recommends three fundamental strategic change management strategies:

1. Sequence to minimize risks and change fatigue

A&M has recommended that OGB adopt an implementation plan that recognizes that change initiatives compete for time, talent, and energy. The key sequencing recommendations have been:

- Prioritize executive team; the hiring of a CEO and COO consistent with OGB's strategic direction allows the other changes to go forward according to the Project Implementation Plan
- Complete restructuring before facility move; this sequence will have the added advantage of allowing the new facility to be a part of the new OGB strategic direction and culture
- Ensure thorough communication and education for any future benefit plan management changes

2. Employee communication and culture strategies

A&M recommends communicating the fundamental strategic direction of the OGB. Recommended core messages:

- OGB has adopted a strategic direction and set of expectations
- Employees are the key to that strategic direction; the skills and experience necessary to contribute to the strategic direction were carefully assessed
- The organizational chart job descriptions at OGB are aligned to meet the organization's new strategic direction

All staff meetings and smaller team meetings then should be used going forward to communicate information regarding future initiatives as well as progress on previously discussed initiatives. The Medical/Pharmacy Benefit Administrator and COO should lead discussions regarding initiatives for which they are leading change management initiatives.

3. Benefit Plan Management Communication

A proper communication strategy is necessary to ensure all OGB members are aware of the benefit options available to them. The new wellness initiative, Live Better Louisiana, if effectively implemented, will provide improved access to preventive health and resources for OGB members to better manage their health, understand their risk factors, and make educated choices related to their care. Early detection, awareness, and education are keys to understanding how to be empowered to live better.

Medicare-eligible members today have access to better low cost options available to them other than the OGB plan, and efforts need to be undertaken in re-educating members about these options.

A consistent, thorough communication plan regarding plan benefits provided by OGB should include:

- Improved communication and partnership with OGB Advisory Board
- New website effectively consolidating plan information for members to easily access and understand
- Creation of a single program booklet highlighting all benefits available to state employees (including voluntary benefits)
- Creation of Open Enrollment Task Force to manage consistent messaging during high contact period of Open Enrollment
- Consistent and frequent electronic messaging to active employees through designated benefit liaison and retirees through respective channels
- Leveraging of communication pieces through guidance from respective vendors who will designate a communication consultant for OGB

Monitoring and Tracking Models

Monitoring is a critical component of success for these recommendations. The metrics detailed below will allow OGB to monitor and address any performance gaps in its implementation.

Rec#	Objective	Performance Measure	Target	Unit
1	Monitor Medical Loss Ratio	Medical Loss Ratio (expenses: claims, administrative, taxes/fees vs. premium equivalent rate)	90%	Percentage
1	Improve OGB employee performance	Percentage of employees scoring above average on annual performance reviews	85%	Percentage
2	Improve OGB health status within the State	State of Louisiana/DHH "Well Ahead" status	Level 3 year 1, then progress to Level 1	DHH Well Ahead
2	Increase the percentage of eligible OGB plan members enrolled in a disease management program	Percentage of eligible OGB plan members enrolled in a disease management program	Positive Trend	Percentage
2	Improve population health	Percentage improvement in population health metrics	Positive Trend	Percentage
2	Manage vendor performance closely to ensure optimum performance of contracts	Percentage of performance standards in vendor contracts exceeding 95%	90%	Percentage
2	Achieve high participation in OGB's wellness program, "Live Better Louisiana"	Percentage of members completing health risk assessment and biometric screening	Positive Trend	Percentage

Figure 2.17: OGB Performance Metrics

Office of Risk Management

The Office of Risk Management (ORM) was created within the Division of Administration by R.S. 39:1527, et seq. in order to provide a comprehensive risk management program for the state. ORM is solely responsible for all property, casualty, and workers compensation insurance purchased or self-insured for all state departments, agencies, boards, and commissions.

The self-insurance program provides workers' compensation coverage to all of the state's employees. Coverage is provided for state property with total values of $16 billion. Coverage is also provided for employee bonds, crime, automobile liability and physical damage, comprehensive general liability, personal injury liability, boiler and machinery, medical professional liability, and miscellaneous tort coverage.

Other types of coverage are provided as needed, such as excess over self-insurance, specific excess for aviation, wet marine, and bridge property damage.

Background of Recommendations

A&M's recommendations seek to improve the procurement process, improve leave policies, and affect organizational process improvement. Below are the summary recommendations for ORM.

The recommendations achieve savings through:

- Reduced vendor costs made possible through procurement processes that are better aligned with the insurance marketplace
- Self-insurance to avoid pass-through costs
- Aligning state policies with industry standards to reduce excess payments.

Recommendations

		Target Savings and Revenue Estimate (All values in 2014 dollars, in 000s)					
Rec #	Recommendation Name	FY15	FY16	FY17	FY18	FY19	Total
1	Revise Property Insurance Procurement	$3,023	$3,125	$3,125	$3,125	$3,125	$15,523
2	Restructure Property Program	$16,984	$17,233	$17,233	$17,233	$17,233	$85,916
3	Establish a State Insured Builders' Risk Fund	$322	$526	$526	$526	$526	$2,426
4	Align Civil Service WC - Personal Sick Days with State Benchmarks	$1,250	$1,250	$1,250	$1,250	$1,250	$6,250
5	Increase Workers' Compensation Loss Control and Safety Program Participation	$2,875	$3,350	$3,350	$3,350	$3,350	$16,275
6	Realign Headcount and Contract Support with Responsibilities	$205	$238	$306	$375	$375	$1,499
Total		**$24,659**	**$25,722**	**$25,790**	**$25,859**	**$25,859**	**$127,889**

Recommendation #1 – Property Insurance Procurement

ORM should improve the procurement process for obtaining property insurance by selecting a Broker of Record (BOR) through a competitive Request for Proposal (RFP), who then negotiates terms with insurers in consultation with the state. This will result in more insurers competing for the state's business, better insurance coverage and reduced costs on brokerage commissions and policy premiums.

Findings and Rationale

Louisiana's procurement code governs how insurance is purchased, but the current procedure is inconsistent with how both the domestic and international insurance markets operate. The traditional and current insurance practice, both in the government and private sector, is to select a BOR through a competitive RFP process to represent the entity to the insurance market. Through the RFP process, the brokers compete on the basis of expertise, access, strategic insights, service, and cost to represent the client. Terms, conditions, types of coverage, and limits are negotiated by the broker in consultation with the entity.

The revised procurement process, which is used by other governmental, private and public entities, would provide for expanded competition in both coverage and limits. The new process would provide access to more markets and allow for the State to take advantage of economies of scale in their insurance purchasing.

The current insurance procurement process requires brokers to approach insurance companies, get them to agree to participate and obtain a firm price quote for the limits and coverage each insurance company is willing to provide. The broker collects these premium quotes and submits a bid, describing the coverage they propose and an itemization of the costs of the insurance and applicable broker fees.

An evaluation committee reviews the proposals and selects a vendor based on the criteria in the RFP.

Once the bid is awarded, a contract is issued and the broker purchases the coverage agreed to in the contract at the price specified in the proposal.

The new RFP tool will result in more insurers competing for the state's business, better insurance coverage and reduced costs on brokerage commissions and policy premiums. This allows them to structure the program with limits and layers utilizing various known carriers, including some of those currently utilized on the incumbent program.

The broker RFP process allows for alternatives to be considered and detailed terms and conditions negotiated between various carriers as layers are placed and committed, rather than having the terms carved in stone from the outset. Additionally, the new RFP process will allow negotiation and competition between carriers over an extended period, up until binding of coverage. As dynamic as the property market can be, this additional time to pursue and consider improvements in terms and pricing is material. Flexibility to the benefit of the state is expanded, while the risk is minimized.

Despite the complexity of the state's program, there are large property insurers that would be interested in participating in the program, some of which have declined to participate in the past as a result of the process currently being used.

Recommendation #1 - (Dollars in 000's)				
FY15	FY16	FY17	FY18	FY19
$3,023	**$3,125**	**$3,125**	**$3,125**	**$3,125**

Assumptions

The feasibility of achieving cost savings from this recommendation is based, in part, on the following assumptions. The cost estimates were confirmed in discussions with top-tier brokers confirming their interest in brokering the property program for a fee of between $700,000 but not to exceed $1 million. The overall savings estimates are calculated through the reduction in the current property premium of $3.1 to

$3.4 million, plus the additional program savings of $195,500.

Assumptions related to broker procurement costs:

- Based on 2014 total insured values of $18.5 billion (including LSU)
- Use current program catastrophe limits base
- Use the current the spread of Zone 1 and Zone 2 exposures
- Assumes that all future broker services to be at or above current level
- Includes investment costs of $75,000 to $150,000 for consulting costs of implementing the process
- Uses a discount factor of 9.3 percent to remove the federal funding from the overall savings total
- The factor was based on the ORM FY15 Risk Management Premiums report showing 9.3 percent in federal spend with the remaining 90.3 percent of premiums covered by state funds (i.e., state general fund, non-federal interagency transfers, fees, and self-generated, and statutory dedication)

Recommendation #2 – Property Program Restructure

Utilizing a refined procurement strategy will create savings in brokerage fees and commissions, as outlined above, as well as in actual insurance costs.

Findings and Rationale

The state currently purchases $200 million of excess property insurance above a per occurrence self-insured retention of $50 million. Additionally, half of the state, including the two largest metropolitan areas, lies within Named Windstorm Zones 1 and 2 adding further complexity to the property placement. The current placement of the $200 million consists of 26 domestic insurers and six Lloyds syndicates comprised of 23 international insurers. Although it is common for large coastal property schedules to be shared among multiple domestic and international insurers under normal market conditions, the program's current spread of risk among carriers seems too broad given the exposure.

Utilizing a new procurement strategy will create savings in brokerage fees and commissions, as outlined above, as well as in actual insurance costs.

However, the ability to restructure the property program is directly tied to the change in the insurance procurement process. Without a change in the procurement process, it is unlikely that savings will be realized in the property program.

Recommendation #2 - (dollars in 000's)				
FY15	FY16	FY17	FY18	FY19
$16,984	**$17,233**	**$17,233**	**$17,233**	**$17,233**

Assumptions

The projected savings are based on the below assumptions:

- If the insurance market was approached in the manner of open competition, additional savings would be realized on the premiums while insuring the current and full property values or Total Insured Value (TIV).
- Best estimates of these savings are based on an analysis of the state's exposure and the current market conditions

Current Program Cost Assumptions*		
Total Insured Value *(Exposure Basis)*	$	15,835,076,827
Current Rate		*0.209582071*
Total Premium	$	33,187,482

Estimated Future Costs**		*Status Quo*		*Estimated Low*		*Estimated High*
Total Insured Value *(Exposure Basis)*	$	18,512,438,965	$	18,512,438,965	$	18,512,438,965
Estimated Rate		*0.209582071*		*0.135044334*		*0.097231921*
Total Premium	$	38,798,753	$	25,000,000	$	18,000,000
Net Change From Current Pricing	$	**5,611,271**	$	**(13,798,753)**	$	**(20,798,753)**

**Excludes LSU*

***Estimated future costs are based on a TIV increase resulting from the most recent 2014 property value assessment*

Figure 2.18: Procurement Program Cost Savings Assumptions

- The estimated premium was provided by one of the leading property brokers based on the state's total insured values and locations
- Excluding low-value, single-location state buildings from the excess property insurance placement would reduce the rating base or (TIV) and reduce annual insurance premiums
- Due to potential overlap with other department deliverables and additional analysis required to reflect the estimated cost of retaining more risk the potential savings is not included in the savings estimate
- Investment costs for consulting and actuarial support will range from $200,000 to $350,000
- Property program is based on a July 1st policy year
- The savings estimates have been discounted by 9.3 percent to remove the federal funding from the overall savings total

Recommendation #3 – Establish a State Insured Builders' Risk Fund

Contractors are required to have builders' risk insurance for state construction projects. These policies typically have high deductibles, requiring contractors to buy additional policies to cover potential deductible costs, and the policies are very costly. These costs are passed along to the state. In addition, the necessity for these policies hinders participation by otherwise qualified smaller contractors who lack the buying power to obtain these policies at costs that are manageable.

Findings and Rationale

By creating a state-sponsored guarantee fund to self-insure the builders' risk insurance costs currently purchased by contractors – and reinsuring it through global insurance markets – the state could realize significant savings and bring additional small businesses into the competitive bidding process.

The initial reserve requirements could be achieved through a public debt offering. Contractors could then present project bids net of these insurance costs. Ultimately, the fund would bill the contractor for the current market competitive Rate On Line (ROL), issue certificate of insurance to the lender (if applicable), meet its initial reserve requirements achieved through bond issuance, and open the market up to smaller contractors by reducing the leverage larger contractors can apply to insurance carriers that smaller contractors cannot.

RECOMMENDATION #3 - (DOLLARS IN 000'S)				
FY15	FY16	FY17	FY18	FY19
$322	**$526**	**$526**	**$526**	**$526**

Assumptions

The projected savings are based on the below:

- An analysis of the pro-forma business model for a builders' risk deductible buy-down program based on a historical review of contractor buildings projects from January 1, 2010 to February 19, 2014.
- Pro-forma is based on prior three years' contractor project values
- Due to the relatively low level of activity in the last three years, the average per year was assumed to be one third of the total estimated premiums on the low end and based on an expectation of increased building activity on the high end
- The cost avoidance of builder pass-through costs result in $300,000 to $500,000 in annual savings
- Deductible buy-down premiums are based on 12-month policy terms
- Zone 1 named windstorm deductibles are set at five percent of TIV (Total Insured Value), Zone 2 named windstorm deductibles are set at three percent of TIV
- The estimate does not include any deductible buy-down costs for Non-Zone 1 and 2 risks, which still may exist
- Investment costs of between $150,000 and $300,000 of up-front investment capital assumptions include contract engagement for program design and implementation, and cost of capital for public debt issuance
- The estimated premiums paid to the fund are assumed to be equal to the premiums paid for the past builder risk insurance less the expected payouts based on the underwriting ROI on insurance fund
- The ROI of book composition is based on typical industry loss ratios with a reduced SG&A to account for the fund's expenses being far less than for-profit insurance company overhead
- The result is a 40 percent combined ratio for high end savings, and 80 percent for low end savings, but does not include investment grade yield on fund reserves
- The estimate assumes $300,000 to $500,000 premium less 40 to 80 percent underwriting costs, resulting in net revenues of $60,000 to $300,000 with target revenues of $180,000
- The savings estimates have been factored down by 9.3 percent to remove the federal funding from the overall savings total

Recommendation #4 – Align Civil Service Workers Comp-Personal Sick Days with Other State Benchmarks

Under the state's workers' compensation system, workers are paid significantly more than in other states or in the private sector – an amount which, after taxes, actually reduces the incentive to return to work. By eliminating the ability to use sick leave in addition to workers' compensation, employees will be more likely to return to work when appropriate for their situation.

Findings and Rationale

Civil Service Rule 11:21 requires workers injured on the job and receiving workers' compensation benefits to use sick leave or a combination of sick leave and annual leave.

This process is inefficient. It allows the injured worker to continue to accrue sick leave while on leave. The process of paying the injured worker 100 percent of their salary is also a disincentive to return to work and various agencies have expressed concern that it is difficult to get employees back to work once they are receiving workers' compensation.

Leave Buy-Back

Current Costs	2011	2012	2013	Total
Claim Count	*9,129*	*8,367*	*8,059*	*25,555*
WC Buy-Back *(66.67% of Base Salary)*	$ 1,997,443	$ 2,182,261	$ 2,915,273	$ 7,094,977
Leave Time Paid by State (.333)	$ 998,722	$ 1,091,130	$ 1,457,636	$ 3,547,488

Figure 2.19: Leave Buy-Back Assumptions

Workers staying out longer than necessary can create morale issues and causes the state to accrue additional overtime costs for other employees who are required to cover the responsibilities of those individuals who are not on the job.

RECOMMENDATION #4 - (DOLLARS IN 000'S)				
FY15	FY16	FY17	FY18	FY19
$1,250	**$1,250**	**$1,250**	**$1,250**	**$1,250**

By eliminating the ability to use sick leave in addition to workers' compensation, employees will be more likely to return to work when appropriate for their situation.

Assumptions

The projected savings are based on the below assumptions:

- Potential exposure was calculated based on the past three years of payments in contrast with potential additional expense and exposure
- The savings estimate is based on an average of the previous three years
- Louisiana is one of only nine states in the country that pay more than the federal recommendation of 66.67 percent
- Florida and Mississippi pay the federally recommended 66.67 percent, and Florida mandates the use of sick leave
- Texas pays 70 percent and allows for the use of either sick leave or vacation
- A&M could not identify any state that uses leave buy-back as a requirement for workers compensation
- A&M could not identify any state that pays 100 percent of wages for workers compensation claims

Recommendation #5 – Increase Workers' Compensation Loss Control and Safety Program Participation

ORM's Targeted Risk Improvement Program (TRIP) is a loss prevention program designed to reduce claims by reducing accidents and injuries. By refocusing and enhancing the agencies' participation in TRIP as well as other programs, cost reductions can be achieved in the Workers Compensation program.

Findings and Rationale

The TRIP program is designed to reduce claims costs by reducing accidents and injuries. The departments participating in the TRIP tend to have more cost efficient "cost per man hour" calculations compared to the agencies that have not participated.

By refocusing and enhancing the agencies' participation in the TRIP as well as other programs, cost reductions can be achieved in the Workers Compensation program.

Standardization of agency reporting must be implemented to ensure that loss analytics and benchmarking across agencies are accurate. Additionally, accurate headcounts need to be kept current along with current loss reports to accurately measure and forecast estimated costs and identify agencies whose loss trends are below the established benchmarks.

RECOMMENDATION #5 - (DOLLARS IN 000'S)				
FY15	FY16	FY17	FY18	FY19
$2,875	**$3,350**	**$3,350**	**$3,350**	**$3,350**

Assumptions

The projected savings are based on the below assumptions:

- Full participation across all agencies as well as more robust monitoring and reporting can further reduce costs by an additional 20 to 25 percent according industry benchmarks
- There can be a five to 10 percent reduction in total claims leading to a reduction in total claims cost
- Increased accountability through budget incentives / penalties for the Agencies should increase participation rates
- With additional support and implementation of the safety guidelines and procedures will lead to reduction in number and severity of workers compensation claims
- Light duty work positions should be established in all agencies
- A system-wide claims cost monitoring process should be put in place that includes current losses and headcounts updated on a monthly basis to accurately monitor and forecast claims cost trends by agency
- Savings will be derived both from reducing the frequency of claims, and by reducing claims costs for losses incurred
- Investment costs to ORM for increasing loss control and reporting is estimated to be between $500,000 to $750,000 with ongoing investments costs of $100,000 to $200,000 to account for increased administrative work

Recommendation #6 – Realign Headcount and Contract Support with Responsibilities

Review current staffing, expense and budget for the ORM given the current workloads and operations. ORM has taken substantive steps toward reducing headcount and costs within their department. Our review of their organizational strategy is process oriented.

Findings and Rationale

ORM currently has 35 full-time employees. There are 18 vacancies within the department which will not be filled, in addition to three open positions to be filled as well as two "B-owned positions" (i.e., a position that is held open due to temporary transfer of employees into other positions). Two additional positions will be eliminated in FY16 as a result of the TPA renewal. There are 10 contract positions working on claim files, many of whom are assigned to prior hurricanes. As the hurricane claims are settled, the need for these contractors will be reduced barring any new hurricanes.

ORM process and systems observations:

- Currently there is a significant amount of time spent on contract review that could be streamlined
- Claims data and payments handling should be reengineered. Currently the leave buy-back checks are issued to the agency.
- Reports such as Chronic Opiate Therapy should be reviewed and sent to the agencies for review and action
- F.A. Richard & Associates, Inc. (FARA) provides boilerplate reports; report queries need to be run by FARA

- FARA provides PDF versions of their reports making it very difficult to use them for in-depth analysis
- ORM currently uses information from several systems which can lead to inconsistencies between reports and inaccurate analysis
- Despite there being an adequate amount of data collection, there are inconsistencies in the centralization and accessibility of the data, which can lead to inefficiencies in the allocation of resources and mismanagement of budget related items
- In some cases, information that is generated does not get to the end user

ORM should review its current staffing, expense and budget, given the current workloads and operations. While ORM has taken substantive steps toward reducing headcount and costs within their department, A&M believes that the claims currently handled by contract adjusters are diminishing and thus the costs associated with them can be reduced.

RECOMMENDATION #6 - (DOLLARS IN 000'S)				
FY15	FY16	FY17	FY18	FY19
$205	**$233**	**$306**	**$375**	**$375**

Assumptions

Projected savings were based on the below assumptions:

- There are 10 contract positions working on claim files, many of whom are assigned to prior hurricanes
- The total cost of this contract is $1.86 million in FY13
- The reduced need for claims processing moving forward should enable between eight percent reduction in the low estimate and 16 percent in the high estimate in FY15, and will escalate over the five year period to between 15 percent and 30 percent by FY19
- Further emphasis on the accessibly, management, and communication of otherwise adequate data records should result in material cost reductions without having to make significant operational cuts
- Improvements to technology management systems similar to those used by large insurers, companies, and agencies in the private sector, will enhance the ability for multiple users to access critical information without compromising the data
- A realignment of current personnel to oversee systems and information should be considered. Savings are based on the reduced need for claim consultants as the existing claims are closed
- The savings estimates have been factored down by 9.3 percent to remove the federal funding from the overall savings total

PROJECT IMPLEMENTATION PLAN

Project Management / Implementation Strategy

The project plan for ORM comprises recommendations that involve five different operational areas: property procurement and program restructuring, fiscal efficiencies through the builders' risk buy-down reform, headcount and process efficiencies, and human capital management including workers compensation / sick day reform and worker's compensation loss control.

The different types of planning required for each of these categories result in significantly more detailed change management plans. In the following sections A&M has outlined the basics steps the A&M team believes are required to implement and successfully achieve the recommended projects.

The table below outlines key implementation tasks required to complete each recommended project. The implementation plan includes resource estimates for consultants and government workers. Many of the recommendations only require partial resources, allowing a single FTE to work across multiple projects.

				FY 2014-2015				FY 2015-2016			
Project	Project Name	Duration (Weeks)	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1&2	Property Procurement and Program Restructure	26									
3	State Insured Builders' Risk Fund	31									
4	Civil service WC - Personal sick Day	7									
5	Workers' Compensation loss Control and Safety	26									
6	Organizational Headcount & Budget Analysis	21									

Figure 2.20: ORM Project Plan Gantt Chart

WBS	Tasks	Resources
1	**ORM Recommendation #1 & #2 -- Property Procurement and Program Restructure**	
1.1	Legislative change to the procurement code	Legislative
1.2	Create a Request for Proposal (RFP) document and distribute to already identified insurance brokers	1 Gov't FTE + 2 PTE Consultants
1.3	Provide 30 days response time, and review written RFP responses as they arrive	1 Gov't FTE + 2 PTE Consultants
1.4	Reduce RFP response candidates to three, host oral presentations, and make final selection	1 Gov't FTE + 2 PTE Consultants
1.5	Distribute all necessary underwriting data to the selected broker for initial review	2 Gov't FTE + 2 PTE Consultants
1.6	Analyze various program strategies with broker and submit underwriting info to the market	2 Gov't FTE + 2 PTE Consultants
1.7	Review initial program and pricing indications and provide additional requested information to market if requested	2 Gov't FTE + 2 PTE Consultants
1.8	Review final program and pricing proposals and bind coverage	2 Gov't FTE + 2 PTE Consultants
2	**ORM Recommendation #3 – Establish a State Insured Builders' Risk Fund**	
2.1	Quantify fund reserve requirements	1 Gov't FTE + 2 PTE Consultants + 1 Actuary
2.2	Legislative changes to approve state fund	Legislative
2.3	Map and implement internal administration, and claims handling guidelines	2 Gov't FTE + 2 PTE Consultants
2.4	Execute program and coordinate initial communication with lenders and agents for interim period	1 Gov't FTE + 2 Project Coordinator
3	**ORM Recommendation #4 – Align Civil Service WC - Personal sick Day with Other State Benchmarks**	
3.1	Requires Civil Service rule change	Legislative

WBS	Tasks	Resources
3.2	Develop and refine new process once approved	1 Project Coordinator
3.3	Communicate changes to TPA	0.25 FTE Gov't FTE + Project coordinator
3.4	Communicate changes to all agencies	0.25 FTE Gov't FTE + Project coordinator
3.5	Communicate changes to all employees	0.25 FTE Gov't FTE + Project coordinator
4	**ORM Recommendation # 5 – Increase Workers' Compensation loss Control and Safety Program Participation**	
4.1	Perform an analysis and review of the current available WC data	1 Gov't FTE + 1 Project Coordinator
4.2	Develop plan for return to work/light duty	0.25 FTE Gov't FTE + Project coordinator
4.3	Develop implementation plan including WC costs and benchmarks	0.25 FTE Gov't FTE + Project coordinator
4.4	Meet with agencies to review their costs and benchmarks	0.25 FTE Gov't FTE + Project coordinator
4.5	Develop loss control and safety plans for individual agencies	0.25 FTE Gov't FTE + Project coordinator
4.6	Begin implementation rollout	0.25 FTE Gov't FTE + Project coordinator
4.7	Provide training and outreach to agencies	0.25 FTE Gov't FTE + Project coordinator
4.8	Monitor agencies adherence to plan	0.25 FTE Gov't FTE + Project coordinator
5	**ORM Recommendation #6 – Realign Headcount and Contract Support with Responsibilities**	
5.1	Restructure organizational responsibilities	.50 Gov't FTE + 1 Project Coordinator

WBS	Tasks	Resources
5.2	Review and consolidate current systems used for claims reporting	1 Gov't FTE + Systems Support
5.3	Develop benchmarks to evaluate TPA's performance	0.25 FTE Gov't FTE + Project coordinator
5.4	Develop the criteria needed for TPA provided reports	0.25 FTE Gov't FTE + Project coordinator
5.5	Develop a plan to monitor TPA claims information	0.25 FTE Gov't FTE + Project coordinator
5.6	Develop a plan for detailed claim file review to include updates to the agency	0.25 FTE Gov't FTE + Project coordinator

Figure 2.18: ORM Project Plan

Affected Stakeholders

Changes in this area may require legislative approval, so communications with the legislature will be crucial.

On property insurance, the recommended changes will maintain transparency, increase competition, and result in better coverage at lower cost – which should make for a persuasive argument in their favor. Communications with insurance brokers, in particular, will be helpful as there are many who have not participated in this process previously, but who may be interested in bidding for the state's business after the changes are made. Those who support this initiative should be encouraged to voice their opinion.

Communication to insurance brokers may take the form of letters and e-mails, alerting them to this proposal and the opportunity it could provide, as well as through coverage in national insurance trade publications.

Communicating with employees about any changes in the workers compensation process should involve Human Resources personnel. The employees should be given materials, approved by legal counsel, that reflect whatever changes are implemented.

Change Management

A&M's recommendations will require change management strategies to ensure an effective transition from the organization's current structure to the desired future state. Specifically, it is important to focus on managing scheduling and work plan development, stakeholder communication, and recommendation implementation.

These procedures will ensure clear communication of the projects' activities and intended benefits to all involved parties to ensure their compliance and commitment. Interested parties not only will be aware of action items but also will have the opportunity to offer insight into changes prior to being put into motion. For example, regular meetings with important stakeholders and timely updates on implementation progress will be critical to maintain momentum, identify potential roadblocks, and allow all parties to offer feedback (Recommendation 5). Additionally, it is important for ORM to focus on communications, analysis, performance management, and knowledge transfer. A concise plan of action will be crucial to keep all affected agencies involved and updated of progress. Listed below is a detailed outline of the change management considerations for each of the stated recommendations:

Recommendations 1 and 2: Scheduling and Work Plan Development

- Establish and agree on a project schedule with timeline
- Clearly define the scope of the project
- Define roles and responsibilities
- Assign champions and project leaders when applicable

Recommendation 4 and 5: Managing Stakeholder Communication

- Establish a mandate and agreement that all agencies will participate
- Develop detailed communications plan that specifies key communication goals, primary audiences, communication media, timelines, and feedback mechanisms
- Conduct regular meetings to garner feedback and report on progress
- Deliver announcements to stakeholders groups

Recommendations 1,2,3,4,5,6: Implementation

- Establish new tracking and reporting changes for new processes
- Monitor cost savings as realized
- Begin handoffs to have ORM manage the process
- Conduct transition meetings

Monitoring and Tracking Models

Monitoring and tracking is directly correlated to the reduction in costs because performance tracking in ORM is less managerial/operational and more a result of process changes that will result in savings. Establishing these tracking mechanisms will be critical in ensuring the long-term effectiveness of proposed recommendations and communicating their benefits to key stakeholders. Also, these objectives provide a clear focus for ORM in the future and should remain relevant as new recommendations are proposed and adopted.

Listed below are the six performance measures with their corresponding objectives that will be instrumental to achieving the ORMs future savings goals. In general, the performance measures will be easily tracked using existing tools. For example, the loss ratio needed for recommendation three can be compiled from existing management reports. Best practices are to establish regular intervals at which to review the measures at the outset to ensure progress is consistently captured.

Rec#	Objective	Performance Measure	Target	Unit
1	Change Procurement Guidelines	Legislation grants wording changes to allow RFP	NA	NA
2	Reduce program costs	Savings to the ORM	15	$1m
3	Fund produces underwriting profit to the State	Loss ratio	50	% of Annual Premium
4	Savings from process change	Savings to the ORM	1	$1m
5	Reduction in claims costs	Aggregate savings from reduction in claims frequency and avg. cost per claim	3	$1m
6	Process improvement	Reduction of hours in reporting	NA	NA

Figure 2.19: Monitoring and Tracking Tool

Chapter 3: Department of Revenue

Agency Overview

The Louisiana Department of Revenue (LDR) is a results-based department that is capable of responding to the needs of the citizens and stakeholders. The Department of Revenue's mission is "to fairly and efficiently collect state tax revenues to fund public services and regulate the sale of alcoholic beverages, tobacco, and charitable gaming within Louisiana." With a recovery rate of 89 percent, the LDR currently collects over 75 percent of the state's general fund. The department relies heavily on technology and audit personnel to detect and assess noncompliance.

Efforts over the past few years that have allowed the LDR to increase its audit coverage include:

- Introduction of new fraud initiatives
- Implementation of a time and attendance policy, which has reduced tardiness, unscheduled absences, and breaks and has increased attendance by 3.6 percent, resulting in improved productivity at no additional cost
- Promotion of electronic tax filing and other programs to improve its services within the past several years
- Modernization of the integrated tax system to provide improvements in taxpayer access, data mining, and allows for a more accurate and efficient tax administration
- Modernization of the tax processing infrastructure which significantly improves scanning and detection capabilities in order to reduce errors and downtime for maintenance
- Implementation of a Tier 1 call center and upgraded phone system has doubled incoming call capacity, reduced abandonment rate by over 10 percent, and increased revenue from taxpayer issues resolution
- Transition to a fully remote field presence, consisting of 179 employees

Nonetheless, statewide initiatives have resulted in cuts, such as the reduction of physical offices from eight to two, that have directly impacted the department's resources and, in turn, its efficiency and effectiveness.

BACKGROUND OF RECOMMENDATIONS

A&M's recommendations focus on addressing current opportunities to use technology to protect revenues, reprioritizing litigation matters to create near-term revenue through accelerated collection, and strengthening the audit functions. The recommendations also serve to increase intra-agency collaboration and build cross-functionality to enhance its services on behalf of the citizens of the state.

The recommendations are summarized by the following actions:

- Upgrade and integrate metadata and relevant software systems into current tax administration systems to enhance voluntary compliance
- Re-build audit staff positions depleted due to retirements and hiring freezes in order to increase efficiency and ensure the department is able to successful deliver its mission
- Increase compliance efficiency and reduce backlog of litigated cases

RECOMMENDATIONS

		Target Savings and Revenue Estimate (All values in 2014 dollars, in 000s)					
Rec #	Recommendation Name	FY15	FY16	FY17	FY18	FY19	Total
1	Legal Litigation Backlog	$0	$22,500	$22,500	$0	$0	$45,000
2	Discovery Unit	$17,439	$19,889	$19,394	$19,394	$19,394	$95,510
3	SAS Sales Tax Analysis	$0	$11,475	$0	$0	$0	$11,475
4	Re-build Severance Audit Team	$9,740	$9,740	$9,575	$9,575	$9,575	$48,205
5	Hire Additional Auditors	$27,239	$27,239	$26,249	$26,249	$26,249	$133,225
Total		**$54,418**	**$90,843**	**$77,718**	**$55,218**	**$55,218**	**$333,415**

Note: All savings are net of costs

Recommendation #1 – Reduce Legal Litigation Backlog

Legal Affairs currently has 2,668 cases representing $757 million. These cases represent both refund claims by taxpayers and matters where the LDR is the plaintiff. The cases consist of complex technical issues as well as simple collection cases. Legal Affairs is currently working on a plan to reduce the backlog of cases by decreasing the time to closing through settlements or obtaining judgments in court. Of the 2,668 cases, 1,449 cases, representing $21 million of collection matters should be handled in a different manner than the other cases.

Findings and Rationale

LDR should reduce the legal litigation backlog through a restructured review and prioritization process. In addition, A&M recommends that Legal Affairs create a three-person committee to review docketed cases on a quarterly basis to accelerate settlements if warranted. For collection cases, A&M recommends alternative resolution methods, such as hiring collection lawyers to obtain judgments or other vendors that would expedite collection. Legal Affairs would then concentrate on the more complex and valuable cases. Another recommendation would be to have a third party evaluate the largest-dollar cases for probability of a positive outcome. Once completed, the department can determine which cases should be settled and which cases should be prepared for litigation. The analysis should also determine whether the department has the staff with the skillset to litigate the matter or if a third party would better manage the matter.

The current backlog of cases in Legal Affairs should undergo an evaluation and prioritization process to expedite collection. The current process has resulted in delayed collections, and is at risk of loss due to economic downturn.

Recommendation #1 - (Dollars in 000's)				
FY15	FY16	FY17	FY18	FY19
$0	**$22,500**	**$22,500**	**$0**	**$0**

Assumptions

The projected savings are based on the below assumptions:

- If additional legal personnel are required, an outside law firm's compensation can be structured on a contingent fee basis up to 10 percent
- Currently, there are 50 cases where the department believes there is a good opportunity for winning $67 million
- Assuming these matters can be settled for $50 million within the next two years, it would accelerate collections and free up attorneys to concentrate on refund cases
- The refund cases are even more important since the state would lose general funds already budgeted

Recommendation #2 – Establish a Discovery Unit

The audit function of the state is divided into Office Audit (protects the state against individual's fraudulent refund claims) and Field Audit (audits businesses for Corporate Income/Franchise Tax (CIFT) and sales tax). LDR is in the process of obtaining metadata from SAS, Delta V9, and FAST to better protect the state's general funds. This additional data will better identify possible fraud that will lead to increased activity by the Office of Field Audit.

Findings and Rationale

In order to efficiently select leads and technical issues for further development, A&M recommends the establishment of a cross-functional discovery unit. The Discovery Unit will be comprised of seven FTEs. This group will generate a centralized audit plan which will be executed by Office Audit and Field Audit.

This recommendation will result in enhanced revenue and more efficient tax administration. This will also result in a fairer distribution of tax burden on all Louisiana taxpayers. This process will shift focus of audits on noncompliant taxpayers, rather than those who voluntarily comply, resulting in a superior customer experience.

Recommendation #2 - (Dollars in 000's)				
FY15	FY16	FY17	FY18	FY19
$17,439	**$19,889**	**$19,394**	**$19,394**	**$19,394**

Assumptions

The projected savings are based on the below assumptions:

- The increased revenue projections are based on third-party (SAS) projections
- The estimate was developed by tax type using the total annual collections in FY13 and applying a non-compliance rate based on IRS standards to determine a "tax gap"
- The gross estimate was adjusted downward to reflect a more conservative number of $21.4 million per year in increased revenue
- The increased revenues from this reorganization are dependent on LDR hiring an additional seven auditors using a fully loaded rate of $85,000 per auditor, IT personnel and software costs to execute the centralized plan. The savings estimates are net of this investment

Recommendation #3 – SAS Sales Tax Analysis

The audit of sales tax returns for 2010-2012 can be enhanced by purchasing the SAS sales tax module, which would improve audit efficiency and revenues. SAS uses advanced analytics on various data sources, including IRS and other government agency data, to detect fraud and other non-compliance.

Findings and Rationale

LDR should initiate a SAS analysis for sales tax for prior open years. The reports from this analysis would go to the Discovery Unit that would focus sales tax audits on noncompliant taxpayers.

Audits focused on a greater number of taxpayers will result in increased voluntary compliance in future tax years.

Recommendation #3 - (Dollars in 000's)				
FY15	FY16	FY17	FY18	FY19
$0	**$11,475**	**$0**	**$0**	**$0**

Assumptions

The projected savings are based on the below assumptions:

- The assignment of five additional auditors will substantially increase current revenues using a fully loaded rate of $85,000 per auditor
- SAS projected $55 million in additional revenues for FY10 to FY12
- The gross revenue estimate was adjusted downward to $13 million because of the delay of the sales tax record and due to the possibility that some of the taxpayers may be bankrupt or no longer in business
- An investment of $1.1 million for this technology should be required

Recommendation #4 – Severance Tax Audit Team

The Department of Revenue's last full audit year of severance taxes resulted in $24 million of additional audit assessments. Oil and gas is a leading economic driver and should result in additional revenues since the Department of Natural Resources did not perform audits in prior years.

Findings and Rationale

LDR should rebuild the severance tax audit team by hiring and training five new auditors. These new hires would conduct the audits function LDR recently reacquired from the Department of Natural Resources (DNR) by legislative mandate. Additional revenues would be acquired largely from oil and gas.

Severance tax audits conducted by DNR had not resulted in any additional revenues due to a lack of expertise on the subject. By re-building the expertise in the Department of Revenue, they should see additional collections.

Recommendation #4 - (dollars in 000's)				
FY15	FY16	FY17	FY18	FY19
$9,740	$9,740	$9,575	$9,575	$9,575

Assumptions

The projected savings are based on the below assumptions:

- LDR would need to hire and train five auditors using a fully loaded rate of $85,000 per auditor
- Temporary hires (former LDR employees) may be used in the short term
- Conservative gross estimates for the rebuilding of a severance audit team result in an additional $10 million of audit assessments

Recommendation #5 – Hire Additional Auditors

LDR needs additional resources, above and beyond current staffing levels, to protect against fraudulent refund claims and to process leads from the recommended Discovery Unit. Currently, there is no capacity to increase audits of individuals and corporations without adding auditors.

Findings and Rationale

LDR should hire additional auditors to assist with compliance season refund review and discovery initiatives, including SAS and DeltaV9.

To combat the effects of attrition and retirements, the Department of Revenue's staffing levels need to be returned to previous levels to allow the agency to better maximize available metadata. Additional resources should increase the number of audits and thereby increase voluntary compliance.

Recommendation #5 - (dollars in 000's)				
FY15	FY16	FY17	FY18	FY19
$27,239	$27,239	$26,249	$26,249	$26,249

Assumptions

The projected savings are based on the below assumptions:

- Assumes hiring of 30 new full time auditors
- The cost of a full-time auditor is estimated at $85,000 per annum
- Revenues are based on historical collections per auditor

PROJECT IMPLEMENTATION PLAN

PROJECT MANAGEMENT / IMPLEMENTATION STRATEGY

LDR is going to update and integrate currently available metadata to detect fraudulent refund claims as well as increase the efficiency of their compliance efforts.

Legal Affairs

Legal Affairs will, with the help of an outside advisor, evaluate and select cases that can be settled, litigated, or outsourced. This will bring the state's collections more current and increase the cash flow to the general funds. Furthermore, this process will allow Legal Affairs to better handle some of the more difficult matters. This recommendation should be implemented immediately to allow for a two-year window of collections to occur.

Discovery Unit

LDR must update and integrate newly available metadata to its tax administration systems. This recommendation will require increasing audit and IT staff as well as purchasing software and IT services from third party vendors. This will require careful coordination of various internal staff and third party vendors. The ultimate goal is to produce a more efficient central audit plan that can increase compliance. The recommendation will require strong leadership and cooperation. This activity will take longer due to a new management structure and closed-loop process.

Sales Tax Analysis

LDR is going to purchase SAS services for analyzing the previous three years of sales tax data to determine if there were any noncompliant taxpayers. The recommendation involves analysis of the SAS data, prioritizing it and ultimately assigning it to auditors.

Severance Tax

The LDR will rebuild its technical capabilities in auditing the oil and gas industry. It will hire retired auditors temporarily and subsequently replace them with permanent hires. The permanent hires will be trained by the retired auditors.

Hire Additional Auditors

LDR must hire a substantial number of auditors in a very short period of time in order to bolster its compliance footprint. This hiring process should be a major focus of LDR leadership in order to achieve the compliance targets.

				FY 2014-2015				FY 2015-2016			
Project	Project Name	Duration (Weeks)	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1	Legal Litigation Backlog	4									
2	Discovery Team	5									
3	SAS Sales Tax Analysis	4									
4	Severance Tax	8									
5	Hire Additional Auditors	4									

Figure 3.1: LDR Project Plan Gantt Chart

WBS	Tasks	Resources
1	**LDR Recommendation #1 -- Legal Litigation Backlog**	
1.1	Prepare a summary of each case in the pool	1 Gov't FTE
1.2	Engage outside legal advisor to review cases	2 Gov't FTE
1.3	Determine best course of action (settle vs. litigate)	2 Gov't FTE + 1 Outside Advisor
1.4	Assign cases to internal or external attorney	2 Gov't FTE
1.5	Monthly status meeting with Legal Affairs Undersecretary	3 Gov't FTE
2	**LDR Recommendation #2 -- Discovery Unit**	
2.1	Identify one or two current LDR employees to lead discovery unit	2 Gov't FTE + 1 Project Manager (PM)
2.2	Analyze results of SAS Quick Start	2 Gov't FTE + 1 PM
2.3	Identify individuals to represent Audit, Legal Affairs, IT, and PMO	2 Gov't FTE + 1 PM
2.4	Engage Fast to expedite necessary GenTax upgrades and discovery module	2 Gov't FTE + 1 PM
2.5	Establish procedures for integrating metadata and audit findings into audit planning process	7 Gov't FTE + 1 PM
2.6	Determine initial IT support resources	2 Gov't FTE + 1 PM
2.7	Establish initial audit plan based on SAS and Delta V9 results	7 Gov't FTE + 1 PM
2.8	Assign field and office audit resources	1 Gov't FTE + 1 PM
2.9	Monthly status meeting with Duty Secretary	8 Gov't FTE + 1 PM
3	**LDR Recommendation #3 -- SAS Sales Tax Analysis**	
3.1	Engage SAS for sale tax analysis covering prior three years	2 Gov't FTE + 1 PM
3.2	Provide data dump to SAS	1 Gov't FTE + 1 PM
3.3	Analyze results	1 Gov't FTE + 1 PM
3.4	Assign field and office audit resources	1 Gov't FTE + 1 PM
4	**LDR Recommendation #4 -- Severance Tax**	
4.1	Establish initial audit plan	2 Gov't FTE
4.2	Contract retired LDR employees with severance tax experience	1 Gov't FTE + 1 PM

WBS	Tasks	Resources
4.3	Assign field and office audit resources	2 Gov't FTE
4.4	Hire and training permanent field audit resources	2 Gov't FTE + 1 HR Coordinator
5	**LDR Recommendation #5 -- Hire Additional Auditors**	
5.1	Establish plan for best use of additional auditors	2 Gov't FTE + 1 PM
5.2	Contract retired LDR employees	2 Gov't FTE + 1 PM
5.3	Assign field and office audit resources	2 Gov't FTE + 1 PM

Figure 3.2: LDR Project Plan

Affected Stakeholders

Potential stakeholders who will be affected by these recommendations include:

- Tax Bar (attorneys)
- CPA and tax professionals' organizations
- Industry organizations
- Chemical firms
- Oil and gas firms
- Retail establishments
- Internal stakeholders/employees

LDR already has a significant outreach program in place with key stakeholders. It is these stakeholders who are the primary audience for communications connected with the initiatives described in this plan.

The Secretary and Executive Counsel routinely meet with stakeholder groups and have already begun briefing organizations on changes underway at LDR, including those contemplated in support of the GEMS recommendations. They have already developed presentations and other materials.

Through direct outreach to their key stakeholder groups, LDR is able to reach the overwhelming majority of people who will be affected by the recommendations.

LDR also maintains a “Tax Topics” listserv and other e-mail lists that reach thousands of contacts, including attorneys, accountants, and tax preparers. The Department has also created a Policy Information Center to facilitate access to information and provide answers to queries by tax professionals.

In addition, LDR communications staff maintains an internal e-mail list, to which they distribute newsletters and other timely information on policy changes and other noteworthy developments.

Change Management

A&M recommends five different tasks for LDR to improve efficiency and to generate more revenue for the state. A&M recommends that the Deputy Secretary be ultimately responsible for supervising the various teams that are being charged with implementation of our five recommendations on a monthly basis. A&M also believes that in order to achieve the goals set forth herein, the Human Resource Department of LDR must focus on recruiting and training the new hires to accomplish the goals. Moreover, LDR will have to focus on retention policies since its turnover of employees is high. This, in turn, creates challenges in running an effective operation. LDR should look into changing their hiring requirements.

In addition to the above, in order for these recommendations to be achieved, LDR has to immediately contract with third party vendors to deliver a quality upgrade of software within a short time. This effort has to be supervised very closely otherwise the goals will not be met. The Deputy Secretary should negotiate with the vendors and be the liaison on a weekly basis. Furthermore the function of the cross-functional Discovery Unit has to be organized right away to better analyze the metadata and create a central audit plan based on discovery issues. Thus the office and field auditors can better focus their efforts and be more productive. At the end of each audit, a report would be sent back to the Discovery Unit explaining the results. This would enable LDR to better audit without expending more nonproductive time and without creating a backlog of docketed cases that are not sufficiently accurate as to the law. All of this requires constant teamwork of the various units within the Department of Revenue.

MONITORING AND TRACKING MODELS

The elimination of tax fraud continues to be a top priority for the department and these recommendations will improve its ability to combat fraud. Each of these recommendations can be tracked quantitatively in order to ensure progress. The progress will be evident in the number of fraudulent returns stopped and the relative level of assessments. Monitoring will also involve tracking the number of pending cases and the number of completed audits, as well as the percent reduction in noncompliance.

Rec#	Objective	Performance Measure	Target	Unit
1	Reduce litigation backlog and increase revenue	Number of pending cases	50%	Case
2	Reduce fraudulent refund	Number of fraudulent returns stopped	20%	Return
3	More efficient audit process	Reduction in noncompliance/assessments	10%	Return
3	Reduce fraudulent refund	Number of fraudulent returns stopped	20%	Return
4	More efficient audit process	Reduction in noncompliance/assessments	10%	Return
5	Increase number of audits	Number of audits completed	10%	Audit

Figure 3.3: LDR Tracking Tool

Chapter 4: Department of Health and Hospitals

Agency Overview

The mission of the Department of Health and Hospitals (DHH) is to protect and promote health and to ensure access to medical, preventive and rehabilitative services for all residents of Louisiana.

DHH is responsible for running the state's largest health care and public health programs, including behavioral health programs and programs for individuals with age-related and developmental disabilities. The Office of the Secretary leads and directs DHH. The Undersecretary of the Office of Management and Finance oversees Medicaid, budget, human resources, contracts, and other functions. The Deputy Secretary oversees public health, behavioral health, aging and adult services, developmental disability services and other programmatic offices.

Over the last few years, a number of significant consolidations and innovations involving DHH services have been enacted under the leadership of Governor Jindal. These changes affected nearly all agency core functions.

Most significant in terms of impact was the transition of Medicaid from a system where doctors and other medical providers submit bills for payment to a prepaid or coordinated care network. Starting in February 2012, Bayou Health was launched across all Louisiana's regions. Five different health plans provide medical care to nearly 900,000 of the total 1.4 million Medicaid recipients. Three prepaid, or capitated plans and two shared services plans now provide medical care, prescription drugs, and other services allowed under the state's Medicaid plan to children and adults.

Approximately 389,000 individuals with age-related and developmental disabilities, foster care children, and several other categories of people remain in the state's fee-for-service Medicaid program. These individuals receive medical care, nursing home, community-based services, and prescription drug services through the state's traditional Medicaid fee-for-service program or through various waiver programs.

Several issues in the Louisiana GEMS study identify and target specific issues that should be studied prior to the state's transition to managed care.

Background of Recommendations

The recommendations listed below outline significant improvements to the department's current programs. Recommendations include improvements to delivery of service that will also save Louisiana significant amounts of money, the examination of state spending practices, and increased revenue from several sources.

For example, Recommendation #11 "Reduce Improper Payment in the Medicaid Program" and

Recommendation #10 "Use Electronic Visit Verification to Improve Long Term Care Integrity and Client Care" state that current technology exists to significantly reduce state health care expenditures without any effects to DHH clientele.

A revenue maximization recommendation for the Office of Public Health is to raise the Food, Drug, and Cosmetic Production Registration Fee to its statutory maximum, from $20 per item to $27 per item. This fee increase covers only the costs incurred by the department for administering the program.

RECOMMENDATIONS

		Target Savings and Revenue Estimate (All values in 2014 dollars, in 000s)					
Rec #	Recommendation Name	FY15	FY16	FY17	FY18	FY19	Total
1	Provide Additional STI Treatment and Testing	$671	$1,858	$2,650	$2,650	$2,650	$10,479
2	Increase Use of Alternative Maternity Care Options	$0	$137	$137	$137	$137	$548
3	Implement Disease Management Services for Medicaid Patients by Competitively Bidding for Guaranteed Disease Management Savings	$1,439	$2,930	$2,930	$2,930	$2,930	$13,159
4	Consolidate Non-Emergency Transportation Services	$520	$1,561	$1,561	$1,561	$1,561	$6,764
5	Establish More Cost-Effective Pediatric Day Health	$142	$483	$463	$463	$463	$2,014
6	Establish an Additional PACE facility to offer Another Alternative to Institutional Care	$105	$301	$535	$692	$876	$2,509
7	Maximize Intermediate Care Facility (ICF) Bed Occupancy Rates	$2,100	$2,100	$2,100	$2,100	$2,100	$10,500
8	Improve the Process and Rate of Transition of Individuals with Age-Related and Developmental Disabilities from Nursing Facilities and Hospitals	$87	$549	$792	$1,034	$1,277	$3,739
9	Establish a Sub-Acute Care Rate	$300	$751	$751	$751	$751	$3,304
10	Use Electronic Visit Verification (EVV) To Improve Long Term Care Integrity and Client Care	$500	$16,719	$18,648	$18,648	$18,648	$73,163
11	Reduce Improper Payment in the Medicaid Program	$3,980	$15,372	$22,885	$29,750	$30,800	$102,787
12	Implement Claims Level Indicator to Capture Cost Savings within 340B Drug Pricing Program	$47	$1,052	$1,072	$1,072	$1,072	$4,315
13	Raise DPH the Food, Drug, and Cosmetic Registration Fee to its Statutory Maximum	$165	$165	$165	$165	$165	$825
Total		**$10,056**	**$43,978**	**$54,689**	**$61,953**	**$63,430**	**$234,106**

Recommendation #1 – Provide Additional STI Treatment and Testing

Generate savings from expanding coverage of sexually transmitted infections (STI) testing and treatment in the State Medicaid Plan to include women and men now covered under the state's Family Planning Waiver.

NOTE: The state is planning to submit State Plan Amendment (SPA) to make this change and included anticipated costs, outlined below, in the FY15 budget request. A&M estimates there are also potential savings that should be accounted for which are outlined, with the costs, in the table below.

Findings and Rationale

The state has the highest rate in the nation for congenital syphilis, the second highest rate for gonorrhea, the third highest rate for primary and secondary syphilis, and the fourth highest rate for chlamydia (2012 Louisiana Annual Report on STDs). Women who have STIs when giving birth have increased chances of premature delivery. Complications for babies that can accompany premature delivery include respiratory, gastrointestinal, nervous system, hearing, and vision problems. Many premature infants also will bear the long-term consequences of cerebral palsy, developmental disabilities, learning difficulties, and other conditions.

Currently, the state does not offer comprehensive family planning services provided for men and women under the Medicaid State Plan that includes STI testing and treatment, as well as transportation to services. The state has the "Take Charge" Medicaid Family Planning Waiver for women who do not qualify for Medicaid, have an income below 200 percent of the Federal Poverty level, and do not have health insurance that covers Family Planning services. In regards to STIs, the waiver covers testing only; it does not cover treatment for women, nor transportation. Men are not eligible for family planning services under the Take Charge Waiver.

Treating only women will not address the STI problem as there is a high likelihood they will be re-infected by their partners. By testing and treating STIs in both men and women, the state can lower its STI rate and reduce the number of women on Medicaid who give birth prematurely due to STIs.

The department is in the process of submitting a waiver change that would:

1. Move all patients currently eligible for family planning services under the Take Charge Waiver to the State Plan for family planning services – expanding their STI coverage to include treatment and transportation to services.
2. Allow men who have an income below 138 percent of the poverty level to be eligible for family planning services – including STI testing, treatment, and transportation to services – under the State Plan.

Benefits to these changes include reduced lifetime health care and education costs for premature babies (for as long as they remain on Medicaid); reduced Medicaid costs from treating chronic pain associated with STIs; and reduced HIV rates and associated costs (those with STIs are four times more likely to get HIV because of STI effects on physiology). Benefits outside of Medicaid that were not quantified include a more productive workforce (high STI rates mean more missed time due to illness), and enabling Louisiana to become a more attractive location for businesses to locate due to a healthier work force.

Recommendation #1 - (Dollars in 000's)				
FY15	FY16	FY17	FY18	FY19
$671	**$1,858**	**$2,650**	**$2,650**	**$2,650**

Assumptions

There are costs associated with (1) adding men who would be income eligible under the waiver into the population receiving services; and (2) moving all patients eligible for the Family Planning Waiver to the state plan.

- In FY13, 45,301 individuals received services under the Family Planning Waiver. That same year, less than five percent of men eligible for family planning services in the State Plan took advantage of those services. To estimate the additional men who would be income eligible under the Family Planning Waiver who might take advantage of family planning services under the State Plan, the number of individuals receiving services was increased by five percent to an estimated total of 47,566. *(Note: None of the out-year savings or cost estimates tries to account for other changes in the number of patients who receive services.)*
- Average per patient family planning costs under the state plan in FY13 were greater than the per patient family planning costs under the waiver. Therefore, there would be an additional cost for moving waiver eligible patients to the State Plan for family planning. For the FY15 budget request, the department calculated the increase to be a total of over $1.3 million, comprised of $516,824 general fund and $824,879 federal funds.

The analysis assumes that reducing STI rates among Medicaid patients will positively impact the rate of pre-term births among those patients, thus reducing Medicaid costs. Consider:

- Medicaid paid for 7,000 preterm births last year. The Louisiana Medicaid Medical Director estimated that 20 percent of those preterm births were due to STIs. 20 percent of 7,000 equates to 1,400 premature births covered by Medicaid due to STIs.
- According to a 2012 report by the Association of State and Territorial Health Officials[2], Louisiana hospital costs for premature infants average $33,000 versus a national average of $4,000 for newborns delivered at term (a difference of $29,000).
- If the number of premature births due to STIs in Medicaid patients is reduced by 20 percent (280 births), savings to the state would be $8.12 million.
- Estimated savings are phased in over three years. The estimate assumes premature birth reductions of 7.5 percent, 15 percent, and 20 percent for the first three years and 20 percent reduction in the future.

Recommendation #2 – Allow Medicaid Patients the Option of Using Birthing Centers

Findings and Rationale

Receiving pre-natal care from certified nurse midwives (CNM) and supporting staff including doulas and giving birth at home or in a free-standing birthing center is a cost-effective option for low-risk mothers that has been shown to produce birth outcomes at least as favorable as those of hospital delivery.[3]

Maternal and newborn care together represent the largest single category of hospital expenditures for Louisiana Medicaid and the hospitalization phase of childbirth accounts for the vast majority of all maternal and newborn care costs.[4] In Louisiana, hospital and facility costs account for 59 percent of the average cost of a vaginal birth and 62 percent of the cost of a C-section.[5]

Louisiana has the nation's lowest rate of home birth; roughly one-in-500 Louisiana births (0.21 percent)

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[2] Association of State and Territorial Health Officials, *Texas and Louisiana: Healthy Start for More Infants*, 2012, http://www.astho.org/programs/health-equity/southern-region-health-equity-case-study-2012--texas-and-louisiana--healthy-start-for-more-infants/

[3] Cheyney, M., Bovbjerg, M., Everson, C., Gordon, W., Hannibal, D. and Vedam, S. (2014), Outcomes of Care for 16,924 Planned Home Births in the United States: The Midwives Alliance of North America Statistics Project, 2004 to 2009. Journal of Midwifery & Women's Health. doi: 10.1111/jmwh.12172

[4] Center for Healthcare Quality and Payment Reform. http://chqpr.org/blog/index.php/2013/01/

[5] The Cost of Having Baby in the United States Truven Health Analytics Market Scan® Study Prepared for: Childbirth Connection, Catalyst for Payment Reform Center for Healthcare Quality and Payment Reform, January 2013

occur outside a hospital, a rate ten times lower than that of Oregon and 13 times less than Montana, the two states with the highest rates.[6] Nationally, 0.72 percent of US women give birth outside a hospital.

Recent changes at the federal level encourage states to explore lower cost birthing alternatives. The Affordable Care Act (ACA) requires state Medicaid Programs to cover maternity care provided in free-standing birth centers and allows states to determine specific types of providers at these birth centers. Under ACA, Medicaid will also pay directly for nurse-midwifery services as long as the conditions of the state CNM Practice Act are met.

Washington State gives Medicaid clients the option of receiving prenatal care from a CNM and delivering at home or in a free-standing birth center. A 2005-06 analysis of over 1,000 women participating in the Washington Medicaid home birth program showed that even though 36 percent ended up delivering in a hospital, per-delivery costs were reduced by an average of $1,341 (2014 dollars) over what they would have been had hospital births been planned.[7]

Louisiana can increase utilization of lower cost birthing options in Medicaid by supporting CNMs in becoming Medicaid providers, encouraging the proliferation of free standing birth centers and conducting outreach and education to Medicaid maternity care clients. Increasing the number of non-hospital Medicaid births will require educating low-income mothers about their birthing options and dispelling misinformation about the risks, both physical and legal, of a normal delivery outside a hospital. Home birth is even less prevalent among low income and minority women than it is in population overall. This is due in part to previous Medicaid policies, but also because many low-income and minority women consider home birth stigmatizing, perhaps because these populations were among the last to gain widespread access to hospital delivery. Some women, particularly immigrants, are also deterred from home birth by fear that they will be unable to obtain a birth certificate or passport for their baby.

Recommendation #2 - (Dollars in 000's)				
FY15	FY16	FY17	FY18	FY19
$0	**$137**	**$137**	**$137**	**$137**

Assumptions

If 0.72 percent of Louisiana's Medicaid deliveries were attended by a CNM at home or in a free-standing birth center, Louisiana Medicaid would save $442,000 of which $172,000 would accrue to the state general fund. If two percent of Louisiana births paid by Medicaid occurred outside a hospital (a rate comparable to that of Oregon), DHH would save $1.23 million, $479,000 of which would accrue to the state general fund. Achieving a home birth rate equivalent to that of Oregon seems highly improbable, therefore the estimate of potential savings uses 0.57 percent, a home birth rate over double Louisiana's current rate, but less than the national rate (0.72 percent).

[6] CDC http://www.cdc.gov/nchs/data/databriefs/db84.htm
MacDorman MF, Mathews TJ, Declercq E. Home births in the United States, 1990–2009. NCHS data brief, no 84. Hyattsville, MD: National Center for Health Statistics. 2012.)

[7] Research using the state of Washington's Medicaid database revealed that providing maternity care to Medicaid patients through certified nurse midwives saved the state $473,000 in averted C-sections and $3.1 million in overall maternity costs. Cost savings from Medicaid fee for service for averted caesareans exceeded the cost of the program by 180 percent and savings to Washington state's healthcare system overall exceeded the cost of the program by over ten fold.
Midwifery Licensure and Discipline Program in Washington State: EconomicCostsandBenefits. Health Management Associates. October 31, 2007 http://www.illinoismidwifery.org/blog/wp-content/uploads/2012/04/Washington-State-Midwifery_Cost_Study_10-31-07.pdf

Recommendation #3 – Implement Disease Management Services for Medicaid Patients by Competitively Bidding for Guaranteed Disease Management Savings

Disease management is a specialized type of health care tailored to improve the health conditions of people with chronic diseases like asthma, heart disease, or diabetes. Implementing disease management can improve the quality of life for patients by improving their health. Nurses or care managers establish regular contact with patients with chronic conditions, and help manage care according to physicians' plans and protocols. Disease management saves costs in Medicaid programs and private insurance because costly hospitalizations and disease complications can be reduced.

Findings and Rationale

Chronic illnesses such as asthma, diabetes, and heart disease are often poorly controlled. Private sector employers and insurers, as well as state Medicaid agencies, have leveraged disease management programs to help ensure care plans are followed. Twenty states have adopted some form of Medicaid disease management from the late 1990s to 2008.[8] [9]

Texas's model was validated to have saved state taxpayers an estimated $40.1 million over five years, was designed to target specific conditions. Savings were guaranteed through specific contract provisions with the state's disease management vendor. An independent actuarial assessment validates savings and clinical outcomes. [10]

A recent review of studies of Medicaid disease management found that savings ranged from nine to 14 percent, and return on investment ranged from 1.15 to 32.70. In addition, health benefits included improvements in adherence to prescription regimens and better therapy outcomes.

Implementing a model of disease management that guarantees savings for Louisiana's high-risk and high-cost recipients still remaining in fee-for-service Medicaid can result in cost savings and improved health conditions for individuals. Selecting a model that guarantees savings as part of a competitive bidding process and offering enrollment for recipients with targeted chronic diseases will ensure that savings are gained as soon as possible.

Disease management is especially critical as Louisiana moves forward to expanding managed care for the 389,000 Medicaid recipients with age or developmental disabilities, who historically are more costly users of Medicaid services. In 2012, about 27 percent of Louisiana's Medicaid recipients were individuals with age or developmental disabilities, but they accounted for about 66 percent of payments[11]

Recommendation #3 - (dollars in 000's)				
FY15	FY16	FY17	FY18	FY19
$1,439	**$2,930**	**$2,930**	**$2,930**	**$2,930**

Assumptions

This estimate assumes that an outsourced disease management vendor will initiate services on behalf of Louisiana Medicaid recipients who are not currently enrolled in managed care. This estimate assumes that Louisiana will identify high cost patients/high utilizers in the non-managed care population to participate in disease management.

[8] Ann M. Holmes, Ronald D. Ackermann, Alan J. Zillich, Barry P. Katz, Stephen M. Downs and Thomas S. Inui, "The Net Fiscal Impact Of A Chronic Disease Management Program: Indiana Medicaid," *Health Affairs*, Vol. 27, No.3 (2008):855-864. http://content.healthaffairs.org/content/27/3/855.full.html. (Last accessed February 21,2012).

[9] Ann M. Holmes, Ronald D. Ackermann, Alan J. Zillich, Barry P. Katz, Stephen M. Downs and Thomas S. Inui, "The Net Fiscal Impact Of A Chronic Disease Management Program: Indiana Medicaid," *Health Affairs*, Vol. 27, No.3 (2008):855-864. http://content.healthaffairs.org/content/27/3/855.full.html. (Last accessed February 21,2012).

[10] Ibid.

[11] Louisiana Department of Health and Hospitals, Louisiana Medicaid Annual Report: State Fiscal Year 2011-2012.

Traditionally, disease management programs have examined heart disease, diabetes, asthma, chronic obstructive pulmonary disease, and end state renal disease as targets for improved health outcomes and decreased Medicaid costs. In 2013, Louisiana spent nearly $228 million on these conditions in the acute care setting for fee-for service Medicaid recipients, excluding the cost of prescription drugs.

This estimate assumes five percent savings, which is the percent savings utilized in other disease management estimates. Contractors typically charge by the number of members enrolled and for the months that they are enrolled in disease management. Exact amounts of savings will depend on current contractor prices. This estimate assumes a rate of $30 per recipient per month, with higher rates for end stage renal disease. This estimate assumes that ten percent of the population with these diseases will be identified as high utilizers of medical care and will be enrolled in disease management. Actual savings may vary, depending on diseases selected and final contract negotiations.

The estimate assumes spending of $100,000 annually for contractual assistance in the development of the program and to complete actuarial analysis of savings. The estimate assumes a six-month implementation gap for obtaining a contractor and any necessary federal approvals.

Recommendation #4 – Consolidate Non-Emergency Transportation Services into a Single Contract

DHH currently procures non-emergency services on behalf of its Medicaid clients through three different Transportation Dispatch Offices (TDOs) that utilize the same provider network but do not adequately coordinate operations to optimize resources. DHH should consolidate all transportation services under one contractor, simplifying management and ensuring that trips are managed accurately.

Findings and Rationale

DHH currently purchases transportation services in two ways:

1. Fee for Service – In this system, claims are paid as the service is provided to Medicaid recipients. Members who are not enrolled in the Bayou Health managed care plans are included here. Specifically, this includes those in long-term care programs and those in the primary care case management plans administered by United Healthcare and Community Health Solutions. In addition it also includes any transportation required by recipients for which the primary cause is related to a dental or behavioral health issue, regardless of whether the participant is enrolled in a prepaid plan.
2. Prepaid Plan – As part of DHH's managed care contracts with three regional providers, non-emergency transportation services are included for participants enrolled in these programs. A portion of the capitated monthly payment made for each participant is for transportation needs.

The table below describes the vendor and number of participants covered under each system.

Program	Contractor	Participants
Fee for Service	First Transit	348,945
Shared Service Plans		
United Healthcare	First Transit	255,168
Community Health Solutions	First Transit	200,267
Total Fee for Service		**804,380**
Prepaid Plans		
Louisiana Healthcare Connections	LogistiCare	147,968
Amerigroup	LogistiCare	125,093
AmeriHealth Caritas	Access2Care	140,538
Total Prepaid Plans		**413,599**

Figure 4.1 DHH Transportation Service Break-out

Non-emergency transportation can be provided in an ambulance, if necessary, or through a provider with an appropriate vehicle. These providers can be for-profit, non-profit or Friends and Family, which is a program utilized by DHH to compensate for the inconvenience of transporting loved ones to their medical appointments. The table below includes a list of expenditures in non-emergency transportation over the last three fiscal years:

		FY11	FY12	FY13
Fee for Service				
[1]	NEMT	$ 9,710,042	$ 9,194,465	$ 7,673,620
	Friends and Family	268,026	254,625	144,969
	For Profit	7,466,147	7,324,647	6,510,993
	Non-Profit	1,975,869	1,615,193	1,017,658
[2]	Non-Emergency Ambulance	13,216,150	11,527,204	10,713,434
[3]	Dispatch Office Contract(s)	1,500,000	1,500,000	1,500,000
Fee for Service Total		$ 24,426,192	$ 22,221,669	$ 19,887,053
Prepaid Transportation Services - non emergency				
[4]	Louisiana Healthcare Connections	$ -	$ -	$ 4,598,845
[5]	Amerigroup			3,887,890
[8]	AmeriHealth Caritas			4,367,921
Prepaid Total		$ -	$ -	$ 12,854,657
	Grand Total	$ 24,426,192	$ 22,221,669	$ 32,741,710

Figure 4.2: DHH Expenditures on Transportation

A&M has found that service delivery to Louisiana's Medicaid recipients is fragmented. Consider:

- *Customers have to use different dispatchers for different services* – e.g., First Transit for a behavioral health issue, but LogistiCare for a physical health issue.
- *Providers are managed by many bosses, complicating reporting and limiting transparency* – Many providers struggle to handle the administrative burden of reporting to several different dispatchers. Further, their resources utilization can be improved by coordinating activities between dispatchers. The below tables indicate the overlapping provider community between the prepaid networks and those in fee for service
- *Underutilization/under-coordination of provider network* - DHH suffers financially as a result of the fragmented system because it has had to negotiate higher rates for providers to travel great distances to maintain access to care.

A&M believes there is an opportunity to reduce costs and increase the level of service by contracting with a transportation broker to oversee all of the Medicaid transportation services. A&M recommends piloting the process with the fee for service population and, upon completing a detailed assessment of the costs and benefits, rolling it out to the other populations. Brokers may provide the actual transportation, but specialize in enrolling and contracting with providers to perform the service. Companies or organizations that provide the service can range from private NEMT businesses to taxi, ambulance, or even public providers of para-transit. The broker typically handles all aspects of determining the transport eligibility, as well as coordinating appropriate transport and routing for each Medicaid client. Brokerages have been proven to save taxpayers money by providing more rides at a lower cost than publicly managed programs.

This system would offer the following benefits:

- Simpler contract structure reduces administrative burden on DHH employees by having only one company to manage who is accountable for all services

- DHH can leverage the technological investments of companies that specialize in providing transportation services. For example, some companies use a version of an Electronic Trip Scheduling Service (ETSS) module to effectively reduce errors in scheduling. ETSS saves on administrative expense and helps to maximize transport capacity. Trip scheduling, cash flow and receivables are managed directly from a secured web portal. Transportation requests, provider acceptance, and trip documentation would all be automated. According to a study conducted by the National Association of Medicaid Directors, "Several of the states contacted emphasized the importance that the right transportation software plays in the performance and oversight of a brokerage system. The right software and technology helps to manage reservations, scheduling and real-time dispatching. The right software can automatically calculate mileage and assign to the closest provider and cut down on staff time. Having provider friendly software is also a good selling point to keep smaller vendors involved in the program."[12]
- A statewide broker has been shown to improve access to care. A 2009 study examined the effects of implementing transportation brokerage systems in Georgia and Kentucky and found that there were reductions in hospitalizations by children and ambulatory care sensitive admissions by diabetic adults, suggesting improved health outcomes[13].
- DHH can capture savings by negotiating a lower "per member per month" (PMPM) payment that reflects improved efficiency through GPS and other tools not currently used by DHH's contractors.

Recommendation #4 - (Dollars in 000's)				
FY15	FY16	FY17	FY18	FY19
$520	**$1,561**	**$1,561**	**$1,561**	**$1,561**

Assumptions

The assumptions underlying the estimate above are as follows:

#	Measure	
1	Months Contract is in effect for FY15	4
2	# of Lives Covered in Broker System	1,200,000
3	Transportation Broker PMPM	$2.00
5	FMAP	61.80%

- The savings estimates are based on reducing the effective PMPM that the state pays for non-emergency transportation services in its fee for service programs. A detailed calculation of the savings is found in Appendix D.
- The PMPMs estimated above are based on conversations with various providers and managed care organizations. DHH is comfortable that it is possible to achieve rates in the stated range. If capitated payment rates are higher than anticipated, it will negatively affect savings.
- The PMPM paid to the transportation broker is assumed to be inclusive of all administrative and overhead costs. No additional payments are anticipated.
- This analysis does not contemplate the timing and nature of future rate increases. Those potential increases, if any, and future market based rate setting conditions are unknown at this time. Any rate increases would potentially serve to diminish out-year savings.
- The transition process will require executing two upcoming procurements. First Transit's current contract for the fee for service populations is up for rebid in early FY15, while the managed care contracts are being rebid in March of FY15. The first procurement would be executed with a capitated rate structure (i.e., PMPM) for the

[12] NAMD Report on Transportation. October 15, 2012
[13] Kim, J., Norton, E. C., Stearns, S. C. (Feb. 2009) "Transportation brokerage services and Medicaid beneficiaries' access to care." *Health Services Research* 44(1): 145-61, as quoted in Medicaid's Medical Transportation Assurance: Origins, Evolution, Current Trends and Implications for Health Reform, George Washington University Department of Health Policy

number of lives covered and would be active until the managed care contracts are being rebid. At that point, the contract will be phased out and the transportation brokerage contract will supersede all services. Transportation will be carved out of the managed care re-procurement and included in the separate transportation brokerage contract.

- This analysis assumes no additional payments are necessary to write and execute the procurements. DHH staff members intend to leverage existing collateral and create new content with existing resource levels

Recommendation #5 – Establish More Cost-Effective Pediatric Day Health Care (PDHC) Programs and Services

- Modify recipient criteria to better align the program with the state's approved Medicaid State Plan provisions
- Require a facility needs review before new programs are licensed
- Ensure that PDHC facilities are not paid to deliver services already provided through early intervention programs or local school districts
- Create conflict of interest provisions for facility medical directors, board members, and prescribing physicians with ownership interests in PDHC facilities

Findings and Rationale

PDHC programs offer a variety of services to meet the medical, social, and developmental needs of children with medically complex conditions (up to the age of 21) who require continuous nursing services and other therapeutic interventions. PDHC services are a community-based alternative to traditional long-term care or extended nursing services. In Louisiana, such services are provided in a non-residential setting that is licensed as a PDHC facility.

Louisiana's Medicaid Program reimburses licensed PDHC facilities for several services, including:

- Nursing care
- Respiratory care
- Physical, speech-language and occupational therapy
- Social services
- Personal care services
- Transportation to and from the PDHC facility
- Some recipient meals and snacks

When PDHC programs were introduced in Louisiana, policymakers believed that they would not only offer a more inclusive community-based setting for children with medically complex conditions, but would also provide services more economically than individualized home care settings.

According to DHH's 2013 analysis [14] of PDHC utilization rates and Medicaid expenditures, such savings have not been recognized. PDHC has proven to be equally, if not more, expensive than home-based care. Additionally, some services provided by PDHCs may already be offered by local school districts or programs such as EarlySteps, the state's early intervention program for children with developmental delays.

The number of PDHC facilities seeking state licenses has increased dramatically, doubling in the last year. Historically, there has been no mechanism in place to determine the true need for PDHC services or facilities. Similarly, there have been no regulations in place to govern how PDHC facility medical directors, board members, and physicians with ownership interests may prescribe PDHC at facilities with which they are affiliated.

PDHC programs can provide valuable services for children with medically fragile conditions children. However, the current proliferation of such programs suggests that there may soon be more licensed facilities than are needed for this level of care. Given

[14] "Pediatric Day Health Care Utilization in Louisiana Medicaid," DHH Bayou Health Informatics and Reporting.

the rapidly growing costs of these programs, the state should put in place safeguards to make sure that it only pays for the services that are truly needed.

Recognizing the need for increased oversight in PDHC licensing and operations and in conjunction with this review, DHH drafted new administrative rules to reflect the above recommendations. These rules were drafted in January 2014, filed as part of the emergency rulemaking process, and went into effect February 1, 2014.

Recommendation #5 - (Dollars in 000's)				
FY15	FY16	FY17	FY18	FY19
$142	**$483**	**$463**	**$463**	**$463**

Assumptions

The savings associated with this recommendation are based on DHH projections for annual cost *avoidance* in FY15 to FY19, meaning increased costs that would have been incurred in Medicaid billing without the recent rulemaking. Therefore, the baseline Medicaid budget for this item should not be decreased by this amount.

The new rules are anticipated to reduce the number of new facilities who qualify to be a PDHC. Additionally, the increased recipient qualifications are expected to result in a two percent recipient reduction, beginning in March 2014.

The high-end savings estimates here reflect DHH projections for cost avoidance with the new rulemaking. The low-end savings reduce the projections by 25 percent for a more conservative estimate. The target estimate is the mean average of the high and low estimates.

Note that all above estimates reflect only the state's share (39 percent) of the total savings.

Recommendation #6 – Establish an Additional Program of All-inclusive for the Elderly (PACE) Facility to Offer Another Alternative to Institutional Care

Increasing the Office of Aging and Adult Services' (OAAS) utilization of the Money Follows the Person (MFP) program will help leverage federal dollars to rebalance Medicaid long-term care systems by increasing the use of home and community-based services (HCBS), including the Program of All-inclusive Care for the Elderly (PACE). This transition will reduce the use of institutionally based services and the average cost per recipient overall to OAAS.

Findings and Rationale

Louisiana ranks in the bottom quartile of the Quality of Life and Quality of Care Dimension according to the State Long-Term Services and Supports Scorecard compiled by the AARP in conjunction with the Scan Foundation and the Commonwealth Fund[15].

Contributing to this score is the high percentage of adults that remain in institutional care rather than in community-based programs. For FY13, Louisiana's Aged/Adult LTSS Medicaid ratio of HCBS to total spending is 30 percent versus a national average of 36 percent. Louisiana has demonstrated a commitment to expansion of home and community-based services by applying for and implementing a MFP Rebalancing Demonstration. This program, started in 2007, allows the state to leverage federal funds in support of utilizing a greater proportion of community-based options. The PACE program is one such option. Currently, the state has two PACE facilities: one in Baton Rouge and one in New Orleans.

[15] Raising Expectations – A State Scorecard on Long-Term Services and Supports for Older Adults. Sept 2011.

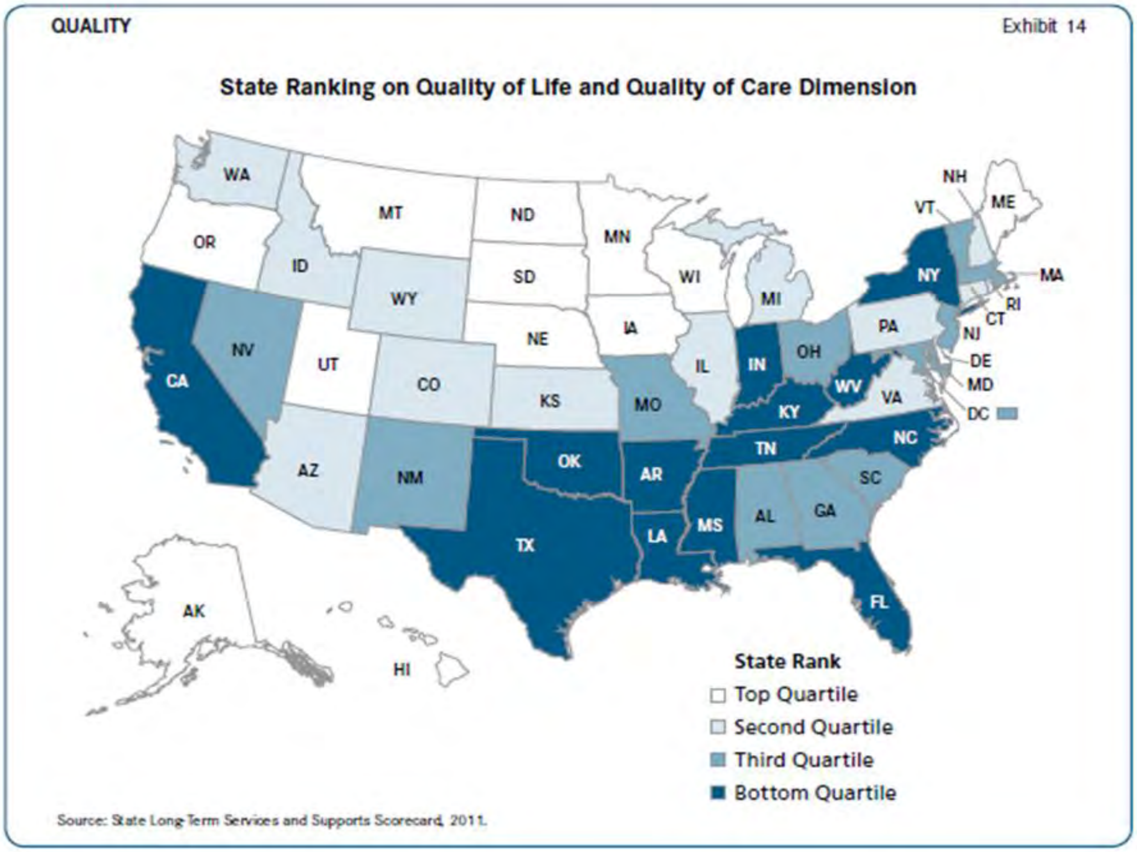


Figure 4.3: State Ranking on Quality of Life and Quality of Care Dimension

The following tables show a summary view of their current size in terms of expenditures and enrollment:

Program	FY11	FY12	FY13
Program of All Inclusive Care for the Elderly (PACE)	$9,175,875	$10,733,089	$10,654,867

Figure 4.4: Program Expenditures by State Fiscal Year

PACE Location	Number Enrolled	Total Authorized Enrollment	Potential Additional Enrollments
Greater New Orleans	167	200	33
Baton Rouge	140	200	60

Figure 4.5 Program Enrollment in FY13

As described by the National PACE Association:

"At the core of each PACE program is a PACE center and the involvement of a comprehensive interdisciplinary team. PACE programs receive capitated payments to provide the full range of primary, acute, and long-term care services needed by an enrollee. "[16]

A&M believes there is an opportunity to continue the rebalancing within OAAS and capture savings through the establishment of a new PACE location in Monroe, Louisiana. Through a Request for Information (RFI) process completed in 2007, an existing facility in Monroe was chosen as the best location and A&M recommends leveraging the preparation already completed to enable the center to be on line as quickly as possible.

[16] PACE in Your Community – Understanding Pace Operating Experience and the Critical Success Factors, Association. Mar 2013

In addition to the benefits to the participants in terms of quality of life there is a positive impact to the state's budget. As illustrated in the below table, PACE is a cost effective alternative to nursing facilities:

FY13 (Jul2013-Apr2014)	Average Cost	% of PACE Cost
Nursing Facilities	$51,350	144%
PACE	$32,620	--

For each participant that is served through PACE as opposed to a nursing facility, the state can realize savings of $1,560 per month (state and federal).

Recommendation #6 - (dollars in 000's)				
FY15	FY16	FY17	FY18	FY19
$105	**$301**	**$535**	**$692**	**$876**

Assumptions

- The savings estimates assume that participants will be diverted from nursing facilities and the Adult Day Health Care program into the new PACE facility at a rate of approximately 25 per year. They will be served there at a lower cost than is currently provided by OAAS's program offerings. A detailed schedule of enrollment and associated savings is provided in Appendix D.
- The savings estimates above assume that the waiver programs will operate in its current state during the five-year window presented (i.e., it does not anticipate a transition to a managed care system).
- The transitions will be contingent on the legislative budgeting process.
- This analysis does not contemplate the timing and nature of future rate increases given potential increases in market data in the future. Those potential increases, if any, and the state's future rate setting decisions are unknown at this time.
- The capacity for Monroe is per the PACE ten-year projection as provided by OAAS. Through five years, A&M projects it will be at 56 percent of capacity.
- Investment costs assume the addition of one FTE, most likely a contractor, to manage the process at a fully loaded cost of $45,000 per year. This is assumed to be filled by a temporary position for a period of two years.
- Savings can only be realized if the capacity in nursing facilities is decreased as recipients are enrolled in PACE. If capacity is not reduced, savings will be achieved on a per capita basis, but total expenditures will not decrease.
- This analysis assumes that a location for a PACE facility is available and ready for use. Per OAAS, the facility was intended to be converted in 2007 but was never completed.
- OAAS will leverage previous efforts to implement a rate-setting methodology for the new facility.
- OAAS will leverage existing payment mechanisms to enroll the new PACE provider.
- There will be minor programming involved with the change, but it will be covered by the existing contract with the Fiscal Intermediary.

Recommendation #7 – Maximize Intermediate Care Facility (ICF) Bed Occupancy Rates

CMS allows states to assess a fee of up to six percent of the provider group's total revenue. As the industry's revenue has grown, Louisiana has not increased that fee to match the six percent allowable. Currently, Louisiana assesses a $14.30 fee. This plan would raise the fee to $16.25, which equals six percent of the industry's revenue and allowable under CMS guidelines. That increased fee would allow the state to draw down more federal funds, increase the provider reimbursement and still net an additional $2.1 million.

Findings and Rationale

For many years, Medicaid has allowed states the ability to charge a fee to various categories of health providers (i.e., hospitals, nursing homes, ambulance services, etc.). These fees can then be used to draw down a federal match based on each state's match (FMAP) rate. All but one of the 50 states charges a provider fee.

Louisiana currently has provider fees for intermediate care facilities, nursing homes, pharmacy, medical transportation (not currently being assessed), and managed care organizations (MCOs). Louisiana law allows for up to a $30 provider fee per occupied ICF bed day. The actual fee collected is $14.30. Medicaid uses a formula to limit the amount of fee that can be charged. Louisiana could charge an additional $1.95 per bed day while staying within federal limits. The increased rate would bring in more federal matching funds to the state's general fund

The Intermediate Care Facility provider fee is already part of Louisiana law. Maximizing the ICF provider fee will generate approximately $2.1 million per year that the state can use as needed for general fund including, but not limited to, the ability to off-set other federally mandated health care costs. The additional revenue is net of returning the fee to providers through higher reimbursement rates so that they are not penalized. The baseline Medicaid budget for this item should not be decreased by this amount.

Recommendation #7 - (dollars in 000's)				
FY15	FY16	FY17	FY18	FY19
$2,100	**$2,100**	**$2,100**	**$2,100**	**$2,100**

Assumptions

Louisiana currently projects approximately 1.7 million ICF bed days for FY13. There has been little change in bed days in the past few years and this analysis assumes utilization rate will hold constant over the five years. As stated earlier, Medicaid rules would allow the state to raise the fee to $16.25, a $1.95 per bed day increase. The $3.3 million would be returned to providers in the form of higher reimbursement rates, allowing the state to draw down additional federal matching funds which would generate net new general fund revenue of $2.1 million.

Recommendation #8 – Improve the Process and Rate of Transition of Individuals with Age-Related and Developmental Disabilities from Nursing Facilities and Hospitals

Improved utilization of the Money Follows the Person (MFP) program will help leverage federal dollars to support Louisiana's objective to rebalance Medicaid long-term care systems by increasing the use of home and community based services (HCBS) while reducing the use of facility-based care. This rebalancing will, in turn, reduce the average cost per participant overall to the Office of Aging and Adult Services (OAAS).

Findings and Rationale

When faced with a catastrophic health event such as a stroke or bone fracture, an individual often views institutionalization as a "last resort" with no thoughts of ever leaving the facility. Medicaid programs are working to change that perception so institutionalization may be regarded as a short-term placement with the goal of improving function in order to return to the community.

My Place is the state's program for the federal Centers for Medicare and Medicaid Services (CMS) MFP Rebalancing Demonstration, designed to help states try new ways of delivering Medicaid services. The Louisiana Medicaid Office is working with the Office of Aging and Adult Services (OAAS) to use My Place to assist participants in transitioning from institutions, such as nursing facilities, hospitals and Intermediate Care Facilities for Individuals with Developmental Disabilities (ICF/DD), into home- and community-based living settings, such as a private home, family provided home or apartment.

In the concept paper, "Transforming Louisiana's Long-Term Care Supports and Services System," Louisiana indicates it has made considerable progress in transitioning individuals out of institutions.

However, it further notes that the trend has slowed in recent years and Louisiana remains below the national average in percent of spending going to community-based versus facility-based care.

In fact, the state Long-Term Services and Supports (LTSS) Scorecard, sponsored by The AARP Foundation, The Commonwealth Fund, and the SCAN Foundation, ranks Louisiana in the bottom quartile (ranked 43rd). The Scorecard examines state performance across four key dimensions of LTSS system performance: (1) affordability and access; (2) choice of settings and providers; (3) quality of life and quality of care; and (4) support for family caregivers.

In the Louisiana MFP Operational Protocol provided for the team's review, the state identifies areas needing improvement. Many areas are encompassed in the dimensions of LTSS performance noted above. Following are findings and recommendations correlated to these dimensions to help improve the rate of transition and administration of the transition process. Also included are examples of approaches used by other states in addressing similar issues.

1. Affordability and Access
Suggested Action
Assessments to identify potential My Place candidates should be completed in conjunction with the level of care (LOC) evaluation during the admission process.

Louisiana's identification process focuses on individuals placed on the Request for Services Registry for OAAS HCBS Waivers; individuals meeting a profile established using the Level of Care Eligibility Tool (LOCET) and/or Minimum Data Set (MDS); and individuals who self-identify to OAAS or to the Long Term Care Ombudsmen (LTCO).

South Carolina adjusted its timeframes so that initial levels of care are effective for three months. A risk assessment and mitigation plan is conducted concurrently with the level of care assessment criteria; this tool has been built into the state's automated case management system for use by transition coordinators during initial assessments. Significant risk factors are identified and mitigation plans developed to ensure transition is safe and appropriate for each individual.

Washington uses a standardized, automated assessment instrument across all settings. Care managers—registered nurses or social workers—contact nursing home residents who have been admitted from a hospital within seven days of admission to explain the residential and community options available.

During discussions with state staff, it was noted there was no systematic process for identifying potential MFP participants during the initial institutional admission process.

The steps below will facilitate execution of this recommendation:

- Review and update procedures to include completion of MFP-specific risk assessment during the intake / admission process.
- Examine potential for increasing the types of level of care approvals that are time-limited.
- Provide training to staff responsible for LOC evaluations, transition coordinators, service coordinators and institutional providers to ensure understanding and adherence with the revised process.
- Utilize the Q+ tool to help identify potential candidates. The Q + Index, applied to MDS 3.0 assessments, can identify a population closely resembling persons who have transitioned in the past. Given the US Government's mandate that states consider all transition requests and the limited staffing available at local contact agencies to address such referrals, this algorithm can also be used to prioritize among persons seeking assistance from local contact agencies and MFP providers.

2. Choice of Setting and Provider
Suggested Action
Create new or convert existing positions to work full-time as housing coordinators; Housing coordinators should be placed at local levels to allow them to develop thorough knowledge of their territories:

The state includes lack of housing as a significant barrier to transition. The Operational Protocol describes existing programs such as LAHousingSearch.org as one of the tools used by support coordinators to search for housing that best fits the needs of each participant. While these types of tools assist to find potential locations for placement, the Operational Protocol indicated the support coordinators often struggled and felt overwhelmed by issues related to housing.

In discussing barriers to transitions in its Operational Protocol, Louisiana indicated *My Place* encountered resistance from institutional providers. In some cases nursing home physicians were not willing to participate in the transition support team process.

Connecticut utilizes full-time housing coordinators to assume the responsibility of locating affordable and accessible housing in communities of choice. Activities provided by housing coordinators include: (1) fostering relationships with town officials and housing providers, (2) negotiating with landlords, (3) coordinating rental assistance paperwork, (4) locating and arranging the move for appropriate furnishings, (5) initiating and guiding the participant through accessibility modifications process, and (6) locating and coordinating other types of assistance (i.e., fuel assistance, financial counseling, and security deposits.

As lack of housing is identified by Louisiana as a major barrier, full-time positions in all areas of the state will help to reduce the time individuals wait for placement thereby increasing the rate of transition. To implement this recommendation, the state should:

- Develop position descriptions for coordinators working exclusively to locate and obtain appropriate housing
- Conduct desk audits to determine the amount of time support coordinators currently spend on housing activities and estimate FTE necessary to complete duties and responsibilities of the housing coordinator position
- Develop and conduct specialized training to include areas such as: fair housing policies, requirements under the Americans with Disabilities Act (ADA), and working with geographic challenges
- Hire one contract FTE to manage local transition coordinators and ensure all options are appropriately vetted

3. Choice of Setting and Provider
Suggested Action
The state should expand and clarify the involvement of Long Term Care Ombudsmen (LTCO) in My Place operations.

Expansion of roles and responsibilities of the LTC Ombudsmen would entail:

- Consulting with office of the Ombudsmen to determine types of activities that may be added to official roles
- Review and update services to add MFP-specific duties for LTCO which could include: (1) monitor work of NFs to ensure individual freedom of choice rights are protected; (2) ensure HIPPA rights are protected – including rights to review all health records and rights to communicate with all providers contributing to care; (3) provide support to care coordinators to assure appropriate care plans are developed in community settings; and (4) provide support to work through problems when the facility, family or guardian wants the person to remain institutionalized.
- Work with Office of the Ombudsmen to assist in training transition and support coordinators in understanding rights of individuals in both

institutional and community settings. Include instruction on best manner and time to involve LTCO to facilitate solutions

Connecticut has a similar role for its ombudsmen but has enhanced the activities to include assuring individuals' rights are protected and often work to resolve issues of conflict between family members that are reluctant to transition.

4. Quality of Life and Quality of Care
Suggested Action
a. The state should update policies and procedures to more clearly delineate the roles of support coordinators and transition specialists; Training and cross-training should be conducted for each type of coordinator to ensure an understanding and adherence with the responsibilities.

In its Operational Protocol, Louisiana expressed concern that the comprehensive planning explained in training guidelines, has not been successfully applied for MFP participants. The state reports confusion among coordinators on duties and lack of understanding in "starting from scratch" to establish community linkages, adequately plan for/anticipate transition needs, and develop a plan that is responsive to a person's needs in a new living setting. As it is essential to the transition process, failure to establish an effective comprehensive care plan jeopardizes a participant's success in achieving and maintaining community placement.

The state utilizes its existing complaints process to maintain an integrated quality management system and provider monitoring system. Demonstration participant data is extracted from the complaint and resolution process at least monthly. Complaints regarding four specific areas (transportation, direct service workers, repair and replacement of DME, access to medical care) are evaluated on both an individual and systemic level to identify quality improvement strategies that may need to take place. Although the state discusses the role of the complaint system in resolving issues, there does not appear to be a focus on utilizing this data to generate methods to prevent reoccurrence.

Demonstration Transition/QM Coordinators are responsible for monitoring participants' progress post move, with the goal of facilitating enhanced, individualized quality management that results in positive outcomes for participants. Outcomes include retaining community placement and achieving desired quality of life. Louisiana reports it has encountered barriers to demonstrate participants' achievement of outcomes post move (during the demonstration period). These barriers are attributed to a lack of community capacity, including professional expertise, advocacy and information.

To implement this recommendation, the state should:

- Review and update policies and procedures to delineate clear expectations regarding the roles and responsibilities for each team member.
- Create a cross-walk for coordinators to distinguish when and by whom similar activities are conducted which will help coordinators work more efficiently and avoid duplication of efforts
- Streamline descriptions and instructions for coordinators to focus on type-specific responsibilities
- Build on existing guidelines to ensure timely and consistent training. Include routine conference calls and webinars as ways to provide training

5. Quality of Life and Quality of Care
Suggested Action
Louisiana should create avenues for coordinators to more easily exchange information. The exchange of information will improve day-to-day operations and help to build and maintain relationships.

To improve communication, the state should:

- Expand *My Place* web site to create coordinator blogs
- Assess the options of using different modes such as electronic "shout outs," newsletters and an MFP website in addition to routine methods

(e.g., hard copy notices or reliance on managers) to distribute information

- Implement an electronic, web-based plan of care

Connecticut has created a social media platform specifically for care coordinators, including a blog and message board. The coordinators were enthusiastic about the blog and reported they often used it as a method to discuss difficult cases and receive ideas from others that had encountered similar issues.

6. Support for Family Caregivers
Suggested Action
Expand efforts for family and caregiver support and reactivate workgroups and committees geared toward maintaining community placement.

As a part of the education and informed consent process, participants or their legally authorized representatives receive a *My Place* information booklet. The booklet includes details of the demonstration such as, information about service and support choices, state's protections from abuse, neglect and exploitation, how participants can report abuse, and how participants may lodge a complaint. A trained administrator reviews the information with the participant and/or their representative in a face to face meeting.

While this information is critical, there does not appear to be an avenue for the provisions of information outside the demonstration that would assist family members in decision making.

Oregon ranked third overall and first on the caregiving dimension of the *Scorecard*. Through the Oregon Family Leave Act, it exceeds provisions of the FMLA, offering unpaid leave to a broader definition of working family caregivers. Under the FMLA, a family member includes a son, daughter, spouse, or parent. In Oregon, family member also includes the employee's grandparent, parent-in-law, same-sex domestic partner, or grandchild. In addition, Oregon covers workers in smaller businesses, requiring employers with 25 or more employees to guarantee 12 weeks of unpaid leave annually, compared with employers with 50 or more employees under the FMLA. In addition, Oregon has had broad nurse delegation policies for three decades.

To implement this recommendation, the state should:

- Assess workgroup structure to identify those that are considered essential in accommodating caregiver and family support
- Review past minutes from steering committees and routine workgroups to identify action items focused on caregivers
- Increase participation of more stakeholders including individuals involved with pre and post transitions
- Develop ways to communicate with families and caregivers to provide assistance where needed (as identified by workgroups)
- Assemble and distribute (via meetings, mailings, electronic notices, web-based education, on-line chats, etc.) information that may be outside of the demonstration but would assist in the day to day care of MFP participants. Some examples include:
    - The Family Medical Leave Act (FMLA) – leave to working caregivers
    - Opportunities for respite – including identification of health maintenance tasks that could be delegated (e.g., medication administration, specialized feeding)
    - Strategies for self-management of chronic diseases: problem solving and coping techniques, exercise, nutrition, identifying "stressors," and avenues for social support

Enhancing the assessment and intake process will provide Louisiana with an opportunity to reach potential participants at an earlier stage of institutionalization. Earlier involvement with transition coordinators: (1) provides encouragement to individuals and family members that institutional placement may be temporary (90 days) and that future community placement is possible; (2) identifies and addresses barriers sooner in the transition process; and (3) helps identify and arrange for community service providers to be available more quickly.

Modification of policies / procedures and position descriptions would allow the state to more clearly delineate roles and responsibilities of MFP coordinators who are essential to the success of the program. Also, establishing new staff positions and/or redirecting existing positions will enable the state to address specific challenges identified in the Operational Protocol.

Policy development will create clear and concise day-to-day operation protocols and improve staff performance.

RECOMMENDATION #8 - (DOLLARS IN 000'S)				
FY15	FY16	FY17	FY18	FY19
$87	**$549**	**$792**	**$1,034**	**$1,277**

Assumptions

- The estimated result of the combined implementation of all of the actions listed above is to accelerate the rate of transitions out of the nursing facilities by 30 percent. This improvement is based on actual experience in other states, specifically Connecticut[17], and has been vetted with DHH staff. Additional information on the estimated transition schedule is provided in Appendix D.
- The savings estimates above assume that the waiver programs will operate in its current state during the five year window presented (i.e., it does not anticipate a transition to a managed care system).
- The transitions will be contingent on the legislative budgeting process and on the availability of waiver capacity in the HCBS programs.
- This analysis does not contemplate the timing and nature of future rate increases given potential increases in market data in the future. Those potential increases, if any, and the state's future rate setting decisions are unknown at this time.

RECOMMENDATION #9 – ESTABLISH A SUB-ACUTE CARE RATE

Louisiana should establish a sub-acute care rate for the states two Shared Plans and legacy Medicaid recipients.

Findings and Rationale

As treatment and rehabilitation options have expanded in recent years, there is a move to treat individuals at the lowest-needed level of care intensity. Many individuals, such as those receiving post-surgical treatment and rehabilitation, do not require the high-end acute services offered by hospitals, but may need more care than traditional nursing facilities are equipped to provide.

This mid-range or "sub-acute" care is promoted by many providers and patient advocates as a cost-effective alternative to inpatient acute hospital care. Historically, studies[18] have shown that sub-acute care can be provided in skilled nursing facilities (SNFs) for 30 to 60 percent of the cost of hospital care. Additionally, sub-acute care can create not only financial savings, but also improved patient outcomes.

Recognizing this, many states have put into place a "middle level" Medicaid payment category for sub-acute care that pays a lower per diem rate than acute care, but more than a nursing care rate.

For FY13, the Medicaid per diem rate for acute care in Louisiana was $1,062, on average. The average per diem nursing care rate is currently $161.

[17] Robison, Julie. "Money Follows the Person Rebalancing Demonstration: Process Evaluation Year 4 (July 2011-December 2012)". September 2013.

[18] Pratt, John R. "Long-Term Care: Managing Across the Continuum," 2010; U.S. Department of Health and Human Services, "Sub-Acute Care: Review of the Literature," available at: http://aspe.hhs.gov/daltcp/reports/scltrves.htm.

Nursing homes in Louisiana have been hesitant to take sub-acute patients at the current nursing care rate because of the expensive drugs that are often required for these patients. But if a slightly higher "sub-acute rate" were available, they would be amenable to serving these patients. Many Louisiana nursing homes are already providing sub-acute care for patients in the state's three prepaid Bayou Health plans under contract and have expressed interest in doing the same for patients in the two shared-savings plans and legacy Medicaid recipients.

Beyond nursing homes, many Louisiana hospitals may also be interested in converting acute care units with bed vacancies to sub-acute units to make more efficient use of their buildings, equipment and staff.

In prior years, Louisiana has had a mid-range payment rate in place, but when transitioning to Case Mix methodology, Medicaid stopped paying a skilled nursing facility (SNF) rate.

In conjunction with this project, DHH staff is working with its financial consultants (Myers & Stauffer) to develop a sub-acute care reimbursement rate methodology and to define the specific population to whom this would apply. While the methodologies are being finalized, DHH is establishing a sub-acute rate through administrative rulemaking. No legislation will be required.

RECOMMENDATION #9 - (DOLLARS IN 000'S)				
FY15	FY16	FY17	FY18	FY19
$300	**$751**	**$751**	**$751**	**$751**

Assumptions

Exact savings from this recommendation will be based on the final sub-acute care rate established by DHH pursuant to rulemaking.

The above estimates are built upon an estimated savings of $500 per day over the current acute care rate paid by Medicaid. It is estimated that this rate could be applied to sub-acute care for 100 to 120 Medicaid recipients annually with an average stay of 35 days, for a total of 3,500 to 4,200 care days.[19]

The target estimate is based on 3,850 care days.

Note that the savings estimates above reflect only the state's share (39 percent) of the total savings, anticipated to be $1.75 to $2.1 million annually.

Savings have already been factored into the FY15 budget. Therefore, the baseline Medicaid budget for this item should not be decreased by this amount.

RECOMMENDATION #10 – USE ELECTRONIC VISIT VERIFICATION (EVV) TO IMPROVE LONG-TERM CARE INTEGRITY AND CLIENT CARE

Requiring home health aides to track their time electronically rather than through paper time sheets has yielded successful results in other states.

Findings and Rationale

Medicaid is a state-federal funded program that provides necessary medical care for needy Louisianans. Medicaid covers some services for some individuals delivered at home that are provided by registered nurses (RNs), licensed practical nurses (LPNs), therapists, and home health aides or "direct service workers". The state also covers attendant services in work-related settings; for example, sheltered workshops and assisted employment settings.

In-home care and services are generally billed in 15 minute increments. Examples of the types of care or services that may be provided in the home: assistance with tasks of daily living such as bathing, eating or dressing, or skilled nursing service such as injections, wound care or medication management.

[19] Based on data provided to DHH by UnitedHealthCare Community Plan (one of the state's two Shared Plans) who conducted a case study of potential sub-acute patients from May-August 2013.

In FY13, Louisiana paid for more than $761 million of in-home or onsite, work-related assistance to about 42,000 state residents across all HCBS programs. [20]

The in-home care and services the state provides to individuals with age, disease or developmental disabilities enable them to remain in their homes and help the state avoid the expense of providing services in more costly long term care facilities such as nursing homes.

Currently, individuals providing in-home care or services track the time spent delivering care or services on time sheets. Although, the vast majority of caregivers are honest, overstating time by as little as six minutes would result in the state paying 10 percent or $76 million per year in state and federal funds more for services than it should have. The impact is greatest in instances when an in-home worker fails to show up for a visit and claims the hours on their time sheet.

Many states have implemented telephonic or EVV technology to ensure precise timekeeping. This is accomplished by requiring the in home workers to make a phone call with a secure pin or the use of a bio-metric verification device such as voice recognition or a thumb printer reader when the client visit begins and when the visit concludes.

States that have implemented electronic visit verification technology have realized reductions in costs in their in-home services ranging from a low of seven percent of expenditures to a whopping 46 percent in Miami-Dade County Florida.[21]

Recommendation #10 - (dollars in 000's)				
FY15	FY16	FY17	FY18	FY19
$500	**$16,719**	**$18,648**	**$18,648**	**$18,648**

Assumptions

DHH has contracted with a consultant to write the RFP to expedite the process. The estimated schedule assumes an RFP will be issued in 120 days and vendor selected within 180 days. This is very conservative as DHH has written an RFI for this purpose in the past and there are a number of good examples for other states to base the RFP on. The vendor(s) will then need 90-120 days to "go live.

The estimate also includes a phase in for the program. The initial phase will include all long-term personal care service programs.

In future years, it will incorporate the following programs with expenditures of $159 million and a recipient count of 14,134:

- Children's Choice Waiver
- Supports Waiver
- Residential Options Waiver
- Community Choices Waiver
- Home Health (state plan)
- New Opportunities Waiver

The final year will incorporate the remaining in-home programs exclusive of facility based day programs with total expenditures of about $12 million and 1,692 recipients. Implementation will have one-time costs associated with the first year of implementation. In addition, vendors will receive a transaction fee based on phone calls or the activation of a bio-metric device. The transaction fees will be ongoing.

Based on research of other states' programs, electronic visit verification will save the state a low of 7 percent and a high of 10 percent of total in-home expenditures. Estimated savings, targeted at 8.5 percent, have already been factored into the FY15 budget.

Recommendation #11 – Reduce Improper Payment in the Medicaid Program

Louisiana's DHH should employ predictive analytic technology similar to the technology used by the CMS to detect and prevent improper payments in the state's Medicaid program.

[20] FY13 unduplicated in-home participants counts and expenditures provided by the Louisiana Department of Health and Hospitals, February 2013.

[21] 2012 Strike Force Annual Report, Florida Medicaid Fraud Strike Force, page 18.

Findings and Rationale

The Medicaid program is a state-federal funded program that covers medical services for some poor Americans, including pregnant women, children, and individuals with age-related or developmental disabilities. In FY14, the federal government generally covered 61 percent of the cost of Louisiana's Medicaid program while Louisiana paid for the remaining 39 percent.[22]

Improper Medicaid Payments

In 2010, the U. S. Office of Management and Budget estimated that 9.4 percent of Medicaid benefits payments nationwide were improper.[23] Improper payments include claims submitted for unnecessary services, services billed in error, and claims knowingly submitted under false pretenses (i.e., fraud).

Louisiana had the highest Medicaid recovery rate in the country with $124 million improper payments recovered from a settlement with Pharma, including about $48 million in state funds, in 2012. This represents almost two percent of the approximately $7.3 billion spent in Louisiana's Medicaid program that year.

Since 2005, the Centers for Medicaid and Medicare Services (CMS) have required that states use automated payment controls called "edits" to identify problems with claims prior to the claim being paid. For example, edits can identify duplicate claims when the same service is billed for the same person on the same day.

However, "edits" have limits and cannot identify data patterns or trends, or successfully predict where problems may arise. In 2010, CMS began to use predictive analytic technologies to identify and prevent improper Medicare payments. In the first year these technologies were used, Centers for Medicaid and Medicare Services estimated that $115.4 million in improper payments were avoided and that it resulted in 536 new investigative leads and enhanced data for in 511 existing investigations.[24] After a successful three-year pilot of these technologies, CMS will begin using these technologies in its Medicaid integrity program this fiscal year.

The same predictive analytic technologies used at the federal level can and should be used at the state level to prevent and identify Medicaid abuse and fraud. Existing technology uses cloud-based systems. This means states need not invest in hardware or software to use these new technologies.

Further, a number of states have contracted with vendors on a contingency basis in order to avoid upfront costs. When a contingency contract is executed, the vendor will take a percentage of the costs avoided/recovered in lieu of upfront payments. Once a contract award has been made, some technologies can begin returning analytic reports to the state within 90 days of receipt of claims data.

In addition to new technology, the state will also need additional staff to review and investigate data returned the new technology. Both analytic and investigative staff should be added to Louisiana's current Program Integrity Section within DHH.

RECOMMENDATION #11 - (DOLLARS IN 000'S)				
FY15	FY16	FY17	FY18	FY19
$3,980	**$15,372**	**$22,885**	**$29,750**	**$30,800**

Assumptions

Louisiana will issue a Request for Proposal (RFP) for a performance-based contract to deploy predictive analytic technology. The technology will "go live" within 90 days of approval to contract for the new

[22] While the Federal Medical Assistance Percentages (FMAP), in general, for LA are 61%, the percentage rate may vary. For example, administrative services are reimbursed at 50% while family planning services are reimbursed at 90%.

[23] In its Fiscal Year 2010 Agency Financial Report, HHS calculated and reported the 3-year (2008, 2009, and 2010) weighted average national payment error rate for Medicaid of 9.4 percent. See Department of Health and Human Services FY10 Agency Financial Report (Washington, D.C.: Nov. 15, 2010).

[24] In its Fiscal Year 2010 Agency Financial Report, HHS calculated and reported the 3-year (2008, 2009, and 2010) weighted average national payment error rate for Medicaid of 9.4 percent. See Department of Health and Human Services FY10 Agency Financial Report (Washington, D.C.: Nov. 15, 2010).

technology. The vendor will be paid based on a percentage of the claims that are not paid as a result of information provided by the technology (pre-pay cost avoidance) and will use existing Medicaid claims data “as is”.. As compensation, the vendor will receive ten percent of verified prevented payments and funds recovered resulting from the use of their technology. DHH will need to receive authorization to execute a contingency based contract.

The analysis assumes Louisiana can recover an additional 0.75 percent of improperly paid Medicaid claims and avoid an additional 0.75 percent of payments through prepayment activities. Savings are phased in over the first three years after program implementation and will not start until the last quarter of the FY15. Predictive analytic technology “learns” and its predictive capabilities will improve over time.

In order to capture the savings, DHH’s Program Integrity Section is assumed to invest in two additional staff per year for three years for a total of six additional staff. This group, in conjunction with DHH Executive staff, will develop rules and policies governing the deposition of claims found to be improper.

Recommendation #12 – Implement Claims Level Indicator to Capture Cost Savings within 340B Drug Pricing Program

The 340B Drug Pricing Program is a U.S federal government program created in 1992 that requires drug manufacturers to provide outpatient drugs to eligible health care organizations/covered entities at significantly reduced prices. Implementing claims-level indicator technology will ensure that Louisiana is capturing the rebates and discounts it is entitled to under the current program by accurately identifying which providers and pharmacies are enrolled in the program at the point of sale.

Findings and Rationale

State government agencies that use Medicaid funding, including Louisiana, often have negotiated agreements that require drug manufacturers to provide outpatient drugs to organizations/covered persons at cost or significantly reduced prices. This program, entitled the 340B Drug Pricing Program, allows both the state and the federal government to stretch their funding further and serve more eligible patients.

Currently, Louisiana does not have the appropriate technology to identify participating providers, known as “covered entities”, at the point of sale to determine appropriate discounts or rebates. This means that savings opportunities that could have been captured when the drugs are initially sold may either be missed entirely or are procured in a lengthy payment recovery process. The state government requires a modifier (claims level indicator) to alert them to savings potential during the purchase. The modifier could also allow DHH to disqualify drug purchases that do not meet requirements to avoid unnecessary recoupment efforts. Additionally, without updated systems, the state is ill-equipped to determine an appropriate Actual Acquisition Cost (AAC) for drugs covered under the 340B Pricing Program.

The below table details the expenditures through the first quarter of FY14 made on 340B covered service providers and pharmacies:

Program Type	Total Paid Amount	Claim Count	Provider Count
Fee-for-Service Professional	$3,959,597	37,391	50
Managed Care Professional	3,427,883	48,657	52
Fee for Service Pharmacy	252,268	6,008	12
Managed Care Pharmacy	273,031	7,546	11
Grand Total	**$ 7,912,779**	**99,602**	**66**

Figure 4.6: Expenditures through the Q1 of FY14

Many states have taken full advantage of the 340B pricing program by implementing new technology to capture discounts or reduce costs. For example, Washington implemented new computer systems in 2002 to allow pharmacists at a central health center in Spokane to network with eligible health centers and ensure the proper dispensation of prescription drugs. Additionally, the director of 340B compliance at the Carolinas Healthcare System operating in both North and South Carolina recently advocated for new technology to ensure compliance and execution of savings opportunities within the program. The improvements suggested would alert the state of contracting pharmacies, split-billing opportunities, and potential overpayments.

Updating Louisiana's claims technology is imperative to comply with new rules that CMS released in 2012 involving Medicaid drug provisions and reimbursement policies. Instead of having state agencies bill "covered entities" at their acquisition or ingredient costs, this new rule proposes that states define an AAC that would serve as the new standard for payment, rebates, and discounts on prescription drugs based off regional pharmacy buying data. States must have adept and accurate technology to present a proper AAC claim to CMS that provides a fair rate to pharmacies and manufacturers, but also ensures health and human services agencies can properly serve their Medicaid enrollees. Many states are expected to require 340B suppliers to bill at this new AAC in both managed care and fee-for-service designs. Since state Medicaid budgeting success or failure may rest on a proper decision AAC rate decision, technology to track payments, identify "covered entities", and determine discount opportunities will be imperative to make an informed choice in this developing situation.

Additionally, in a 2011 report from the federal Department of Health and Human Services' Office of Inspector General entitled State Medicaid Policies and Oversight Activities Related to 340B Purchased Drugs, the findings indicated that states do not have necessary pricing information to create prepay filters for 340B-purchased drugs. As a potential solution, the report advocated that CMS inform states of tools they can use to identify claims at the point of sale. For Pharmacy, this is the National Council for Prescription Drug Programs (NCPDP) Telecommunication Standard, and for Professional Services; it would be the UD modifier.

Given the relative low cost of implementing the technology, its potential benefits, and the likelihood that federal direction will require the changes in the near future, A&M believes that implementing the claims-level indicator should be a high-priority project for the department.

A review of the quarterly claims data for fee for service pharmacy yielded approximately $19,000 in overpayments made by the state, which represents 7.5 percent of the total quarterly payments. This is computed by comparing the price paid for a 340B drug to the Actual Acquisition Cost and flagging those where the price is above the threshold for lowest cost as defined in Medicaid rules. Utilizing a Claims Level Indicator will automatically disqualify transactions that do not meet this rule.

Provider	# Claims Billed	# Claims for 340B Audit	Possible Overpayment AAC Rebate% vs. Actual Paid Amount
Provider 1	951	10	$ 158
Provider 2	7	-	-
Provider 3	711	8	135
Provider 4	1,097	316	2,426
Provider 5	54	28	331
Provider 6	556	248	14,151
Provider 7	856	30	130
Provider 8	309	7	28
Provider 9	7	2	85
Provider 10	682	10	213
Provider 11	621	163	1,037
Provider 12	63	27	530
Grand Total	5,914	849	$ 19,223

Figure 4.7: 340B Claims Comparison

With the current tools available to DHH, it is not possible to calculate savings on the managed care pharmacy or any of the professional services payments without doing a labor intensive audit of claims paid through those programs. Therefore, in the analysis has included savings only from the fee for service pharmacy program.

A smooth and seamless implementation process will be critical when creating the claims-level indicator. The following tasks show the process the state should take to execute this recommendation:

Tasks	Description
1. Implement the CLI for Pharmacy (12 months)	
A. Identify appropriate method to apply a claims-level indicator	Evaluate whether the UD modifier is feasible. If not, select another means.
B. Manage addition of functionality	DHH will work with Fiscal Intermediary to ensure there is no compromise in payment and service delivery while indicator is installed
C. Pilot program	Small pilot and contained rollout of new indicator will safeguard against unforeseen bugs and errors
D. Statewide rollout	New indicator rolled out statewide
E. Outreach and education	340B Pharmacists will need to be trained on how to use the new technology
F. Perform an invoice audit on likely overpayments	DHH will use the Recover Audit Contractor (RAC), who works on a contingency fee basis, to perform the labor-intensive audits
2. Implement the CLI for Professional Services (24 months)[1]	
A. Identify appropriate method to apply a claims level indicator	Evaluate whether the NCDP Telecommunication modifier is feasible. If not, choose another means
B. Manage addition of functionality	DHH will work with Fiscal Intermediary to ensure there is no compromise in payment and service delivery while indicator is installed
C. Pilot program	Small pilot and contained rollout of new indicator will safeguard against unforeseen bugs and errors

Tasks		Description
D.	Statewide rollout	New indicator rolled out statewide
E.	Outreach and education	340B Medical Providers will need to be trained on how to use the new technology
F.	Perform an invoice audit on likely overpayments	DHH will use the Recover Audit Contractor (RAC), who works on a contingency fee basis, to perform the labor intensive audits

Figure 4.8: Recommendation Execution Tasks

RECOMMENDATION #12 - (DOLLARS IN 000'S)				
FY15	FY16	FY17	FY18	FY19
$47	**$1,052**	**$1,072**	**$1,072**	**$1,072**

Assumptions

- The savings estimates above assume that the 340B pricing program and state payment recovery processes will operate in their current state except for the proposed technology improvement
- Targeted savings are calculated as 3.75 percent of the annualized expenditures on pharmacy in each category, less the investment costs described in items six and seven of this list.
- The analysis does not include any increases in drug prices at point-of- sale exchanges
- The analysis assumes that the claims indicator will be implemented for all 340B program transactions statewide
- In accordance with the tasks described above, the savings estimates are phased in based on the implementation timelines. Therefore, savings on the professional services portion are not captured until FY16
- There will be programming necessary to implement the claims-level indicator. DHH has a certain amount of programming time included in its current contract with the fiscal intermediary. If that time is exceeded, DHH will need to purchase additional time to complete the implementation. The value of that excess time is estimated at $20,000 for each change (two total – one change each fee for service and professional services)
- There will be investment costs necessary to conduct the invoice audits in order to recoup any overpayments. These will be conducted by a Recover Audit Contractor (RAC), who works on a contingency fee basis. The analysis assumes that fee will be 12.5 percent. The highest allowable percentage is 12.5 percent

Recommendation #13 – Raise Office of Public Health Food, Drug, and Cosmetic Registration Fee to its Statutory Maximum

Currently all Office of Public Health fees are at the statutory maximum except for the Food, Drug, and Cosmetic Production Registration Fee. Increasing that fee from $20 per item to $27 per item would generate an estimated $165,000 in new general fund revenue for the state.

NOTE: The department is already moving forward with this item and the additional revenue projection has been included in the budget.

Findings and Rationale

Louisiana Administrative Code §105 of Part VI of Title 51 requires that all food, drug, and cosmetic products sold in packaged form within the state of Louisiana be registered with the Food and Drug Unit. Currently, a fee of $20 is assessed for each product produced by a manufacturer, up to a maximum of $200 per manufacturer. Revenue from the fee - along with a general fund supplement - funds the department's costs to enforce sanitation regulations, labeling requirements, and other production standards. Raising the fee from $20 to $27 per product will generate approximately $165,000 in additional general fund revenue, reducing – but not eliminating - the amount of general fund subsidy required for regulating these products.

By raising this fee to its statutory maximum, more of the program costs will be borne by those for-profit, private entities manufacturing and selling the products being regulated and, if the increased cost is reflected in increased product prices, the consumers purchasing their products. These products are not purchased or utilized by the general public the way that roads or fire protection services are, but rather purchased by specific consumers. Using general tax dollars to pay for these program costs subsidizes private, for-profit companies and specific consumers.

Recommendation #13 - (Dollars in 000's)				
FY15	FY16	FY17	FY18	FY19
$165	**$165**	**$165**	**$165**	**$165**

Assumptions

Last year 4,714 companies paid this fee for an average of five products each. That number of product registrations (23,570) multiplied by the fee increase ($7) is the estimated amount of revenue the increase will generate ($165,000).

Legislative changes are not required since the current legislation already provides the department with the authority to increase this fee. The only action needed is a notice of intent and a public hearing. The department is already moving forward with the rate increase which is slated to go into effect July 1, 2014. The estimated revenue is $165,000, which is currently built into the FY15 budget.

Project Implementation Plan

Project Management / Implementation Strategy

The following chart shows the implementation plan for the recommendations contained in this document. As the chart indicates, the department will need to carefully plan its implementation strategy in order to accomplish all of its goals in a timely manner. However, because all of the desired outcomes are the result of steps that DHH undoubtedly has put in place for previous initiatives, implementation should be familiar to the department. In addition, the strategies contain similar elements that will help DHH complete the recommendations efficiently.

As discussed previously, the recommendations not only save the department money that can be directed to other activities, more importantly, many improve services to DHH clients through enhanced and sometimes, more directed care. To successfully attain the goals recommended by this report, DHH will consult many people and organizations including clients, providers, caregivers, licensees, federal agency employees, Louisiana legislators, and its own DHH employees to determine the best course of action. After a coordinated strategy has been agreed on, the plan then requires DHH to educate the affected parties. Affected clients include Medicaid participants, infants and children, pregnant women, and elderly Louisianans.

Each of the recommendations in this report will require work in one or more of the following administrative areas: outreach, education and training; coordination; attention to legal requirements, modification to rules and standards, contracts; and monitoring:

- Outreach: Although outreach efforts are necessary to some degree in each recommendation's implementation plan, it is particularly important, and explicitly mentioned in the plan when clients and their families are directly affected. These efforts include public meetings, press briefings, mailings, and new website content. In Recommendation #1, Provide Additional STI Treatment and Testing, once DHH works with CMS to expand sexually transmitted infections treatment (STI), those families affected should be notified and educated as to the availability of the program. Likewise, Recommendation #2, Increase Use of Alternative Maternity Care Options, will require outreach to likely participants (those women of child-bearing age who are open to the use of certified nurse midwives) and the Louisiana Medical Society to obtain their advice and buy-in.
- Education and Training: Once outreach efforts identify affected individuals and organizations, an inevitable part of these efforts is educating clients, families, providers, and policy makers. For the latter two groups, formal outreach efforts mentioned above are probably not necessary because the affected entities are smaller groups who have background and knowledge in the affected DHH programs. However, these groups need to have the opportunity to help craft changes and to understand how changes will affect them. For instance, to fully and correctly implement Recommendation #10, Use Electronic Visit Verification (EVV) to Improve Long Term Care Integrity and Client Care, the selected contractor must provide training to entities that provide home and work place care so that these professionals understand how to use the new tracking equipment. Because this training is intense, it will require three years to finally implement the program. For Recommendation #11, Reduce Improper Payment in the Medicaid Program", DHH's employees will require training to operate and monitor the new Medicaid tracking system. In Recommendation #5, Establish More Cost-Effective Pediatric Day Health Care (PDHC) Programs and Services, DHH must educate facility operators to reduce costs and conflicts of interest.
- Coordination: Each recommendation, to be successful, will require coordination among affected people and organizations. Some coordination will be relatively simple because only a few entities are involved. Recommendation #11, Reduce Improper Payment in the Medicaid Program, involves only DHH technical and procurement staff, prospective vendors, and the final technology vendor. Other

recommendations require a medium level of coordination. For instance, Recommendation #13, Raise DPH Food, Drug, and Cosmetic Registration Fee to its Statutory Maximum, does not require a statutory change but simply a state notice and public hearing, followed by a final decision notice. For this recommendation to be successful, the Treasury department and the food, drug, and cosmetic industry is involved. Other initiatives recommended in this paper, however, will require significant coordination, particularly those that involve direct service to clients.

- Legal Requirements, Rules and Standards Modifications, and Contracts: Current statutes require DHH to allow and consider public input for Recommendation #13, Raise DPH Food, Drug, and Cosmetic Registration Fees. Administrative regulations, rules, rate methodology, and fee changes are required for five recommendations while the contracts for the new predictive analytic technology contemplated in Recommendation #11, Reduce Improper Payment in the Medicaid Program, and Recommendation #10, Use Electronic Visit Verification to Improve Long Term Care Integrity and Client Care, must be bid out according to current state law.

Monitoring: To be successful, DHH must monitor the activities leading up to the final step in every recommendation and monitor results thereafter. A fuller description of these monitoring requirements is discussed in the Monitoring and Tracking Models section of this document.

				FY 2014-2015				FY 2015-2016			
Project	Project Name	Duration (Weeks)	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1	Provide Additional STI Treatment and Testing	13									
2	Increase Use of Alternative Care Options	16									
3	Implement Disease Management Services for Medicaid Patients by Compet	44									
4	Consolidate Non-Emergency Transportation Services into a Single Contrac	56									
5	Establish More Cost Effective Pediatric Health Care Services	21									
6	Establish an Additional PACE facility to offer Another Alternative to Institution	56									
7	Maximize ICF Bed Occupancy	51									
8	Improve the Process and Rate of Transition from Nursing Facilities	23									
9	Establish Sub-Acute Care Rate	52									
10	Use Electronic Visit Verification System	82									
11	Reduce Improper Medicaid Payments	28									
12	Implement Claims Level Indicator to Capture Cost Savings within 340B Drug Pricing Program	49									
13	Raise DPH Food, Drug and Cosmetic Registraion Fees	40									

Figure 4.9: DHH Project Plan Gantt Chart

The table below details the project plan supporting the recommendations described above. For each sub-task, an estimate of the necessary internal or external resources has been provided for illustrative purposes.

WBS	Tasks	Resources
1	**Recommendation #1 -- Provide Additional STD Treatment and Testing**	
1.1	Work with CMS to ensure plan modification approved	Project Coordinator
1.2	Modify administrative rules when plan approved	Project Coordinator, 1 policy staff
1.3	Develop outreach campaign	Project Coordinator
1.4	Modify IT system to capture codes for billing	Systems IT Programmer
1.5	Notify providers of change	Project Coordinator
2	**Recommendation #2 -- Increase Use of Alternative Care Options**	
2.1	Meet with LA Medical Society to design program policies and obtain support	Project Coordinator
2.2	Draft legislation to license new birthing center options	Legislative Liaison
2.3	Pass legislation	Legislative Liaison
2.4	Develop educational campaign for consumers	Project Coordinator, 1 staff
2.5	Launch campaign to increase public awareness	Project Coordinator
2.6	Modify contracts as needed to increase use of non-hospital deliveries	Finance/Contract Analyst
3	**Recommendation #3 -- Implement Disease Management Program in Medicaid**	
3.1	Identify target high-cost group	2 Gov't FTE + 1 Project Coordinator
3.2	Develop and issue RFP to hire actuarial consultant to develop cost model	2 Gov't FTE + Systems Support
3.3	Choose actuarial	2 Gov't FTE + 1 Project Coordinator
3.4	Analyze actuarial results and establish new policy	2 Gov't FTE + 1 Project Coordinator
3.5	Amend State Plan as needed and obtain federal approval	2 Gov't FTE + 1 Project Coordinator
3.6	Conduct yearly analysis to determine cost/benefit	2 Gov't FTE + 1 Project Coordinator
4	**Recommendation #4 - Consolidate Non-Emergency Transportation Services into a Single Contract**	
4.1	Conduct procurement of Fee for Service Transportation Contract - restructure to be on a capitated basis	2 Members of DHH Staff
4.2	Prepare RFI to determine interest in Statewide Broker Program	2 Members of DHH Staff
4.3	Commission rate-setting study to ensure economic viability	2 Members of DHH Staff
4.4	Review and incorporate RFI responses/prepare RFP	2 Members of DHH Staff
4.5	Release and award statewide brokerage RFP	2 Members of DHH Staff

WBS	Tasks	Resources
4.6	Oversee launch of brokerage	2 Members of DHH Staff
4.7	Monitor and track operations	2 Members of DHH Staff
5	**Recommendation #5 -- Establish More Cost Effective Pediatric Health Care Services**	
5.1	Modify administrative rules to incorporate new PDHC standards (completed-emergency rule went into effect February 1, 2014)	DHH Policy Analyst
5.2	Provide notice/additional training to providers to implement new rules	DHH Program Management Staff
5.3	Monitor requests for new licenses to ensure meet new criteria	DHH Program Management Staff
5.4	Monitor spending	DHH Financial Analyst
5.5	Conduct site visits as needed to providers with ineligible children/billing	DHH Program Management Staff
6	**Recommendation #6 – Establish an Additional PACE facility to offer Another Alternative to Institutional Care**	
6.1	Announce opening of new PACE facility and provider selection. Alert supports coordinators of the new option and advise them to identify candidates.	1 DHH Staff
6.2	Submit and receive approval from CMS for the new location	1 DHH Staff / Provider Staff Member
6.3	Manage and monitor training of appropriate support staff and ensure facility is in appropriate condition. Work with Fiscal Intermediary to ensure payment system is set up.	1 DHH Staff / Fiscal Intermediary
6.4	Launch new PACE site	2 DHH Staff
6.5	Monitor quality and ensure smooth operations	1 DHH Staff
6.6	Track and report on enrollment progress	1 DHH Staff
7	**Recommendation #7 -- Maximize ICF Bed Occupancy**	
7.1	Financial model of fee increase	Randy Davidson and Consultant
7.2	Notify providers of fee change to start July 1	Financial Analyst
7.3	Modify system edits to accept fee change	Systems IT Programmer
7.4	Begin accepting increased fee	Financial Analyst
8	**Recommendation #8 - Improve the Process and Rate of Transition from Nursing Facilities**	
8.1	Update procedures to include completion of MFP assessments to identify potential candidates in conjunction with initial LOC evaluation	2 DHH Program / Policy staff
8.2	Review and revise policies to clearly delineate roles transition and support coordinators	2 DHH Program / Policy staff
8.3	Create positions for full-time housing coordinators to remove barriers to successful / timely transitions.	1 Contract FTE
8.4	Enhance communications process to allow information to be more easily / consistently shared (e.g., use blogs for care coordinators)	2 DHH Program / Systems staff
8.5	Work with Office of Ombudsmen to expand and clarify involvement in My Place Operations.	1 DHH staff 1 LTCO staff member

WBS	Tasks	Resources
9	**Recommendation #9 -- Establish Sub-Acute Care Rate**	
9.1	Create provisions for sub-acute rate in administrative rule (rulemaking process began March 1, 2014)	DHH Policy Analyst
9.2	Establish new rate methodology, in conjunction with stakeholders	DHH Financial Analyst and Financial Consultants
9.3	Launch new rate.	DHH Program Staff
9.4	Conduct provider outreach to announce new rate, answer questions.	DHH Program Staff
9.5	Develop procedures for Medicaid billing at new rate	DHH Financial/Contracting
9.6	Compare first-year actual sub-acute provider costs to cost estimates in development of new rate; adjust rate accordingly	Financial Analyst and Financial Consultants
10	**Recommendation #10-- Use Electronic Visit Verification System**	
10.1	Identify funds for one-time development costs	Project Coordinator
10.1	Evaluate Phase 1 roll out	Project Coordinator
10.1	Phase 2 roll out	Project Coordinator
10.1	Phase 3 roll out	Project Coordinator
10.2	Obtain approval to hire consultant to write RFP for development vendor	Project Coordinator
10.3	Notify stakeholders of plan	Project Coordinator
10.4	Select consultant to write RFP	Project Coordinator
10.5	Issue RFP for vendor	Project Coordinator
10.6	Select vendor	Project Coordinator
10.7	Vendor develops system	Project Coordinator
10.8	Staff training	Project Coordinator
10.9	Select and train first group of targeted providers	Project Coordinator
11	**Recommendation #11 -- Reduce Improper Medicaid Payments**	
11.1	Draft RFP to identify vendor	2 Purchasing staff
11.2	Issue RFP for vendor	Purchasing Manager
11.3	Evaluate responses	10 Purchasing and agency staff
11.4	Choose vendor	Purchasing Manager
11.5	Execute contract with vendor	Purchasing Manager
11.6	Go live with new system	Vendor and Project Manager
11.7	Revise policies and rules on disposition of improper payments	2 department finance staff
11.8	Begin identification, analysis and collection of improper payments	Project Manager and vendor
12	**Recommendation #12 – Implement Claims Level Indicator to Capture Cost Savings within 340B Drug Pricing Program**	
12.1	Identify appropriate method to apply a claims level indicator	DHH Staff / Fiscal Intermediary

WBS	Tasks	Resources
12.2	Manage addition of functionality	DHH Staff / Fiscal Intermediary
12.3	Pilot program	DHH Staff / Fiscal Intermediary / Pharmacy staff
12.4	Statewide rollout	DHH Staff / Fiscal Intermediary / Pharmacy staff
12.5	Outreach and education	DHH Staff / Fiscal Intermediary
12.6	Perform an invoice audit on likely overpayments	DHH Staff / Contract Auditor
13	**Recommendation #13 -- Raise DPH Food, Drug and Cosmetic Registration Fees**	
13.1	Publish Notice of Intent	Treasury Regulatory Staff
13.2	Hold Public Hearing	Treasury Regulatory Staff
13.3	Publish final notice	Treasury Regulatory Staff
13.4	Begin collecting new fees	Treasury

Figure 4.10: DHH Project Plan

Affected Stakeholders

- People on Medicaid and not in managed care
- Healthcare providers, including physicians, hospitals and pharmacies
- Providers of in-home care and services
- Community or faith-based organizations that serve affected groups of people
- Companies in the food, drug and cosmetic industries

The DHH is an agency that oversees a wide array of programs and each of the GEMS recommendations potentially affects a unique group of stakeholders. Some of these stakeholders are elderly or live with various disabilities. They and their families will be particularly concerned about any changes that could alter their normal way of doing things – even if only in small ways. As a result, great sensitivity needs to be applied in this particular area.

Creating written materials and web videos that boil down information and provide answers to common questions of consumers will be important, but equally important is direct outreach into communities and among representatives of affected stakeholders. That type of contact will have the additional benefit of providing for two-way communications – information the DHH receives from affected individuals could well inform the way in which it implements its proposals.

Change Management

As noted in DHH organizational discussion, DHH has already streamlined its service delivery methods, so dramatic changes in organizational structure are not recommended at this time. However, to effect the recommendations herein, DHH must take advantage of new technologies to reduce improper Medicaid payments, correct for overcharges by professional caregivers, and ensure rate setting is accurate outside of the Medicaid system.

DHH must also pay more attention to administering current programs more effectively: establishing more cost-effective pediatric day health care programs and services, as envisioned in Recommendation #5 will reduce double-billings and conflicts of interest among the owners of private facilities. Recommendation #6 Establish a Sub-acute Care Rate suggests that DHH look at the services it provides and then change to a service delivery model that is appropriate yet less expensive. Likewise, DHH needs to improve implementation of federal funding rules for cost allocation and recovery. By improving recovery charges allowable by federal law, the state can be eligible for additional federal matching dollars (See Recommendation #7 Maximize Intermediate Care Facility Bed Occupancy Rates).

Monitoring and Tracking Models

To ensure that the recommendations herein result in proven efficiencies, it is critically important that DHH track the progress of each issue. Results should be concrete in that they should be able to be counted and verified. The monitoring and tracking plan below outlines specific measures to ensure that DHH completes the recommendations herein.

Briefly, the plan lays out specific steps that ultimately result in dollar savings or revenue maximization. For instance, to accomplish Recommendation #11 Reduce Improper Payment in the Medicaid Program, DHH must draft an RFP and select a vendor for the new analytical system, resulting in savings equaling at least $2,876,000 in FY15. DHH can maximize federal revenue to the state by following Recommendation #7 Maximize Intermediate Care Facility Bed Occupancy Rates by altering their fee per occupied Intermediate Care Facility bed day. Measurement of success is the amount of extra funding the state will receive from the federal government, approximately $2.1 million annually.

Some of the final measurements will result in health benefits and savings when the measurements are attained. For instance, implementation of Recommendation #1 Provide Additional STI Treatment and Testing will reduce the number of pre-term births by 20 percent at the end of the program's second year. Infants will be healthier and the state will save at least $2.6 million by the third year of program.

Rec#	Objective	Performance Measure	Target	Unit
1	Increase STI testing and treatment for eligible men	Number of newly eligible men receiving treatment	5%	newly eligible men
1	Reduce pre-term births due to STIs	Number of pre-term births associated with STI	Fewer than 20% of preterm births by end of year 2 or 3	Preterm births
2	Increase non-hospital births	Non-hospital births compared to all births	0.72%	Percentage of non-hospital births
3	Contract out disease management program	Signed contract	1	Contract
3	Patient participation in disease management plan	Patients with high risk diseases participate	10	Percent
4	Consolidate Non-Emergency Transportation Services into a Single Contract	Negotiated PMPM rate	$2.00	$/member/month
4	Consolidate Non-Emergency Transportation Services into a Single Contract	Date the contract goes live	March 2015	Date

Rec#	Objective	Performance Measure	Target	Unit
5	A 2 percent license recipient reduction	License recipient reduction	2% reduction	License recipients
5	Reduce DHH cost increases for PDHC	Cost avoidance	$121-162,000 in year 1	Dollars
6	Establish an Additional PACE facility to offer Another Alternative to Institutional Care	Enrollment at the PACE site	125	participants
6	Establish an Additional PACE facility to offer Another Alternative to Institutional Care	Percentage from the Nursing Facilities	67%	percent of total
7	Raise ICF provider fees to $16.25 per bed day	Fee schedule	$16.25 per bed day	Dollars
7	Revenue increase	Revenue increase	$3.3 million	Dollars
7	Increased federal fund draw down	Federal receipts	$2.1 million	Dollars
8	Improve the Process and Rate of Transition of Elderly and Disabled Individuals from Nursing Facilities and Hospitals	# of transitions	38	participants / year
9	Reduce Medicaid costs by shifting some patients from acute to sub-acute care	Increase in sub -acute care days	3,500 to 4,200	Days billed for sub-acute care
10	RFP consultant	Consultant hired	1	Contractor
10	Development vendor	Vendor hired	1	Contractor
10	Phase 1 implemented years 1 - 2	Go live with new system of reporting time	Roll-out for: The New Opportunities Waiver and The Long Term Personal Care Services	System on-line
10	Phase 1 implemented years 1 - 2	Go live with new system of reporting time	27,748 recipient's providers using new time reporting system	Users of new system

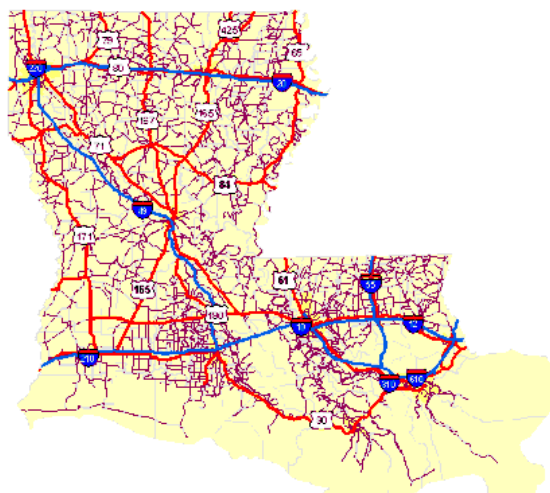
Rec#	Objective	Performance Measure	Target	Unit
10	Phase 2 implemented years 3 – 4	Add additional programs	Roll-out for Children's Choice Waiver; Supports Waiver; Residential Options Waiver; Community Choices Waiver; and Home Health (state plan)	System on-line
10	Phase 2 implemented years 3 – 4	Add additional programs	14,134 additional recipients using system	Users of new system
10	Phase 3 implemented year 5	Add remaining programs	Roll-out for remaining in-home programs exclusive of facility based day programs	System on-line
10	Phase 3 implemented year 5	Add remaining programs	1,692 additional recipients using system	Users of new system
11	RFP drafted	RFP issued	1	RFP
11	Vendor selected	Vendor contract executed	1	Contract
11	System go live	Live system	1	System
11	Identification of improper payments	Collection of improper payments	$2.9M	Dollars
12	Implement Claims Level Indicator to Capture Cost Savings within 340B Drug Pricing Program	Pharmacy - # of invoice audits performed	850	audits
12	Implement Claims Level Indicator to Capture Cost Savings within 340B Drug Pricing Program	Professional - # of invoice audits	2,000	audits

Rec#	Objective	Performance Measure	Target	Unit
		performed		
13	Increase fees	Administrative rule changes	8	Rule changes
13	Increase revenue collected	Revenue collections	165,000	Dollars

Figure 4.11: DHH Tracking Tool

Chapter 5: Department of Transportation and Development

Agency Overview



The Department of Transportation and Development (DOTD) is responsible for 16,655 miles of roadway and 13,095 bridges in addition to oversight of airports, ports, rail, and waterways throughout Louisiana. There are approximately 4,400 employees in DOTD, down from 5,200 in 2008. Since 2008, $5.6 billion has been invested in Louisiana's infrastructure. DOTD is working to reduce their $12 billion backlog of identified road and bridge projects.

Their mission is to deliver transportation and public works systems that enhance quality of life and facilitate economic growth. One of DOTD's stated goals is to continually improve performance, and they have numerous ongoing initiatives to find ways to save money and improve their services. Some focus areas include making full use of the LaGov Enterprise Resource Planning (ERP) system and improving the effectiveness of resource allocation.

The department is primarily funded by dedicated federal and state gasoline taxes in the form of the Transportation Trust Fund (TTF) which must be used for transportation projects. DOTD typically does not receive state general funds. Any reductions in the amount spent on operating expenses or capital projects can only be applied to additional projects and reduce the backlog.

FY15 revenues and expenditures are preliminarily forecasted to be approximately $1.7 billion, comprised of the following:

Revenues:

- $865 million from federal funds including approximately 92 to 95 percent of the 18.4 cents per gallon in federal gasoline tax. This also includes transit funds and some opportunity grants.
- $581 million from the TTF: 16 cent gasoline tax, license fees, interest, weight permits, fines, and aviation fuel sales tax.
- $118 million in Transportation Infrastructure Model for Economic Development (TIMED) TTF: additional 4 cents collections. This is used for debt service.
- $56 million in proceeds from GO Bonds/Other: $38.1 million of new Cash Lines of Credit (CLOC) requests for authorized funding of state capital outlay in Priorities 1-2 for the Highway Priority Program (HPP) and Public Works; $6.7 million of reallocated state general surplus for HPP; $6.8 million of reallocated GO Bonds for HPP; $2.1 million Crescent City Connection Transition Fund, and $0.83 million New Orleans Ferry Fund.
- $51 million in self-generated revenues: toll revenue from statewide ferries, equipment buy-back program, etc.
- $24 million in interagency transfers: payments from other state agencies such as the Highway Safety Commission and the Governor's Office of Homeland Security & Emergency Preparedness (GOHSEP)/FEMA.
- $19 million from State Highway Improvement Fund (HIF): 100 percent of the truck registration fees.

Expenditures:

- $747 million for highway capital outlays: All costs related to highway and bridge engineering and construction projects during the year.
- $569 million for the operating budget: Personnel, benefits, materials, utilities, equipment maintenance, travel, supplies, interagency transfers, some professional services, and equipment replacement.
- $145 million for TIMED program: All debt service.
- $128 million for Non-Highway Capital Outlay: Funding for Ports, Flood Control, Aviation, Sec Emergency Fund, Ferries, and Facility Program projects.
- $106 million for Non-DOTD Dedicated expenses: $46 million for the Parish Transportation Fund transferred on the basis of population and road mileage and for the rural mass transportation program, and transfer of $60 million to DPS.
- $19 million for Non-Fed Eligible Roads: The engineering and construction of projects on the state system but not eligible for federal funding.

BACKGROUND OF RECOMMENDATIONS

DOTD is continually striving to improve their operations to reduce costs and apply additional funds to road projects. The 2009 Louisiana Commission on Streamlining Government report recommended that DOTD close three ferries due to low benefit to cost ratio. In addition, the state also identified extensive reforms that were developed and undertaken during the FY10 through FY13 Proposed Budget Reforms; of the 122 reforms, nine offered suggestions that were relevant for DOTD. For example, a recommendation was included to reorganize DOTD to eliminate the Office of Public Works and Intermodal Transportation and its Assistant Secretary. This was accomplished in the FY13. The A&M team closely reviewed these existing efforts and integrated their suggestions into A&M recommendations where possible, making sure not to duplicate initiatives.

In addition, A&M researched a number of other state Departments of Transportation and related associations to generate ideas and best practices, including:

- American Association of State Highway and Transportation Officials
- Federal Highway Administration
- National Highway Cooperative Research Program
- Puerto Rico Highways and Transportation Authority
- Southeastern Association of State Highway and Transportation Officials
- The Council of State Governments on Transportation
- United States Department of Transportation
- Louisiana Transportation Research Center
- Alabama Department of Transportation
- Florida Department of Transportation
- Georgia Department of Transportation
- Mississippi Department of Transportation
- Tennessee Department of Transportation
- Texas Department of Transportation
- Wisconsin Department of Transportation

A&M partnered with DOTD to create the recommendations in this report. There are 9 recommendations for DOTD to initiate. They focus on three main areas:

- Revenue Enhancement: Sale of excess property and generating advertising revenue on DOTD assets
- District Resource Consolidation: This includes personnel, equipment and facilities
- Operational effectiveness: Focus on improving processes, people and resources from the headquarters level

RECOMMENDATIONS

		Target Savings and Revenue Estimate (All values in 2014 dollars, in 000s)					
Rec #	Recommendation Name	FY15	FY16	FY17	FY18	FY19	Total
1	Consolidate select business office functions	$0	$2,000	$2,000	$2,000	$2,000	$8,000
2	Reduce equipment fleet	$175	$750	$750	$750	$750	$3,175
3	Reduced parish maintenance units, PE and other offices	$5,000	$5,000	$135	$135	$135	$10,405
4	Expand advertising revenue to include roads, bridges and rest stops	$500	$2,000	$2,000	$2,000	$2,000	$8,500
5	Reduce use of outside design and construction engineer contractors	$578	$2,312	$2,312	$2,312	$2,312	$9,826
6	Utilize 1" thin asphalt overlay	$0	$472	$472	$472	$472	$1,888
7	Lower building insurance on some facilities	$549	$549	$549	$549	$549	$2,745
8	Reduce hull insurance on Ferries and Barges	$704	$704	$704	$704	$704	$3,520
9	Reduce cost overruns with QA/QC Engineering Team	$3,000	$12,000	$12,000	$12,000	$12,000	$51,000
Total		$10,506	$25,787	$20,922	$20,922	$20,922	$99,059

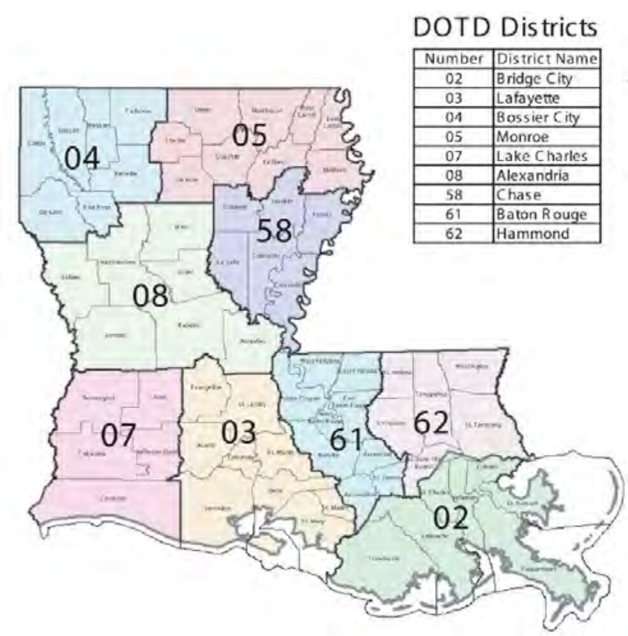
Recommendation #1 – Consolidate Select Business Office Functions

DOTD should move most business support services, currently housed within each district, to a regional or central model to consolidate redundant functions, improve processes, and take advantage of economies of scale.

Findings and Rationale

DOTD divides the state into nine districts. Approximately 75 percent of DOTD's staff works in the districts. Each district has all maintenance and program project development responsibilities for their area. The districts vary in total land, population, lane miles, and capital project expenditures.

Back-office functions (Administration, Accounting, Human Resources (HR)), which account for four to eight percent of total district staff (approximately 125 FTEs across all districts), are dispersed across each district with little to no resource or information sharing across districts. In addition, some processes in the districts, such as disbursements and HR functions, are very manual.



Louisiana has reduced total district staffing by 200 FTEs (six percent) since 2007. Nevertheless, an initial review of business office functions and tasks compared to shared services best practices reveals that there are several areas that are strong candidates for centralization, process improvement and automation. For example:

- Areas that could be enhanced by partial or full centralization include procurement, payables, budget, payroll, worker's compensation and Fuel Trac
- Areas that could be enhanced by automation include procurement, payables, inventory, and stockroom
- Petty cash, which require higher security and banking arrangements, should be replaced with a procurement card (P-card)
- There are also system enhancements that should to be evaluated including LaGov Chart of Accounts and Material Master

DOTD's Quality and Continuous Improvement Program (QCIP) director currently is leading a District Maintenance Force Redeployment (DMFR) initiative to restructure shared services including office and property consolidation.

Texas established similar Regional Support Centers in 2009 after a 2007 Deloitte Consulting report recommended that services and functions could be more efficiently and effectively provided from a regionalized or centralized shared services environment, and that redundant functions should be consolidated and/or coordinated. Savings in Texas were estimated to be a reduction over time of 600 FTEs, or five percent of total TXDOT staff, when moving management functions to four regional centers

Current business office support services staff levels include 24 accounting specialists, 22 administrative assistants, 30 administrative coordinators, 32 administrative program staff, and 17 human resource analysts across the nine districts.

RECOMMENDATION #1 - (DOLLARS IN 000'S)				
FY15	FY16	FY17	FY18	FY19
$0	**$2,000**	**$2,000**	**$2,000**	**$2,000**

Assumptions

- Average salary of district back office employees for FY15 budget is approximately $47,000 plus a benefit rate of 61 percent
- Estimated savings of $1.5 to $2.5 million per year of approximately 15 to 30 percent of 125 support positions or 21-35 positions (less than one percent of total DOTD staff)
- Assumes potential savings will begin to be realized in FY16

Further analysis is required, but likely geographical regions could be:

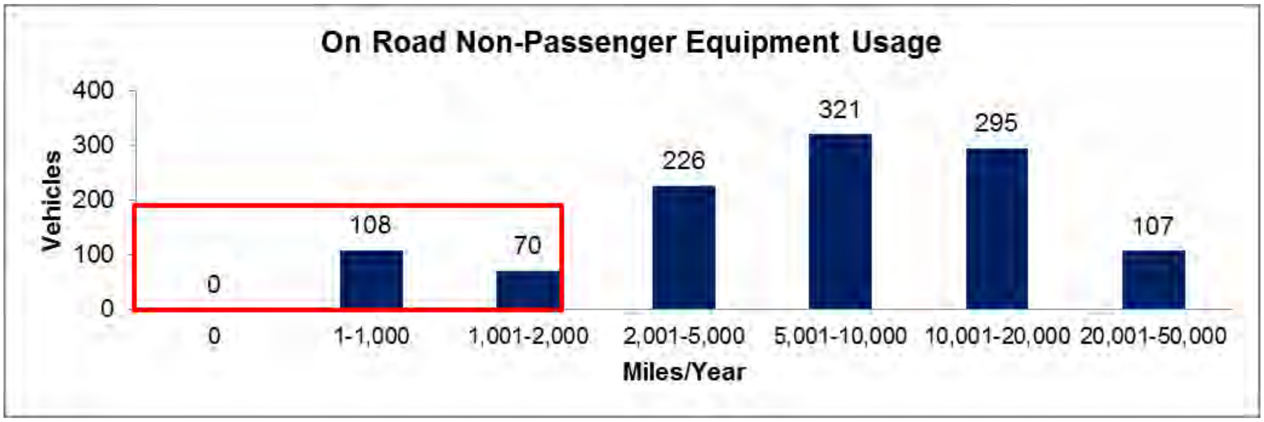
- Southeast (Southshore): District 02 including Houma sub-district
- Southeast (Northshore): Districts 61, 62
- Southwest: Districts 03, 07
- Northeast: Districts 05, 58
- Northwest: Districts 04, 08

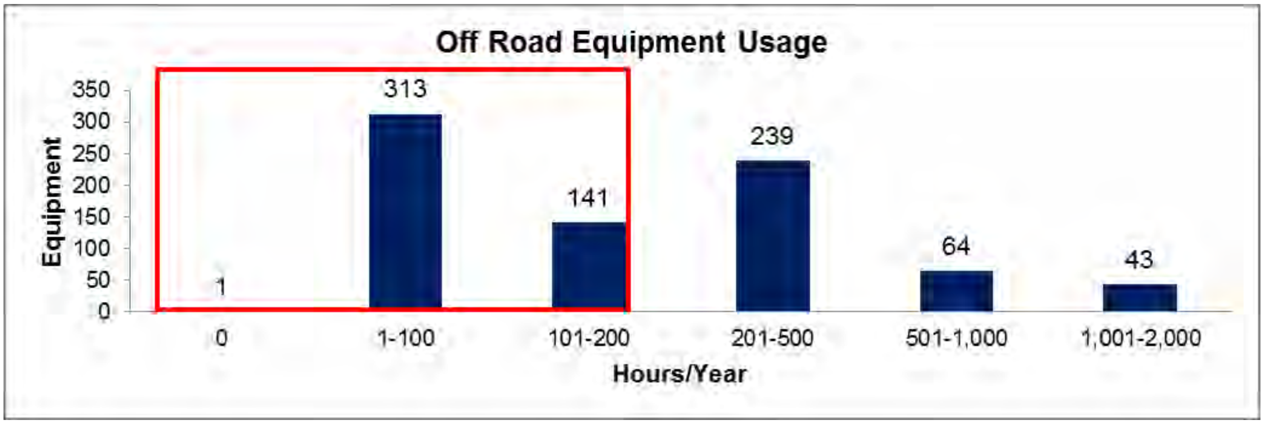
Recommendation #2 – Reduce Construction Equipment Fleet

DOTD districts each maintain their own fleet of equipment. There are no incentives to maximize current fleet utilization (versus asking for more equipment) or share equipment across districts.

Findings and Rationale

An analysis of on- and off-road equipment utilization is illustrated in the following tables:





*Source: FY13 LaGov report from DOTD Equipment Maintenance section

Some reasons for low utilization include:

- Some classes of specialized equipment are needed in emergency situations, but are otherwise lightly used
- Certain types of equipment are difficult to rent because of cost, availability or specialization
- Districts do share vehicles some, but it is rare and ad hoc
- The most common scenario for sharing equipment is an emergency
- There are inconsistent processes for scheduling of repairing and maintaining equipment at the state or district level

Louisiana DOTD should implement a program to reduce the amount of construction equipment in the districts by eliminating low-usage equipment. The Texas Fleet Forward Program provides an excellent model. The state implemented a "right vehicle, right time, and right cost" methodology to reduce costs and improve service levels. This included the following:

- Studying district needs to determine when vehicles were needed to ensure availability to each of the districts
- Focusing on utilization metrics to reduce fleet costs
- Reviewing idle hours and fuel usage to determine which assets could be eliminated
- Purchasing new vehicles to improve reliability
- Requiring districts to pay a fully-burdened rate including maintenance, fuel, and capital cost to a centralized fund for use of vehicles

As a result, Texas is on track to reduce its fleet by 33 percent and maintenance costs have come down proportionately with the reduced fleet. In total, Texas anticipates saving $500 million over 10 years, including $50 million in maintenance.

In order to efficiently manage the DOTD equipment fleet, however, more effective tracking tools and metrics need to be put in place:

- DOTD does not have a full set of utilization data for its equipment fleet. Some of the vehicles have no data and some have incorrect data
- DOTD tracks usage data in both LaGov and Agile, however there are different usage metrics tracked for different purposes
- FY14 is the first full fiscal year of odometer tracking
- DOTD has several different fleet reports with differing equipment amounts (the department is continuing to work with the LaGov team to improve reports)
- Additional savings can be gained through equipment disposal value and insurance cost reductions. DOTD currently pays insurance for equipment in lump sums through property and commercial general liability insurance

Recommendation #2 - (Dollars in 000's)				
FY15	FY16	FY17	FY18	FY19
$175	**$750**	**$750**	**$750**	**$750**

Assumptions

- Savings assume 75 percent of low-usage equipment maintenance costs can be eliminated by disposing of the equipment
- Additional savings can be gained through equipment disposal value and insurance cost reductions

Recommendation #3 – Reduced Parish Maintenance, Project Engineering and Other Offices and Property

DOTD should reduce the number of maintenance units in order to reduce required facilities, and consolidate small project engineering (PE) offices and other underutilized offices with existing facilities.

Findings and Rationale

The agency has identified 39 such facilities to consolidate into other locations based on use and proximity to other facilities. The targeted facilities have very small staffs and/or are located near other facilities with excess capacity.

RECOMMENDATION #3 - (DOLLARS IN 000'S)				
FY15	FY16	FY17	FY18	FY19
$5,000	$5,000	$135	$135	$135

Assumptions

- This consolidation includes no headcount reductions or changes in service levels. This is only a reduction in buildings and property and their associated costs
- For select assets, property value/sale comparables from CoStar were collected and reviewed to determine realistic high and low sale price ranges
- For smaller DOTD assets with low value facilities, land values were used from the state's Asset Management Reports dated January 2014. The Office of State Lands (OSL) controls the valuation estimates for these reports
- Days-on-market for comparables, was used to determine the 12 to 24 month sales timeframe
- The estimate is net of a two to three percent fee applied to sale prices for managing the surplus program and potential marketing costs

Each property requires additional validation:

- Check for underground tanks at each site. If tank is present there will be a cost to remove it
- Confirm space available for relocation of lay down yard materials

Recommendation #4 – Expand Advertising Revenue for Roads, Bridges and Rest Stops

DOTD should expand advertising revenue for roads, bridges and rest stops. DOTD spends approximately $1.5 million on maintenance and operations for the state's 10 rest stops. Sponsorship and advertising opportunities would provide Louisiana with revenue to help defray these maintenance costs and reduce its capital project backlog.

Findings and Rationale

Numerous states are already pursuing similar initiatives:

- Ohio plans to sell advertising at rest areas and sponsorship of state assets such as bridges and freeway service patrols which could generate $1.5-2 million per year
- Georgia operates 17 rest stops at a cost of $0.3 million each. The state has begun bidding out sponsorship rights to cover cost of maintenance

Texas generates on average $44,000 on each of its 80 rest stops across the state through a combination of sponsorship, vendor concessions, and other revenue generating initiatives. Louisiana enacted a law to allow businesses to place advertisements on state-owned property in 2013. In addition to rest stops, roads, and bridges, additional revenue sources could include advertising on DOTD's websites and providing traffic camera feeds to the media. DOTD has received unofficial estimates from different advertising agencies that the program can generate between $0.4 million and $5 million in annual advertising revenue.

RECOMMENDATION #4 - (DOLLARS IN 000'S)				
FY15	FY16	FY17	FY18	FY19
$500	$2,000	$2,000	$2,000	$2,000

Assumptions

- Private advertiser interest will be sufficient to capture the revenue projected
- Revenue estimated at $1-3 million based on mid-range for preliminary estimates provided

Recommendation #5 – Reduce Use of Outside Design and Construction Engineer Contractors

DOTD should replace some contract engineers with additional full-time staff engineers to lower its overall engineering spend.

	Base Hourly	Base Annual (1)	Burden (2)	Fully Burdened Cost / FTE	Profit 15%	Total Contract / or Labor	Contract Admin 7%	Total Cost / FTE
Pre-professional Consultant	$30.78	$61,560	$100,688	$162,248	$24,337	$186,585	$11,357	$197,942
In-house EIT Hire	N/A	$51,158	$31,206	$82,364	$ -	$82,364	$ -	$82,364

(1) Assumes 2000 billable hours per year for the consultant
(2) Assumes 163% burden for consultant and 61% benefits for in-house

Savings per FTE	$115,578
Savings for 20 FTEs	$2,311,552
Savings for 30 FTEs	$3,467,328

Findings and Rationale

DOTD currently employs 219 engineers under the Chief Engineer, of which 97 are road and bridge design engineers. The department also spent $25.5 million in 2013 for bridge and road design engineering services from outside engineering firms like Modjeski and Masters, Inc. and HNTB – the equivalent of approximately 150 FTEs.

Other state DOTs are pursuing similar initiatives:

- Tennessee concluded that it could save 15 percent of engineering spend by bringing more engineers in-house
- Colorado saved 29 percent per FTE by bringing some engineers in-house

Savings result from lower burden rates, not paying profit to the contractor firm and avoiding internal contract administrative costs. In addition, more knowledge is maintained in-house, providing greater continuity and consistency over time.

The DOTD Chief Engineer recommends bringing approximately 25 engineers in-house who could be fully engaged on projects. These could all be located at DOTD Headquarters, where the space required is already available. Conservatively, the estimate assumes hiring of five to ten engineers in the next fiscal year, ramping up to an incremental 20 to 30 in-house engineers by FY19.

Hiring may be a challenge due to a tight market given competition with chemical plants and engineering firms. Budgetary approval is required for additional headcount.

Recommendation #5 - (Dollars in 000's)				
FY15	FY16	FY17	FY18	FY19
$578	**$2,312**	**$2,312**	**$2,312**	**$2,312**

Assumptions

- DOTD will be able to hire the engineers desired by FY16
- Consultant costs are from the DOTD statewide Average Salary and Overhead Rates as of February 1, 2013
- In-house salary is the midpoint from the DOTD Pay Plan

Savings calculations:

- The target estimate assumes five engineers FY15 and 20 engineers from FY16 through FY19

Recommendation #6 – Utilize 1 Inch Thin Asphalt Overlay

DOTD should replace the use of 1.5" and 2" asphalt with 1" asphalt overlay for some applications.

Findings and Rationale

Nearly all DOTD thin overlays are 2" asphalt. In FY13, DOTD used over 340,000 tons of material for 1.5" and 2" overlays, at a cost of $84/ton, for a total of $28 million. A new material allowing for 1" overlays has been developed, and while it costs more – the 1" overlay Texas uses to replace traditional 2" costs $112/ton – half as much is needed. As a result, Texas is saving $9 million annually.

In an initial assessment of the new material, Texas has been able to achieve savings in the short term. After DOTD completes further research, if the use of 1" thin overlay is proven to have the best life-cycle cost, the applications for use can be finalized.

RECOMMENDATION #6 - (DOLLARS IN 000'S)				
FY15	FY16	FY17	FY18	FY19
$0	**$472**	**$472**	**$472**	**$472**

Assumptions

- Due to various technical reasons, it is likely not all surfaces would be able to use the 1" material, Therefore, the savings estimate is based on using the material on five percent of total volume utilized today with a potential of up to 15 percent of total volume, thereby tripling the savings estimate

Recommendation #7 – Lower Building Insurance on Some Facilities

DOTD should reduce coverage of insurance on some buildings and properties.

Findings and Rationale

DOTD spent $1.8 million in FY13 on building and property insurance. According to interviews with the Assistant Secretary for the Office of Operations and the DOTD insurance lead, the amount of coverage on many buildings exceeds their actual value. In addition, the department possesses the personnel, equipment, and capabilities to repair many of the damages that occur to buildings and other property items, including fencing. If DOTD staff performed many of the repairs and insurance coverage were reduced to the buildings' actual value, DOTD expects that the cost of coverage could be reduced by approximately 30 percent.

	Tons 1.5 & 2"	Tons 1"	Target 5%	High 15%
2013	343,621	173,462	8,673	26,019
Cost/Ton	$84	$112	$112	$112
Total (000s)	$28,864	$19,428	$971	$2,914
Savings (000s)		$9,436	$472	$1,415

RECOMMENDATION #7 - (DOLLARS IN 000'S)				
FY15	FY16	FY17	FY18	FY19
$549	**$549**	**$549**	**$549**	**$549**

Assumptions

- Assume targeted savings of 30 percent
- DOTD staff will be able to perform many of the repairs and buildings are worth less than ORM has them valued
- There are no statutory restrictions on lowering insurance levels

Recommendation #8 – Reduce Hull Insurance on Ferries and Barges

Reduced coverage of insurance would cover the repairs and replacement of the vessel.

Findings and Rationale

DOTD spent $1.4 million in FY13 on hull insurance for state-operated ferries and barges. Keeping full coverage of the vessel constitutes an unnecessary expense, as the state actually will not file a claim for full replacement. Currently, if a barge or ferry sinks, DOTD has the personnel to float and repair the vessel.

Washington State insures its ferries at 50 percent of the value of the vessel. It is recommended that Louisiana do the same.

RECOMMENDATION #8 - (DOLLARS IN 000'S)				
FY15	FY16	FY17	FY18	FY19
$704	**$704**	**$704**	**$704**	**$704**

Assumptions

- Savings are targeted to be 50 percent
- Assume DOTD will be able to perform any repairs to vessels

- Assume there are no statutory restrictions on lowering insurance levels

Recommendation #9 – Reduce Cost Overruns with Quality Assurance/Quality Control Engineering Team

DOTD should establish a Quality Assurance and Quality Control team to create and maintain a QA/QC program for projects to control costs.

Findings and Rationale

DOTD project overruns specifically for plan and design errors in FY13 amounted to $18 million or 3.1 percent of project costs. Therefore, it is recommended that DOTD establish a Quality Assurance and Quality Control team to create and maintain a QA/QC program for projects to control costs for design changes. States including California, Connecticut, Georgia, Texas, and Virginia have instituted similar programs, and the FHWA produces a guide for developing a new quality plan and specification, entitled *Optimal Procedures for Quality Assurance Specifications*.

By adding a QA/QC team and developing a QA program that is applied to all projects, they will be able to track and resolve issues before they affect cost by creating more accurate bid documents and maintaining tighter control on spending during projects. DOTD does not currently have a QA/QC group and budgetary approval is required for additional headcount.

RECOMMENDATION #9 - (DOLLARS IN 000'S)				
FY15	FY16	FY17	FY18	FY19
$3,000	**$12,000**	**$12,000**	**$12,000**	**$12,000**

Assumptions

- Assume reduction in overruns is 70 percent
- Savings are phased in 25 percent in FY15 and 100 percent the following years
- Assume adding a staff of three engineers
- Assume the respective salary for each position: QA/QC manager Engineer 6 - $82,129; Assume one position filled at Engineer 4 level - $67,049; Assume one or two positions filled at Engineer 3 level - $58,562 and assume a Burden Rate = 61%

	FY15	FY16	FY17	FY18	FY19
Future Spend Plan	$617,100,000	$553,000,000	$568,000,000	$598,000,000	$600,000,000
Average Overrun (3.1%)	$19,130,100	$17,143,000	$17,608,000	$18,538,000	$18,600,000
Low					
Salary and Benefits	-$428,746	-$428,746	-$428,746	-$428,746	-$428,746
50% Reduction	$2,391,263*	$8,571,500	$8,804,000	$9,269,000	$9,300,000
Savings	$1,962,516	$8,142,754	$8,375,254	$8,840,254	$8,871,254
High					
Salary and Benefits	-$334,461	-$334,461	-$334,461	-$334,461	-$334,461
85% Reduction	$4,065,146*	$14,571,550	$14,966,800	$15,757,300	$15,810,000
Savings	$3,730,685	$14,237,089	$14,632,339	$15,422,839	$15,475,539

Figure 5.1: Recommendation #9 Assumptions

*Assume a 25% savings

PROJECT IMPLEMENTATION PLAN

PROJECT MANAGEMENT / IMPLEMENTATION STRATEGY

The Project Plan for DOTD consists of recommendations that focus in a three main areas:

- District Functional Consolidation: This includes personnel, equipment, and facilities
- Operational effectiveness: Focus on improving processes, people, and resources from the headquarters level
- Revenue: Sale of excess property and sale of DOTD space to third party for use

Each grouping has unique levels of impact and requires different approaches. The main differences that factor into the plan are people and legislative impacts. Operational effectiveness recommendations that can be changed without requiring legislative involvement and only effect a small number of people can be made quickly and easily. Other items vary on their implementation schedule based on levels of involvement and magnitude of change.

The key implementation tasks of each of the recommendations can be found below. The plans and estimates do not include the full set of incremental steps that DOTD needs to perform. The implementation plan includes resource estimates. Many resources will be used across several recommendations thereby reducing the total required. DOTD will need to determine the desired level of involvement from effected teams, IT support, and outside contractors to optimize the implementation for each recommendation. Once decisions on ownership and management are made more detailed plans can be created.

								FY 2014-2015				FY 2015-2016			
Project	Project Name	Resources	Start	End	Duration (Days)	Duration (Weeks)	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1	Consolidate select business office functions	0	3/31/14	5/01/15	396	57									
2	Reduce select construction equipment fleet	0	4/01/14	5/01/15	395	56									
3	Reduced parish maintenance, PE and other offices	0	4/01/14	11/25/15	603	86									
4	Expand advertising revenue for roads, bridges, and rest stops	0	3/16/14	2/11/15	332	47									
5	Reduce use of outside design and construction engineer contractors	0	3/31/14	2/23/15	329	47									
6	Utilize 1" thin asphalt overlay	0	8/01/14	5/01/15	273	39									
7	Lower building insurance on some facilities	0	8/01/14	11/30/14	122	17									
8	Reduce hull insurance on ferries and barges	0	8/01/14	11/30/14	122	17									
9	Reduce cost overruns with QA/QC Engineering Team	0	3/31/14	4/01/15	366	52									

Figure 5.2: DOTD Project Plan Gantt Chart

WBS	Tasks	Resources
1	**DOTD Recommendation #1 – Consolidate select business office functions**	
1.1	Validate and refine shared services model with roles and responsibilities	2 Gov't FTE
1.2	Develop new processes and design any new system requirements	2 Gov't FTE + Systems Support
1.3	Make any short term system changes to support new processes	2 Gov't FTE + Systems Support
1.4	Develop phased implementation approach by district and function	2 Gov't FTE
1.5	Engage HR and others to review any issues and mitigation strategies	2 Gov't FTE
1.6	Begin implementation rollout	2 Gov't FTE
2	**DOTD Recommendation #2 – Reduce select construction equipment fleet**	
2.1	Conduct process to procure consultant	1 Gov't FTE
2.2	Collect additional utilization data and analyze	2 Gov't FTE
2.3	Asses District and HQ needs	3 Gov't FTE + 1 Project Coordinator
2.4	Develop new program, processes and reporting as needed	2 Gov't FTE + 1 Project Coordinator
2.5	Identify list of equipment to retire and finalize with key stakeholders	2 Gov't FTE + 1 Project Coordinator
2.6	Deploy new equipment use management method	3 Gov't FTE + 1 Project Coordinator
2.7	Begin retirement or sale of unneeded assets	2 Gov't FTE + 1 Project Coordinator
2.8	Monitor and adjust plans	2 Gov't FTE + 1 Project Coordinator
3	**DOTD Recommendation #3 – Reduced parish maintenance units, PE, and other offices**	
3.1	Validate list of properties and sale values	0.5 Gov't FTE
3.2	Develop employee and asset migration plan	1 Gov't FTE
3.3	Consolidate employees and release excess facilities	1 Gov't FTE + district leadership
3.4	Coordinate sale of property with DOA	1 Gov't FTE + DOA coordinator
3.5	Dispose of excess property	DOA coordinator

WBS	Tasks	Resources
4	**DOTD Recommendation #4 – Expand advertising revenue for roads, bridges, and rest stops**	
4.1	Develop RFP	0.5 Gov't FTE + DOTD leadership
4.2	Select advertising agency(s)	0.5 Gov't FTE + DOTD leadership
4.3	Work with agency to pursue advertisers	0.5 Gov't FTE
4.4	Develop and negotiate advertiser agreements and operating parameters	0.5 Gov't FTE + Legal Dept.
4.5	Begin rollout of advertising initiatives	0.5 Gov't FTE
5	**DOTD Recommendation #5 – Reduce use of outside design and construction engineer contractors**	
5.1	Validate roles and quantity of engineers to hire	2 Gov't FTE
5.2	Incorporate into DOTD budget request	2 Gov't FTE
5.3	Asses project plans and consultant contracts to develop hiring needs	2 Gov't FTE
5.4	Engage HR to manage the hiring process	1 Gov't FTE
5.5	Onboard engineering new hires	1 Gov't FTE
5.6	Close out unnecessary consultant contracts	1 Gov't FTE
6	**DOTD Recommendation #6 – Utilize 1 inch thin asphalt overlay**	
6.1	Conduct research to determine relevant applications	0.5 Gov't FTE + LTRC staff
6.2	Develop guidelines for use of 1" overlay and update specification	0.5 Gov't FTE
6.3	Communicate changes to the work crews and contractors	0.5 Gov't FTE
6.4	Implement use of new overlay	0.5 Gov't FTE
6.5	Monitor and adjust application specifications	0.5 Gov't FTE
7	**DOTD Recommendation #7 – Lower building insurance on some facilities**	
7.1	Perform analysis of insurance coverage needed by facility	0.5 Gov't FTE

WBS	Tasks	Resources
7.2	Develop recommended changes and obtain approval from leadership	0.5 Gov't FTE
7.3	Engage ORM to modify the coverage levels and DOTD premiums	0.5 Gov't FTE
7.4	Implement new premium structure and update IAT	0.5 Gov't FTE
8	**DOTD Recommendation #8 – Reduce hull insurance on ferries and barges**	
8.1	Perform analysis of insurance coverage needed by vessel	0.5 Gov't FTE
8.2	Develop recommended changes and obtain approval from leadership	0.5 Gov't FTE
8.3	Engage ORM to modify the coverage levels and DOTD premiums	0.5 Gov't FTE
8.4	Implement new premium structure and update IAT	0.5 Gov't FTE
9	**DOTD Recommendation #9 -- Reduce cost overruns with QA/QC Engineering Team**	
9.1	Validate overrun amount and root causes related to quality issues	0.5 Gov't FTE
9.2	Validate roles and quantity of engineers to hire	0.5 Gov't FTE
9.3	Incorporate into DOTD budget request	0.5 Gov't FTE
9.4	Engage HR to manage the hiring process	0.5 Gov't FTE + HR coordinator
9.5	Onboard engineering new hires	0.5 Gov't FTE + HR coordinator
9.6	Develop QA/QC program	0.5 Gov't FTE
9.7	Implement QA/QC program across all projects and contractors	0.5 Gov't FTE + DOTD leadership

Figure 5.3: DOTD Project Plan

Affected Stakeholders

- Employees/District staff
- Legislators and other public officials
- Engineers/Consultants
- Drivers groups

For most of these recommendations, the key audiences are employees, community leaders, and legislators. The best tactics for reaching them involve direct communications.

Basic fact sheets and Q&As should be prepared. These materials should be easily accessible through the Department of Transportation and Development's website.

A&M recommends reaching out to drivers' groups such as AAA and asking for an opportunity either to submit a series of columns describing these improvements or to address any upcoming membership meetings.

Figure 5.4: Change Management Process

Change Management

Business changes ultimately disrupt the order and flow of activities, requiring an effective change strategy to guide the organization through the process of transitioning from its current reality to the desired future state. It is important for DOTD to focus on leadership, communications, analysis, training, performance management, and knowledge transfer.

A&M recommends DOTD select one member of management to own this entire project and help champion each of the recommendations. They will own the overall change management responsibility and can help coordinate and organize across teams. Metrics should be used to track performance throughout the transformation for each of the recommendations and across DOTD as whole. One possibility would be to assign this responsibility to the Director of the Quality & Continuous Improvement Program and to provide sufficient staff support as needed.

The circumstances of a change program are unique to each organization. A structured approach enables leadership to develop a program tailored to the organization's specific needs with a focus on increasing the speed of adoption and proficiency of the new technology, process or cultural initiative.

Listed below are more detailed change management considerations for the District and Revenue pieces as they are the most complex.

Recommendations 1, 2, 3: District Functional Consolidation:

- Understand current processes and develop changes
  - Perform process mapping detailing system interfaces
  - Analyze process with automation opportunities
  - Develop new processes identifying system changes
  - Define new roles and responsibilities
- Technology Changes (focus on minimal changes if possible in near term)
  - Develop implementation schedule – coordinate with IT team
  - Develop detailed requirements
  - Implement changes
  - Conduct testing and refine
- Training
  - Determine training needs for new processes
  - Develop process and system training
  - Deliver training based on role
  - Develop training guides and FAQs for systems
- Communications
  - Develop detailed communications plan that specifies key communication goals, primary audiences, communication media, timelines, and feedback mechanisms
  - Develop major project announcements including strategic decisions
  - Develop detailed communications for process, system and location changes

- Deliver announcements to stakeholders groups
- Implementation
  - Establish new tracking and reporting changes for new processes
  - Develop transition plan for people relocations with HR
  - Develop equipment sale and purchase plan
  - Coordinate with DOA for property sale plan
  - Conduct transition meetings
- Monitor and incorporate feedback for further process and system changes

Monitoring and Tracking Models

Monitoring is a critical component of success for these recommendations. All of these tracking metrics should also include bottoms-up build of each aspect of the metric for review on a regular basis (monthly or more frequent review). The metrics detailed below will allow DOTD to monitor and address any performance gaps in its implementation.

A&M suggests DOTD provide incentives for performance associated with these initiatives and accountability for lack of participation, rigor, or results from managers. These incentives can range from recognition or awards from peers or more public settings to promotions, performance related bonuses (subject to statutory limitations), and other potential means of recognition.

Rec#	Objective	Performance Measure	Target	Unit
1	Consolidate district business office activities	District business support services headcount	25	FTE
2	Reduce vehicle count	Total number of vehicles disposed of	600	Number of Vehicles
2	Reduce equipment maintenance expense	Total district maintenance expense reduction	$900,000	Dollars
3	Reduce maintenance costs on facilities sold	Maintenance spend	$135,000	Dollars
3	Collect proceeds from surplus properties sale	Sale proceeds	$10,000,000	Dollars
4	Annual advertising revenue on DOTD assets	Dollars generated per year	$ 2,000,000	Dollars
5	Reduce cost of engineers	Lower contract engineering expense net of new engineering T.O.	$ 3,000,000	Dollars
6	Reduce the amount of overlay material used	Asphalt used	50,000	Tons
7,8	Reduce cost of insurance for vehicles and vessels	Amount sent to ORM via IAT	$ 1,000,000	Dollars
9	Reduce capital project overrun costs due to design errors	Amount spent above original contracted cost	<1%	Percent

Figure 5.5: DOTD Tracking Tool

CHAPTER 6: DEPARTMENT OF CORRECTIONS

AGENCY OVERVIEW

The Department of Corrections (DOC) mission is to enhance public safety through the safe and secure incarceration of offenders, effective probation/parole supervision, and proven rehabilitative strategies that successfully reintegrate offenders into society, as well as to assist individuals and communities victimized by crime. The DOC utilizes a partnership with Louisiana sheriffs to house offenders at parish and local jails in addition to state correctional facilities. Current goals of the DOC are:

1. Staff and Offender Safety: Provide for the safety of staff and offenders by maintaining an organized and disciplined system of operations which enhance the stability of all programs. Provide training for all employees on the principles of the Code of Ethics of the American Correctional Association to demonstrate our commitment to professional and compassionate service.
2. Provision of Basic Services: Provide basic services to contribute to the offender's satisfactory prison adjustment and to diminish public risk presented by offenders upon release.
3. Opportunity for Change: Promote moral rehabilitation through program participation and provide an environment which enables positive behavioral change by offenders. This will be accomplished by making or identifying educational and rehabilitative opportunities available within the institution or in the community for offenders under supervision who demonstrate motivation for change and desire to participate in such programs.
4. Opportunity for Making Amends: Provide offenders with mechanisms to compensate individuals and communities harmed by crime

through the availability of opportunities for making restitution and participating in community restorative initiatives.

5. Reentry: DOC is committed to developing partnerships throughout the community to include victims, relevant groups, and public and private agencies. The department recognizes the importance of the role of the community, the victim, and the offender in the successful criminal justice system. DOC will increase compliance with conditions of parole supervision and the ability of offenders to reintegrate by using evidence-based practices which will result in safely reducing recidivism among Louisiana parolees and probationers.

The FY15 recommended budget was $525,387,929, a $31,282,851 increase from FY14. The total FY15 recommended budgeted FTEs are 4,704, and as of December 2013 there were a total of 39,539 offenders in Louisiana correctional facilities (18,943 at state and 20,596 at local facilities).

Background of Recommendations

A&M's recommendations seek to build on DOC's recent success in reducing recidivism and improving safety of Louisiana citizens. A&M recommendations include increasing Reentry Centers, Certified Treatment and Rehabilitation Programs, and other programs directed at improving offender recidivism. The below table details the five year targeted savings and revenue opportunities identified by A&M's team:

Many of the recommendations made by A&M achieve savings through costs avoidance of recidivating offenders. Additionally, A&M has taken into consideration using attrition and redeployment of workforce to manage staffing levels. In FY15, the DOC and the state can save approximately $6.5 million on the low end and $12.3 million on the high end as a result of the recommendations, with a targeted value of $9.4 million. In FY16, after successful implementation, DOC and the state can save approximately $13.7 million on the low end and $20.1 million on the high end, with a targeted value of $17.0 million.

Recommendations

		Target Savings and Revenue Estimate (All values in 2014 dollars, in 000s)					
Rec #	Recommendation Name	FY15	FY16	FY17	FY18	FY19	Total
1	Expand DOC Certified Treatment & Rehabilitation Program	$6,582	$6,582	$6,582	$6,582	$6,582	$32,910
2	Expand Transitional Work Program in Orleans and Jefferson Parishes	$821	$821	$821	$821	$821	$4,105
3	Expand Reentry Center Program	$643	$5,159	$14,458	$14,458	$14,458	$49,176
4	Expand Day Reporting Centers	$205	$821	$821	$821	$821	$3,489
5	Increase Use of Self-reporting	$1,020	$2,550	$3,399	$3,399	$3,399	$13,767
6	Increase DOC Span of Control	$217	$300	$375	$450	$500	$1,842
Total		**$9,488**	**$16,233**	**$26,456**	**$26,531**	**$26,581**	**$105,289**

Recommendation #1 – Expand DOC Certified Treatment and Rehabilitation Program

DOC should implement a two-part initiative to expand the impact of the Certified Treatment and Rehabilitation Program (CTRP):

1. Increase the number of CTRPs available at both state correctional facilities and local jails so that more inmates can earn credits; and
2. Conduct an audit of all currently certified programs and reassess the number of credit days inmates can earn per program based on estimated impact.

Findings and Rationale

The largest impact to the DOC budget is the cost of supporting the prison population, yet the department has somewhat limited control over how many individuals are housed within the system and how much it pays to house them.

The legislature sets the rate of $24.39 per inmate/day that the DOC is required to pay local parishes to house more than one-half of all state inmates. While the marginal costs of state prisons are only $12 to $15 per day, the facilities have limited capacity and house some of the most dangerous populations.

Programs such as CTRP are valuable tools to both reduce the prison population and improve public safety by reducing recidivism; however, more local programs would be beneficial. Furthermore, the amount of credits offered per program could be better tied to value and potential improvement to safety. A 2012 DOC analysis indicates that the majority of inmates released from state and local facilities that year did not earn any CTRP credits. Furthermore, those that did participate in Certified Treatment and Rehabilitation Programs only earned an average of 113-160 credit days – far less than the maximum allowable credits. A case study of the lack of access to CTRP in 2012 provides a snapshot of the potentially dramatic cost and population impact of this missed opportunity. Additionally, the Deputy Secretary of the DOC has the authority to increase CTRP credit without the need for legislative authority.

DOC should expand access to the CTRP at the state and local level. Under the current CTRP Department Regulation No. B-04-003, inmates at state correctional facilities and local jails may earn as much as a 360-day credit reduction in their prison sentence for participation in meaningful programs that reduce their risk to society, while also increasing their ability to become productive citizens of their communities.

By expanding access to Certified Treatment and Rehabilitation Programs, the state can reduce costs and limit capacity challenges by reducing the number of days that inmates are incarcerated. The CTRP provides inmates to access valuable programming that can improve public safety by reducing recidivism and modifying cognitive behavior.

Recommendation #1 - (Dollars in 000's)				
FY15	FY16	FY17	FY18	FY19
$6,582	**$6,582**	**$6,582**	**$6,582**	**$6,582**

Assumptions

The projected savings are based on the below assumptions:

- State Prisons
  - In CY12, there were 3,615 inmates released from state prison who served an average of 4.4 years.
  - Out of the 2,128 who were released from state prison, 1,597 earned zero credits despite being eligible while 1,487 earned an average of 160 days' credit
  - Develop new processes identifying system changes in state prisons
- Local Jails
  - In CY12, there were a total of 13,496 inmates released from local parish jails who served an average of 2.2 years.
  - 9,393 inmates were released having earned zero credits, while 4,103 earned an average of 113 days' credits

- Only 1,771 of released inmates with zero credits were ineligible
- Of those eligible for credits, 7,622 inmates were released having earned zero credits and 4,130 received an average of 113 credits.
- 11,725 inmates did not achieve full potential earnings

- Part 1: Increase Program Availability
  - At the state level, this recommendation assumes that 30 percent of eligible released inmates, that received zero credits (1,597), received access and credit of 120 days of CTRP at a savings of $24.39 (reduction of Locals to State Population) per day/inmate that totaled $1.4 million.
  - At the local level, this recommendation assumes that 30 percent of eligible released inmates (7,622), that received zero credits, will receive access and credit of 120 days of CTRP and savings of $24.39 a day/inmate that totaled $6.7 million.
- Part 2: Reassess Program Credits
  - At the state level, this recommendation assumes that 100 percent of released inmates (4,103) who received an average of 113 days of credit received an additional 20 days of CTRP credit, and savings of $24.39 a day/inmate that totaled $0.7 million.
  - At the local level, this recommendation assumes that 100 percent of released inmates (4,103) who received an average of 113 days of credit received an additional 20 days of CTRP credit, and savings of $24.39 a day/inmate that totaled $2.0 million.

The investment costs are based on the below assumptions:

- Part 1: Increase Program Availability
  - High and low estimates assume the same operational costs for expanded CTRPs. Cost per slot of $4.20 per inmate/day total number of inmates cost estimated for participation of 30 percent of eligible released state (1,597) and local (7,622) inmates who had received zero credit.
- Part 2: Reassess Program Credits
  - There are no investment costs associated with the reassessment of program credits.

Recommendation #2 – Expand Transitional Work Program in Orleans and Jefferson Parishes

The DOC should increase access to the Transitional Work Program in Orleans and Jefferson Parishes by 100 to 150 slots at each location.

Findings and Rationale

The Transitional Work Program (TWP) is the DOC work release program that currently allows approximately 3,690 low-risk inmates to serve the remainder of their prison sentence housed in a minimum-security setting, employed in the community, and earning regular wages.

The Transitional Work Program is efficient for two key reasons:

1. The Transitional Work Program provides cost savings: The state does not have to pay the parishes the full $24.39 per inmate/day rate to house inmates participating in the program. Instead, the state pays $15.39 for non-contract (which offer no minimum enrollment guarantee) and $11.25 for contract (which offers a guaranteed enrollment) per inmate/day and the locals require the inmates to pay the difference from their wages up to $63 per day
2. The Transitional Work Program is a good investment: It has among the lowest recidivism rates of all the DOC programs, and generally maintains a seven to nine percent lower rate of recidivism than the general population inmates released from parish jails.

Despite the success of Transitional Work Programs statewide, it is offered only in limited capacity in two of the most populous parishes in the state – Orleans Parish, which currently has only 92 inmates in the program, and Jefferson Parish, which does not have a Transitional Work Program contract. It is believed that both of these parishes are viable locations for a total expansion of 200-300 Transitional Work Program slots and that there is sufficient support among the local sheriffs to ensure success. The DOC should increase access to the Transitional Work Program in Orleans and Jefferson Parishes by 100 to 150 slots at each location. In particular, the opportunity creates savings for DOC and the state, financial incentives for local sheriffs, and provides public safety benefits.

It would cost $15.39 (for non-contract per inmate/day rate) to place 200-300 inmates in Transitional Work Programs at an annual cost of $1.1-1.6 million. However, this is much less than the cost of housing 200-300 inmates in the standard housing program of $24.39 per inmate/day and an annual cost of $1.7-2.6 million. The savings for shifting the investment to Transitional Work Programs would range from $0.7-1.0 million.

Additionally, this recommendation will increase revenues for the sheriffs in Orleans and Jefferson Parishes. Currently, the sheriffs may charge inmates up to 80 percent of their wages or up to $63 per day, whichever is less, for operational costs. By shifting 400 to 600 beds, sheriffs can receive an increase of almost 200 percent or $45 (for a minimum-wageworker) more per inmate than the $24.39 currently paid.

RECOMMENDATION #2 - (DOLLARS IN 000'S)				
FY15	FY16	FY17	FY18	FY19
$821	**$821**	**$821**	**$821**	**$821**

Assumptions

The projected savings are based on the below assumptions:

- DOC Secretary has the authority to contract out 200-300 additional Transitional Work Program slots in Orleans and Jefferson Parishes
- Parish Sheriffs can establish a work program for 200-300 additional inmates in their combined communities
- DOC will have the ability to gradually shift 200-300 inmates away from standard housing populations to Transitional Work Programs in order to achieve the estimated savings
- The state would pay $15.39 for Transitional Work Programs non-contract per inmate per day, instead of the current $24.39 per inmate per day rate (low assumes 200 beds and high is a 300 bed conversion)

There are no investment costs.

Recommendation #3 – Expand Reentry Center Program

DOC currently operates three reentry centers. The centers offer inmates nearing their release from prison access to a 90- to 180-day training program that mirrors the 100-hour pre-release curriculum currently offered to offenders in state institutions. Currently, the DOC reentry programs are effectively reducing recidivism by as much as 32 percent. This can help reduce the current recidivism rate of 17.8 percent for one year and 35.1 percent for three years.

DOC should expand its reentry center program to a total of 11 regional centers (eight additional), which will be paid for by reentry CTRP credit, reducing recidivism and re-incarceration costs.

Findings and Rationale

A successful reentry program that costs $3.02 per inmate/day and reduces re-incarceration annually by 32 percent would not only pay for itself, but also result in $9.90 per inmate/day savings for a total annual savings of $14.46 million before investment costs.

By increasing investment in effective reentry programs that reduce recidivism and results in cost savings, the DOC not only has the opportunity to reduce crime and improve public safety, but also to significantly reduce the prison population and the cost of re-incarceration. Statewide CTRP participation data is in Appendix B.

RECOMMENDATION #3 - (DOLLARS IN 000'S)				
FY15	FY16	FY17	FY18	FY19
$643	**$5,159**	**$14,458**	**$14,458**	**$14,458**

Assumptions

The projected savings are based on the below assumptions:

- FY15 savings of reentry CTRP credit (90 days) for three locations (1,500 total inmates) at $24.39 a day savings. Assumes FY15 beyond savings of reentry CTRP credit (90 days) for eight locations (4,000 total inmates) at $24.39 a day savings.
- No recidivism savings in FY15. In FY16, $2,519 recidivism savings per inmate completing reentry program for three locations (1,500 total inmates). FY17 and beyond, $2,519 recidivism savings per inmate completing reentry program for eight locations (4,000 total inmates).

The investment costs are based on the below assumptions:

- Assumes a FY15 investment cost for three additional reentry centers at a cost of $550,000 for operating costs. In FY16 and beyond, investment costs for the eight additional reentry centers at a cost of $550,000 for operating costs (personnel, facility, and other costs).
- FY15 investment costs include $1.0 million for capital investment for construction of one reentry center. FY16 includes $3.0 million for capital investment for construction of three reentry centers. This is not a recurring cost, but one-time capital investment for potentially new facilities.

Recommendation #4 – Expand Day Reporting Centers

DOC should expand the Day Reporting Center program to 200 parolees per year in an additional five of the most populous Probation & Parole districts, including: Covington (North Shore), Lafayette, Monroe, Lake Charles, and Alexandria..

Findings and Rationale

In 2013, there were approximately 16,665 total admissions of offenders to state and local prisons. Among those, 8,291 (nearly 50 percent) of all admissions of parole/probation violators that had committed a new felony offense (1,531), were violated due to pending charges for new offense (2,880), or had committed a technical violation (3,881) during their supervision period upon release from prison. This rate of failure presents tremendous consequences for both public safety and a high cost on state taxpayers.

Typically, technical violations are considered less serious offenses involving issues such as failure to comply with various rules, such as curfews, positive drug tests, or missed appointments, yet the DOC estimates that technical violators are typically re-incarcerated for an average of 12 months at both state and local prisons – all at a great cost to taxpayers.

As a way to reduce technical violations while also improving outcomes for high-risk offenders, including the prevention of new felonies, DOC created a Day Reporting Program in Orleans Parish and Shreveport. This 90-day program not only provides intensive supervision and support services for as many as 350 struggling probationers/parolees on an annual basis, but also serves as a final opportunity to avert them from costly periods of re-incarceration.

Consistent with national best practices, DOC Probation & Parole (P&P) Department has established a four-level performance grid where level one is "low" and level four is "high." The performance grid is used to define the most effective interventions Probation & Parole officers should use to respond to violations and improve outcomes for offenders. Generally, level one and two offenders are referred to community-based alternatives to incarceration, while those graduating to levels three and four have a high probability (about 80 percent at level three and 100 percent at level four) of being re-incarcerated at a great cost to the state.

The DOC Day Reporting Center program serves Probation & Parole performance grid level two offenders that have committed numerous violations. The program generally has a one-year recidivism rate of 42.8 percent, which is far lower than an otherwise estimated 80 percent rate of re-incarceration among this population.

By expanding access to five additional Day Reporting Centers in some of the most populous Probation & Parole districts, DOC will be able to make an impact on community safety among some of the highest-risk offenders in those regions, while also saving tremendous costs of re-incarceration among them. Overall, an investment in this type of successful program will ultimately pay for itself through the saving it generates for DOC.

Recommendation #4 - (dollars in 000's)				
FY15	FY16	FY17	FY18	FY19
$205	**$821**	**$821**	**$821**	**$821**

Assumptions

The projected savings are based on the below assumptions:

- The Probation & Parole performance grid, level two Day Reporting Center participants would have otherwise had an 80 percent chance of re-incarceration without access to the center as an alternative to incarceration. Assumes no recidivism savings in FY15.
- As the recidivism rate among Day Reporting Center participants is an average of 42.8 percent, it can be estimated that 80 percent of the remaining successful participants will be diverted from what would otherwise have been a 12-month stay of re-incarceration and the costs associated with that period of time (state rate of $12.00 at 40 percent and local rate of $24.39 at 60 percent for savings of avoiding re-incarceration of participants).
- FY15 assumes 25 percent of savings achieved. FY16 and beyond assumes 100 percent of savings.

The investment costs are based on the below assumptions:

- DOC will issue an RFP to award contracts to manage the five new Day Reporting Centers statewide that will service 200 offenders – a total of 1,000 – annually at a cost of $485,000 per year.
- In FY15 assumes costs of 25 percent of annual costs to additional local and state centers. In FY16 and beyond 100 percent of cost is assumed.

Recommendation #5 – Increase Use of Self-Reporting

Probation & Parole (P&P) should increase the utilization of self-reporting supervision status for the lowest-risk offenders from five percent to 10 percent of the total probation and parole population currently under supervision. This increase should be phased in over the next 24 months. This recommendation will support DOC P&Ps efforts to improve the management of caseload size and intensity of supervision according to risk, and incur savings due to resulting reductions in recidivism.

Findings and Rationale

The DOC's Division of Adult Probation and Parole is responsible for the community supervision of approximately 70,000 individuals; those who are either placed on probation by the court or are under supervised release from the department's prisons by the state Parole Board. Approximately 3,500 (five percent) are supervised under what is called "self-report status." Self-report status is granted only to the lowest-risk probationers/parolees.

Putting the lowest-risk offenders that have demonstrated compliance with the terms of supervision on some form of administrative status/early termination is consistent with national best practices demonstrating that gradually moving compliant, low-risk offenders along a continuum of increasingly limited supervision levels reduces the rate of recidivism and improves outcomes – all without impacting public safety among this population. In fact, a study conducted by the federal judiciary in September 2013 called "Early Termination of Supervision: Cost Effective & Safe", indicated that the three-year recidivism rate among probationers put on early termination of supervision was 10.2 percent compared with 19.2 percent among of a comparison group – a nearly 50 percent lower rate.

In addition to improving outcomes among low-risk offenders, the move of 3,500 more probationer/parolees to self-report status will have an overall impact on reducing statewide caseloads among Probation & Parole officers. This will allow the DOC to improve the overall effectiveness of its supervision programs by reducing caseloads based on risk levels and implementation of evidence-based programming, such as day reporting centers and treatment programs. As a result, research indicates increased supervision can also reduce recidivism in higher risk parolees and improve public safety, improve outcomes among offenders, and reduce the costs associated with recidivism.

Recommendation #5 - (dollars in 000's)				
FY15	FY16	FY17	FY18	FY19
$1,020	**$2,550**	**$3,399**	**$3,399**	**$3,399**

Assumptions

The projected savings are based on the below assumptions:

- An additional 3,500 offenders would move from a traditional case load to the self-reported caseload over a 24 month period- half in FY15 and half in FY16
- Moving more low-risk offenders to self-report status has the potential to result in as much as a 50 percent lower recidivism rate compared with the general probation/parole population, however a more conservative 30 percent reduction in comparative recidivism rates has been used for this recommendation.
- Moving 3.500 more offenders onto self-report status will result in a statewide reduction of caseloads
- The department can use the opportunity provided by reduced caseloads to improve effectiveness of general supervision programs, reapportion caseloads in greater accordance with risk, and potentially reduce recidivism rates although no value for this has been included in this recommendation
- While it is preferable from both a policy and departmental standpoint to reduce overall caseloads, it is possible to achieve savings associated with reduced caseloads by reducing the number of probation/parole officers. For example, there could be a reduction of up to 26 Probation & Parole staff at a potential savings of as much as $1,741,843. This is based on average salary and benefits of Probation and Parole Officer I and II, which was estimated at $63,491 and a supervisor's (Probation and Parole Officer III) salary and benefits of $93,850.

There are no investment costs assumed for this recommendation.

Recommendation #6 – Increase DOC Span of Control

DOC should initiate an annual program to increase supervisors' spans of control through attrition. The department should target positions with only one to three direct reports with a low-end target of 1:4 and a high-end target of 1:4.5, which is significantly below relevant benchmarks. This recommendation is not a

TO reduction but conversion of supervisor positions to line staff positions.

Findings and Rationale

The "span of control" – or ratio of supervisors to staff – is the measurement commonly used to assess distribution of human resources between management and frontline personnel. Analysis of the DOC, based on a sample of available organizational staffing charts, indicates a span of control of less than four employees per supervising staff person within the department. While there are multiple methodologies for calculating span of control, our initial findings are consistent with a statewide 2011 Louisiana Department of Civil Service Report on Span of Control.

The current span of control at DOC is approximately 1:3.7 means that approximately 21 percent of total agency employees are supervising staff.

The optimum span of control for a given public sector department will vary based on the complexity of its functions and other factors. There is consensus, however, among organizational design experts that the number of employees most efficiently managed by one supervisor has doubled since early 20th century models with the advent of modern communication technologies and flattening organizational structures from about 1:6 to a range of 1:10 to 1:15.

A general ratio recommended nationwide for the private and public sector is one manager for every 11 employees. The Texas Comptroller of Public Accounts has achieved a statewide average of 1:13 through concerted government streamlining efforts. Reductions to these levels are more difficult to achieve in law enforcement and detentions/corrections environments for an assortment of reasons, but there is considerable room for improvement. For example, although a legislative mandate required Iowa agencies to increase their span of control to an average of 1:15 statewide by 2012, best practices studies supported maintaining a ratio of 1:7 for community-based corrections. The American Correctional Association (ACA) standards require a minimum ratio of 1:10 managers per staff members for accreditation for probation and parole employees.

In addition to reduced costs, increasing span of control within organizations has several efficiency benefits including increasing the speed at which decisions are made, improved communications, increased opportunities for employee development and improved productivity.

RECOMMENDATION #6 - (DOLLARS IN 000'S)				
FY15	FY16	FY17	FY18	FY19
$217	**$300**	**$375**	**$450**	**$500**

Assumptions

The projected savings are based on the below assumptions:

- Estimates are based on an average annual DOC salary and benefits for supervising staff of $75,016, an estimated 4,704 DOC employees, and an initial span of control of 1:3.7.
- Low end estimates assume that span of control is increased to a ratio of 1:4. High-end estimates reflect savings achieved by adjusting span of control to 1:4.5.
- It is assumed that reductions in layers of management and conversation to line staff positions will be phased in over five years. FY15 at 40 percent of total. FY16 at 60 percent. FY17 at 75 percent. FY18 at 90 percent. FY19 and beyond at 100 percent.

The investment costs are based on the below assumptions:

- It is assumed that a detailed staffing study of the entire agency would be required to identify the specific positions to eliminate. The study would be a one-time cost of approximately $250,000.
- For each supervisor position eliminated, DOC will need to hire a staff position at an average

$55,000 salary and benefits per position. New hire positions are phased over five years at FY15 at 40 percent of total. FY16 at 60 percent. FY17 at 75 percent. FY18 at 90 percent. FY19 and beyond at 100 percent.

PROJECT IMPLEMENTATION PLAN

PROJECT MANAGEMENT / IMPLEMENTATION STRATEGY

A well-defined implementation plan for each DOC recommendation is critical for its successful implementation and for realization of the associated savings. To effectively manage the implementation plan, the DOC should insure adequate resources are dedicated to the respective project management/implementation teams (PMT).

There are five strategic imperatives for each of the recommendations:

- Customer/Stakeholder Engagement
- Communications Plan
- Change Management
- Risk and Issue Management
- Monitoring and Tracking Models

The implementation plans below include steps that A&M has identified as necessary to complete an effective launch of the recommendations. These plans and estimates do not include the full set of incremental steps that the DOC and the State of Louisiana must complete on its own.

				FY 2014-2015				FY 2015-2016			
Project	Project Name	Duration (Weeks)	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1	Expand DOC Certified Treatment & Rehabilitation Program	56									
2	Expand Transitional Work Program in Orleans and Jefferson Parishes	9									
3	Expand Reentry Center Program	17									
4	Expand Day Reporting Centers	39									
5	Increase Use of Self-Reporting	13									
6	Increase DOC Span of Control	13									

Figure 6.1: DOC Project Plan Gantt Chart

WBS	Tasks	Resources
1	**Recommendation #1 -- Expand DOC Certified Treatment & Rehabilitation Program**	
1.1	CTRP Program Planning Expansion (Choose Type of Programs i.e. Basic Education, Job Skills, Treatment, etc.)	1 Gov't FTE + 1 Project Coordinator
1.2	Develop CTRP Program Expansion Locations (State and Local)	1 Gov't FTE + 1 Project Coordinator
1.3	Acquire Program Personnel	1 Gov't FTE + 1

WBS	Tasks	Resources
		Project Coordinator
1.4	Enroll Offenders in CTRP Programs	1 Gov't FTE + 1 Project Coordinator
1.5	Deputy Secretary to Approve Additional Credit for CTRP	1 Gov't FTE + 1 Project Coordinator
2	**Recommendation #2 -- Expand Transitional Work Program in Orleans and Jefferson Parishes**	
2.1	Contract with Sheriffs (Orleans & Jefferson) for (Non-Contract) TWP Program	1 Project Coordinator
2.2	Convert Housing/Bed to TWP in Local Parishes	1 Project Coordinator
2.3	Advertise for Prospective Employers of TWP Inmates	1 Project Coordinator
3	**Recommendation #3 -- Expand Reentry Center Program**	
3.1	Identify Three Additional Reentry Programs	1 Project Coordinator
3.2	Acquire Reentry Center Program Personnel	1 Project Coordinator
3.3	Enroll Offenders in Reentry Centers	1 Project Coordinator
4	**Recommendation #4 -- Expand Day Reporting Centers**	
4.1	Issue RFP for Five New Day Reporting Centers	Current Personnel
4.2	Select Vendor for Reporting Centers	Current Personnel
4.3	Rollout of Additional Centers	Current Personnel
5	**Recommendation #5 -- Increase Use of Self-Reporting**	
5.1	Increase Average Caseload and Self Reporting Functions	1 Project Coordinator
5.2	Reduce P&P Personnel by 26 FTE (Vacant or Attrition)	1 Project Coordinator
6	**Recommendation #6 -- Increase DOC Span of Control**	
6.1	Begin DOC Staffing Study	Current Personnel
6.2	Identify Positions	Current Personnel

Figure 6.2: DOC Project Plan

Affected Stakeholders

The potential stakeholders affected by these recommendations include:

- Internal – All DOC employees including: administrative leadership, division, and facility command staff, administrative and facility civilian employees including supervisors, correctional officers, and administrative staff.
- External – Citizens, Parish and other local law enforcement personnel, legislators, media and some private service providers.

The recommendations represent an important part of the way the state manages the criminal justice system and its efforts to reduce costs and improve outcomes. A strategic communications plan, designed to inform stakeholders of the need and value of the changes is critical to their success.

Change Management

Implementation of the recommendations will require significant change management efforts. Each implementation team should have PMTs to insure sufficient resources allocated for successful change management. The change management plan must provide for adequate communications with all stakeholders affected regarding the reason for change, expected issues along the way, and the "future state" of the organization. The change management plan should include:

- Outreach: internal and external stakeholder communication
- Organizational Design: personnel needs of the organization: reduction in force, training, certification of personnel and/or additional personnel resources, and outsourcing of functions
- Infrastructure Requirements: technology infrastructure: upgrades to current systems, and/or acquisition of new systems, and real estate management: current facilities utilization, future facilities needs, and/or facilities upgrades.

Following are the initial change management plans for each of the recommendations:

- **Recommendation #1**

  Expanded access to more Certified Treatment & Rehabilitation Programs (CTRP) and increased credit days per program will not only reduce both state and local inmate populations, but incur millions in savings and strengthen public safety through reducing recidivism.

  To implement Recommendation #1, two major steps are required: 1) investment in enough program slots to allow 30 percent more of eligible offenders (2,766) that had been historically released without accessing credit to earn 60-120 days of credit; and 2) an amendment to DOC Department Regulation No. B-04-003 that would increase the amount of credits per program by 10-25 percent. It is expected that the greatest amount of work will be required on implementation of increased programming at local parish jails through partnerships with local sheriffs. To make these changes, several change strategies will be required.

  - Outreach: Stakeholder engagement is critical for successful implementation of this recommendation. At an internal level, state prison staff will need to accommodate expanded access to CTRP programs for inmates, coordinate the additional movement required to attend scheduled programs, and identify additional uses of space for proactive activities. In addition, inmates will need to be engaged to drive higher enrollments in programming and to ensure successful results.

    - Externally, building partnerships with local sheriffs and community social service providers to expand access to DOC-funded CTRPs will be critical, along with securing parish inmate "buy-in" and enrollment. In addition, government officials and media should be fully educated and informed as to the public safety benefits of such an investment programming – in addition to the savings of taxpayer dollars.

- Organizational Design: The program expansion component of the recommendation will produce a 30 percent expansion of CTRP programming at both state prisons and parish jails. As state prisons already offer considerably more programming than local jails, the greatest impact will be at the local level. This will require the state to hire employees and contractors to provide programs for state inmates housed at parish jails and accurate tracking of participation/completion rates.
- Infrastructure Requirements: the DOC must build a larger network of program providers to hire to provide the expanded services at the state and local level. While the recommendation does not include any capital/construction costs, it may later be determined that some construction/expansion projects are required to accommodate increased numbers of inmates in programming within correctional facilities.

- **Recommendation #2**

  Expansion of the current DOC Transitional Work Program in Orleans and Jefferson parishes by 200-300 slots at each location. Despite being two of the most highly populated parishes, Orleans currently has only 92 inmates on Transitional Work Program, and Jefferson has no program. Savings would be achieved through the gradual replacement of higher cost general population parish slots at $24.39 per inmate/day by the lower Transitional Work Program state rate of $11.25 to $15.39 per inmate/day, which are supplemented by cost of incarceration payments made to local sheriffs through inmates wages earned during the program. To implement Recommendation #2, both sheriffs will need to identify 200-300 employment opportunities for inmates in each parish to support the expansion.

  - Outreach: While outreach to build the political support for the Transitional Work Program expansion within two of the state's most populous parishes will require internal leadership, most of the outreach necessary to ensure the success of this recommendation will occur at an externally. Specifically, the sheriffs of both Orleans and Jefferson Parish must agree to the expansion and reach out to their respective local business leaders to help identify 200-300 employment opportunities each for program participants. In addition, the DOC must ensure that the sheriffs are aware that taking on more Transitional Work Program inmates will not result in budget reductions for them because the program allows for the collection of either 80 percent of inmate wages or up to $63/day, whichever is higher – and could result in increased collections of cost of incarceration.
  - Organizational Design: From an organizational perspective, a simple contract expansion of the current Orleans Parish Transitional Work Program is all that would be needed to expand from the current enrollment of 92 inmates to as much as 392. As Jefferson Parish currently lacks a Transitional Work Program, a contract would have to be established there to allow for expansion. Overall state savings will rely upon moving more contract slots to Transitional Work Program inmates and away from general inmate population.
  - Infrastructure Requirements: As Transitional Work Program inmates are among the lowest-risk level in the state and they regularly spend time working in the community, their housing requirements are far more flexible than most offenders. Therefore, local infrastructure will not present any significant challenges.

- **Recommendation #3**

  This recommendation will require full expansion of the DOC Reentry Center program from three sites to the 11 reentry centers statewide. While this recommendation will require a front-end investment cost of $4.4 million to support the expansion, the program will ultimately save as much as $14-18 million per year through projected reductions in recidivism and costs of incarceration.

  - Outreach: Internally, this will require DOC' program staff to lead the development of high-quality programs statewide that are modeled after the most successful Reentry Centers currently operating. In addition, staff will have to put systems into place that ensure inmates are properly identified near the conclusion of their sentence and moved to regional reentry centers near the town where they will live upon release from prison.
  - Externally, local sheriffs and other providers will have to be engaged to establish contractual partnerships for the management and delivery of services among the Reentry Centers.
  - Organizational Design: Expanding the number of Reentry Centers from three to 11 statewide and utilizing them on a regional basis to systematically house inmates within three to six months of release from prison nearer to home.
  - Infrastructure Requirements: The cost of construction of four new reentry centers is assumed to be $4.0 million. Other centers can be established in parish jails or buildings acquired by a service contractor.

- **Recommendation #4**

  Expansion of the number of Day Reporting Centers to include five additional locations in some of the most populous Probation & Parole districts statewide will help to reduce parole violations and improve public safety. The program will entirely fund itself through successfully reducing recidivism and re-incarceration costs.

  - Outreach: Internally, the DOC must provide specialized training for Probation & Parole officers to better understand how to utilize the Day Reporting Center as a part of the recently established Intermediate Sanctions Grid. Externally, the department must engage partners to manage the additional centers, and establish clear lines of communication among media outlets and community leaders regarding the programs and their impact on improving public safety.
  - Organizational Design: This recommendation would require the establishment of five additional Day Reporting Centers to help reduce parole violation rates across the state: Covington, Lafayette, Monroe, Lake Charles, and Alexandria. This will create program access for 200 parolees/probationers per year at each location, providing total coverage to 1,000 additional offenders. Currently, there are only two DOC Day Reporting Center programs, located in Orleans Parish and Shreveport.
  - The Day Reporting Centers will be used as a tool for Probation and Parole Officers seeking to provide enhanced supervision of probation/parole violators who have demonstrated a high risk of re-incarceration. It is assumed that participants referred to the program would have otherwise had an 80 percent risk of being returned to prison if they had not been admitted to the program.
  - Infrastructure Requirements: Expansion of the Day Reporting Centers will be publicly bid to private contractors, and the estimated $485,000 annual rate includes leasing costs.

- **Recommendation #5**

  This recommendation includes the doubling of the Probation & Parole (P&P) Self Report population from five percent of the overall Probation & Parole population to 10 percent. This measure would allow for a shift in Probation & Parole caseloads based on risk that would not only result in reduced recidivism, but in reductions of costly re-incarceration rates.

  - Outreach: Internally, this would require Probation & Parole agents to help identify the lowest-risk offenders on their caseloads and move them to Self-Report Status. Externally, it would require education among parolees and probationers about this opportunity to earn their way to this status.

- Organizational Design: the DOC has already had success implementing the Probation & Parole Self Reporting program, and studies have indicated that many states across the nation have implemented various forms of this type of supervision for low risk probationers/parolees with great success.
- Implementation would require the movement of 3,500 additional parolees to Self-Report caseloads and a reassessment of the reduced caseloads, based on risk, among the remaining probation and parole officers.
- Infrastructure Requirements: There are no infrastructure requirements to implement this recommendation.

- **Recommendation #6**

  Increase supervisors' span of control to a minimum of 1:4.

  - Outreach: This recommendation would entirely revolve around internal determination of where the headcount conversion from supervisor personnel to line staff that would have no negative impact on public safety.
  - Organizational Design: While the recommendation calls for personnel changes and it will be managed over the next five years through hiring, redeployment, attrition, and voluntary separation.
  - Infrastructure Requirements: There are no infrastructure requirements included in this recommendation.

Monitoring and Tracking Models

Successful implementation at the DOC is not only measured by the amount of savings achieved but also by reducing the state's overall prison population and reducing recidivism. Monitoring is a critical component of success for these recommendations.

The monitoring and tracking tools will allow the DOC to monitor and address any performance gaps in the recommendations. There is a need to provide incentives for performance associated with these exercises and disincentives for lack of participation, rigor, or results from managers. Any monitoring and tracking model must also include some method of reward for managers to engage.

Rec #	Objective	Performance Measure	Target	Unit
1	Increase CTRP Participation	Increase released inmates CTRP earned credits by 90 or 120.	2766	Inmates
1	Increase CTRP Credits	Increase CTRP program credits by 10% or 25%	16 - 40	CTRP Credits
2	Increase TWP Slots	Increase TWP Slots in Jefferson and Orleans Parishes	100 - 300	TWP Slots
3	Expand Reentry Centers	Increase Reentry Centers to 8 additional centers	8	Reentry Centers
3	Expand Reentry Centers	Increase Reentry Centers to Participation	4000	Inmates
4	Expand Day Reporting Centers	Increase Day Reporting Centers to five additional	5	Day Reporting Centers
5	Increase P&P Self Reporting Population	Increase self-reporting participation	3500	Parolees
6	Increase Span of Control	Conversion of positions over 5 years	106	FTEs

Figure 6.3: DOC Tracking Tool

Chapter 7: Department of Public Safety

Agency Overview

The mission of the Department of Public Safety (DPS), or Public Safety Services (PSS), is to provide safety services to citizens and visitors of the state of Louisiana by upholding and enforcing the laws, administering regulatory programs, managing records, educating the public and managing emergencies, both directly and through interaction with other agencies. DPS is comprised of seven different public safety agencies:

1. 1. Office of Management and Finance (OMF)
2. 2. Office of State Police (LSP)
3. 3. Office of Motor Vehicles (OMV)
4. 4. Office of the State Fire Marshal (OSFM)
5. 5. Louisiana Gaming Control Board (LGCB)
6. 6. Liquefied Petroleum Gas Commission (LPGC)
7. Louisiana Highway Safety Commission (LHSC)

These seven agencies have approximately 2,476 FTEs and recommended budget appropriations of $420.3 million for FY15. This is a reduction of $82.2 million from FY14 due mainly to the consolidation of IT into Division of Administration (DOA). Budget reductions and effective management of its operations have been a critical accomplishment of DPS. In FY13, DPS led seven Lean Six Sigma (LSS) projects across the state government. Specifically, DPS led four LSS projects within DPS: 1) a reorganization of OSFM which provides for a regional command structure, daily reporting of performance metrics, and automate the dashboards to provide management real-time assessments of operational command; 2) reorganization of Gaming Enforcement Division to decentralize and create a regional command of audit, technology, administrative licensing and enforcement efforts; 3) improvement in the Information Technology unit to improve timeliness of data projects and alignment between resources and the priorities of the department; and 4) an improvement project and reorganization of Human Resources improving the cycle time in hiring process as well as improved process efficiency and effectiveness.

The DPS workforce has been reduced by approximately 315 FTEs since 2011 mainly as a result of voluntary separation. Over that same time period, turnover for voluntary separation was approximately eight percent of the DPS workforce. These trends allowed DPS to implement labor-saving efficiencies without requiring significant layoffs.

DPS had significant success in modernizing and efficiently managing its operations under budget constraints while at the same time providing essential public safety to citizens and visitors.

BACKGROUND OF RECOMMENDATIONS

A&M's recommendations work to build on DPS's recent success in improving operations and citizen safety. A&M recommendations include increasing span of control of its supervisory personnel, and the automation and consolidation of support functions.

Currently, there are approximately 22 percent of FTEs in DPS who have greater than 20 years of service. Many of recommendations made by A&M have taken into consideration the effective use of voluntary separation and redeployment of workforce to eliminate the need for layoffs. Through these recommendations, DPS can have a recurring operations costs savings of $5.1 million in FY15.

The following section details the recommendations for DPS.

RECOMMENDATIONS

		Target Savings and Revenue Estimate (All values in 2014 dollars, in 000s)					
Rec #	Recommendation Name	FY15	FY16	FY17	FY18	FY19	Total
1	Consolidation of LSP Patrol Communications	$0	$46	$846	$846	$846	$2,584
2	Automation of LSP Patrol Administration	$0	($17)	($17)	$906	$1,406	$2,278
3	LSP Command Consolidation	$118	$118	$118	$118	$118	$590
4	Reallocate Identified Gaming Investigation Troopers to Patrol Troopers	$295	$295	$295	$295	$295	$1,475
5	DPS - Increase Supervisor Span of Control	$3,974	$7,701	$7,701	$7,701	$7,701	$34,778
6	LSP - Shift Change	$743	$743	$743	$743	$743	$3,715
Total		**$5,130**	**$8,886**	**$9,686**	**$10,609**	**$11,109**	**$45,420**

Recommendation #1 – Centralize Louisiana State Police-Patrol Communications

Centralize the three planned regional communication centers into two central communications centers in FY16.

Findings and Rationale

LSP currently uses a decentralized communication model specific to each of the nine troops. Each troop staffs around-the-clock one or more communications operator to assist the desk sergeant in dispatching troopers, facilitating communications during emergencies, and providing name check and other information to troopers in the field. Often, when one troop experiences a manpower shortage a neighboring troop will assume the dispatch communications responsibility for both units. A plan to consolidate the nine troop communication centers into three regional centers by FY15 is being implemented.

DPS should centralize the three planned regional communications centers in FY16 and acquire a Computer Aided Dispatch (CAD).

Consolidation from the planned three regional centers to two statewide communication centers and incorporating the functionality of a new CAD system will reduce staffing requirements from the planned 15 operators plus two supervisors for each regional center or a total of 34 TO to 51 TO, capturing recurring savings of $0.85 million. While not shown above, consolidation into one center would save an additional $0.37 million annually for a total of $1.2 million. The proposed CAD technology would incorporate GPS mapping and positioning of all resources enhancing emergency operations and trooper safety.

This recommendation is made based on a preliminary review of available call-log data in the current Lotus Notes system used to record calls for service/dispatches. This staffing model is proposed to allow for three eight-hour shifts to meet civilian scheduling requirements.

<u>Technology Enablers</u>

Radio Communications – It is believed that the current Motorola 7500 system functionality is sufficient that all radio zones can be accessed from the existing stations in HQ – including the ability to merge zones to enable an operator to monitor more than one frequency simultaneously.

Computer aided dispatch (CAD) – A CAD system should be procured to help enable the above consolidation, as CAD systems significantly improve the efficiency of communications personnel. As LSP does not provide full 911 services (handled by parishes), CAD implementation can be achieved at significant savings from a traditional computer aided dispatch system (based on the current infrastructure of LSP communication systems). Furthermore, LSP has already made significant investment in communications enabled Panasonic Toughbook computers in the field enabling a rapid CAD deployment because the platform is complementary. Existing LSP software enables GPS enabled positioning at very low cost. For budgeting purposes, CAD acquisition and installation costs are assumed to be approximately $800,000.

<u>Risk</u>

The plan for three regional centers is supported by the current LSP Command, in part, based on the need for redundancy in the event of a major disaster. Moving to two regional centers after the CAD system is fully functional allows for a trial period before consolidating into one center. This proposal for one centralized communications center anticipates maintaining one of the CAD system equipped centers as an emergency alternative location with existing equipment. In the event of an unanticipated major disaster, a communications team could be prepositioned at the alternate location. In addition, each troop would maintain sufficient communications equipment to dispatch locally as is done today.

RECOMMENDATION #1 - (DOLLARS IN 000'S)				
FY15	FY16	FY17	FY18	FY19
$0	**$46**	**$846**	**$846**	**$846**

Assumptions

The projected savings are based on the below assumptions:

- Based on the personnel expenditures for FY15 requested budget, savings are calculated based on average salaries and benefits of proposed Table of Organization (TO) reductions

- Based on a preliminary review of available call-log data available for query in the current Lotus Notes system used to record calls for service/dispatches
- Staffing model is proposed to allow for three 8-hour shifts to meet civilian scheduling requirements and a relief factor of 1.5
- Estimated savings to begin in FY16

The investment costs are based on the below assumption:

- CAD- a (one-time acquisition) investment cost of $800,000 at the beginning of FY16

Recommendation #2 – Automate Louisiana State Police-Patrol Administration

LSP should appoint a senior officer to champion and coordinate a plan to automate all principal troop administrative processes and consolidate them into a HQ Support Division. LSP should retain one administrative position at each troop.

Findings and Rationale

All administrative functions associated with the processing of paperwork generated by routine enforcement activities occur at each troop. Field interviews were conducted at four troops and it was determined that each troop maintains their own protocols as to document processing and filing. Almost all reports are manually generated, paper based, and maintained in local files. Troop administrative functions can be broken down into three categories: collecting documents, recording/filing documents and distributing those documents to appropriate third parties such as citizens, district attorneys' offices, and others. In limited instances, some of the activities identified above are completed in an automated manner depending on the troop (such as Troop B entering arrest reports into IRS). This proposal suggests that a systematic automation of documentation and centralizing processing will yield significant savings in administrative costs and officer time. Currently, troop administration completes the following tasks:

a. Processing of DWI reports (an automation pilot has been funded by a federal grant)
b. Processing of tickets (automation could piggyback on the DWI pilot)
c. Filing of arrest reports (the original report is based on the parish booking report)
d. Processing of crash reports (online form available by internet in the patrol cars)
e. Evidence logging (completed by the desk sergeant)
f. Storing and pulling of video recordings for court purposes
g. Delivering subpoenas to officers
h. Timekeeping

Based on field interviews, the average troop has a minimum of two civilians, plus WAEs and commissioned personnel assigned to assist with the above administrative duties under the direction of the executive officers (XO).

Based on a preliminary review of requirements, A&M recommends a centralized staff of three to facilitate tasks a, b, c, d, and g at HQ and one in each troop to coordinate with HQ and support the desk sergeant and command staff. Additionally, after the automation has been fully implemented, the XO position could be eliminated since most of his/her administrative responsibilities will have been automated and consolidated to HQ. The remaining XO responsibilities could be assigned to various shift lieutenants. DPS should also appoint a senior officer to champion and coordinate a plan to automate all principal troop administrative processes and consolidate them into a HQ Support Division.

Automation of the various trooper-generated reports will significantly reduce time spent generating paper reports, allow the reduction of administrative staff at each troop and provide economies of scale in the document management process.

While not included in the monetary savings indicated above, reducing trooper time spent completing paperwork would have a significant impact on public safety. For example, assuming the average trooper spends 20 percent of shift time on paperwork and automation reduces that burden by 50 percent, each trooper would gain an additional 10 percent of time available for patrol duties. That is equivalent to having additional 10 percent staffing or 50 troopers available for duty (based on the current level of 500 troopers currently in the Patrol Command) or the equivalent of $4.5 million.

RECOMMENDATION #2 - (DOLLARS IN 000'S)				
FY15	FY16	FY17	FY18	FY19
$0	($17)	($17)	$906	$1,406

Assumptions

The projected savings are based on the below assumptions:

- Based on the personnel expenditures for FY15 requested budget, savings are calculated based on average salaries and benefits of proposed TO reductions
- Reduction based on elimination of the XO position in troops (approximately seven) at $131,860 for salary and benefits. And reduction in 10 administrative positions at $48,310 for salary and benefits.

The investment costs are based on the below assumptions:

- Approximate $500,000 per year for three years for technology investment costs.

Recommendation #3 – Consolidate Louisiana State Police-Patrol Command Position

DPS should consolidate two Command Major positions in Transportation Environmental Safety Section and Transportation Environmental Safety Section Weights and Standards into one Major position.

Findings and Rationale

LSP currently has nine troops. Troopers assigned to the Patrol Command are responsible for promoting highway safety through education and enforcement of the Highway Regulatory Act. Their primary duties include:

- Enforcing traffic and criminal laws
- Investigating crashes
- Performing drug interdiction
- Aiding motorists
- Providing accurate communication of information to the public and other agencies
- Conducting crime prevention programs, and promoting highway safety
- Assisting local and state law enforcement agencies

Through trooper attrition, LSP-Patrol Command rank structure, continued promotions and the lack of incoming trooper replacements, the span of control has become unbalanced and top heavy. The current command structure is appropriate for a much larger force. Since 2010, trooper headcount has decreased by eight percent, from 485 in FY11 to 445 in FY15, while the number of command lieutenants has increased by 17 percent during the same period. While a new 50-cadet class is anticipated in each of the five following years, staffing is unlikely to reach former levels due to attrition and budget constraints.

Majors, captains, and lieutenants frequently have only two or three direct reports and the ratio of troopers to sergeants and officers is 2.5:1 compared to the 2011 level of 3.2:1. (See discussion of "Span of Control" for Recommendation 5.)

DPS should consolidate two Command Major positions in Transportation Environmental Safety Section and Transportation Environmental Safety Section Weights and Standards into one Major position.

The command consolidation in Weights and Standards and Transportation Environmental Safety Section is intended to make more effective use of senior command staff by increasing the span of control while maintaining the number of sergeants and troopers available for duty. By the consolidation of LSP-Patrol Command, officers will increase their span of control and provide annual recurring savings of $0.11 million.

RECOMMENDATION #3 - (DOLLARS IN 000'S)				
FY15	FY16	FY17	FY18	FY19
$118	$118	$118	$118	$118

Assumptions

The projected savings are based on the below assumptions:

- Based on the personnel expenditures for FY15 requested budget. Savings are calculated based on reduction of one Major position at salary and benefits of $118,000.
- There are no investment costs.

Recommendation #4 – Reallocate Louisiana State Police - Gaming Troopers

LSP should reallocate or redeploy 14 LSP troopers in Gaming Investigations to vacant positions within Patrol Division and replace with civilian investigators.

Findings and Rationale

Command has identified 14 investigators in LSP Gaming division that could be replaced by civilians. These troopers can then be redeployed to 14 funded vacancies in Patrol division. The principal role of these investigators is to perform background checks on gaming employees, which does not require any particular policing skills or training. This would result in a savings of approximately $21,000 per TO per year.

DPS should reallocate or redeploy 14 LSP troopers in Gaming Investigations to vacant positions within the Patrol Division and replace with civilian investigators.

This recommendation improves public safety by increasing the number of troopers in Patrol.

Recommendation #4 - (dollars in 000's)				
FY15	FY16	FY17	FY18	FY19
$295	**$295**	**$295**	**$295**	**$295**

Assumptions

The projected savings are based on the below assumptions:

- Based on the personnel expenditures for FY15 requested budget, savings are calculated based on average salaries and benefits of proposed TO conversions.
- Conversion of 14 identified trooper positions to civilian positions at savings of approximately $21,000 per position.
- There are no investment costs.

Recommendation #5 – Expand Department of Public Safety Span of Control

DPS should expand span of control by eliminating management and supervisory positions from the current 1:3.6 to a minimum of 1:4.5 or 1:5 (supervisors to staff).

Findings and Rationale

The span of control, or ratio of supervisors to staff, is the measurement commonly used to assess distribution of human resources between management and frontline personnel. Analysis based on all DPS organizational staffing charts indicates a span of control of 3.6 employees per supervising staff person (Appendix C). While there are multiple methodologies for calculating span of control, our initial findings are consistent with a statewide 2011 Louisiana Department of Civil Service Report on Span of Control.

The optimum span of control for a public sector department will vary based on the complexity of its functions, level of automation, training, communications and other factors. However, there is consensus among organizational design experts that the number of employees most efficiently managed by one supervisor has doubled since early twentieth century models with the advent of modern communication, technologies, and flattening organizational structures from about 1:6 to a range of 1:10 to 1:15. A general ratio recommended nationwide for the private and public sector is one manager for every eleven employees. The Texas Comptroller of Public Accounts has achieved a statewide average of 1:13 through concerted government streamlining efforts. Reductions to these levels are more difficult to achieve in law enforcement and detentions/corrections environments for an assortment of reasons, but there is considerable room for improvements. The International Association of Chiefs of Police estimates that the average in law enforcement is in the range of 1:6 to 1:7.

Reducing management position and expanding the number of direct reports within organizations has several efficiency benefits in addition to reduced costs. Other benefits include increasing the speed at which decisions are made, improved communications, and increasing opportunities for employee development. Many organizations find they can increase their efficiency and effectiveness at fulfilling their mandate by thoughtfully realigning hierarchical structure to fit their modern processes.

A review of the department's organizational structure, excluding Patrol and OMV field offices, indicates there were approximately 392 management/supervisory and 1,300 line employees. This very low ratio, 1:3.5, is far below governmental best practices. The department currently has many 1:1, 1:2, and 1:3 reporting relationships.

DPS should expand the span of control within DPS by eliminating management and supervisory positions from the current 1:3.6 to a minimum of one manager/supervisory for every 4.5 to five staff positions (1:4.5 to 1:5) on an agency-wide basis. The low-end recommendation increases the span of control from 1:3.5 to 1:3.9. The high-end recommendation would seek to achieve a department-wide average of 1:4.5 to 1:5 over the next three to five years.

The targets in this recommendation are below best practice levels for government in general but closer to law enforcement best practice targets of 1:6 to 1:7. However, those targets result from surveys of numerous law enforcement agencies which include a high percentage of local law enforcement agencies and not state police agencies with a higher level of geographic dispersion. Therefore, A&M has suggested a low range target for DPS of 1:4.5.

Recommendation #5 - (dollars in 000's)				
FY15	FY16	FY17	FY18	FY19
$3,974	**$7,701**	**$7,701**	**$7,701**	**$7,701**

Assumptions

The projected savings are based on the below assumptions:

- Estimates are based on an average annual DPS salary and benefits of $101,325, an estimated 1,300 DPS employees (excluding OMV field office staff and LSP-Patrol), and an initial span of control of 1:3.6
- Low end estimates assume that span of control of is increased to a ratio of 1:4.5. High-end estimates reflect savings if a span of control of 1:5.5 is achieved
- The targeted number position eliminations for the achievement of the target are approximately 39 TO in FY15 and 37 additional TO in FY16.
- Reductions are assumed through attrition and do not include termination pay

There are no investment costs.

Recommendation #6 – Optimize Louisiana State Police-Patrol Shifts

LSP (and other law enforcement units of the LA DPS) should consider changing its current policy regarding the number and length of shifts per work period (14 days) to the standard currently used by DOC.

Findings and Rationale

DPS law enforcement units do not manage their usage of 12-hour shifts to maximize coverage or to maximum efficiency. DPS currently bases overtime on 80 hours of work in a two-week period. Fair Labor Standards Act provides that law enforcement agencies utilizing twelve hour shifts can base overtime on 86 hours for any two-week period. DPS utilizes 12-hour shifts for troopers and other law enforcement staff. With an 80-hour limit, this allows each officer to work six 12-hour shifts and two four-hour shifts before paying overtime. Adopting an 84-hour standard under the Fair Labor Standards Act (FLSA), each officer would work seven 12-hour shifts in each two-week period.

Under the current system of 12-hour shifts there are 28 12-hour shifts to be manned in a two week period. With an 80-hour limit before overtime, there are four shifts that are either undermanned or are manned with overtime personnel. Moving to an 84-hour standard would cover this current gap. To deal with the problem in a manner that can be beneficial to both staff and to an agency, Section 201-7k permits agencies such as police, fire, EMS, etc. that staff 24/7 to deviate from the standard 40-hour workweek and from the FLSA overtime requirements and utilize a standard of up to 86-hours in a two week period. The Department of Corrections (DOC) uses the 84-hour work period for its employees.

LSP (and other law enforcement units of the LA Department of Public Safety) that use 12-hour shifts should consider moving to an 84-hour standard limit before overtime per work period (14 days).

Projecting forward, the recommendation would result in a recurring savings of $743,400 per year, while providing troopers and sergeants with a five percent increase in base pay for the additional hours worked per 14-day work period, should the state increase their base salary proportionately to the additional hours worked.

Recommendation #6 - (dollars in 000's)				
FY15	FY16	FY17	FY18	FY19
$743	**$743**	**$743**	**$743**	**$743**

Assumptions

The projected savings are based on the below assumptions:

- The additional hours gained each year for an estimated 500 troopers are the equivalent of 25 additional troopers on the road at base pay.
- The savings are based on overtime / comp time avoided, should the eight hours have to be covered each work period, for 500 troopers and 120 sergeants.
- The average salary and benefits of $90,000 for a trooper and $114,000 for a sergeant.

Investment costs are based on the below assumptions:

- A five percent increase in base salary, and therefore certain benefits, should that be the route taken, for troopers and sergeants because of the additional four hours per biweekly work period.
- The impact of additional base pay on the retirement contribution by the state is not known at this time, but is included in the recommendation as totally variable.

Project Implementation Plan

Project Management / Implementation Strategy

A well-defined implementation plan for DPS recommendation is critical for its successful implementation and realization of the associated savings. To effectively manage the implementation plan, DPS should appoint a senior level "champion" to support and insure adequate resources are dedicated to the respective project management/implementation teams (PMT). In addition to the individual project management teams, a team of two to three professionals from OMF should provide DPS-wide coordination, progress monitoring, and Command level reporting for all recommendations.

We address the following four strategic imperatives for each of the recommendations:

- Customer/Stakeholder Engagement and Communications Plan
- Change Management
- Risk and Issue Management
- Monitoring and Tracking Models

The implementation plans below include steps that A&M has identified as necessary to complete an effective launch of the recommendations. These plans and estimates do not include the full set of incremental steps that DPS and the State of Louisiana must complete on its own.

A&M has assumed that all personnel reductions will be accomplished through normal attrition and redeployment. Approximately 22 percent of DPS personnel have 20+ years of service with an additional 24 percent at 15 to 20 years of services. Much of the cost savings is derived from reductions in force; however, timing of achievement is dependent on effective personal management (voluntary separation and redeployment of personnel).

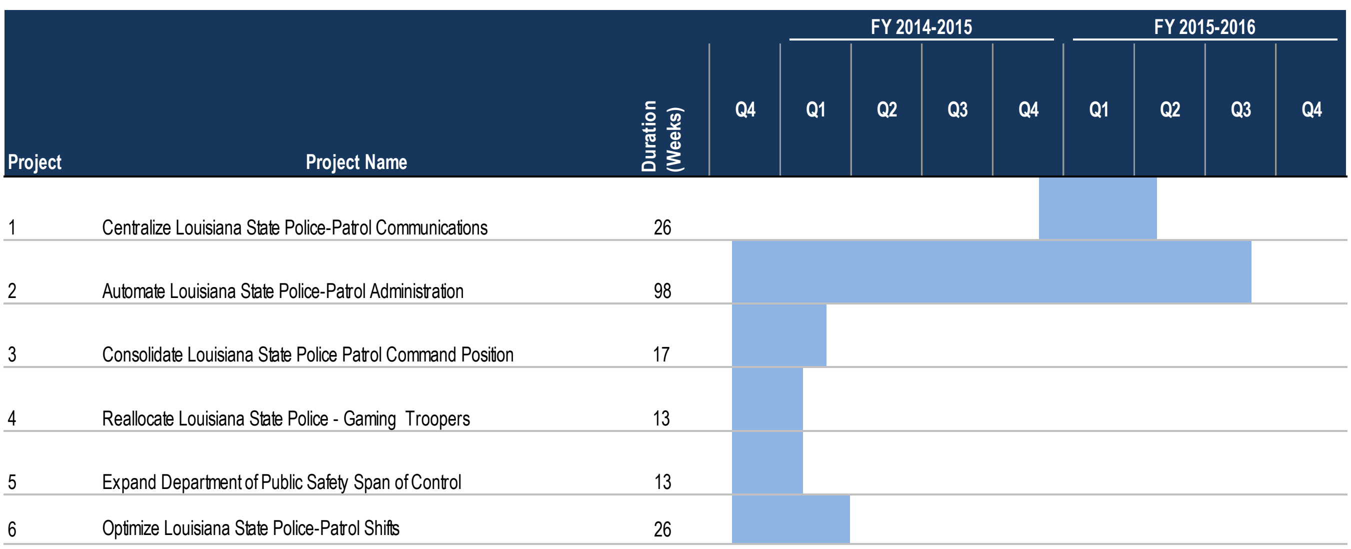


Figure 7.1: DPS Project Plan Gantt Chart

WBS	Tasks	Resources
1	**Recommendation #1 -- Consolidation of Louisiana State Police-Patrol Communications**	
1.1	Communications Regional Command Planning	LSP - Patrol Command
1.2	CAD Requirements/Assessment	OMF PMT
1.3	CAD Vendor Identification	OMF PMT
1.4	CAD Implementation	OMF PMT
1.5	Personnel Changes	OMF PMT
2	**Recommendation #2 -- Automation of Louisiana State Police-Patrol Administration**	
2.1	Appoint Senior Officer over Troop Administration	1 Gov't FTE
2.2	Requirements Assessment and Definition	OMF PMT
2.3	Project Planning	OMF PMT
2.4	Vendor Selection	OMF PMT
2.5	Project Implementation	OMF PMT
3	**Recommendation #3 -- Consolidation of Louisiana State Police-Patrol Command Position**	
3.1	Proposed Command Structure Planning	LSP - Patrol Command
3.2	Voluntary Separation and Redeployment Planning	OMF PMT
3.3	Develop Communications and Stakeholder Engagement Plan	LSP - Patrol Command
3.4	Execution	LSP - Patrol Command
4	**Recommendation #4 -- Reallocation of LSP – Gaming Troopers**	

4.1	Hiring of Civilian Replacements	OMF PMT
4.2	Redeployment of Troopers	LSP
5	**Recommendation #5 -- Expand DPS Span of Control**	
5.1	Voluntary Separation and Redeployment Planning	OMF PMT
5.2	Develop Communications and Stakeholder Engagement Plan	OMF PMT
6	**Recommendation #6 -- Optimization of LSP – Patrol Shifts**	
6.1	Shift Utilization and 5% Pay Raise Planning & Implementation	OMF PMT
6.2	Develop Communications and Stakeholder Engagement Plan	OMF PMT

Figure 7.2: DPS Project Plan

Affected Stakeholders

Potential stakeholders who will be affected by these recommendations include:

- Gaming industry
- Legislators
- Internal – Employees, troopers, and administrative staff
- External – Citizens receiving service, corporate interests, parish and local safety personnel, legislators and media

Internal changes can be communicated to internal stakeholders through the normal internal channels. These recommendations also represent a potentially great story for the media as the State Police begin to implement what will be a state of the art communications system.

Change Management

Implementation of the recommendations will require significant change management efforts. Each implementation team should have a senior level "champion" to support the PMTs and insure sufficient resources allocated for successful change management. The change management plan must provide for adequate communications with all stakeholders affected regarding the reason for change expected issues along the way and the descriptions of the "future state" of the organization. The plan should include:

- Outreach: internal and external stakeholder communication
- Organizational Design: personnel needs of the organization: reduction in force, training, certification of personnel and or additional personnel resources, and outsourcing of functions
- Infrastructure Requirements: technology infrastructure (upgrades to current systems, and or acquisition of new systems), and real estate management (current facilities utilization, future facilities needs and or facilities upgrades)

Following are the initial change management plans for each of the recommendations:

- **Recommendation #1**

  This recommendation will consolidate communications systems of LSP patrol unit into two regional centers in FY16. This recommendation is contingent on the acquisition of a CAD system which will require thorough requirements assessment, project planning and vendor selection.

  - Outreach: Internal stakeholders include LSP Patrol personnel, and current communications specialists. LSP-Patrol personnel will need training in new routines and to understand how their safety has been improved. External stakeholders include local law enforcement personnel who communicate regularly with LSP-Patrol and will require additional training.

- Organizational Design: The new organization will change from the current plan of three regional communications centers to two regional communications centers. There will be a change management plan relative to the reduction of the current personnel by approximately 10 FTE through attrition and redeployment.

- Infrastructure Requirements: Current Motorola 7500 system functionality is sufficient that all radio zones can be accessed from the existing stations in HQ – including the ability to merge zones to enable an operator to monitor more than one frequency simultaneously. A computer-aided dispatch should be procured to help enable the above transition as CAD systems significantly improve the efficiency of communications personnel. LSP has already made significant investment in communications enabled Panasonic Toughbook computers in the field, enabling a rapid CAD deployment. Existing software enables GPS-enabled positioning at very low cost. The change management plan will require thorough requirements assessment, project planning for the vendor selection implementation of the new CAD system.

- **Recommendation #2**

DPS should automate the administrative functions of the LSP-Patrol and centralize the records management and distribution functions at headquarters. Troop administrative personnel currently perform copying, filing, faxing, scanning, and distribution of paperwork associated with normal law enforcement activities manually. Automation of these processes will result in a reduction in force, increased trooper efficiency, and improved service to citizens and local law enforcement officials.

- Outreach: Internal stakeholders include LSP-Patrol Command and troop personnel, essentially all troopers will be affected and require further training to integrate into the new automation system. Current administrative personnel will need to be re-trained on new automated systems and informed regarding their redeployment opportunities. External stakeholders include local law enforcement and justice agencies that are the recipients of many of the reports and will need to be informed as to the benefits to receiving and storing electronic documents.

- Organizational Design: Currently, troop administration completes the following tasks:
  - Processing of DWI reports (an automation pilot has been funded by a federal grant)
  - Processing of tickets (automation could piggyback on the DWI pilot)
  - Filing of arrest reports (the original report is based on the parish booking report)
  - Processing of crash reports (online form available by internet in the patrol cars)
  - Evidence logging (completed by the desk sergeant)
  - Storing and pulling of video recordings for court purposes
  - Delivering subpoenas to officers
  - Timekeeping

This recommendation is to automate centralize administrative staff these tasks in each troop to coordinate with HQ and support the desk sergeant and command staff. Additionally, after the automation has been fully implemented, the XO position at each troop could be eliminated since most of his administrative responsibilities will have been automated and consolidated to HQ.

- Infrastructure Requirements: There will be significant investment in infrastructure to automate the administrative functions, thorough requirements assessment, process mapping, and project planning and vendor selection will be critical to avoid cost overruns and successful implementation. The assumption is these infrastructure needs will cost $1.5 million over the next three fiscal years. Additionally, some legislative changes may be required regarding the acceptance of electronic signatures.

- **Recommendation #3**

  This recommendation requires DPS to consolidate two Command Major Positions in Transportation Environmental Safety Section and Transportation Environmental Safety Section Weights and Standards into one Major Position

  - Outreach: Internal stakeholders include LSP-Patrol Command. External stakeholders include the local law enforcement, and representatives.
  - Organizational Design: The personnel changes will require LSP command to make changes in the governance structure of the Weights and Standards and Transportation Environmental Safety Section unit. In addition the changes in personnel can be managed through voluntary separation and redeployment.
  - Infrastructure Requirements: There are no infrastructure requirements included in this recommendation.

- **Recommendation #4, 5, and 6**

  These three recommendations are changes to the personnel of DPS, and will result in similar change management plans associated with reduction in force through attrition and redeployment, in addition to new hires.

  - Outreach: Internal stakeholders include DPS current personnel. Thorough communications to the current DPS personnel affected by the changes in the organization will be required.
  - Organizational Design: In Recommendation #4, the 14 identified trooper positions in Gaming will be redeployed to vacant trooper positions in Patrol and be replaced by civilian employees. This change management plan includes the hiring of 14 civilians to fill the positions vacated by the troopers by moving them from Gaming to Patrol. Recommendation #5 can be managed by the reduction in force of the 42 identified positions by attrition and redeployment these positions are senior staff.
  - Infrastructure Requirements: There are no infrastructure requirements included in this recommendation.

Monitoring and Tracking Models

Successful implementation at DPS is not only measured by the amount of savings or revenue achieved but also by improvement to the safety and satisfaction of Louisiana citizens. Monitoring is a critical component of success for these recommendations. The focus of the recommendations herein is intended to advance a small number of performance metrics to enable managers and process owners to understand on a regular operational and budgetary basis how each unit is performing.

These tracking metrics should include bottoms up build of each aspect of the metric for review on a regular basis with the champion and the PMT. All federal funds reallocation metrics and underlying data will merit close review in the 180 days preceding end of funds authorization.

These monitoring and tracking tools, in conjunction with the metrics detailed below will allow DPS to monitor and address any performance gaps in the recommendations. There is a need to provide incentives for performance associated with these exercises and disincentives for lack of participation, rigor, or results from managers. Any monitoring and tracking model must also include some method of reward for managers to engage.

Rec #	Objective	Performance Measure	Target	Unit
1	Consolidation of Louisiana State Police-Patrol Communications	2 Regional Centers	2	Communication Centers
1	Consolidation of Louisiana State Police-Patrol Communications	CAD System Implementation	1	IT System
1	Consolidation of Louisiana State Police-Patrol Communications	Reduce LSP Communications Staff by 16	16	Headcount
2	Automation of Louisiana State Police-Patrol Administration	Reduce LSP Administrative Staff by approximately10, and XO by 9	19	Headcount
2	Automation of Louisiana State Police-Patrol Administration	Automation of eight processes	8	Process
3	Consolidation of Louisiana State Police-Patrol Command Position	Reduce LSP Command Staff by 2, Captain 1, LTs 5.	7	Headcount
3	Consolidation of Louisiana State Police-Patrol Command Position	Eliminate 1 Troop Command	1	Troop
4	Reallocation of LSP – Gaming Troopers	Fill Patrol Vacancies, hire civilians in Gaming	14	Headcount
5	Expand DPS Span of Control	Reduce FTE by 42	42	Headcount
6	Optimization of LSP – Patrol Shifts	Establish Work week / shift changes	84 Hours	Work week
6	Optimization of LSP – Patrol Shifts	5% increase in pay	5%	Salary Increase
7	Expanded OMV PTA Program	Reduce OMV Field Office by 18	18	Offices
7	Expanded OMV PTA Program	Reduce OMV Staff by 50	50	Headcount

Figure 7.3: DPS Tracking Tool

CHAPTER 8: OFFICE OF JUVENILE JUSTICE

AGENCY OVERVIEW

The mission of the Office of Juvenile Justice (OJJ) is to protect the public by providing safe and effective individualized services that encourage youth to become productive, law-abiding citizens. The vision of OJJ is to create a quality system of care which embraces partnerships with families, communities, and stakeholders to assist youth in redirecting their lives toward responsible citizenship. Throughout the delivery of mission and vision, OJJ provides services including:

- Evaluation and diagnostic services for children adjudicated delinquent and children of families adjudicated in need of services
- Alternative services to out-of-home placement for children adjudicated delinquent and children of families adjudicated in need of services, and placed in the custody or under the supervision of OJJ
- Treatment services in secure and non-secure care facilities for youth adjudicated delinquent and placed in the custody of OJJ and who, as determined by the court and/or the agency, require this restrictive level of care and custody
- Probation, parole, and other programs of supervision for youth adjudicated delinquent and youth in families adjudicated in need of services
- Community services directed at prevention of juvenile delinquency, intake screening, and diversion as deemed appropriate by OJJ
- The agency participates in programs for the purchase of care and treatment of youth taken into custody under the provisions of the Children's Code, pending adjudication, disposition, placement, or any or all of the above

Annually, OJJ serves more than 6,600 youth in parole and probation programs, in contracted non-secure residential placements, and at secure care facilities that include Bridge City Center for Youth (near New Orleans), Swanson Center for Youth in Monroe, and Columbia Center for Youth in Columbia. The total FY15 recommended budget for OJJ is $117,550,813, a $6,209,835 increase from FY14.

The number of employees at OJJ has decreased from 1,300 staff in FY08 to 990 today. During that same time period, the agency experienced a reduction in the total budget by approximately $71 million.

In the past two fiscal years, OJJ has consolidated the majority of its administrative functions with the Department of Public Safety (DPS), who took over human resources, IT, contracts, and purchasing and finance duties. As a result of the consolidation, 66 positions were eliminated or transferred to DPS. The bulk of these positions were eliminated within OJJ's Central Office, which has been reduced from 100 positions to 42.

Implementation of Nationally Recognized Treatment Model in Facilities: OJJ worked to develop a new approach to juvenile justice based on a therapeutic treatment and child-centered model, moving away from the traditional correctional and custodial methods. Louisiana Model for Secure Care (LaMOD) prepares youth for re-entry into the community as productive citizens as evidenced by improved outcomes for youth. For instance, the OJJ secure care recidivism rate for youth three years after release from secure care is down 2.6 percent over the previous year. 2013 data show that 58.1 percent of youth released from secure care have remained out of custody after three years. Recidivism rates have been trending downward for years and continue to stay below national rates.

Adoption of Evidence Based Assessments and Services: OJJ has stressed the importance of our youth receiving evidence-based assessments and services, and made administrative steps to facilitate their use. In 2010, the Structured Assessment of Violence Risk Youth (SAVRY) assessment tool was implemented at all points along the OJJ continuum with reassessment happening every six months. The SAVRY protocol targets empirically-based risk and needs factors that, if appropriately treated, may reduce a youth's risk for offending in the future. Individualized plans for the rehabilitation services for each OJJ youth, all of whom will eventually be returned to their home communities, should emerge from the SAVRY assessment results. OJJ works closely with the Coordinated System of Care (CSOC) and Louisiana Behavioral Health Partnership (LBHP) initiatives to guide the building of a network of applicable Evidence Based Practices (EBPs) for the OJJ population.

Background of Recommendations

A&M's recommendations seek to build on OJJ's recent success in reducing adjudicated delinquents and helping the community through prevention and diversion programs. The table below details A&M's recommendations for OJJ:

RECOMMENDATIONS

		Target Savings and Revenue Estimate (All values in 2014 dollars, in 000s)					
Rec #	Recommendation Name	FY15	FY16	FY17	FY18	FY19	Total
1	Adjust OJJ P&P Officers' Caseloads	$996	$1,494	$1,867	$2,241	$2,490	$9,088
2	Relocate Youth from the Jetson Center Youth to Other OJJ Facilities	$4,550	$4,550	$4,550	$4,550	$4,550	$22,750
3	Increase Title IV E funds to OJJ	$75	$373	$374	$374	$374	$1,570
4	Improvements to Monitoring Non-Secure Residential Contract Providers & Prevention and Diversion Program Contract Providers	$0	$819	$1,639	$3,243	$3,243	$8,944
5	OJJ Should Increase Span of Control	$209	$314	$392	$471	$523	$1,909
Total		$5,830	$7,550	$8,822	$10,879	$11,180	$44,261

Recommendation #1 – Increase Office of Juvenile Justice Probation & Parole Officers' Caseloads

OJJ should increase the average caseload for Probation and Parole (P&P) officers from 1:20 to 1:25 cases per officer.

Findings and Rationale

OJJ currently targets an average caseload for its Probation and Parole (P&P) officers of 1:20. Some officers may have smaller caseloads than others depending on the level of risk among the youth they supervise, the court appearance requirements in the parish where the youth resides, and even the amount of driving distance between the youth on their caseloads.

The current OJJ average P&P caseload is 19.2 cases per officer statewide. The state's lowest caseloads are 1:17, in New Orleans, where court practices require P&P officers to attend hearings with youth an average of four days per week. The highest caseloads are 1:22.4 in Shreveport and 1:22.2 in Natchitoches. P&P officer caseloads are closely monitored by supervisors to help ensure the no one is overloaded and offenders receive effective supervision.

National studies found caseloads vary considerably from jurisdiction to jurisdiction and state to state. This is largely due to the fact that laws and court mandates are different, and that some departments manage higher risk populations than others. The general consensus that higher risk youth should be supervised by officers with lower caseloads.

The American Probation and Parole Association (APPA) released a paper on the subject of caseload size in September of 2006. Among the observations were:

- Not all offenders are alike, and vary in terms of level of risk, response to intervention, and needs.
- Orders and conditions imposed by the court on probationers are not all the same. They vary not only by probationer, but by court, judge, and offense.
- Not all jurisdictions are the same; statutes, and political and policy environments vary.
- Small caseloads alone are not enough; they "must be of a size that provides officers with enough time to devote to each offender to achieve supervision objectives."

While prefacing recommendations on the variables above, the study suggested caseloads of 1:15 for Intensive Supervision of High Risk Juveniles and 1:30 for a range of Moderate-to-High Risk Juveniles. OJJ has assessed and supports that an average caseload size of 1:25 should allow the appropriate caseload distribution based upon risk without impacting the effectiveness of their overall supervision program.

OJJ should increase the average caseload for P&P officers from 1:20 to 1:25 cases/per officer. The fiscal estimate is based on an average caseload of 1:25, which would result in the need for 44 fewer P&P officers with an average annual cost (salary and benefits) per officer of approximately $56,000.

Since OJJ has implemented a needs model for managing the juvenile offender population under its care, it has made several significant changes, including the way it supervises juvenile probationers and parolees. Now that the new management model is in place and well established, OJJ is in a position to slightly modify the way it runs its operations.

One change could be helpful is to increase the caseloads of its P&P officers, while still maintaining the operational improvements OJJ has achieved under the new management model.

RECOMMENDATION #1 - (DOLLARS IN 000'S)				
FY15	FY16	FY17	FY18	FY19
$966	**$1,494**	**$1,867**	**$2,241**	**$2,490**

Assumptions

The projected savings are based on the below assumptions:

- OJJ will be able to adjust P&P officers' caseloads to increase the average caseload size during the next fiscal year to 1:25.
- Based on FTE reduction of 44 P&P officers over next five fiscal years, with an average salary and benefits of $56,000.
- It is assumed that these reductions be made over the next five years at FY15 at 40 percent of total, FY16 at 60 percent, FY17 at 75 percent, FY18 at 90 percent and FY19 and beyond at 100 percent.

Recommendation #2 – Relocate Youth from the Jetson Center to Other Office of Juvenile Justice Facilities

A&M concurred with OJJ on the need to relocate youth from the Jetson Center for Youth to other OJJ facilities. This relocation was completed in January 2014 and would impact the overall organizational structure of OJJ by eliminating one of the agency's primary facilities and transferring youth and staff to other OJJ facilities.

Implementation and completion of this recommendation was in January 2014.

Findings and Rationale

The Jetson Center for Youth is a 65 year-old state operated juvenile facility. Its facilities are obsolete and do not support the current OJJ therapeutic model. The state currently spends between $12 and $13 million to operate the Jetson facility.

Given the condition of Jetson, it would be too costly to rehabilitate the facility. In addition, the state has already committed to opening a new juvenile detention center, the Acadiana Center for Youth, in Bunkie, LA, in 2016, which will give OJJ a state-of-the-art detention facility.

The state should relocate youth from the Jetson Center for Youth to other OJJ facilities. This relocation was completed in January 2014 and would impact the overall organizational structure of OJJ by eliminating one of the agency's primary facilities and transferring youth and staff to other OJJ facilities.

This recommendation is in full agreement with OJJ that youth from the Jetson facility should be transferred to other OJJ facilities, including the Swanson Center and the Bridge City Center. As a result, this transfer occurred in January 2014.

To close the Jetson Center there are investment costs for transfer of staff, supplies and equipment to other locations, and closure costs such as utilities, security, and insurance, which total $7.4 million. After costs are accounted for the state and OJJ facilities, it is estimated the state could save $4.5 million per year.

Recommendation #2 - (Dollars in 000's)				
FY15	FY16	FY17	FY18	FY19
$4,550	**$4,550**	**$4,550**	**$4,550**	**$4,550**

Assumptions

The projected savings are based on the below assumptions:

- Savings estimate based on review of FY14 Jetson Center operating costs.

The investment costs are based on the below assumptions:

- Costs associated with closure, and relocation of staff and youth to other OJJ facilities occur prior to FY15.

Recommendation #3 – Increase Title IV E Funds to the Office of Juvenile Justice

OJJ should increase the federal funds it claims from Title IV-E, under the federal guidelines, by claiming candidate costs.

Findings and Rationale

Title IV-E of the Social Security Act (Public Law 96-272) allows states to be reimbursed for a portion of room and board for eligible youth in non-secure eligible contract or state run programs. In addition, Title IV-E allows states to be reimbursed for certain costs associated with the provision of services for youth in the community on probation or parole. To claim these federal dollars, the state must ensure safeguards are in place to either prevent the removal of the youth from their home, or if the youth had been removed, meet other requirements to return the youth to his or her home as quickly as possible. These federal dollars are maintenance payments for eligible youth already in eligible programs. These payments are approximately 64 percent of the allowable costs of Title IV-E youth in Title IV-E programs. (Allowable costs are food, shelter, clothing, and supervision.) Youth who meet the eligibility requirements are usually from single-parent homes and meet the financial guidelines for 1996 Aid to Families with Dependent Children (AFDC) standards. This is one of the few federal entitlement programs that have not been block granted and funds have not been capped.

In addition to maintenance payments, Title IV-E also reimburses states for costs associated to support the youth in care. These are called administrative claims. These claims are driven by the amount of time spent by staff on activities in support of these programs. The amount of time spent is measured using a periodic sampling approach called a Random Moment Time Study (RMTS). The RMTS is a federally approved time recording method that state agencies use to record how staff time and related expenses are distributed. The information collected through the sampling of staff work activities helps determine the time and effort allocated to "allowable" Title IV-E activities.

The RMTS is used in states and counties, or parishes in Louisiana's case, to allocate costs among three areas of services: training; certain probation and parole services; and eligibility determination, for claiming federal administrative reimbursement. Probation services are limited to youth in care that are on probation or youth who are at risk of removal from the home and are on probation. Training activities associated with training staff in IV-E procedures or activities deemed allowable are reimbursed at 75 percent. Parole services are reimbursed at 50 percent. Probation services to candidates are also reimbursed at 50 percent. Eligibility activities such as determining the financial status of families and intake activities necessary to complete IV-E eligibility determination are reimbursed at 100 percent.

All of these claiming processes are filtered by the participation rate (also called penetration rate), which is the number of actual IV-E youth in placement over the number of youth in IV-E eligible programs. Currently, the participation/penetration rate for Louisiana is approximately 35.8 percent. This means of the 296 youth in eligible care, 106 of them have been certified IV-E eligible and must receive the safeguards mentioned above.

OJJ claims IV-E reimbursement via a contract with the Department of Child and Family Services (DCFS), which is the designated single state agency that draws these funds from the federal government. In addition to OJJ, there are five parishes that draw down these funds via a contract with OJJ.

Five parishes (Jefferson, Rapides, Caddo, East Baton Rouge, and Calcasieu) claim Title IV-E "candidate" costs for youth on probation. These are costs associated with preventing removal of youth from their homes and meet the definition of "imminent risk for removal" from the home. OJJ provides probation services for the rest of the state not covered by the five participating parishes. Unlike the five parishes, OJJ is currently not claiming "candidate" costs for youth they supervise on probation.

OJJ's estimated claim for the fiscal year starting July 1, 2013, through June 30, 2014, is approximately $10 million. The administrative claim portion is estimated at approximately $7 million.

OJJ should increase the federal funds it claims from Title IV-E under the federal guidelines by claiming candidate costs. By claiming candidate costs, OJJ could increase its administrative claim by as much as $425,000.

OJJ's current system of monitoring should help support claiming of "eligible candidates". These are youth who have not been removed from the home but are receiving services to prevent the removal of the youth from the home. Without these services, youth are at "imminent risk" of being removed from the home. OJJ Title IV-E program specialists located in the regions have some knowledge with the "candidate" concept as they monitor the documented candidates' case plans that make up claims in the five parishes. Although the extent of the program specialists' expertise in training and implementing claiming of candidate costs is unknown, OJJ should determine if they could provide assistance with training and implementing a candidate claiming process.

Recommendation #3 - (dollars in 000's)				
FY15	FY16	FY17	FY18	FY19
$75	**$373**	**$374**	**$374**	**$374**

Assumptions

The projected savings are based on the below assumptions:

- In order for OJJ to claim candidate costs, the agency's current RMTS will need to be adjusted to pick up activities associated with documenting the candidate
- Extensive training will need to be provided to all OJJ probation staff
- Sequoia is the current contractor for OJJ managing the RMTS. The contract with OJJ is approximately $39,000 per year. OJJ would need to amend the contract to include the costs of redesigning the time study. Sequoia estimated those costs would be approximately $3,500
- It is assumed that OJJ staff will provide the ongoing training (The cost for Sequoia to train the trainers and provide the quality assurance to the new RMTS changes is unknown at this time)
- If OJJ could have Sequoia make the time study changes, train OJJ trainers and then OJJ trainers train probation staff in the first nine months of FY15 (beginning July 1, 2014), the state could possibly begin claiming candidate costs as early as March 1, 2015
- The time study would capture additional "allowable activities" involving case management of "candidates" on probation, thus resulting in a higher reimbursement rate.
- Savings estimates are calculated by revenue estimate a 10 percent increase in the area of case management claims activities beginning in Last quarter of FY15 and increasing to $106,300 a quarter FY16 and beyond.

Recommendation #4 – Improvements to Non-Secure Residential Program

OJJ should make the following three improvements to its non-secure residential program:

1. Work with Department of Health and Hospitals (DHH) to mandate Magellan (Louisiana Behavioral Health Partnership (LBHP) State Management Organization) to address the critical shortfall of residential therapeutic providers in Louisiana and implement changes to service definitions for residential care in the provider network to encourage more providers to enter the network
2. Transition all OJJ youth, who are deemed medically qualified and only if it does not impede there treatment progress, to therapeutic, Medicaid reimbursable placements in the LBHP
3. Adopt LBHP standardized rates for room/board and behavioral health services, and develop a set of "add on" rates for criminogenic services for all OJJ non-secure residential care providers that are not included in the network, for youth ineligible for Medicaid-funded services or for certain types of criminogenic services that are not included in the LBHP.

Findings and Rationale

A&M's findings identified a shortfall of medical facilities in the Louisiana Behavioral Health Partnership (LBHP), which include Therapeutic Group Homes (TGH), Non-medical Group Homes (NMGH), and Psychiatric Residential Treatment Facilities (PRTF). This shortage has caused OJJ, in its custodial duty, to continue to contract outside the LBHP for placement of youth in non-secure residential facilities. As a result, OJJ pays higher per diem rates than it would have had to pay if it were utilizing providers in LBHP.

By transitioning all OJJ populations with assessed behavioral health needs to contractors managed under LBHP, the state can reduce costs and increase the services provided to the youth. However, it will take time for Magellan to procure enough providers to address critical shortfalls in the residential care services needed by OJJ to make this transition possible.

For all contracts it manages outside of the network, OJJ should adopt the standardized set of rates currently used by LBHP. For example, this would include application of the Department of Health and Hospitals (DHH) NMGH base rate of $125.63 per youth/day for room and board, and paying standardized rates for "add on" behavioral health services, such as substance use and mental health treatment, in order to address the unique needs of each youth. An additional "add on" should be educational services to meet the needs of OJJ criminogenic youth, who cannot be educated in the community.

It should also be noted that the ultimate goal of the juvenile justice system is to ensure that effective, community-based prevention programs reduce the reliance on these types of costly residential interventions to serve at-risk youth. However, the number of youth placed in non-secure care continues to be controlled by the court system – and not by OJJ. While moving more youth into LBHP will reduce costs and improve services for OJJ youth, the most promising solution is for the state to work with the court system to develop safe alternatives to residential care whenever possible. Research indicates that this is not only less costly, but produces greater long-term outcomes for the youth. A full cost breakdown is in Appendix E.

Based on this finding and of the current OJJ contracting practices, it is recommended that OJJ make the following improvements to its non-secure residential program:

1. Work with DHH to mandate Magellan to address the critical shortfall of residential therapeutic providers in Louisiana; and implement changes to service definitions for residential care in the provider network to encourage more providers to enter the network.
   a. It has been identified there is a planned new DHH request for proposals (RFP) for the LBHP network. The service definition changes identified by Office of Behavioral Health (OBH) and state agencies should be incorporated by the release of the RFP as well as total treatment needs of the state agencies.
2. Transition all OJJ youth, who are medically qualified and whose treatment progress will not be impeded, to a therapeutic, Medicaid reimbursable placement in LBHP.
3. Adopt LBHP standardized rates for room/board and behavioral health services, and develop a set of "add on" rates for criminogenic services for all OJJ non-secure residential care providers that are not included in the network, for youth ineligible for Medicaid-funded services, or for certain types of criminogenic services that are not included in LBHP.

Recommendation #4 - (Dollars in 000's)				
FY15	FY16	FY17	FY18	FY19
$0	**$819**	**$1,639**	**$3,243**	**$3,243**

Assumptions

The projected savings are based on the below assumptions:

- Savings calculated based on conversion of current OJJ non-secure contracts (95 slots/beds) at average per diem rate of $189.92 to LBHP contracts over five year period.
- In FY15, no conversion of beds.
- In FY16, conversion of 25 percent; 24 TGHs (per diem of $96.40, which includes administrative fee) of OJJ non-secure contracts.
- In FY17, additional conversion of 25 percent; 24 TGHs (per diem of $96.40, which includes administrative fee) of OJJ non-secure contracts.
- In FY18, conversion of remaining 50 percent; 47 TGHs (per diem of $96.40, which includes administrative fee) of OJJ non-secure contracts. As a result, FY18 and beyond 100 percent conversion is achieved.
- Assumes Magellan can increase capacity of LBHP service providers and amend current service agreements.

There are no investment costs.

Recommendation #5 – Increase Office of Juvenile Justice Span of Control

OJJ should reduce layers of management and increase its span of control to a minimum of 1:5.5 (supervisors to staff).

Findings and Rationale

The "span of control" – or ratio of supervising staff to employees – is the measurement commonly used to assess distribution of human resources between management and frontline personnel. The optimum span of control for a given public sector department will vary based on its functions. Most organizational design experts acknowledge, however, that the number of employees most efficiently managed by one supervisor has doubled since early 20th century models from about 1:6 to a range of 1:10 to 1:15, due to technological advances and flattening of organizational structures. A ratio recommended nationwide for the private and public sector is one manager for every eleven employees

Reductions to these levels are more difficult to achieve in juvenile detentions/corrections environments for an assortment of reasons, but there is considerable room for improvement. For example, although a legislative mandate required Iowa agencies to increase their span of control to an average of 1:15 statewide by 2012; best practices studies supported maintaining a ratio of 1:7 for community-based corrections. The American Correctional Association standards require a maximum ratio not to exceed 1:10 managers per staff members for accreditation for probation and parole employees.

An analysis of OJJ, based on a sample of available organizational staffing charts, indicates an average span of control of less than 5.25 employees per supervising personnel within the department (Appendix E). While there are various methodologies for calculating span of control, our initial findings are consistent with a statewide 2011 Louisiana Department of Civil Service Report on Span of Control.

OJJ should reduce layers of management and increase its span of control to a minimum of 1:5.5 (supervisors to staff). This recommendation would impact the overall organizational structure of OJJ by eliminating layers of management and increasing supervisors' span of control.

A flatter organization structure has several efficiency benefits in addition to reduced costs, including increasing the speed with which decisions are made, improving communications, and increasing opportunities for employee development. As the structure of OJJ has evolved over time, both its focus and mission have evolved dramatically. Many organizations find they can increase their efficiency and effectiveness by thoughtfully re-aligning their hierarchical structure to fit their modern processes.

RECOMMENDATION #5 - (DOLLARS IN 000'S)				
FY15	FY16	FY17	FY18	FY19
$209	**$314**	**$392**	**$471**	**$523**

Assumptions

The projected savings are based on the below assumptions:

- An average annual OJJ salary and benefits of $62,299, an estimated 900 OJJ employees, and an initial span of control of 1:5.2.
- Reduction of eight TO over five year period. It is assumed that these reductions be made over the next five years at FY15 at 40 percent of total, FY16 at 60 percent, FY17 at 75 percent, FY18 at 90 percent and FY19 and beyond at 100 percent.

Project Implementation Plan

Project Management / Implementation Strategy

A well-defined implementation plan for OJJ recommendations is critical for its successful implementation and for realization of the associated savings. To effectively manage the implementation plan, OJJ should insure adequate resources are dedicated to the respective project management/implementation teams (PMT).

We address the following four strategic imperatives for each of the recommendations:

- Customer/Stakeholder Engagement and Communications Plan
- Change Management
- Risk and Issue Management
- Monitoring and Tracking Models

The implementation plans below include steps that A&M has identified as necessary to complete an effective launch of the recommendations. These plans and estimates do not include the full set of incremental steps that OJJ and the State of Louisiana must complete on its own.

Below is a summary of the implementation timetable:

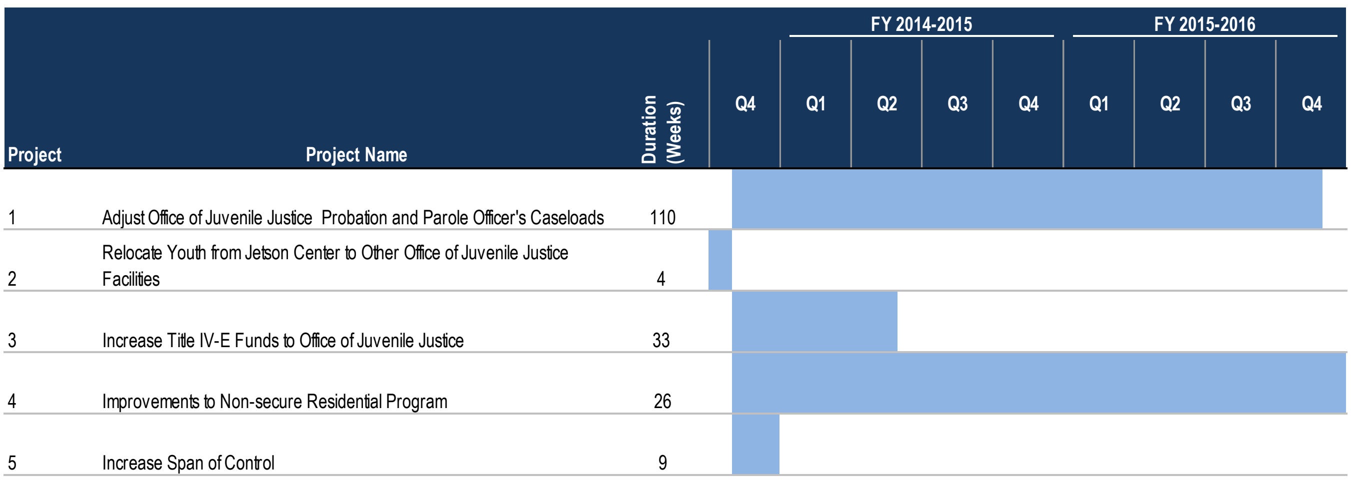


Figure 8.1: OJJ Project Plan Gantt Chart

WBS	Tasks	Resources
1	**Recommendation #1 -- Adjust Office of Juvenile Justice Probation and Parole Officer's Caseloads**	
1.1	Conduct a detailed analysis of current caseloads	PMT
1.2	Identify opportunities for adjustments	PMT
1.3	Establish ongoing procedure to monitor caseloads in real time	PMT
1.4	Eliminate positions as staff retire/leave service, Year 1	PMT

WBS	Tasks	Resources
1.5	Eliminate positions as staff retire/leave service, Year 2	PMT
2	**Recommendation #2 -- Relocate Youth from Jetson Center to Other Office of Juvenile Justice Facilities**	
2.1	Relocation Successfully Accomplished in January 2014	N/A
3	**Recommendation #3 -- Increase Title IV-E Funds to Office of Juvenile Justice**	
3.1	Clarify claiming changes to ensure consistent application	Financial/Policy staff
3.2	Identify training needs	Financial/Policy staff
3.3	Identify core central office training staff for training and implementation to claim candidate costs	Program Manager; Financial staff
3.4	Modify service provider contract and make adjustments to Time Study to include candidate activities and provide additional training on the RMTS and documentation	Contract Manager; Financial staff; Legal
3.5	Provider conducts train-the-trainer training on new claiming procedures	Project Coordinator; Contract Provider
3.6	OJJ trainers conduct training of appropriate staff	Financial/Policy/Field staff
3.7	Conduct a test run for claiming candidate costs, analyze results, and retrain as needed. Conduct additional test if needed.	Program Manager/ Field staff/ Financial staff
3.8	Start claiming federal funds for additional tasks	Financial Analyst
3.8	Conduct Judges' training and parish staff training in process to claim eligible youth in eligible programs	Identified Parish staff and parish's consultant
3.9	Begin claiming eligible youth placed in eligible programs	Identified parish financial staff
4	**Recommendation #4 -- Improvements to Non-secure Residential Program**	PMT
4.1	Conduct a detailed analysis of OJJ non-secure residential care population and needs.	PMT
4.2	OBH and Magellan establish a strategic outreach plan for securing enough PRTF, TGH, and NMGH contracts to address the needs of OJJ. Providers should be in appropriate regions and willing to serve this population.	Magellan
4.3	While preparing for transition of youth to the LBHP, OJJ renegotiates all current non-secure care contracts to standardize rates in accordance with	PMT

WBS	Tasks	Resources
	the LBHP rates and any additional criminogenic service needs it requires that are outside the partnership.	
4.4	Ultimately, OJJ transitions all eligible youth to LBPH network providers, and ensures that every out-of-network contract has standardized rates, clearly defined services, and performance metrics.	PMT
5	**Recommendation #5 -- Increase span of control**	
5.1	Conduct a detailed analysis of span of control by unit	PMT
5.2	Identify vacant supervisory positions that can be eliminated	PMT
5.3	Identify priority targets for reduction/combining of units	PMT
5.4	Issue notices to affected employees	PMT
5.5	Reassign personnel as needed	PMT

Figure 8.2: OJJ Project Plan

Affected Stakeholders

The potential stakeholders affected by these recommendations include:

- Internal – Agency employees and administrative staff.

Internal changes can be communicated to staff, youth, and parents through the normal communications channels.

For external stakeholders, a variety of communications channels might be appropriate, including regular press releases and updates, postings to the agency's website detailing progress, and legislative briefings to inform legislators and their staffs.

Change Management

Implementation of the recommendations will require significant change management efforts. Each implementation team should have PMTs to insure sufficient resources allocated for successful change management. The change management plan must provide for adequate communications with all stakeholders affected regarding the reason for change expected issues along the way and the "future state" of the organization. The plan should include:

- Outreach: internal and external stakeholder communication
- Organizational Design: personnel needs of the organization: reduction in force, training, certification of personnel and or additional personnel resources, and outsourcing of functions
- Infrastructure Requirements: technology infrastructure: upgrades to current systems, and or acquisition of new systems, and real estate management (current facilities utilization, future facilities needs and or facilities upgrades).

Following are the initial change management plans for each of the recommendations:

- **Recommendation #1**:

  Increasing probation and parole officers' caseloads could require the shifting of some responsibilities and change in staffing patterns across offices and regions.

- Outreach: Internal stakeholders include current OJJ personnel at headquarters, in the regional offices, and in the youth secure/non-secure who must be informed regarding how the plan will impact them.
- Organizational Design: The new organizational structure will require 44 fewer FTEs and will be accomplished over five years, primarily through attrition, reassignment, and voluntary separation.

- **Recommendation #2**

  Closure of the Jetson Center for Youth was completed in January 2014. The agency has addressed existing change management requirements.

- **Recommendations #3**

  Increasing Title VI-E funds to OJJ and parishes would require initial, as well as ongoing training and would be required for probation and parole staff to learn how to document their activities in accordance with federal guidelines to draw down additional Title VI-E funds associated with tasks they are performing on a routine basis.

  - Outreach: Internal stakeholders include current OJJ personnel at headquarters and the probation and parole offices around the state who must be informed about the additional steps that must be taken to track their time in order to draw down more Title VI-E funds.

    External stakeholders include state officials, parish officials, and judges and their staffs must be kept informed about the steps being taken by OJJ to maximize Title VI-E funds for the state.

- **Recommendations #4**

  Improvements to non-secure residential program: Standardizing the rates that OJJ pays for Non-secure Care Residential contracts will require implementation of a considerably different approach to management of contracts; stronger, more consistent collaboration and improved communication with OBH and Magellan; intensive outreach to generate additional providers in Louisiana that are able to manage the needs of a criminal justice population at established rates.

  - Outreach: Internal stakeholders include OJJ leadership and personnel that provide assessments of the needs of their population and that manage residential placement contracts. External stakeholders include DCFS and OBH and Magellan, who are responsible for procuring the necessary types of contractors to address the needs of OJJ and DCFS youth. In addition, external outreach will include the intensive outreach plan to non-secure care residential providers that have been in short supply in Louisiana.
  - Organizational Design: The new structure will not impact staffing at OJJ, but will require existing staff to implement the necessary systems to more comprehensively assess each youth for their eligibility for Medicaid services and the LBHP, and to make improvements in the contracting system that will result in standardization of rates for non-secure care residential services.
  - Infrastructure Requirements: The new structure will not impact staffing at OJJ, but will require existing staff to implement the necessary systems to more comprehensively assess each youth for their eligibility for Medicaid services and the LBHP, and to make improvements in the contracting system that will result in standardization of rates for non-secure care residential services.

- **Recommendation #5**

  Increasing the span of control of supervisors throughout the juvenile justice agency could require the shifting of some responsibilities and change in staffing patterns.

- Outreach: Internal stakeholders include current OJJ personnel at headquarters, regional offices, and the individual youth detention centers who must be informed regarding how the plan will impact them.
- Organizational Design: The new structure will require eight fewer FTEs and would be accomplished over the period of five years and be achieved primarily through attrition, reassignment, and voluntary separation.

MONITORING AND TRACKING MODELS

Successful implementation is not only measured by the amount of savings achieved but by improving the outcomes for successful re-entry of youth. Monitoring is a critical component of success for these recommendations.

Monitoring and tracking tools will allow OJJ to address any performance gaps in the recommendations. There is a need to provide incentives for performance associated with these exercises and disincentives for lack of participation, rigor, or results from managers. Any monitoring and tracking model must also include some method of recognition/incentives for managers to engage.

Rec #	Objective	Performance Measure	Target	Unit
1	Conduct Analysis of Current Caseloads	Completed analysis	Complete analysis	Report
1	Increase Caseload per Officer	Caseload per P&P officer	1:25 by 2016	Officer to cases
1	Reduced Level of staffing	Staffing level	44 by 2016	FTE
2	Relocate Youth from Jetson Center	Completed	Completed	Completed
3	Claim Additional Federal Funds – State	Increased number of allowable case management activities associated with "candidates"	5 to 10 percent in FY16	Allowable case management activities
4	Increase LBHP TGH Slots / Beds	Increase number of TGH slots and beds in the LBHP	95	Slots/beds
4	Standardize Non-secure Contracts	Standardize OJJ Non-secure contracts based on room and board and add on services	8	Contracts
4	Assessment of OJJ Youth Medicaid Eligibility	Assess all OJJ youth admissions to Determine Medicaid eligibility, and appropriate residential placement.	100 percent by FY16	OJJ Population
5	Conduct Span of Control Analysis	Completed analysis	Complete analysis	Report
5	Reduce Layers of Management	Staffing levels	1:5:5 or 1:6:5 by FY19	FTE

Figure 8.3: OJJ Tracking Tool

Chapter 9: Department of Children and Family Services

Agency Overview

The mission of the Department of Children and Families Services (DCFS) is to keep children safe, help individuals and families become self-sufficient; and to provide safe refuges during disasters.

To fulfill this mission, the agency has responsibility for a wide range of services designed to promote and support safe and thriving children and families and to improve emergency preparedness, response, recovery, and mitigation capacities during disasters. On July 1, 2010, by law, the Office of Community Services and Office of Family Support merged into the DCFS, consolidating offices, community partnerships, and services. The legislation authorized the agency to:

- Perform the services of the state relating to public assistance programs to provide aid to dependent children and to adults, who due to age, disability, or infirmity, are unable to adequately meet their basic needs
- Administer the food stamp programs, child support programs, establishment of paternity programs, disaster relief grant programs for

individuals and families, and such other programs as assigned by the secretary

- Conduct disability and other client eligibility determinations, and may conduct medical assistance client eligibility determinations
- Enter into interagency agreements with other state agencies to conduct eligibility determinations; provide for the public child welfare functions of the state including but not limited to prevention services that promote, facilitate, and support activities to prevent child abuse and neglect; child protective services; voluntary family strengthening and support services; making permanent plans for foster children and meeting their daily maintenance needs of food, shelter, clothing, necessary physical medical services, school supplies, and incidental personal needs; and adoption placement services for foster children freed for adoption
- Perform the functions of the state relating to the licensing of child care facilities that do not receive federal funds under Title XIX of the Social Security Act and day care centers and agencies
- Issue and monitor domestic violence services contracts[25]

The Secretary leads and directs DCFS and also oversees emergency preparedness, communications and government affairs, general counsel, and the bureau of audit and compliance. The Deputy Secretary of Programs oversees child welfare, economic stability and self-sufficiency and disability determination, child support enforcement, licensing, systems, research and analytics, and program integrity and improvement. The Deputy Secretary of Field Operations oversees nine regional administrators, child protection, and intake. The Undersecretary manages budget, appeals, human resources, administrative services, and fiscal services. Each program strives to improve customer service through staff productivity and satisfaction with a focus on reducing fraud and abuse and modernizing and realigning business practices.

DCFS has a strong history of implementing reforms to ensure the most efficient allocation of its operating budget. The agency has been pursuing efficiencies for a number of years and has undertaken numerous streamlining efforts to improve the agency's service delivery methods and customer satisfaction. The agency has made progress on a number of modernization efforts and enhancements regarding how clients can access services. In 2011, the agency launched centralized intake programs which provide 24 hour service, uniform training and standards, and 1-855-4-LA-KIDS to facilitate child abuse/neglect reporting. In 2012, the agency implemented a customer service center, a document processing center, and CAFÉ (Common Access Front End). These initiatives and enhancements have resulted in a reduction in the number of offices and improved support for parents. Around 85 percent of all applications are now received online. In addition, the agency implemented the only year-round Disaster Food Stamp Program pre-application process in the nation and received the 2010 Recognition Award for Excellence in Human Services Information Technology Award for the pre-application program.

25 http://www.dcfs.louisiana.gov/assets/docs/searchable/OS/20130701_DCFSStrategicPlanUpdateFY2014-2019Final.pdf

BACKGROUND OF RECOMMENDATIONS

A&M's recommendations seek to build on the agency's recent success in reducing the turnover rate among case workers and helping the community by decreasing the time children spend in state custody. By reducing the turnover rate among caseworkers, the agency would decrease the time spent transitioning a child from the departing caseworker to the new caseworker and eliminates the time needed for a new caseworker to familiarize themselves with the child. The table below details A&M's recommendation and corresponding cost savings of state general funds (approximately 40 percent of the total foster care spend with the 60 percent federal match) for DCFS and is the result of a thorough process to identify the most promising opportunities available to the State of Louisiana.

The A&M team initially studied at least 27 strategic actions to improve or increase efficiency for the agency. After additional analysis, A&M focused on five recommendations for improvement opportunities or increased efficiencies for review by the agency. These included, but were not limited to:

- Continue to implement innovative strategies intended to reduce staff turnover and decrease the time children spend in state custody
- Review amount of payments made for foster care board and hospitalization board costs to reduce payments across services
- Deploy an external performance based contract for Home Development Services with community based partners (e.g., external contract in providing recruitment, retention and training of foster parent families)
- Ensure that the department has maximized federal funding through non-safety related licensing/certification exceptions for foster care relative placements
- Ensure the agency is fully allocating Title IV-E monies across eligible department staffing levels

With further research, these were narrowed to one recommendation for short-term improvements.

The recommendation provides an estimated annual cost savings of $445,000 as a result of reducing the amount of time children spend in state custody. By retaining experienced staff, through decreasing the turnover rate for caseworkers, the staff member will maintain their current caseloads which will then decrease the time spent transitioning a child from a departing caseworker to a new caseworker, and eliminate the time needed for a new caseworker to familiarize themselves with the child. A new caseworker has a reduced caseload and requires training and development. Reducing the turnover rate will result in a reduced number of days that the child will spend in state custody. This recommendation is reviewed in detail in the following section of the report.

The A&M team reviewed possible opportunities for the agency to further capitalize on opportunities to increase the amount of Title IV-E federal dollars received and found that DCFS is currently maximizing the agency's potential in that area. After reviewing with agency program leaders as well as outside subject matter experts, it was confirmed that the DCFS is maximizing Title IV-E eligible dollars through innovative and cost effective training methods for the people who work with children in the system and their process for licensing and certification of foster care families. The agency conducted a survey of the staff involved with the agency in helping children and found that the state does provide an intake and eligibility system that effectively captures opportunities for federal funding and there are no short-term opportunities for revenue increases in this area.

Based on multiple discussions with the executive team and analyzing the number of days children spend outside of the foster home, it was decided that the second recommendation reviewed was not an opportunity for cost savings. Changing the current policy would likely result in the agency experiencing negative consequences overall and would not result in cost savings. At the current board rates for foster care, not paying foster families while the child was out of the home would provide minimal savings, but the potential impact to the current number of foster care homes could be affected, leading to children without a foster family. The number of days that children spend out of the home is not a major burden and the dollar amount saved would not benefit the state when the number of potential foster families that would be lost as a result of the deduction in payment is considered.

As a result of multiple conversations with agency executives as well as children and family services experts with non-profit organizations and department officials in other states, the opportunity to privatize Home Development Services is not a potential cost savings opportunity. After analyzing the cost data received, partnering with non-profit organizations to provide Home Development Services would not reduce costs because the current budgeted amount would most likely not cover the performance based costs to outsource. The fact that Louisiana has one of the lowest percentages in the nation of children in high-end residential homes that are waiting for a foster care placement further reduces the savings impact. Other states have outsourced this service but the contract included other services as well, and many states, including Oklahoma, have experienced disappointing results that have not realized cost savings or increased home development opportunities. Please see the appendix section for a more in-depth discussion of this assessment.

RECOMMENDATIONS

		FY 15 - FY 19 Total Savings and Revenue Estimates [$000s]					
Rec #	Recommendation Name	FY 15	FY 16	FY 17	FY 18	FY 19	Total
1	Continue to implement innovative strategies intended to reduce staff turnover and safely decrease the time children spend in state custody	$223	$445	$445	$445	$445	$2,003

Recommendation #1 – Continue to implement innovative strategies intended to reduce staff turnover and safely decrease the time children spend in state custody

Over the recent years, DCFS executive leadership team has been proactive and successful in the implementation of various efficiency initiatives including:

- Strategies to Address Staffing Retention and Turnover
  - Leased new computers including laptops and air cards for child welfare staff
  - Smart phones for Child Protection Services staff
  - Implementation of Child Welfare Supervisors Training with national expert
  - Revamp of Child Welfare new worker orientation
  - Launch of the Child Welfare Training Academy in coordination with Southeastern University and the Pelican Center
  - Implementation of continuous quality improvement initiative with highly trained and experienced staff
  - Implementation of Child Welfare practice model
  - Child Welfare coaches for new staff
  - Hiring of experienced Child Welfare 3s in Child Protection Services, bringing leadership and mentoring supports
  - Secretary's Listening Tour with a focus on retention
- Strategies to Reduce time spent in foster care
  - Launch of Faith in Families Initiative
  - Implementation of advanced safety for staff in Centralized Intake, Child Protection Services, Family Services and Foster Care
  - Pilot and initiation of statewide roll-out of national best-practice Family Teaming to engage families
  - Collaboration with Wendy's Wonderful Kids to train specialized adoption recruiters focused on older youth
  - Monthly operational reviews with regional administrators, program directors and executive staff focused on performance results

DCFS should continue these efforts focus on innovative strategies to continue to decrease the voluntary separation (turnover) rate among non-temporary classified child welfare employees.

Findings and Rationale

By focusing on innovative strategies, such as assigning one caseworker to each family for the duration of the child's time in state custody and improving technological and data systems to reduce the time spent completing paperwork by caseworkers, the agency will continue to decrease the voluntary separation (turnover) rate among non-temporary classified child welfare employees. By reducing the time children spend transitioning from one caseworker to another and reducing the administrative duties of the caseworkers, the amount of time children spend in the system will decline overall. Additionally, by conducting annual surveys of employee feedback and engagement, the agency will be able to monitor the organizational culture among caseworkers. DCFS should continue to build on the training, education, and professional development opportunities offered to new staff as well as seasoned and experienced caseworkers to further engage the team and increase retention.

The Louisiana State Civil Service (LSCS) reported a 14.7 percent voluntary turnover rate among DCFS non-temporary classified agency employees for FY13. This is an improvement from previous years and a reason that the assumed one percent reduction factored into our cost savings model is a conservative estimate. As a result of an estimated one percent reduction in the turnover rate, the cost savings below are realized in the first year and would recur through the next four fiscal years. By continuing to implement the retention initiatives, the turnover rate should be maintained going forward. The FY15 recurring cost savings reflects 50 percent of the estimate as the turnover rate gradually declines throughout the year.

In recent years, the DCFS lowered the use of residential/congregate care and increasing adoptions. With respect to turnover, the agency already utilizes many nationally-recognized strategies pertaining to child welfare worker retention. Agency accreditation (which purports to keep caseloads aligned to standards) and a university training partnership launched that aligns to competencies needed in child welfare practice.

RECOMMENDATION #1 - (DOLLARS IN 000'S)				
FY15	FY16	FY17	FY18	FY19
$223	**$445**	**$445**	**$445**	**$445**

- The State Civil Services report incorporates the Mathis/Jackson cost modeling formula, shown below, to estimate the training costs associated with replacing non-temporary classified employees.
- Using the Mathis/Jackson cost modeling formula, State Civil Services estimates that the DCFS turnover costs are in Table 1 on the following page. The formula assumes an average annual salary of $24,170 and benefits of $9,185 for a DCFS Social Services Analyst 1, a conservative assumption due to the fact that the average salaries and benefits for total turnover would be higher.

Assumptions

The projected savings are based on the following assumptions:

		With 9 percent Budgeted Adjustment	Without 9 percent Budgeted Adjustment
A.	Typical annual pay for job	$ 21,994	$ 24,170
B.	Benefit pay	$ 9,185	$ 9,185
C.	Total employee annual cost (A + B)	$ 31,179	$ 33,355
D.	Voluntary quits in the past 12 months	328	328
E.	Time to become fully productive (in months)*	12	12
F.	Per person turnover cost: (C x 50 percent*)	$ 15,590	$ 16,677
G.	Annual turnover cost: (F x D)	$ 5,113,471	$ 5,470,220
*	Assumes 50 percent productivity throughout the learning period (E) and 100 percent productivity after 12 months.		

Figure 9.1: DCFS Mathis/Jackson Turnover Costing Model

- In addition to the training costs associated with increasing productivity, is the extended period of time children spend in state custody as a result of the lost productivity from the caseworker turnover.

- The national standard for achieving permanency for children in foster care is 37 percent. Louisiana's goal is to exceed that by over 30 percent within 24 months.[26] A 2005 study found that children with more than one worker are almost 60 percent less likely to be placed in a permanent situation within Adoption and Safe Families Act timeframes compared with those with only one worker.[27]
- By minimizing the number of caseworkers per child, it can be assumed that the state will achieve permanency for roughly 29 percent more children per year. This estimate uses the national standard of 37 percent and assumes a 60 percent increase in the likelihood of placement from working with one caseworker throughout the child's tenure. Assuming that every caseworker carries a caseload of 20 children (DCFS maintains a 10 child caseload standard), retaining that caseworker for the year could result in slightly over two additional permanent placements per year. The savings of each placement comes to roughly $13,000 per year,[28] meaning that each child welfare worker retained reduces system costs for children by at least $26,000 per year as a result from placing two additional children in permanent placements – not to mention the improvements this brings in the children's lives.
- By assuming a one percentage-point reduction in turnover from these efforts – slightly less than what the agency has achieved over each of the past five years – the agency would reduce turnover by 22 positions each year. At savings of $50,000 per position ($26,000 in foster care costs and approximately $23,000 in retraining expenditures from the Mathis/Jackson formula), this would represent a gain to the DCFS of over $1.1 million per year, of which at least $445,000 of state dollars would be saved. This represents an extremely conservative estimate of the effects and savings.
- As shown in the table below, the cost savings estimate reflects state dollars after the roughly 60 percent federal contribution rate for foster care is deducted. The budget for the agency only reflects 91 percent of total salaries to account for attrition rates which result in lower salaries to replace departed staff and vacancies that arise from staff departures. The nine percent budgeted attrition column in the table below reflects this adjustment for a low-end savings projection. Further data can be found in Appendix G.

[26] http://www.dcfs.la.gov/index.cfm?md=newsroom&tmp=detail&articleID=532

[27] Strolin-Goltzman, Jessica; Kollar, Sharon; Trinkle, Joanne, Foster Care: Youths Speak out about Child Welfare Workforce Turnover and Selection, *Social Work* , Vol. 55, No. 1, http://www.questia.com/library/journal/1G1-215304825/listening-to-the-voices-of-children-in-foster-care

[28] The average national maintenance cost per foster child per year was $19,107, for those children receiving payments under Title IV-E. The average administrative cost per child served per year was $6,675. The total of maintenance costs and administrative costs per child per year was $25,782 ($19,107 plus $6,675). Comparing the per-child cost of subsidized adoption from foster care with the cost of maintaining a child in foster care, one concludes that the child adopted from foster care costs the public only 40 percent as much as the child who remains in foster care. The difference in cost per child per year amounts to $15,480 ($25,782 minus $10,302). (Zill, 2011 available at https://www.adoptioncouncil.org/publications/adoption-advocate-no-35.html)

	With 9 percent Budgeted Attrition	Without 9 percent Budgeted Attrition
Savings of Training Costs per Employee	$ 15,590	$ 16,678
# of Employees Retained with 1 percent reduction in turnover	22.28	22.28
Total Training Cost Savings	$ 347,384	$ 371,620
Savings from Moving a Child to Adoption from Foster Care	$ 15,480	$ 15,480
# of Additional Permanent Placements	49.47	49.47
Total Savings from Reduction in Foster Care Costs	$ 765,759	$ 765,759
Total Projected Savings	**$ 1,113,144**	**$ 1,137,380**
Savings of State Funds (60/40)	**$ 445,257**	**$ 454,952**

Figure 9.2: DCFS Projected Savings

Project Implementation Plan

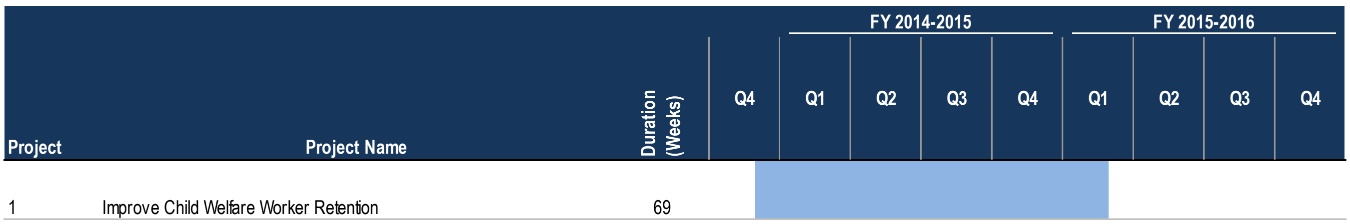
Project Management / Implementation Strategy

The following chart indicates the first 90 days of the DCFS strategy to implement the recommendation contained in this document. The department will need to carefully plan its strategy in order to accomplish all of its goals. It should not be difficult to operationalize the milestones because DCFS has most likely accomplished similar milestones previously and most affect only internal operations.

Recommendation #1: Continue to implement innovative strategies intended to reduce staff turnover and safely decrease the time children spend in state custody

<u>Enhancements to Current Operations</u>: The recommendation makes improvements to current systems and conditions through technology enhancements and improvements to staffing issues.

<u>Outreach:</u> To accomplish the recommendation, the Implementation Plan requires the department to market the suggested changes. The recommendation will require significant marketing and education to caseworkers and social service workers to improve system processes and technology



.Figure 9.3: DCFS Project Plan Gantt Chart

WBS	Tasks	Resources
1	**Recommendation #1-- Continue to implement innovative strategies intended to reduce staff turnover and safely decrease the time children spend in state custody**	
1.1	Establish Work Group to devise plan	Human Resources Manager
1.2	Hold agency meetings to review draft plan and obtain staff input	Human Resources Manager
1.3	Finalize plan	Human Resources Manager
1.4	Implement plan	Human Resources Manager

Figure 9.4: DCFS Project Plan

Affected Stakeholders

Potential stakeholders that will be affected by these recommendations include:

- Internal: Caseworkers and other employees

Communications/Stakeholder Engagement

As this initiative will predominantly affect caseworkers, the department, through its human resources staff, should establish a working group to draft an implementation plan and hold agency meetings to review the plan and obtain input from individuals who will be affected.

Change Management

As noted in the DCFS organizational discussion, the department has already streamlined its service delivery methods so dramatic changes in organizational structure are not recommended at this time. However, to effect the recommendations herein, DCFS must continue to make changes to take advantage of new technologies to increase caseworker and social services worker retention rates. In addition, the department must place more resources into programs that retain Child Welfare Workers. These changes will not only save the state money but will also improve services to clients as well.

Monitoring and Tracking

To ensure that the recommendations herein result in proven efficiencies, it is critically important that DCFS track the progress of each issue. Results should be concrete in that they should be able to be counted and verified. The monitoring and tracking plan below outlines specific measures to ensure that DCFS completes the recommendations herein.

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Rec#	Objective	Performance Measure	Target	Unit
1	Reduce turnover among DCFS caseworkers	Caseworker Turnover Rate	13%	# of Caseworkers

Figure 9.5: DCFS Tracking Tool

Chapter 10: Louisiana Economic Development

Agency Overview

LED leads economic development for the State of Louisiana. Its efforts are focused on positioning Louisiana as the next great American state for business investment, quality of life, and economic opportunity.

LED contains two primary divisions: Office of the Secretary and Office of Business Development, with approximately 119 employees, comprised of 66 classified and 53 unclassified positions.

LED differs from most other state agencies in that the majority of its activities are directed towards generating net increase in future state tax revenue. When LED enters into a cooperative endeavor agreement with a business for an expansion in Louisiana, it structures the agreement such that new state tax revenue generated due to the economic impact from the expansion exceed the state incentives provided for the project. For example, several of the projects that LED has announced over the last six months are each expected to generate an estimated u$5 million per year in new state tax revenue once they reach full capacity. These net new state tax collections represent additional dollars available to fund other state government priorities in future years. These new state dollars are expected to be available only because the company chose to invest in Louisiana instead of a competing state.

Since 2008, the agency has worked diligently to streamline its operations, improve accountability, and increase efficiencies. The agency concentrates its activities around eight strategies:

1. Improve state economic competitiveness: LED's marketing and business development efforts, at the state and local levels, are important in securing new investment and job creation for the state. However, the vast majority of business location decisions are driven by fundamentals, such as labor (quality, availability and cost), the tax and regulatory environment quality-of-life factors (e.g., public education, crime and recreational amenities); and transportation assets. Accordingly, in 2008, LED developed a State Economic Competitiveness (SEC) Group with dedicated staff to develop public policy recommendations and industry-specific strategies designed to make Louisiana a much more attractive place in which to invest.

2. Enhance community competitiveness: Although companies consider a variety of state-level issues (e.g., business taxes) when selecting locations for new business investment, they primarily consider local and regional issues, such as the quality, cost, and availability of trained workers and quality-of-life factors (e.g., the perceived quality of public school options). LED provides technical resources; training, matching grants, and benchmarking supports to help each community position themselves to be more competitive. LED launched the Louisiana Community Network, a web-based suite of educational modules focused on increasing local economic development capability.

3. Identify and cultivate top economic development assets in each region of Louisiana: The State of Louisiana is divided into eight economic regions with each region possessing unique assets. Through a regional planning and visioning process, LED provides coordination and leadership in conjunction with the eight Regional Directors to strategically target and maximize utilization of the regional assets to attract businesses and jobs within each region of the state. LED used this targeted investment strategy to attract Pennington Biomedical Research Center and the NASA Michoud Assembly Facility, which created thousands of new, sustainable jobs.

4. Place special focus on business retention and expansion: LED manages expansion and retention projects just as aggressively as business recruitment projects. In 2013, over 52 percent of LED's discretionary incentives went to support expansions of existing Louisiana companies. The agency assertively reaches out to the roughly 1,200 top economic driver companies in the state, which collectively are responsible for over half of Louisiana's total economy.

5. Develop comprehensive, national-caliber business recruitment capacity: Although most job-creation opportunities will come from cultivating businesses already located in Louisiana, the state still executes an aggressive business recruitment program to capture a disproportionate share of the relatively few large projects that locate in the United States each year, as well as to attract investment in new, high-growth industry sectors to help diversify the economy. LED continues to benchmark business recruitment efforts for each stage of the process – from lead generation to service after the sale – to clarify what represents national-caliber execution and identify gaps that need to be closed to ensure the agency is consistently executing at a national-caliber level.

6. Cultivate innovation, entrepreneurship, and small business: LED strives to position Louisiana as one of the best places in the country in which to start and grow a small business, as well as to create a more vibrant entrepreneurial culture in the state.

7. Develop robust workforce solutions: Developing a strong workforce is a fundamental element of building a competitive business environment and attracting key economic-driver companies to Louisiana. As such, LED maintains a significant focus on building and improving workforce solutions through the continued development of the new LED FastStart® program. FastStart® is a high-impact, fully customized employee recruitment, screening, and training services solution for new and expanding companies in Louisiana largely modeled after the award-winning

Georgia Quick Start program. Additionally, LED is working to help enhance the ability of in-state higher education institutions to meet workforce needs.

8. Aggressively tell Louisiana's story: To create a brighter economic future for Louisiana, the agency must convey to business executives that Louisiana is positioning itself to become the next great American state for business investment, quality of life, and economic opportunity. LED is implementing fresh new marketing and advertising strategies, including a best-in-class website and marketing collateral; securing earned media by continuing to enact bold public policy reforms and deliver impressive business development wins; and publishing a quarterly economic development publication, *EQ*, targeted at out-of-state business executives (and also shared with selected in-state leaders) to communicate economic development progress and opportunities in Louisiana.

Background of Recommendations

Methodology

A&M, working closely with the LED leadership and program staff, conducted and completed a comprehensive review and analysis of the agency's programs and initiatives, as well as its organizational structure, by conducting analysis of competitive economic development state agencies relative to functions and spans of control. In addition, A&M analyzed LED's monitoring and benchmarking of its programs and structures for accountability of project funding. A&M also assessed the agency's budget and operating costs for opportunities that would increase savings, improve operational efficiencies, and maximize revenue for both general and self-generated funds in the next budget cycle.

A&M focused on the following areas:

- Revenue Maximization
- Organizational Structure
- Human Capital Management
- Provider Management
- Cost Savings

Recommendations

		Target Savings and Revenue Estimate (All values in 2014 dollars, in 000s)					
Rec #	Recommendation Name	FY15	FY16	FY17	FY18	FY19	Total
1	Adjust Fees for Inflation	$65	$68	$71	$75	$78	$357
2	Statutory Construction of the Motion Picture Tax Credit Program and Enhance Review Process for Motion Picture Tax Credits	$0	$0	$15,000	$15,000	$15,000	$45,000
3	Enterprise Zone benefits and audit review process	$0	$0	$32,000	$32,000	$32,000	$96,000
4	Consolidate LED Offices into One Government-owned Facility	$256	$320	$320	$320	$320	$1,536
Total		**$321**	**$388**	**$47,391**	**$47,395**	**$47,398**	**$142,893**

Recommendation #1 – Adjust Fees for Inflation

LED's mission to attract and retain high-wage jobs to Louisiana requires the agency to facilitate one-time and ongoing business transactions with clients and customers. Some of these transactions already have legislatively approved fees which, per La. R.S. 49:971, can be adjusted at five percent per year; however, the existing fees have not been adjusted in 20 years. Therefore, A&M recommends that the agency adjust the existing fees by five percent this year and in future years to keep pace with inflation. The following charts illustrate the projected revenues that could be generated by adjusting existing fees and their current authorizations.

Findings and Rationale

	FY15	FY16	FY17	FY18	FY19
Projected Transaction Fees	$1,291,290	$1,355,855	$1,423,648	$1,494,830	$1,569,572
5% Adjustment	**$64,565**	**$67,793**	**$71,182**	**$74,742**	**$78,479**
Total	$1,355,855	$1,423,648	$1,494,830	$1,569,572	$1,648,051

TYPE	CURRENT FEE
Advance Notification (ITEP, QJ, RTA, EZ, Industry Assistance (IA), Tax Equalization)	$100 per program advance notification
Application fee based on proposed tax benefits (ITEP, QJ, RTA, EZ, TE, Retention and Modernization, and Ports)	Proposed tax benefits X .02 percent; $200 minimum, $5,000 maximum
Application fee based on exempted taxes (IA)	$200 minimum $5000 maximum
Application fee (R&D and Technology Commercialization)	$250
Affidavit of Final Cost (ITEP, QJ, RTA, EZ, & TE)	$100 (one time)
Annual Certification Report (ACR)	$100 each filing
Contract Renewals (ITEP, QJ, RTA, IA, & TE)	$50
Application Fee – Motion Picture Production	Fee is calculated as .2 percent of the estimated tax credits calculated at the rate of 30 percent. Minimum fee is $200 and maximum is $5,000
Application Fee – Live Performance (Production & Infrastructure)	Fee is calculated as .2 percent of the estimated tax credits calculated at the rate of 30 percent. Minimum fee is $200 and maximum is $5,000

RECOMMENDATION #1 - (DOLLARS IN 000'S)				
FY15	FY16	FY17	FY18	FY19
$65	**$68**	**$71**	**$75**	**$78**

Assumptions

The calculations for revenue maximization are based on the following assumptions:

- Projected new revenues assume that usage of each program remains consistent and that increased fees do not affect usage
- Fees will be adjusted by five percent

Recommendation #2 –Statutory Construction of the Motion Picture Tax Credit Program and Enhance Review Process for Motion Picture Tax Credits

Alvarez & Marsal queried LED regarding the administration of the Motion Picture Tax Credit Program. According to LED's estimation, the elimination of certain Related Party Transactions and soft costs should yield a reduction in tax credits issued of $15 to $20 million per fiscal year according to the 2012 certified production spend report.

A&M recommends consideration of these changes:

- Allowing only one audit submission per project upon total completion of spending in Louisiana
- Eliminating certain related party transactions (RPTs) as qualifying expenditures
- Eliminating certain "soft costs" such as finance fees, airfare, interest payments, and insurance that generate no significant direct economic impact to the state
- Granting LED the authority to exercise more discretion through written policy as to the qualifying nature of the transactions and whether or not the transactions meet the stated intent of the Legislature
- Granting LED the authority to engage with CPA's directly for the audit of cost reports submitted by applicants. LED should develop minimum competency standards expected for audits submitted to LED, which may include an approved list of CPAs and require CPA attendance at LED training classes

In addition, in order to more efficiently and accurately process the growing volume of Motion Picture Tax Credit Program submissions, including applications for initial certification of film productions and audits of cost reports submitted with requests for final certification of tax credits, LED should enhance its current internal review procedures to include the following:

- Develop a standardized chart, in alignment with entertainment industry accounting terminology, clearly identifying qualifying/non-qualifying expenditures by category
- Document current application and audit review procedures into an operating procedures manual, including proposed expenditures presented in the preliminary budget (i.e. charting proposed qualifying above the line expenditures, soft costs and related party transactions) as well as a detailed outline of the multiple review steps to be taken in order to verify the validity of related party transactions and soft costs
- Fully integrate an electronic submission system (currently through FastLane) and require any and all documentation submitted to OEID to be done so through the electronic system. The system may be accessed by other state agencies, such as LDR

Findings and Rationale

LED has found related party transactions (RPTs) to be problematic and there exists a high potential for abuse of the program within these types of transactions when submitted as qualifying expenditures. "Soft costs" such as finance fees, airfare, interest payments, and insurance have very little economic benefit to the state and a considerable amount of time is spent determining the validity of these types of expenditures.

The majority of the audits are being performed by three to four Louisiana CPA firms. Mixed quality of audits submitted to LED, frequently including substandard work insufficient to justify the issuance of credits and audits are occasionally rejected. A&M also found:

- Written checklists and standard operating procedures are in place to provide for multi-tier review of complex transactions, however, written detailed procedures may be beneficial
- No standardized web-based forms and documents to assist in internal review and evaluation
- No standardized format for reporting of expenditures, leads to increased staff review time
- In some cases, where further audit review is needed, LED contracts for an additional forensic audit, the cost of which in most cases is billed to the tax credit applicant
- Staff, which is currently only two full-time employees (with support from Legal and supervision by the Undersecretary), is spending a disproportionate amount of time determining the validity of RPTs and assessing appropriate allocation of soft costs and other expenditures which is an inefficient way to spend their valuable time as the program activity continues to grow each year

Increased audit integrity and the submission of only one audit will provide for increased accountability to ensure tax credit provisions are being met. Documentation of standard operating procedures and defined roles and responsibilities will enhance the internal review process as the application is received, during the production and after the project is completed.

Creating the ability for LED to contract directly with the Louisiana CPA firms would ensure that the state's guidelines for tax credit verification are being met.

Efficiency will also be gained with LED automation of data transfer between various state agencies.

In the film production tax credit program, LED has found related party transactions (RPTs) to be problematic when submitted as qualifying expenditures. It can be difficult to ascertain the economic reality and substance of the transaction -- whether it supports development of the targeted industry and creates a benefit to the state -- and there is significant potential for abuse and distortion of the program intent. As a result, far more administrative time is spent reviewing RPTs as compared to other expenditures. LED should have the authority to exercise more discretion through written policy as to the qualifying nature of the transaction and whether or not it meets the stated intent of the Legislature.

Similar to RPTs, the statute should be amended to eliminate certain "soft costs" such as finance fees, airfare, interest payments, and insurance for the same reason as RPTs. These have very little economic benefit to the state and a considerable amount of time is spent determining the validity of these types of expenditures. For example, a production may purchase the entire production policy or obtain financing from a source within the state and argue that the entire amount should qualify for credits, regardless of whether the production is shot 50 percent in Louisiana and 50 percent elsewhere. The department has continually reaffirmed, that the qualifying expenditures are to be allocated in proportion to the Louisiana spend only.

LED has also identified problems with the quality of audited expenditure reports submitted by the applicant company's independent CPA's. The Legislature should allow LED to have the authority to select the CPA and be party to the audit engagement. Limiting the audit to be performed to one per production would gain efficiencies by the administrators. This would allow the administrator to be able to see the entire project and evaluate the analytics around the project as a whole.

Finally, LED should design a framework to automate the analytics of the film expenditure review process. This is currently manually entered into a spreadsheet and reviewed by the program director. A mandated standardized cost report could be developed and required to be used by the applicant. Any costs outside of the norm for the category could be rejected immediately.

RECOMMENDATION #2 - (DOLLARS IN 000'S)				
FY15	FY16	FY17	FY18	FY19
$0	**$0**	**$15,000**	**$15,000**	**$15,000**

Assumptions

While no immediate direct cost savings with this process improvement during the planning period is being presented, the above initiatives will impact the state budget and improve the efficiency of the programs. Long-term financial efficiency will be achieved through streamlined and automated programs and increased accountability in the audit review and certification process.

Any changes to the program criteria could require legislative approval.

Recommendation #3 – Enterprise Zone benefits and audit review process

A&M recommends consideration of the following changes:

- The Enterprise Zone (EZ) statute amended to require businesses be located in EZ in order to receive benefits under this program
- The EZ statute amended to clarify the nature of public assistance relative to participation in the program
- The EZ statute amended to limit the amount of qualifying capital expenditures to a certain dollar amount per net new job
- The EZ statute amended to further limit or exclude certain industries (e.g., restaurants and others, whose net new jobs are most likely a result of substitution effects)

Please note that as reported in the 2012 Louisiana Legislative Audit report on the Enterprise Zone Program, businesses located outside of a designated enterprise zone received on average $41 million in tax incentives per year from 2008 to 2010. LED's savings estimate assumes that the same number of business that were involved in the program from 2008 to 2010 would be included in the program going forward. The estimate adjusts the incentives paid out to businesses by the 61 percent reported in the Tax Exemption Budget in FY13.

Findings and Rationale

A 2010 LED study and 2012 legislative audit report showed that:

- Twenty-nine percent of all EZ projects were located in actual enterprise zones with 71 percent located outside actual enterprise zones, over a four-year period
- Louisiana's EZ program was (and is) significantly less focused on generating net new permanent jobs in the state as compared to programs in neighboring states
- Louisiana's EZ program does not exclude certain industries that typically follow local demand and/or suffer from substitution effects (e.g., retail, restaurants and other sectors serving primarily local demand).[29] These industries are excluded by several neighboring states

Currently companies who create the minimum number of jobs as required under the program are allowed an unrestricted amount of benefits under either the Sales and Use Tax Rebate or the Investment Tax Credit. Other than the minimum criteria of the program, EZ does not require any correlation between the number of jobs actually created and the amount of capital expenditure benefits to which a business will be entitled.

A report issued by PEW highlights efforts made by LED in the analysis of the Enterprise Zone.

[29] Act 423 of the 2013 Regular Session of the Louisiana Legislature disallowed most retail establishments with more than 100 employees nationwide from participating in the Enterprise Zone program unless the business is a grocery store or pharmacy located in an Enterprise Zone.

Recommendation #3 - (dollars in 000's)				
FY15	FY16	FY17	FY18	FY19
$0	**$0**	**$32,000**	**$32,000**	**$32,000**

The original purpose of the Enterprise Zone program was to target business development and job growth in poorer, distressed regions of the state designated as Enterprise Zones; however, Act 977 of the 1999 Regular Legislative Session added a provision allowing businesses located outside an Enterprise Zone to qualify for EZ program incentives. Today more than 70 percent of the new applications approved are from companies located outside an Enterprise Zone, contrary to the program's original purpose.

Currently, a business must create the minimum number of qualifying jobs within 24 months of the start of their contract in order to receive certification from LED as meeting the minimum requirements of the program. If a business claims rebates for any lesser portion of the qualifying jobs within the first year, and then does not subsequently qualify in year two, the value of the rebates claimed must be returned to the state via claw-backs. Additionally, a business can claim sales and use tax rebates or investment tax credits any time prior to certification, but if the business does not ultimately meet the program's minimum performance levels and receive certification, the value of the incentives claimed must be returned to the state via claw-backs.

Coupled with the lack of minimum salary and benefits thresholds, the program could be utilized to incentivize the creation of only a few minimum wage jobs with no benefits, while providing almost unlimited amounts of sales & use tax rebates or investment tax credits as long as qualifying expenses are made. This could be mitigated by limiting capital expenditure incentives to a maximum of $100,000 per new full-time job

In order to meet eligibility requirements for a job to qualify, the individual must be receiving public assistance. These hiring requirements should be updated to mitigate any potential abuse in meeting eligibility requirements.

Assumptions

All recommended changes would require legislative approval. There would be no immediate cost savings until the potential revisions are done. However, if approved, the proposed improvements being presented will impact the state budget in the future and improve the efficiency of the programs.

Recommendation #4 – Consolidate LED Offices into One Government-owned Facility

LED and DOA should identify appropriate government-owned space that is suitable and adaptable for LED's mission and will facilitate the relocation and consolidation of all of its programs including FastStart®. LED's new office space will serve to maximize the productivity and ability of its staff to execute the organization's work (accomplished via layout, technology, etc., as well as colocation of LED and LED FastStart® for the first time).

LED's current lease for the FastStart® commercial space contains a termination clause which would need to be exercised once the space is identified and a definitive move date is established. There must be an investment in the build out of the new facilities and the cost of moving which is reflected in A&M's models and in greater detail below.

Findings and Rationale

With the exception of LED's premier FastStart® Program, LED currently occupies 33,528 square feet on two floors of the Capitol Annex Building, paying an annual rent of $254,459 or $7.59 per square foot.

LED's FastStart® Program is currently leasing 13,772 square feet of private commercial space paying an annual rent of $425,000 or $30.86 per square foot. The elimination of the commercial lease and physical consolidation of FastStart® with the remainder of LED in government-owned space will yield cost savings.

A&M recommends that LED and DOA identify appropriate government-owned space that will facilitate the relocation and consolidation of all of its programs, including FastStart®, and meet the requirements of LED. The space must be suitable and adaptable for LED to provide its lines of services and implement its programs. LED and DOA must:

- Identify the government facility that meets its need
- Advise DOA of the urgency of relocation and consolidation
- Identify a Project Manager/Team to implement the planning and execution of relocation and consolidation

RECOMMENDATION #4 - (DOLLARS IN 000'S)				
FY15	FY16	FY17	FY18	FY19
$256	**$320**	**$320**	**$320**	**$320**

Assumptions

The subsequent cost savings estimates takes the delta between the current FastStart® lease of 13,772 square feet at $30.85 and the relocation/consolidation into a government-owned facility at $7.59. In the first year, there is an investment in the move and build out of the new space. Moreover, the state will no longer pay a commercial rate to an external party. The recommendation estimates assume an occupancy-ready building, though the exact cost will not be known until the building is selected. There could be additional build-out cost depending on the condition of the building. Additional cost would be contingent upon the actual building selected and the amount and degree of renovation required to meet the agency's mission.

PROJECT IMPLEMENTATION PLAN

A&M believes it is critically important that there is a specifically defined implementation plan for LED to transition the recommendations from concept to desired results and to achieve the estimated revenue maximization and cost savings in FY15 and beyond. A&M believes that LED will be able to fully implement these recommendations by using its current internal, human, and financial resources along with interagency collaboration between LED, DOA, and the Office of Legislative Affairs.

PROJECT MANAGEMENT / IMPLEMENTATION STRATEGY

The recommendations as put forth will require individualized project plans. However, it is strongly recommended that LED establish a dedicated Project Management Team (PMT) within or reporting to the Office of the Undersecretary. Over the next year, the PMT will implement the requisite actions, drive the organizational strategies and resource investment, and formulate the legislative strategy. The Office of the Undersecretary has a wide range of financial, administrative, and support services within its purview and will be able to coordinate across LED departments to achieve the recommended outcomes. The PMT will effectively manage and coordinate the necessary actions and resources while permitting LED to continue focusing on its core mission. Below is a brief summary of the plan for each of the recommendations:

Recommendation #1 – Adjust Fees for Inflation

Implementation to increase existing fees by five percent can be done internally and immediately. There should be minimal impact to the agency. Steps include assigning a program manager to coordinate the execution of the study to ensure consistent administration of the change, notification to customers, clients, and business associations. Next, applications and the website should be updated to reflect the new amounts. A&M anticipates this can be completed in 100 days.

Recommendation #2 – Statutory Construction of the Motion Picture Tax Credit Program and Enhance Review Process for Motion Picture Tax Credits

LED should work with the legislature on the following potential statutory changes and to determine the fiscal impacts to the program.

Within the next 90 days, LED can enhance its current internal review procedures with following:

- Development of standardized chart, in alignment with entertainment industry accounting terminology, clearly identifying qualifying/non-qualifying expenditures by category
- Document current application and audit review procedures into an operating procedures manual, including proposed expenditures presented in the preliminary budget and procedures to be taken in order to verify the validity of related party transactions and soft costs

Within 180 days, LED should be able to fully integrate an electronic submission system (currently through FastLane) and require any and all documentation submitted to OEID to be done so through the electronic system. The system may be accessed by other state agencies, such as LDR.

Any changes to the program criteria will require legislative changes.

Recommendation #3 – Enterprise Zone benefits and audit review process

In order to implement this recommendation, LED will have to develop written policies and an audit process in coordination with LDR. LED will also need to acquire funding for the hiring of an external third party to conduct the EZ study. Final implementation of this recommendation will probably require legislative changes in 2015.

Recommendation #4 – Consolidate LED's Two Locations into One Government-owned Facility

A&M anticipates that the plan will require involvement of and coordination between more than one government agency and office. There will be initial relocation costs that need to be considered, including build-out design and logistics associated with relocation. Once the exact space is determined, a project manager will be assigned to manage this task. LED will also have to exercise the termination clause of FastStart® current lease commitment.

Project	Project Name	Resources	Start	End	Duration (Days)	Duration (Weeks)
1	Adjust Fees for Inflation	0	3/31/14	4/04/14	5	1
2	Statutory Construction of the Motion Picture Tax Credit Program and Enhance Review Process for Motion Picture Tax Credits	0	7/01/14	10/28/14	119	17
3	Enterprise Zone benefits and audit review process	0	7/01/14	2/13/15	227	32
4	Consolidate LED Offices into One Government-owned Facility	0	3/31/14	11/28/14	243	35

Figure 10.1: LED Project Plan Gantt Chart

LED Project Management and Implementation Plan Overview

WBS	Tasks	Resources
1	**Recommendation #1 – Adjust Fees for Inflation**	
1.1	Assign a program manager to coordinate implementation and execution	1 Gov't FTE (existing position)
1.2	Administratively adjust existing fee amounts by 5%	1 Gov't FTE (existing position)
1.3	Notify existing clients, stakeholders, and partner organizations of changes	1 Gov't FTE (existing position)
1.4	Update applications and website to reflect new fee amounts	1 Gov't FTE (existing position)
1.5	Address necessary software and accounting changes	1 Gov't FTE (existing position)
2	**Recommendation #2 – Statutory Construction of the Motion Picture Tax Credit Program and Enhance Review Process for Motion Picture Tax Credits**	
2.1	Develop written policies and standards for review process	1 Gov't FTE (existing position)
2.2	Develop standardized web form for budget submissions	1 Gov't FTE (existing position)
2.3	Develop business rules and processes with the Department of Revenue and the Workforce Commission	3 Gov't FTE (existing positions – 1 from each agency)
2.4	Develop approval process for CPA firms	1 Gov't FTE (existing position)
3	**Recommendation #3 – Enterprise Zone benefits and audit review process**	
3.1	Develop written policy statement	1 Gov't FTE (existing position)
3.2	Develop audit process for LDR to conduct in tandem with LDR audits	1 Gov't FTE (existing position)

3.3	Acquire funding	1 Gov't FTE (existing position)
3.4	Hire outside third party to conduct study	1 Gov't FTE (existing position)
3.5	Identify potential improvements for Enterprise Zone	Outside 3rd party, 1 Gov't FTE (existing position),
4	**Recommendation #4 – Consolidate LED's Two Locations into One Government-owned Facility**	
4.1	Identify appropriate government owned space for LED consolidation (In Process)	1 Gov't FTE (existing position)
4.2	Resolve appropriate space to meet LED's mission	1 Gov't FTE (existing position)
4.3	Assign a project manager(PM) to oversee the entire relocation and consolidation process	1 Gov't FTE (existing position)
4.4	Negotiate the termination FastTrack existing commercial lease	1 Gov't FTE (existing position)
4.5	PM in coordination with DOA start build out design	1 Gov't FTE (existing position)
4.6	Build out new space for LED	1 Gov't FTE (existing position)
4.7	PM coordinate the logistics of moving personnel, equipment and furniture	1 Gov't FTE (existing position)

Figure 10.2: LED Project Plan

Affected Stakeholders

The recommendations in this report have various internal and external stakeholders who will be affected by the proposed changes. Preparing for and engaging with stakeholders is essential to the successful implementation of each of the recommendations. The agency will need to raise awareness of changes, communicate how these changes will impact employees and customers, and plan for implementation.

Fee Changes

The most obvious impacts to external stakeholders will come from the recommendation to adjust LED's fee structures. LED has not adjusted its fee structure since 1994 and many of these fees do not cover the cost of providing the service to the clients. In order to generate the necessary revenue to support the agency's operations moving forward, it will be important to engage stakeholders on why this change is necessary.

Space Consolidation

Internal and external stakeholder engagement will also be important to ensuring the fluid consolidation of LED and FastStart® into one building. Communication of expectations and process to internal stakeholders should be consistent. In addition, it will be helpful to explain to external stakeholders that they will now be able to receive LED services under one roof – a one-stop shop to help grow and expand new and existing businesses.

Change Management

The planning and execution of the LED recommendations for cost savings and revenue maximization do not require organizational/management or systems changes. The outcomes can be accomplished within the existing management framework. However, agency leadership will be required to raise awareness about how the changes will affect employees and clients.

Leadership should be prepared for resistance by clients on increased fees and program managers may need support in communicating the need for change to clients. This will take a commitment to the change by agency leadership and program managers.

The recommendations for facilities consolidation may require minimal changes during the actual transition process. However, there may be some pushback to moving employees to a new building. Leadership should be prepared to communicate and apply the intended changes to the workplace while enabling a smooth transition. It will be important to share information and ask for input. Involving all employees in the transition will be important to mitigating productivity loss and ensuring a seamless transition.

To prepare for the move to the new location, LED needs to be ready to explain who is going to be impacted, communicating when the change is happening and how it is going to occur.

Finally, preparing the agency for the change to create a zero-budget will also be important. Leadership will need to provide a calm, realistic, and consistent explanation of changes and why they are happening. Managing a tight budget requires constant and open communication. Openly acknowledging the change and the fact that budgets are tight can actually improve performance and make employees less anxious about changes. Communication by management that is clear and comprehensive will also help to mitigate counterproductive rumors. Leadership should also utilize staff to implement changes and to empower program managers to implement their budgets.

Monitoring and Tracking Models

Monitoring and tracking is an important part of project implementation. Setting and maintaining clear performance measures will help to keep a project on target and within scope. In most cases, both qualitative and quantitative measures are required to ensure thorough monitoring and tracking. However, for the recommendations being provided to LED, most performance measures are quantitative in nature. Regular meetings and record updates will need to happen to ensure performance measures are met.

The following chart summarizes the defined performance measures for each recommendation:

Defined Performance Measures for Recommendations

Rec#	Objective	Performance Measure	Target	Unit
1	Adjust fees for inflation	Fees increased by 5 percent	$65,000	Applicants
4	Consolidate Space for LED FastStart® and LED into larger government owned space	Decrease in facilities cost from $30.86 to $7.59 per square feet	$320.000 p/yr.	Cost/Sq.

Figure 10.3: Defined Performance Measures for Recommendations

CHAPTER 11: REVENUE MAXIMIZATION

INTRODUCTION

REVENUE MAXIMIZATION IN LOUISIANA – BACKGROUND AND APPROACH

The State of Louisiana has instituted many reforms and initiatives that have resulted in revenue improvements over the past five years, including the automatic sunset of dedicated funds, streamlining of regional revenue offices, and transfer of audit functions. The A&M team reviewed the past efforts, identified new opportunities, and created a cross-agency plan that addresses important ways to drive improved revenue.

Most revenue maximization opportunities described in this report require minimal implementation. Many of these strategies and approaches build on existing capabilities, infrastructure, or programs already in place. Further, these opportunities generate both one-time and ongoing revenues for the citizens of Louisiana.

The items in this report fall into the following individual themes/categories:

- Opportunities to maximize federal funding
- Opportunities to recapture more of the true cost of doing business with state agencies
- Opportunities to improve state performance
- Creative non-tax sources of revenue

The following section addresses each of these areas and provides associated examples.

Background of Recommendations

While the bulk of this chapter speaks to the themes of revenue maximization and when this strategy can be employed, those examples are recommendations built into other department-specific chapters. In addition, two explicit recommendations are made in this chapter. These recommendations are detailed below in the report and are one part of the greater revenue maximization strategy for the state.

Recommendations

		Target Savings and Revenue Estimate (All Values in 2014 dollars, in 000s)					
Rec #	Recommendation Name	FY15	FY16	FY17	FY18	FY19	Total
1	Create Federal Funds Office	$3,029	$7,509	$7,509	$7,509	$7,509	$33,065
2	True Cost of Doing Business	$0	$33,238	$33,438	$33,648	$33,869	$134,193
Total		**$3,029**	**$40,747**	**$40,947**	**$41,157**	**$41,378**	**$167,258**

Opportunities to Maximize Federal Funding

A&M has identified a number of ways that Louisiana can improve revenue by extracting the greatest utility from existing federal grants and programs. A&M recommends standing up a statewide Federal Funds Office (FFO) within DOA to drive collaboration, improve compliance, and share best practices across agencies.

The FFO would lead the implementation of research and tracking tools for grants management, and would take responsibility for cross-agency projects to review reimbursements and cost allocation processes, assess existing compliance procedures and resolution plans, and monitor and track grant execution. Through a small team of dedicated staff, the increased federal funds focus will help to maximize both the receipts and effective use of federal funds.

These revenue maximization strategies build upon an overall strategy that state dollars should not be expended where federal dollars are available and can be used to provide the same service for the state and its served population.

Recommendation #1 – Create a Federal Funds Office

A&M recommends that the DOA create a Federal Funds Office to enable a coordinated, prioritized, and compliance-driven approach to maximizing the amount and effective use of federal funds in the state's agency budgets and expenditures. Federal government assistance payments to Louisiana-based agencies and offices exceeded $7.4 billion in grants in FY13. These payments include both awards made directly to the state government as a grantee as well as awards made to universities, parishes, and health systems. A significant amount of funds spent by the state originate with the U.S. federal government. A&M believes that DOA and the state as a whole would benefit from a coordinated approach to the planning, application, use, and compliance with this large source of funds and its sponsor, the U.S. government.

Findings and Rationale

Currently, there are no federal funds offices in place in Louisiana's state government. Grants and other funds are handled directly by each agency. Audits and compliance efforts are completed either by the grantee agency, the Legislative Auditor (through the A-133, for example), or outside private firms. Applications for grants are made by the agencies.

The amount of federal grant funds in FY13 represented a significant portion of the total state budget. The state would benefit from a more coordinated approach in the prioritization, application, compliance, and reallocation of federal funds for use by state agencies or controlled institutions.

Coordination of federal funding in disaster recovery has helped drive state's recovery over the last few years. A federal funds office must prioritize tasks, identify resources and requirements, and design a process for effective grant execution. Any grants management start-up team must complete activities enabling a strong office to work across agencies and provide stakeholders and sponsors with effective grant identification, application, oversight, management, and overall risk management.

A review of both a centralized and a coordination-based operating model was performed to assess the best implementation path for the state. The coordination model involves creating an office to support the identification of grant opportunities, prioritizing the state's strategic goals, sharing of best practices, and developing a compliance function to ensure that Louisiana is properly executing on grant dollars received. A centralized model would include a heavier level of investment in systems and infrastructure and involve creating and transferring in staff from the various support agencies to take greater ownership of the grant lifecycle, reduce duplicative administrative functions, drive grant execution, and ensure compliance with federal mandates. As part of the fully centralized operating model, A&M reviewed the cost to transition six of the high-volume, federally funded agencies into the SAP system including both the logistics and finance modules. It was estimated that the total cost for transition of these agencies into SAP would cost $6.4 million and take approximately 15 months to complete. Alternatively, a smaller investment in a grantee-based grant management system is estimated to cost $300,000 to $500,000 with an additional 20 percent maintenance cost per year thereafter.

The recommended approach is to employ a more streamlined coordination model due to the potential to improve grant compliance, the relative performance of the existing agencies, and the high cost of systems implementation to enable the centralized model. The creation of a core team with traceable time on individual grants might also enable reimbursement for grant team operating costs, reducing state budget expenditures.

RECOMMENDATION #1 - (DOLLARS IN 000'S)				
FY15	FY16	FY17	FY18	FY19
$3,029	**$7,509**	**$7,509**	**$7,509**	**$7,509**

Assumptions

Savings were identified using the following methodology:

- Federal grant payments to US states in FY13 were analyzed to select a group of states to benchmark against Louisiana, comparing federal dollars vs. Gross State Product (GSP) per capita
- Five benchmark states were chosen based on region, total federal grant dollars, population and GSP per capita. These five states are Minnesota, Arkansas, New Mexico, Missouri and West Virginia
- Potential improvements for grants were analyzed using FY13 payments data, excluding formula grant programs, and excluding areas where Louisiana exceeded the benchmark in paid federal funds
- A per capita benchmarking analysis was performed on the FY13 federal grant awards that showed $120 million in non-formula grant funding in which Louisiana received less than five other high-performing states (i.e., West Virginia, New Mexico, Arkansas, Missouri, and Minnesota) on a relative basis
- From the list of grant opportunities, a targeted set of below-benchmark grants were identified totaling over $40 million, including six grants for which Louisiana did not receive funding
- These grant opportunities were heavily discounted at 75 to 80 percent to reflect the lack of fit with Louisiana's strategic direction, potential lack of necessary pre-qualifications, or to simply reflect the low likelihood of new award
- The review also identified $3.2 million in grant funding that was repurposed or returned during FY13
- The target-case revenues assume that 22.5 percent of the potential grant opportunities and 50 percent of the repurposed funds could be captured by Louisiana in a given year, resulting in $10.9 million in additional funding
- State match was assumed at 25 percent (rather than the lowest possible state match ration of 20 percent) for each year representing $2.4 to $3.0 million in additional costs/investments in the analysis above
- The FY15 funding assumed a ramp-up period in which only less than 50 percent of new funding is achieved
- While creating an organization with traceable time may allow reimbursement of many staff costs to applicable federal grants, the additional cost reimbursement has not been factored into the savings model
- Initial Grant Management Systems implementation costs for a grantee-based system is estimated to cost $300,000 to $500,000 with an additional 20 percent maintenance cost per year thereafter
- The design of the office envisions the hiring or, if feasible, transition of approximately six federal funding and grant positions within executive branch agencies as follows:

Positions	Level	Estimated Salary	Benefits	Overhead	Total
Director of Grants Management	AS-626 or UCL	$ 103,532	$ 40,253	$ 12,941	$ 156,726
Planning and Communications Lead	AS-620	$ 68,984	$ 26,821	$ 8,622	$ 104,427
Management / Administrative Lead	AS-620	$ 68,984	$ 26,821	$ 8,622	$ 104,427
Grant Specialist	AS-613	$ 42,952	$ 16,700	$ 5,369	$ 65,020
Compliance Expert	AS-621	$ 73,820	$ 28,701	$ 9,227	$ 111,748
Compliance Analyst	AS-613	$ 42,952	$ 16,700	$ 5,369	$ 65,020
Total		$ 401,224	$ 155,996	$ 50,150	$ 607,370

Figure 11.1: Estimated Additional Positions, Federal Funds Office

Improve Federal Funds Execution and Reimbursement Procedures

Improved federal funds utilization is obtained both in areas where the state provides services reimbursable by federal government programs at a full rate and in cost allocation areas where the state can adequately document and submit compliant reimbursable costs that were not fully applied before (and therefore not reimbursed at the most appropriate level).

It is vital that the state review and improve its current indirect cost allocation rates for Louisiana agencies receiving federal funds. Shortly after the Federal Funds Office is created, the state should launch an initiative to become more proactive in tracking cost allocation. This process includes a potential improvement that results in savings for the taxpayer on each federally funded program in place at the state. It is important for the state to work carefully to meet federal guidelines and documentation requirements, as well as create clear methodologies that are transparent to federal agencies and the state's external auditor (including the Legislative Auditor) in Louisiana.

In order to fully maximize federal grant dollars, the state should properly analyze its indirect cost ratio. If the grant is being underutilized, there could be substantial monetary gains for the state in recouping these indirect costs. In turn, the state could submit more indirect costs towards the budget of a federal grant they have received.

All increases in the indirect cost allocation rate result in a direct reduction of state budget expenditure while still providing citizens with the same level of service support. Small changes in the percent cost allocation rate can translate to significant amounts of savings across federal grant programs as well. These rates should be reviewed on a regular basis, with a review that compares reimbursement rates versus other states, as well as the controls and designations of costs in four categories: direct, indirect, excluded, and unallowable.

Through the existing reviews, A&M found examples in which federal funds were not maximized, either through reimbursement processes or through allowable adjustments to the fee-based programs. Specifically, the state provides services, particularly in health care, that are reimbursable by the federal government through Medicare and other programs, such as a doctor's office or clinic. These costs carry guidelines on maximum allowable reimbursements and on required documentation. Improved capture of federal reimbursements within existing programs, as envisioned in this report, does not require statutory changes or admission to any additional federal program.

A&M has identified areas where the state may not be requesting its appropriate reimbursement for services from the federal government, and instead is filling the budget needs for these services with state and/or local funds.

First, OJJ could increase the federal funds it claims from Title IV-E under the federal guidelines by claiming "candidate" costs. Title IV-E of the Social Security Act (Public Law 96-272) allows states to be reimbursed for a portion of room and board for eligible youth in non-secure eligible contract or state run programs. In order to claim these federal dollars, the state must ensure safeguards are in place to either prevent the removal of the youth from their home or, if he or she has been removed, meet other requirements to return the youth to his/her home as quickly as possible.

Second, Medicaid allows states the ability to charge a fee to various categories of health providers (i.e. hospitals, nursing homes, ambulance services, etc.). The fees are used to generate funds that can be matched with federal funds based on each state's match (i.e. FMAP) rate. Louisiana currently has provider fees for intermediate care facilities, nursing homes, pharmacies, medical transportation (not currently being assessed), and managed care organizations. The current fee collected is a $14.30 provider fee per occupied intermediate care facility bed day. Based on the Medicaid formula that limits the amount that can be charged, Louisiana could charge an additional $1.95 per bed day while staying within federal limits.

Recovering More of the True Cost of Doing Business with State Agencies

Fees under Existing Authorities

This revenue theme is intended to capture those areas where some groups are generating costs to the taxpayer that are not representative of the current fees charged by the state under its various authorities. Improvement of the relationship between the fees paid and the cost of service is an intended outcome for those fees already in existence. Many reasons may exist for any disparity between fees and program costs within current authorities; in some cases, longstanding fee structures have not kept pace with inflation, operational costs, risk profiles, volume of service, or evolving service requirements.

The proposed approach examines fees, particularly those unchanged over the last decade or longer, evaluates these fees against other benchmarks, contrasts them to the actual cost of providing service or relevant infrastructure, and drafts revised fees in line with other state benchmarks. It is also important to note that this approach may not result in fee programs becoming cost neutral based on improved revenue. The intended effect for Louisiana is to improve overall program effectiveness and funding while staying mindful of customary, quantifiable benchmarks for fee payers in a given area.

There are instances where the state has the opportunity to create or increase fees under existing authorities. First, Louisiana requires LED to facilitate one-time and ongoing business transactions. Some of these transactions already have legislatively approved fees with the authority to be adjusted at five percent per year. The existing fees, however, have not been adjusted in 20 years and are not generating sufficient revenue relative to the services being provided.

Second, all Office of Public Health fees are at the statutory maximum except for the Food, Drug, and Cosmetic Production Registration Fee. Louisiana Administrative Code §105 of Part VI of Title 51 requires that all food, drug, and cosmetic products sold in package form within the State of Louisiana be registered with the Food and Drug Unit. By raising this fee to its statutory maximum, more of the program costs will be borne by those for-profit private entities manufacturing and selling the products being regulated, and, to the extent that fees are passed through in increased product prices, the consumers purchasing their products.

Fees under New Authorities

In addition to the fee increases allowed under existing authority, there are a number of fees that could be enacted or changed to help defray the cost of delivering services. For example, the Office of State Lands facilitates the identification, administration, and management of State public lands and water bottoms. Part of this duty involves the leasing of surface and subsurface easements, right-of-ways and water bottoms for public use of the State's public lands. The state can increase the lease fees marginally to increase revenue for the OSL and recover the true cost of business.

Recommendation #2 – Trust Cost of Doing Business

The state should establish initiatives to analyze the existing fee and permitting structure in comparison to other states and identify opportunities to support the various departments via new permitting for business activities, access fees and permits, and through bonding programs. These initiatives represent additional revenue opportunities for the state through initiating or expanding fee structures for services currently provided by general fund budgeting. There are a numerous services that are charged on a per event basis by other benchmarked states. Fees can be captured in the form of insurance/bond premiums, fees, licenses, and other methods, but a common feature of these ideas would include the creation of a new fee schedule for the provision of service.

In contrast, across the state agencies there are a number of fees and permits that are designed to shift the cost of regulation to the entities requiring service. The fees help defray the costs of oversight, inspection, or enable commerce through licensing or permitting.

Findings and Rationale

There are a number of services provided by the state that are either fully or partially funded by state funds. The fee structure of an agency should be balanced to ensure that costs are borne by the customer requiring service or undertaking activities that cause the costs to be generated, while balancing the fee against reasonable rates charged by other states. Raising the fees to help cover program costs would move the cost of the regulatory burden to those being regulated and/or the consumers of these services, and eliminate subsidies.

RECOMMENDATION #2 - (DOLLARS IN 000'S)				
FY15	FY16	FY17	FY18	FY19
$0	**$33,238**	**$33,438**	**$33,648**	**$33,869**

Assumptions

It is assumed that these opportunities will require legislation because the actual method or degree of the proposed change in the permits or fee is not part of current statutory language. Some of the fees would require legislation to establish the fee, while others would require legislation to raise the fee limit created by statute. As a result of the assumptions around statutory changes, the fee estimates provided here are assumed to begin in FY16 to allow time to affect a fiscal legislative session.

It is unlikely that any of these new fees would require additional operational, safety review, or service delivery resources. Most of the services now are provided at no charge or are funded from a nominal fee. Instead, the state would need to focus on creating the authorities in statute that would allow for the creation of fees.

A&M has identified opportunities to create fee schedules for services which are commonly charged by other states (such as Texas, Pennsylvania, Ohio, Connecticut, and others) at rates which greatly exceed Louisiana's current charges. These areas for fee improvement via new authorities total approximately $33 million in recurring revenues for the state. The fees could be used to offset current program and service delivery costs, reduce general fund budget requirements, or be placed in reserve for increased wear and tear to infrastructure and assets owned by the state. This revenue improvement is not necessarily intended to make any state service area cost neutral; it is intended to instead meet the benchmarks relevant to other state performance and reduce the overall taxpayer burden for specific areas of service. These areas will contribute to numerous agencies and service lines currently in place within the state's offerings as regulator and safety inspector on behalf of its citizens.

Improve Internal Performance Through Resourcing

Within the LDR chapter, A&M recommends developing revised priorities and changes to the review process to increase collections. Louisiana has the ability to improve revenue by building up the audit function and thorough prioritization of workload. A&M's approach to this kind of internal performance improvement has two bases: 1) one-time activities that result in a prioritization of efforts, promoting greater efficiency and 2) ongoing activities that focus on improved review and associated gains from current revenue sources. None of the strategies in this area of revenue maximization require additional legislation. These strategies all originate from work with LDR. This area also represents the largest potential area of revenue maximization.

As an example, LDR's Office of Legal Affairs currently has a backlog of 2,668 cases representing $757 million in unpaid taxes. The cases consist of complex technical issues as well as simple collection cases. A plan is being developed by Legal Affairs to reduce the substantial backlog of cases by decreasing the time to closing through settlements or obtaining judgments in court. This would allow Legal Affairs to concentrate on the more complex and valuable cases. A second recommendation would be to have a third party evaluate the largest dollar-amount cases for probability of a positive outcome and to analyze the litigation capabilities of both internal and third parties to optimize caseload. Once completed, the department can reprioritize the cases for possible settlement or to begin trial preparations.

In addition, A&M recommends that Legal Affairs should create a three-person committee to review docketed cases quarterly to speed up settlements if warranted.

A&M also recommends improvements to the review process for LDR. The state has a large population of taxpayers and limited resources to evaluate the accuracy of returns for multiple types of taxpayers (individuals and businesses) as well as different kinds of taxes (income, sales, and other specialty taxes). It is in LDR's and the state's interest to better understand the relevance of flagged returns across different types of returns and tax payments to drive faster identification of owed funds and to increase the likelihood of payment.

A&M believes, based on prior experience, that additional auditor resources pay real dividends both in terms of near-in collections as well as future compliance. The state would benefit from a variety of supplemental auditors used in the following ways: cross-functional (across all types of returns and tax), analytics-focused sales and severance auditor resources, and a broad additional pool of temporary auditor resources to follow through on flagging by these smaller, more specialized teams. This approach will result in significant additional revenues for the state, as well as a potential decline in fraudulent refunds. Furthermore, A&M recommends that the state leverage existing analytics platforms (including but not limited to SAS) to assist the audit staff in gaining speed and scale over the data generated by the tax return and payment process.

Creative Source of Non-Tax Revenue

This final category of revenue maximization strategies is intended to contain ideas whose genesis and application fall outside any existing fee schedule or adjustment. The Louisiana legislature passed a law to allow businesses to place advertisements on state-owned property in 2013. The leasing of space for advertising at state assets such as bridges, rest stops, and roads does not constitute a use fee for taxpayers. DOTD spends $1.5 million on maintenance and operations for the state's 10 rest stops. Sponsorship and advertising opportunities could provide Louisiana with revenue to help defray maintenance costs. DOTD is now pursuing this opportunity.

Project Implementation Plan

Project Management / Implementation Strategy

The creation of a federal funds office will require significant change management processes. While the core function of grant application/submission, oversight, compliance, and reporting will continue and will not require any retraining of staff, it will require the addition of a research and prioritization process on the front end. This will involve a new level of coordination by both the office and the domain subject matter experts from each of the respective departments. Grant process-focused employees will be hired or relocated into the new Federal Funds Office.

Core mission and duties of the new office will be to:

- Create visibility of future federal funding opportunities reflective of Louisiana governmental priorities categorized by local agency, federal funding agency and program, new programs, and reauthorizations
- Provide research and assistance for funding opportunities across agencies, including federal changes and updates
- Provide review and share best practices for the creation and organization of grant proposals and applications, and identify relevant regulations and requirements from granting agencies
- Provide research and assistance in the creation of grant and budget development for contracts
- Train and educate agencies on all aspects of grant development and management capabilities
- Provide oversight, financial review, and grant-specific management functions for funded programs
- Track and ensure compliance and resolution of audit findings

<u>Organization Design/Development</u>

Design of a federal funds office is based on requirements made of the office's leadership and the accountability afforded the grants management office for funds and oversight. The coordination model would be based on establishing an office to work with individual program offices at participating agencies to provide research support and direction from the newly established program office. A startup team should be established and would publish this plan and train agency staff on the new model and processes.

<u>Local Agency Mapping</u>

The startup team should identify statewide contacts within the local agencies and universities and take an inventory of current processes, procedures, and grants in process or under management, and seek to define interaction between the agencies, federal sponsors, and the federal funds office itself. The team must also design and deliver training to agency points of contact regarding roles and responsibilities.

<u>Infrastructure Requirements</u>

The startup team must review requirements for a grants management system to support the rollout, assign infrastructure responsibilities, articulate policies, and design a rollout strategy. The team should support this rollout with a local systems integrator or IT support, including the design of lifecycle management processes and procedures.

<u>Training/Outreach</u>

In order for the office to be sustainable, a comprehensive training program will be mandatory. The team would draw on best practices to create a training methodology for staff and leadership, and establish training policies, guidelines, and procedures for all personnel involved with grant management.

These areas will support a number of critical tasks associated with the creation of a fully operational federal funds office.

Project	Project Name	Duration (Weeks)		FY 2014-2015				FY 2015-2016			
			Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
1	Create a federal Funds Office	39									

Figure 11.2: Cross Agency Revenue Opportunities Project Plan Gantt Chart

WBS	Tasks	Resources
1	**Recommendation #1 -- Create a Federal Funds Office**	
1.1	Assign internal standup team participants as well as outside resources, create master contact list, initial budget and define roles/responsibilities	4 Gov't FTE + 1 Project Coordinator
1.2	Benchmarking: review other Maryland examples, interviews with team (market study, best practices and potential pitfalls); agree on key metrics for success	4 Gov't FTE + 1 Project Coordinator
1.3	Roles & responsibilities: define mission components to be delivered by federal funds office versus agencies/governance and roles and responsibilities; key job descriptions; and interactions between FFO and agencies	4 Gov't FTE + 1 Project Coordinator
1.4	Roles & responsibilities: assign infrastructure responsibilities for programs, staff, and functions	4 Gov't FTE + 1 Project Coordinator
1.5	Policy development: create charter for office, develop policy framework to support governance situation within DOA and executive branch agencies, and create new requirements, including infrastructure authorizations to access appropriate systems and data.	4 Gov't FTE + 1 Project Coordinator
1.6	Budget process design and activities: create an annual budget estimate for FFO, DOA mechanics, accounting, processes, and procedures on an ongoing basis and for fiscal year	4 Gov't FTE + 1 Project Coordinator
1.7	Office launch/stand-up: educate/publish to federal partners	4 Gov't FTE + 1 Project Coordinator
1.8	Office launch/stand-up: Recruit/hire/execute new organizational design, publish/educate/train, and purchase/rollout	4 Gov't FTE + 1 Project Coordinator
1.9	Grant process development: Ensure new grants process has a link to each stakeholder in new FFO org, and the FFO has a map of the links; map infrastructure/resources to each step of grant process	4 Gov't FTE + 1 Project Coordinator
1.10	Federal approval: align FFO to federal grants process and obtain federal agency relevant approvals	2 Gov't FTE + 1 Project Coordinator
1.11	Ongoing operation/new grants: support as needed, including audit, growth and remediation, create and implement standard operating procedures, liaise regularly with federal funders, capture & track continuous improvement	2 Gov't FTE + 1 Project Coordinator
1.12	Compliance/mitigation planning: tweak mission at 6-month mark to identify additional gaps and recurring issues, manage lifecycle and specific incident changes, adjust for unanticipated needs from outset	2 Gov't FTE + 1 Project Coordinator
1.13	Training/outreach: establish training policies, guidelines, and procedures for all personnel involved with grant management, train new organizational design, create sustainable infrastructure training program for start-up and future	2 Gov't FTE + 1 Project Coordinator

Figure 11.3: Project Plan Tool

Monitoring and Tracking Models

Monitoring is a critical component of success for these recommendations for the Division. All of these tracking metrics should also include a periodic review (monthly or more frequent review). As an example, all may require intensive periods of review throughout certain periods of the year. All federal funds reallocation metrics and underlying data will merit close review in the 180 days preceding end of funds authorization.

Briefings should be organized around the significant items (whether these items are classified as important because of timing, size, compliance or other concerns) with all supporting documentation available to inform effective strategy development.

The tracking and monitoring process becomes effective in this only when it becomes the means by which decisions are made within the agencies, the division, or in some cases, the executive branch of the state as a whole. There is plenty of flexibility within the form, but these tools and approaches should form an integral part and agenda item of all executive briefings, meetings and workshops.

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Rec #	Objective	Performance Measure	Target	Unit
3	Percent of office staff cost reimbursable by federal grant funds	Percent of office staff cost reimbursable by federal grant funds	100% of staff costs	Expenditure $

Figure 11.4: Tracking Tool

Chapter 12: Human Capital Management

Human Capital Overview

Human Capital Personnel Levels by Agency

From 2011 to 2014 the number of active full time staff fell by 8.2 percent from 25,345 to 22,282. The state has been in the process of increasing efficiency and in turn the ability to reduce staffing levels.

Agency	2011	2012	2013	2014
Division of Administration	557	511	263	241
Department of Children & Family Services	3,930	3,685	3,546	3,445
Department of Corrections	5,236	5,115	4,783	4,809
Louisiana Economic Development	116	113	114	113
Department of Health & Hospitals	6,666	7,243	5,261	5,336
Department of Public Safety	2,619	2,538	2,506	2,493
Department of Revenue	760	740	647	665
Department of Transportation & Development	4,459	4,364	4,268	4,255
Office of Juvenile Justice	1,002	962	892	925
Total	**25,345**	**25,271**	**22,280**	**22,282**

Figure 12.1: Active Full Time Employees by Agency

TURNOVER PROFILE

Since 2010, the voluntary turnover rate for non-temporary classified workers has been on the rise statewide, from 12.9 percent in FY11 to 18.9 percent in FY13. The highest turnover in FY13 for the agencies in scope was as follows:

- LDR at 21.4 percent
- DHH with 19.5 percent
- DOC with 19.4 percent
- OJJ with 18.4 percent

Agency[30]	# Voluntary Separations FY12	Voluntary Turnover Rate
Department of Children & Family Services	519	14.7%
Department of Corrections	917	19.4%
Louisiana Economic Development	7	11.1%
Department of Health & Hospitals	1,275	19.5%
Department of Public Safety	122	7.8%
Department of Revenue	136	21.4%
Department of Transportation & Development	484	11.3%
Office of Juvenile Justice	154	18.4%

Figure 12.2: Turnover Profile by Agency

[30] "Report on Turnover Rates for Non-Temporary Classified Employees, Fiscal Year 2012/13," http://www.civilservice.louisiana.gov/files/publications/annual_reports/2012-2013%20Act%20879%20Turnover%20Rate%20Report.pdf

Across state agencies, exit interviews consistently show that employees' reasons for leaving their jobs fall into five buckets; Resign-Pay Reasons, Resign-Personal, Resign-Reason Not Stated, Resign-Work Related, and Retirement. Retirement and resignation for personal reasons, at 34 and 35 percent respectively, are the top two reasons that employees terminate their employment with the state.

Reason for Voluntary Separation	DCFS	DHH	DOA	DOC	DOTD	DPS	LDR	LED	OJJ	Total
Death (considered voluntary by the state)	1%	1%	3%	1%	<1%	3%	1%	5%	1%	1%
Resign to Avoid Dismissal	<1%	<1%	<1%	1%	<1%	2%	<1%	0%	<1%	<1%
Resign-Better Job Other Industry	2%	1%	3%	4%	1%	1%	8%	10%	<1%	2%
Resign-Military	0%	0%	0%	<1%	0%	0%	0%	0%	0%	<1%
Resign-Pay Reasons	**4%**	**4%**	**4%**	**5%**	**18%**	**7%**	**0%**	**5%**	**4%**	**6%**
Resign-Pending Disciplinary Action	0%	0%	0%	<1%	0%	0%	0%	0%	0%	<1%
Resign-Personal	**28%**	**36%**	**51%**	**41%**	**21%**	**25%**	**16%**	**52%**	**46%**	**35%**
Resign-Reason Not Stated	**9%**	**14%**	**4%**	**7%**	**14%**	**16%**	**13%**	**0%**	**24%**	**12%**
Resign-Shift/Locale/Housing	<1%	1%	0%	3%	1%	0%	0%	0%	1%	1%
Resign-To Attend School	2%	1%	5%	1%	2%	<1%	4%	5%	0%	1%
Resign-Work Related	**5%**	**7%**	**2%**	**7%**	**3%**	**6%**	**2%**	**0%**	**6%**	**6%**
Retirement	**47%**	**33%**	**29%**	**29%**	**40%**	**39%**	**56%**	**24%**	**15%**	**34%**
Transfer Out to Non-LaGov Agency	<1%	2%	0%	0%	0%	1%	0%	0%	<1%	1%

Figure 12.3: Voluntary Separations by Reason as a Percentage of Agency Voluntary Separations

VACANCIES PROFILE

Total vacancies across agencies and vacancies as a percentage of the total Table of Organization (TO) count have decreased over the same period. They decreased from 1,895 in 2012 to 1,397 in 2014, a 38 percent reduction. At 5.7 percent vacancy the State of Louisiana has a low level of budget vacancies compared to industry standard of around nine percent.

	2012		2013		2014	
Agency	Active	Vacant	Active	Vacant	Active	Vacant
DOA	511	60	263	21	241	52
DCFS	3,685	398	3,546	403	3,445	284
DOC	5,115	225	4,783	219	4,809	138
LED	113	9	114	4	113	4
DHH	7,243	791	5,261	662	5,336	473

	2012		2013		2014	
Agency	**Active**	**Vacant**	**Active**	**Vacant**	**Active**	**Vacant**
DPS	2,538	112	2,506	59	2,493	127
LDR	740	61	647	145	665	69
DOTD	4,364	47	4,268	49	4,255	54
Exec	967	33	1,044	42	1,023	68
OJJ	962	159	892	161	925	128
Total	**26,238**	**1,895**	**23,324**	**1,765**	**23,305**	**1,397**

Figure 12.4: Table of Organization (T.O.) by Agency

	2012	2013	2014
Active Positions	26,238	23,324	23,305
Vacant Positions	1,895	1,765	1,397
% Vacant of T.O.	6.7%	7.0%	5.7%

Figure 12.5: Vacant Positions by Agency

RETIREMENT PROFILE

The schedule of employee retirement shows a steady progression of retirement-eligible staff coming over the next five years. The figure below shows that 700 to 900 employees are eligible for retirement per year, which is equivalent to a range of about 1.0 percent to 4.5 percent of each agency's workforce.

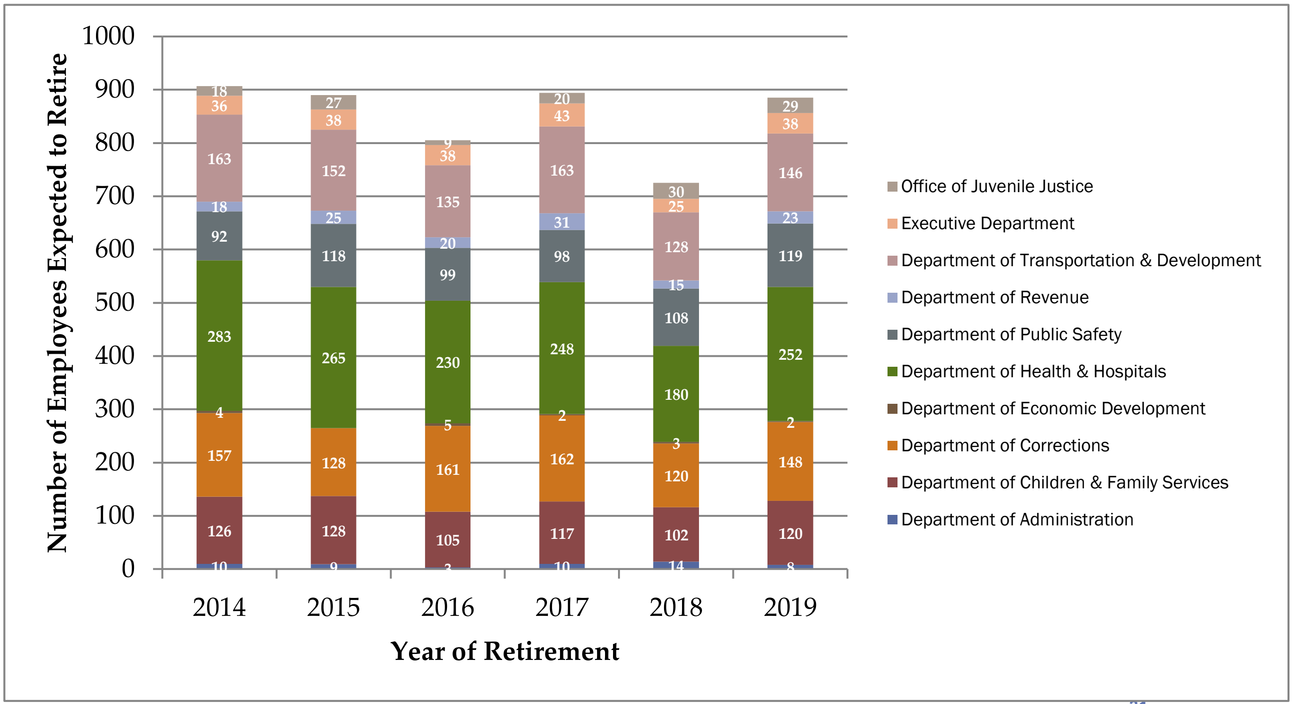

Figure 12.6: Number of Employees by Agency and Estimated Retirement Year[31]

[31] Analysis does not include 5,912 employees for which the estimated retirement date was unavailable

	2014	2015	2016	2017	2018	2019	**Total**
Division of Administration	3.3%	3.0%	1.0%	3.3%	4.6%	2.6%	**17.8%**
Department of Children & Family Services	3.3%	3.4%	2.8%	3.1%	2.7%	3.2%	**18.4%**
Department of Corrections	3.2%	2.6%	3.2%	3.3%	2.4%	3.0%	**17.6%**
Louisiana Economic Development	3.2%	0.0%	3.9%	1.6%	2.4%	1.6%	**12.6%**
Department of Health & Hospitals	3.7%	3.5%	3.0%	3.3%	2.4%	3.3%	**19.2%**
Department of Public Safety	3.4%	4.4%	3.7%	3.6%	4.0%	4.4%	**23.4%**
Department of Revenue	2.6%	3.6%	2.9%	4.5%	2.2%	3.3%	**19.0%**
Department of Transportation & Development	3.7%	3.5%	3.1%	3.7%	2.9%	3.3%	**20.3%**
Executive Department	3.0%	3.2%	3.2%	3.6%	2.1%	3.2%	**18.2%**
Office of Juvenile Justice	1.9%	2.8%	0.9%	2.1%	3.1%	3.0%	**13.8%**

Figure 12.7: Percent of Agency Workforce by Estimated Year of Retirement

Over the next six years, it is estimated that between 12 percent and 23 percent of the workforce will retire. The high rate of voluntary turnover and the likelihood that a wave of retirement will occur has the state facing a significant workforce planning issue.

Succession Planning

In Louisiana's 2013 Workforce Plan Survey,[32] three state agencies reported having existing workforce plans. The Department of Public Safety was one of the three agencies with workforce plans, while the remaining agencies within the scope of the GEMS project did not develop annual workforce plans. In the survey, 72 percent of responding state agencies reported that they were concerned about the loss of institutional knowledge. These anxieties stemmed from concerns about retirement (55 percent of agencies), budget cuts (89 percent), attracting and retaining employees due to pay (67 percent) and budget concerns (50 percent). A large majority of agencies (78 percent) indicated that they had identified key positions likely to be vacated within the next five years, and only about a quarter have identified the critical competencies needed for key positions. Over 60 percent of respondents indicated that they had implemented training for employees to provide them with appropriate knowledge and skills, yet only 28 percent have implemented processes to transfer vital knowledge from experienced employees to new hires before it is lost.

[32] "2013 Louisiana Workforce Plan Survey," http://www.civilservice.louisiana.gov/files/publications/workforce_plans/2013%20Louisiana%20Workforce%20Plan%20Survey.pdf

Annual Leave and Sick Leave Policies

Earning annual and sick leave is based on the equivalent of years of full-time state service and are credited at the end of each calendar year. Although governed by two separate policies, current annual leave and sick leave accrual rates are identical for both classified and unclassified employees. Current policies allow unused accrued annual and sick leave earned by employees to be carried forward indefinitely to succeeding calendar years.

	Annual Leave		Sick Leave	
Years of Service Range	Hr Leave per Hr Duty	Days per Year*	Hr Sick Leave per Hr Duty	Days per Year*
Less Than 3	0.0461	12	0.0461	12
Between 3 and 5	0.0576	15	0.0576	15
Between 5 and 10	0.0692	18	0.0692	18
Between 10 and 15	0.0807	21	0.0807	21
15 Or More	0.0923	24	0.0923	24
**Assumes a 2,080 hour work year.*				

Figure 12.8: Annual and Sick Leave Policies

Workers' Compensation Policies

Workers' compensation laws are designed to provide a satisfactory means of handling occupational accidents and disabilities. In the State of Louisiana, workers' compensation is compulsory for all in public employment. The standard rate is 66 $^2/_3$ percent[33] of base wages; the wages are not subject to federal tax.

Workers compensation and employers liability is self-insured for statutory benefits of $5 million for each accident/disease. LSU Baton Rouge has a separate policy; they are also self-insured for statutory benefits of $5 million for each accident/disease. The agency deductible is $0.5 million per occurrence, while in aggregate the deductible is $3 million.

Workers compensation and employers liability for the Superdome is provided by a separate policy. The benefits are statutory at $1 million for each accident/disease.

[33] "Benefits for temporary total disability provided by workers' compensation statutes". United States Social Security Administration. http://www.ssa.gov/policy/docs/progdesc/sspus/appeniv.pdf

Background of Recommendations

Through the comprehensive review of the state agencies, A&M has made dozens of recommendations that affect human capital and human resource issues. The recommendations below provide highlights on the specific opportunities that A&M has identified in Louisiana, generating significant savings over five years for the state. The human capital recommendations that have been made across the state have salary implications, impact span of control, implementation of new organizations, and redesign of processes to generate savings. The largest human capital management opportunity is found by restructuring the Department of Revenue (LDR) through the establishment of a cross-functional discovery unit that leverages a centralized team approach to enhance efficiency and improve cost effective compliance. Opportunities in other agencies include a potential centralization of the federal grants management function to standardize the state's approach to interactions with the U.S. government and an expansion of the supervisory span of control across all agencies. Finally, a cross-agency recommendation addresses the issue of workforce planning, offering a strategy to ensure sustainable staffing levels going forward.

Salary Implications

Several recommendations consolidate functions, increase span of control, or otherwise reduce headcount. This will generate both efficiencies and savings for the state, creating better functionality and service delivery for agencies while lowering annual outlays of state funds by reducing total budgeted salary through creative methods. In the first full year of implementation, A&M expects the state to save at minimum $15 million on salary-related costs.

The savings figure is inclusive of several recommendations that call for the addition of new staff at state agencies that will boost revenues. Recommendations of this nature include, but are not limited to, the creation of a Federal Funds Office and the shift away from using outside engineering contractors at DOTD and bringing more expertise in-house. While these recommendations would require an increase in budgeted salary, implementation would generate revenue or create savings that would more than offset the additional outlays.

New Organizations

Several A&M recommendations involve the creation of new offices or expansion of current organizations within state agencies. These added bodies will create additional savings and revenue opportunities for the Louisiana state government by either centralizing operations or increasing capabilities.

At LDR, A&M recommends the establishment of a cross-functional discovery unit in order to efficiently select leads and technical issues for further development. This group will generate a centralized audit plan which will be executed by Office Audit and Field Audit. This will result in enhanced revenue and more efficient tax administration. This will also result in a fairer distribution of tax burden on all Louisiana taxpayers. Furthermore, this process will shift focus of audits on noncompliant taxpayers, rather than those who voluntarily comply, resulting in a superior customer experience.

A&M recommends the creation of a Federal Funds Office within DOA to enable a coordinated, prioritized, and compliance driven approach to maximize the amount and effective use of federal funds in the state's agency budgets and expenditures. Much of the Louisiana's ability to run its government operations and core missions is aided by federal funds. While coordination of federal funding in recovery has been an important development and success driver in the state over the last year, few other efforts with regard to federal funds have been similarly harmonized. Federal funds require very similar application procedures, quality control processes, compliance processes, and reporting. All of these activities could be best served through a centralized function within the state government. Similarly, the rules that enable the reallocation of expiring funds left in grant programs could benefit from centralized, coordinated decision-making based on what is best for the state, rather than simply spending the funds in compliant but relatively low-value areas. Additionally, the creation of a core team with traceable time on individual grants might also enable further reimbursement for grant team operating costs, further reducing state budget requirements.

PROCESS AND SAVINGS

Large organizations like state governments often have too many employees conducting the same work in different locations[34]. Duplication of tasks, especially in process, function, and alignment, can cause inconsistent execution, poor sharing of knowledge, and a loss of control in an organization. A&M recommends integrating organizational design solutions in these areas to improve efficiency, eliminate redundancy, strengthen accountability, and to help protect institutional knowledge.

One key example of such a recommendation is the Department of Transportation and Development's support services. DOTD currently divides the state into nine districts and 75 percent of DOTD's headcount works in these districts. Each district has distinct maintenance and project management responsibilities for their area. The districts vary in total land, population, highway lane miles, and capital project expenditures. Back-office functions are dispersed and duplicated across each district with little to no resource or information sharing across districts. Some processes in the districts, such as disbursements and human resource functions, are very manual. A&M recommends moving business support services currently housed within each district, to a regional model to consolidate redundant functions, improve processes, and take advantage of economies of scale.

Likewise, A&M recommends that the Department of Corrections (DOC) increase the utilization of self-report supervision status to 10 percent of the total probation and parole population currently under supervision. The increase in self-report cases within the probation and parole supervised population would result in a reduction of parole and probation supervising officers based on the change in caseload size. With the movement of an additional 3,300 cases from traditional caseloads to the self-report caseloads, there could be a reduction in probation and parole officers. Nationally, administrative and self-report caseloads have been extensively used to provide minimal supervision to those offenders who represent the least risk to the community. A review of probation and parole risk data indicates that the increase in self-report caseloads could be achieved without an increased risk to public safety.

CROSS-AGENCY RECOMMENDATIONS SUMMARY

During the assessment process, A&M looked for trends in human capital across the state and opportunities to find savings and efficiencies not only in individual agencies but also across the entire government. Five recommendations resulted from the initial assessment, addressing family medical leave policy, overtime usage, the need for workforce planning and analytics, a redesign of job families, and span of control. These recommendations run the gamut, suggesting further examination of current policy as well as the implementation of new policies that would save the state money and also benefit and improve its workforce.

[34] "Additional Opportunities to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financiak Benefits." Government Accountability Office. http://www.gao.gov/products/GAO-14-343SP

RECOMMENDATIONS

		Target Savings and Revenue Estimate (All values in 2014 dollars, in 000s)					
Rec #	Recommendation Name	FY15	FY16	FY17	FY18	FY19	Total
1	Create Agency Workforce and Succession Plans	($203)	$254	$356	$356	$356	$1,119
2	Redesign Job Families and Create Competency Model	$700	$2,561	$4,294	$4,294	$4,294	$16,143
3	Improve the Administration of Family and Medical Leave Across Agencies	$2,355	$5,213	$5,213	$5,213	$5,213	$23,207
4	Review Overtime Policies	$681	$681	$681	$681	$681	$3,405
5	Increase Span of Control for Agency Supervisors	$1,990	$3,583	$4,479	$5,971	$5,971	$21,994
Total		$5,523	$12,292	$15,023	$16,515	$16,515	$65,868

Recommendation #1 – Create Agency Workforce and Succession Plans

Building off of the workforce planning processes employed by the Department of Public Safety and Civil Service Commission, each of the state agencies should create both workforce and succession plans in order to prepare for future staffing and ensure continuity of purpose. Ideally, workforce planning and succession planning are inter-related. When organizations successfully integrate these processes, they enjoy a larger talent pool, key-talent retention, and increased productivity. The output from workforce planning process becomes the input into the organization's succession planning process. As a result, key job vacancies are filled by an abundant pool of high potential and/or high-performing employees steeped in the organization's culture and well-equipped to handle the job.

Findings and Rationale

In Louisiana's 2013 Workforce Plan Survey, the Civil Service Commission, Workforce Planning Commission, and Department of Public Safety had developed workforce plans. The other agencies in the scope of this project did not have existing workforce plans. The results of the survey also showed that 72 percent of responding state agencies reported that they were concerned about the loss of institutional memory. The most prevalent reason for these concerns is the coming wave of retirements that will increase the need to replace the most experienced staff in critical roles over the coming decade. Though a large majority of agencies indicated that they had identified key positions likely to be vacated within the next five years, only a quarter have identified critical competencies needed for key positions. Other reasons for these anxieties include concerns about retirement, budget cuts, and attracting and retaining employees due to pay and budget concerns. Over 60 percent of respondents indicated that they had implemented training for employees to provide them with appropriate knowledge and skills, yet only 28 percent have implemented processes to transfer vital knowledge for experienced employees to new employees before it is lost.

Organizations facing the areas of concern that are outlined above must have documented workforce and succession plans in place. These plans will highlight current and future talent needs, begin to close knowledge gaps created when key employees retire or resign, and indicate employee readiness, and/or ability to carry out the organizational mission. A recent, 300-organization study conducted by the Human Capital Institute showed that almost 75 percent of all respondents viewed workforce and succession planning as critical to their business success.

Workforce Planning

A workforce plan is traditionally defined as dynamically forecasting and aligning talent supply with current and future business demand. Workforce planning will also allow each agency to strategize how to maintain spans of control and prevent a scenario in which there are too many high-level positions without enough underlying support staff.

A well-developed workforce plan will enable agencies' senior leadership to forecast and plan for future talent requirements by helping them to:

- Identify the roles that are most critical for executing their strategies, i.e., pivotal roles
- Determine how many people are needed in each pivotal role and where and when the people are needed
- Prioritize talent needs based on department and agency priorities/budget parameters
- Optimize how people are deployed across the agency to maximize the impact of its limited pool of talent
- Identify and anticipate talent gaps in pivotal roles and the most appropriate actions and investments needed to close the gaps

Developing workforce planning analytic tools is necessary to conduct the analytics to derive the workforce plan. A&M recommends that the agency test various scenarios that will require manipulation of the underlying variables:

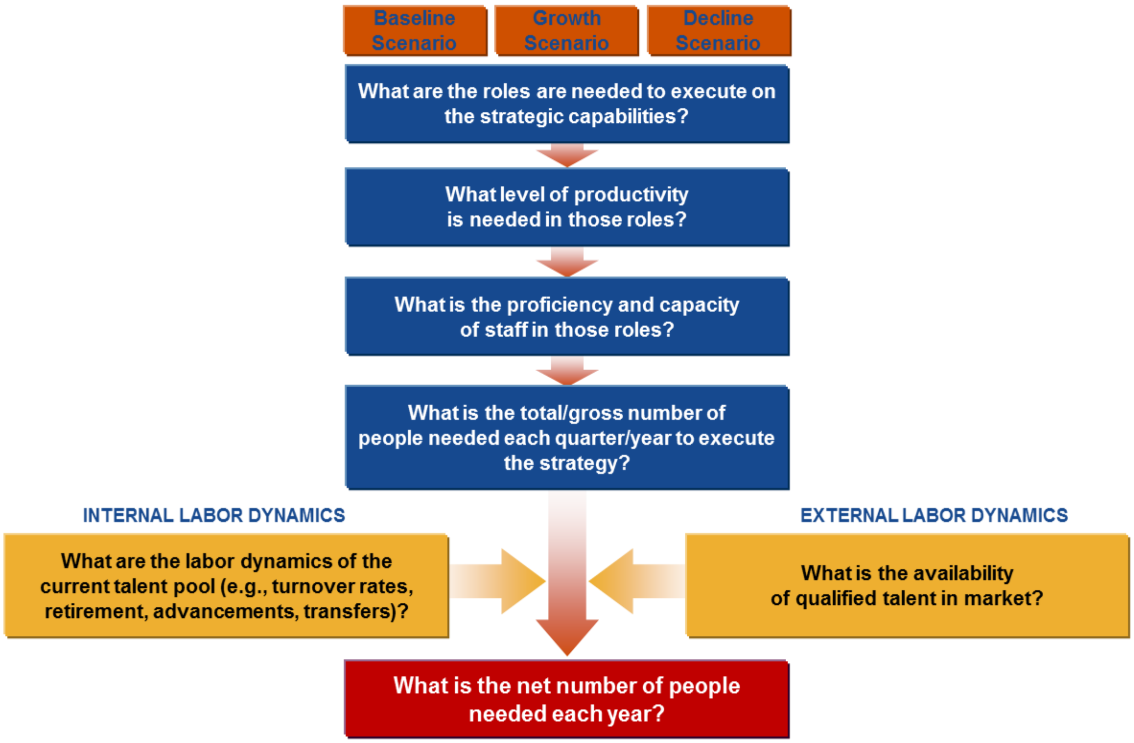

Figure 12.9: Sample Scenario Testing Process

Once the state has determined headcount demand versus supply in each role, factoring both internal and external labor market dynamics, the state will be able to utilize gap analysis for insight into current and future talent needs. This data can also be used to assist the state in reaching its ideal span of control ratio. A&M recommends that the following analysis be used to determine Louisiana's talent strategy: build/buy/rent based off of span of control ratios.

Role/Segment	We Build When…	We Buy When…	We Rent When…
Strategic Talent • Key to competitive advantage • Normally a "hot skill" in high demand	• Talent is scare in the labor market • Ramp-up is long	• The role is new to the organization • Resident competencies do not exist • Competitor training programs generate top talent	• Avoid, unless capacity constrained
Core Talent • Possesses proprietary knowledge and skills • Hard to replace – "tribal knowledge"	• IP is sensitive • An apprenticeship model is common	• New ideas and perspectives are needed • Performance, productivity, and quality is waning	• Avoid, unless capacity constrained
Requisite Talent • Performs work that is necessary but could be handled through alternative staffing/ delivery strategies	• Avoid	• Avoid, unless IP is highly sensitive	• Work can be delivered at a lower cost without sacrificing quality and responsiveness • IP is not sensitive
Non-Core (Misfit) Talent • Possesses skill sets no longer needed	• Avoid	• Avoid	• Avoid

Figure 12.10: Sample Build/Buy/Rent Decision Matrix

This data will assist the state in determining actions and investments to close the gaps (inclusive of reaching ideal span of control), including time and expense associated with build/buy/rent decisions.

Role/Segment	Typical Portfolio Gap	Required HR Alignment Efforts	Talent Management and HR Service Priorities
Strategic Talent • Key to competitive advantage • Normally a "hot skill" in high demand	• Talent shortage • Atrophy in *strategic* organizational capability	• Build capacity through rapid infusion of external talent and accelerated development of selected internal talent • Tailor the value proposition to attract top talent	• Sourcing and selection • Attraction and retention • Development
Core Talent • Possesses proprietary knowledge and skills • Hard to replace – "tribal knowledge"	• Talent shortage (current or anticipated due to attrition) • Atrophy organizational capability	• Protect and strengthen capabilities through ongoing development of current bench and talent pipeline and strong EVP • Strengthen the EVP	• Attraction and retention • Development • Performance management
Requisite Talent • Performs work that is necessary but could be handled through alternative staffing/ delivery strategies	• Low ROI on talent investment • Talent overage	• Streamline and/or outsource segment or consider re-tooling around core capabilities	• Development • Performance management • Exiting (attrition, outsourcing, downsizing)
Non-Core (Misfit) Talent • Possesses skill sets no longer needed	• Talent overage	• Divest entire talent segment • Identify opportunities to move "A" players into other roles	• Exiting (attrition, outsourcing, downsizing)

Figure 12.11: Sample Analysis for Talent Strategy

<u>Succession Planning</u>

To ensure a successful transfer of knowledge between retirement-ready employees and those remaining and minimize the risk of losing institutional knowledge, A&M recommends implementing a succession planning process. An effective process will support each agency through the management of four succession management risks:

- **Vacancy Risk – Safeguard Business-Critical Capabilities:** Not all executives, nor all roles, are created equal. Agencies must identify those capabilities most critical to business success and most scarce in the labor market, prioritizing succession risks and interventions accordingly.
- **Readiness Risk – Accelerate Executive Development:** Each agency realizes the importance of development. They must continue to identify and act on development areas as well as provide executives with cross-organization experiences to ensure successors are prepared to assume leadership roles.
- **Transition Risk – Overcome New Hire Pitfalls:** While externally hired executives often bring new expertise and leadership to each agency, they also face a greater risk of failing. Agencies must understand new executives' specific areas for development, provide feedback early and frequently, and ensure accountability for new hires' success to prevent executive derailment.
- **Portfolio Risk – Deploy Talent Against Strategic Priorities:** Succession management efforts are not discrete events, but rather part of an integrated system for managing talent in an agency. Agencies must base succession decisions on their evolving needs and align talent capabilities and executive roles with strategic priorities.

In implementing a succession planning process, the agencies will build a core organizational practice that:

- Can have a significant financial, operational, and cultural impact for the state by decreasing turnover and closing knowledge gaps prior to employee retirement
- Ensures organizational continuity and mitigates risk of losing institutional knowledge
- Is a primary driver of ongoing stewardship and must be integrated with learning and development
- Should be an ongoing (and pragmatic) initiative with periodic, formal check-ins, and report-outs on leadership pipeline strengths and risks

At a high-level, when developing a succession plan, A&M recommends a simple, four-stage approach:

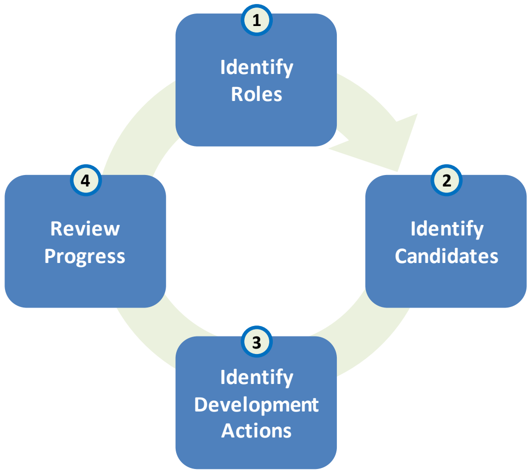

Figure 12.12: Four-Stage Approach

The first step in the succession planning process is to identify the leadership roles that will be covered by the succession planning program.

Once the state has identified candidates for the succession list, it is important to keep in mind that on average, most organizations aim to have the top 10 percent of their employees involved in their succession planning process. This is to ensure they have a cadre of ready and capable leaders to step in for planned (and unplanned) turnover.

Most organizations add individuals to their succession lists based on an assessment of their performance and potential.

- **Performance** is typically measured through an annual performance management process
- **Potential** is typically measured through a combination of externally sponsored predictive leadership tools and assessment against the competencies and skills for the target role

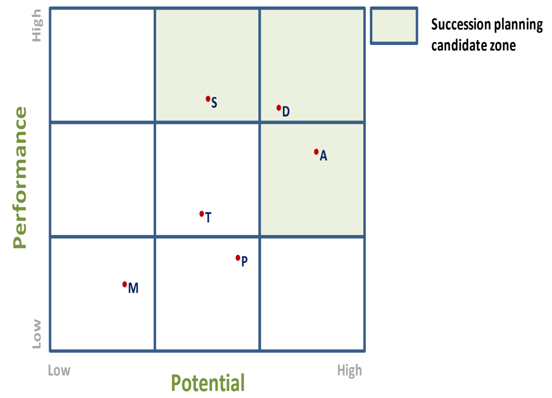

Figure 12.13: Sample Performance/Potential Measurement Tool

Best practice indicates that succession candidates should receive an individual development plan that is above and beyond the learning and development approach used for the majority of state employees. The above example shows a nine box exercise used for succession planning purposes. The dots represent individual employees within the succession plan and how they compare to their peers. This type of comparison is required so the state can rapidly develop individuals and ensure their readiness for target leadership roles. Development actions for individuals who are on succession lists will vary by individual need. Some typical components to a best-in-class succession candidate's development plan:

- **Leadership training:** Formal training that allows the individual to rapidly gain proficiency in the competencies and technical skills required for the role
- **Action-learning:** Assigning the individual to lead a special project. The special project will require that the individual use the competencies and technical skills required of the target leadership role he/she is being groomed for
- **Coaching and feedback:** Assigning the individual to an internal or external coach who is trained to help the individual close his/her specific development gaps

Survey results show that state agencies are clearly concerned about coming changes to their human capital but are not currently equipped to adjust to retirements and other loss of capabilities and institutional knowledge. Planning now for the future will enable agencies to seamlessly transition employees in and out while continuing to deliver needed services to the residents of Louisiana.

RECOMMENDATION #1 - (DOLLARS IN 000'S)				
FY15	FY16	FY17	FY18	FY19
$(203)	**$254**	**$356**	**$356**	**$356**

Assumptions

Set-up:

The developing of the initial workforce plan with structure and guidance for agencies going forward was developed as follows:

- Outside consulting services for Year 1 set-up of workforce analytics and associated short- and long-term workforce plans to address gaps $250,000 to $400,000
- Year 1 set-up: Two FTEs at $80,000 each for six to eight weeks multiplied by 10 agencies. Half of the costs would be absorbed through reprioritized workload.
- On-going maintenance: Two FTEs at $80,000 for three to four weeks multiplied by 10 agencies. Half of the costs would be absorbed through reprioritized workload.

The initial succession plan with structure and guidance for agencies going forward was developed as follows:

- Outside consulting services for Year 1 set-up of succession planning process (assumes competency models, career paths and high potential programs are already in place) $150,000-250,000

Overtime Savings:

- According to state data, Louisiana paid out $2.7 million in overtime to in-scope agency employees during FY13 (out of $3.2 million across all agencies)

- Industry benchmarks indicate that a workforce plan can save up to 20 percent of annual overtime through improved staffing and capacity planning. This recommendation uses a range of 10-20 percent[35]
- Savings in Year 1 would be 50 percent of standard out-year savings due to required implementation time
- Savings in Year 2 would be 75 percent of standard out-year savings due to required implementation time

Recommendation #2 – Redesign Job Families and Create Competency Model

Agencies should redesign the job title structure using job families to simplify the staff operating model and improve transparency for staff in promotion and career advancement. As part of the simplification, the state should create core job families; develop consistent non-core, cross-agency categories; and develop the competency model that will help staff track the requirements necessary for career advancement. Concurrently, the state should streamline existing job titles to the core positions and revise job competencies associated with the general practitioner positions. Further, agencies that do not maintain a key skills database should create and keep updated such a database in order to track the skills, competencies, and experiences necessary for job functions throughout the state.

Findings and Rationale

Turnover costs Louisiana millions of dollars every year. The Louisiana State Civil Service Report on Turnover Rates for Non-Temporary Classified Employees FY13 estimated, using the Mathis/Jackson Simplified Turnover Costing Model, that voluntary turnover cost the state between $48 to 193 million annually, depending on average employee training time. A total of 7,866 voluntary separations from state service occurred in FY13; filtering for in-scope agencies, 4,731 employees voluntarily departed their positions. The breakdown of reasons for this voluntary turnover, as revealed by exit interviews, can be found in Figure 12.3 above. Using the same methodology as the state Civil Service Report, this turnover cost the state from $29 to $58 million annually.

The state currently utilizes 927 different job titles for its 23,000 employees. Of the 23,000 positions, only 18 job titles have at least one percent of employee positions associated with them. Conversely, over 80 percent of the job titles have less than 0.1 percent of the employee positions associated with them and over 400 job titles have four or fewer employees associated with them. Removing the bottom 80 percent of job titles only affects 18 percent of state employees. By streamlining the job titles to the core positions and revising related job competencies associated with the general practitioner, the state would improve transparency into the career models across government, giving employees more insights into the process for promotion and career advancement.

State agencies do not currently maintain a key skills database. Without these databases, it was not possible for A&M to conduct a staff assessment that included skills, competencies, experience, and job functions. The creation of such databases is a key part of workforce planning and analytics, as agencies can use the information at hand to assess their needs, develop employee skills in a fashion that is clearly communicated to those employees, and strategize for future requirements.

A key driver of turnover among state employees is other employment opportunities they perceive as better for a variety of potential factors. It is assumed that some of the employees currently leaving for these reasons lack visibility into their future careers with the state and those departures could be reduced through the development of competency models that create transparent paths for career advancement and make clear the exact skills required for promotion.

[35] "Creating the Business Case for Workforce Analytics: Quantifying the Business Value", Visier, 2012.

In a survey conducted by *The Wall Street Journal*, one of the biggest challenges human resources will face is related to productivity and turnover. The *HR Daily Report* notes, "When times are tough and workers feel stuck, bad morale, poor performance and inevitable turnover will follow. Companies have to figure out how to create some sort of internal opportunity, however small."[36]

Such internal opportunity can be fostered by effectively developing state job families and putting in place a competency management program. Employees can often feel as though their careers are at a standstill, but developing an awareness of the employee's competencies and career ladders (job families) is a good way to let employees take the initiative and see where possibilities lie. Employees can not only self-check what it takes to succeed at the current level, but also see what it takes to reach the next. Employees and management can then come together and develop career development plans to reach that next level. This process keeps the employee engaged and productive, while still striving to take the next step in their careers. This also reduces the likelihood of employees leaving the state to seek possible opportunities elsewhere. Maximizing employees' knowledge, skills, and abilities properly to perform their job is one of the keys to a productive environment. It keeps employees fully engaged by leveraging their best attributes, and it helps the state by increasing productivity, reducing turnover and protecting institutional knowledge.

Job Families:

Job families are typical defined as cross-organization groupings of positions that are used in talent management to plan the distribution of employee potentials within an organization. The creation of these families is typically the first step in building a talent management strategy. The state can assign to job families positions that are related to each other based on similar content of tasks or qualifications. A job family is divided into levels that represent, for example, the hierarchy levels of these positions independent of the organizational structure.

The state can also assign to the levels of the job families employees that have potential for these levels. Employees can have potential for several job families. This is an important criterion for the search, for example, for potential successors in succession planning and for understanding talent gaps that the state may unveil during the workforce planning process.

The state can use job families to group together positions in talent management that require similar qualifications of the job holders. The state can also search for employees that have the potential (based on their capabilities) to perform the tasks required by the qualification profile of the relevant level. These employees would then be assigned to the job family.

The state would analyze the key qualifications for a job family compared with the qualifications of the employees in the talent pool and could identify gaps in the existing qualification database. The state would then assign employees to the levels of the job families. In this way, it is possible to include the potential for key talents and key jobs. The proper creation of job families is critical to the success of a succession and workforce planning strategies.

Competency Model:

Competencies are traditionally defined as the knowledge, skills, or abilities required to ensure individual and organizational effectiveness. A competency model is a meaningful organization of competencies that may be grouped by content, by role, by position, or a combination. As illustrated, a competency model should be at the center of all of talent management programs:

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[36] Russo, James, "HR manager's list 4 biggest challenges in 2012," *HR Daily Report*, November, 2, 2011

Figure 12.14: Competency Model

A well-developed competency model for each job family will enable the state to:

- Align employee knowledge, skills, and abilities with the state's strategic mission, vision, and values
- Develop employee knowledge, skills, and abilities to enhance individual and organizational effectiveness and protect institutional knowledge
- Integrate key human resources activities with mission, vision, and values
- Provide a common framework for employees, which helps to reduce overall employee turnover
- Identify standards and a common bar for performance

When an employee understands what is and when they are able to see what skills are required to receive a promotion, studies show he or she is less likely to take a position with another organization. A&M has found that a three-tiered approach to building a competency model to be the most effective and easiest for employees to follow:

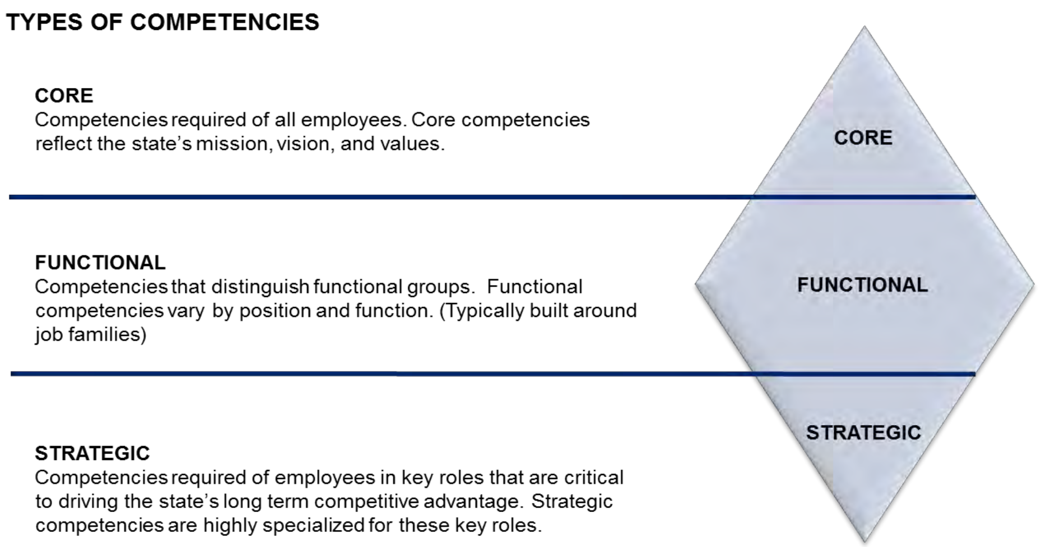


Figure 12.15: Types of Competencies

RECOMMENDATION #2 - (DOLLARS IN 000'S)				
FY15	FY16	FY17	FY18	FY19
$700	**$2,561**	**$4,294**	**$4,294**	**$4,294**

Assumptions

Set-up:

- Year 1 set-up: Two FTEs at $80,000 each for six to eight weeks multiplied by 10 agencies.

Half of the costs would be absorbed by existing staff resources

- Outside consulting services for Year 1 set-up: $400,000 to $600,000
- Out-year maintenance: Two FTEs at $80,000 for three to four weeks multiplied by ten agencies. Half of the costs would be absorbable

Reason for Voluntary Separation	Total	Low Savings	High Savings
Death	60	0	0
Resign to Avoid Dismissal	28	0	0
Resign-Better Job Other Industry	96	10	14
Resign-Military	3	0	0
Resign-Pay Reasons	262	26	39
Resign-Pending Discip. Action	2	0	0
Resign-Personal	1639	82	164
Resign-Reason Not Stated	563	28	56
Resign-Shift/Locale/Housing	60	3	6
Resign-To Attend School	69	0	0
Resign-Work Related	276	28	41
Retirement	1631	0	0
Transfer Out to Non-LaGov Agcy	42	4	6
Total	**4731**	**181**	**326**
Percent Reduction Savings		**4%**	**7%**

Figure 12.16: Turnover Savings

- Workforce planning is estimated to achieve between 10-15 percent reductions in turnover related to employees leaving for better jobs in other industries, pay reasons, work-related reasons, and transfers to non-Louisiana government agencies. Five to ten percent reductions could be achieved for those separating for personal reasons or reasons the state classifies as “not stated.” A&M assumes that some of the employees currently leaving for these reasons lack visibility into their future careers with the state and those departures could be reduced through workforce analytics and the communication of the resulting plans to the employees.
- A&M assumes that competency modeling will not be able to reduce turnover due to death; resignations in order to join the military, because of pending disciplinary action, or to attend school; and retirement.
- Overall, competency modeling is estimated to achieve between four to seven percent reductions in turnover.
- Savings dollars were calculated using the same formula as the Louisiana State Civil Service Report on Turnover Rates for Non-Temporary Classified Employees, the Mathis/Jackson Simplified Turnover Costing Model. The low estimate used a three-month average training time while the high estimate used a six-month average training time, rather than the state’s high estimate of a 12-month average.
- Savings in Year 1 is estimated to be 50 percent of standard out-year savings for in-scope agencies.
- Savings in FY15 and FY16 accounts for only in-scope agencies. Savings in FY17 and beyond include all state agencies.

Recommendation #3 – Improve the Administration of Family and Medical Leave Across Agencies

The Family and Medical Leave Act (FMLA) is a federal policy intended to balance the demands of the workplace with the needs of families. The act allows eligible employees to take up to 12 work weeks of unpaid leave during any 12-month period to attend to the serious health condition of the employee or the employee's family, for pregnancy or care of a newborn child, or for the adoption of foster care of a child. Improper use of the Family Medical Leave Act can generate challenges for shift scheduling and management of staff. In Louisiana, the rate of FMLA leave across agencies is 17 percent higher than that of the median industry FMLA usage. The state should review current policies and processes for FMLA and workers compensation/disability approval and administration to reduce unnecessary employee absences and increase cost savings to the state.

Findings and Rationale

The implementation of FMLA across the nine agencies show that each agency uses a paper-based system with agency-specific policies, processes, and forms that are generally based on the Department of Labor standards. Some agencies have extended their set of forms to include forms that allow the supervisors to provide FMLA alerts, to request additional information, and to track and monitor FMLA usage. While the core processes that the agencies use generally follow the federal guidelines, there is divergence among the agencies' procedures in areas such as tracking and the use of a second medical opinion to ensure compliance.

For most of the agencies, the determination of eligibility and review of the certification forms are generally made by an HR representative who generally does not have a medical background. The medical certification forms and justification are generally being maintained within the HR offices potentially creating liabilities associated with Health Insurance Portability and Accountability Act (HIPAA). While HR tracks compliance with the established process and ensures the completeness of forms, no medical check is made on whether the quality of the content in the form is clear and consistent with the stated reason for the leave request. Several of the human resource managers expressed concern that FMLA is being granted unnecessarily out of fear that not doing so would be a violation. As a result, there are very few FMLA denials, and the denials that do occur are not well tracked due to the paper processes used by the state. There is also infrequent use of a doctor's second opinion to validate claims.

The agencies provide a wide range of human resources support to ensure, manage, monitor, and track FMLA compliance. There are sufficient processes and IT system functionality in place to track the usage in the Integrated Statewide Information Systems (ISIS); however the use of front- and back-end reporting to inform supervisors is limited. On the front end, information is captured on the FMLA forms indicating the reason for the leave request, but it is not entered into the IT system and not used for any analysis or reporting. On the back end, there is a lack of reporting back to the supervisors and there is no centrally managed process for data mining to improve the FMLA policies on an ongoing basis. Despite this, the monitoring and supervision of FMLA usage is generally the responsibility of the supervisors who have limited tools or reporting capabilities to monitor complex transactions such as intermittent leave. A few agencies have performed historic analysis of FMLA usage, but have not used the analysis to identify abuses occurring in the system or had the FMLA expertise necessary to better align policies to impact future excess usage.

The agencies under review had a significant number of employees that took some form of FMLA leave in the past three years. The in-scope agencies had an average of 16.4 percent of employees taking FMLA in FY11, 20.1 percent in FY12, and 18.4 percent in FY13.

While FMLA does not require that employers compensate employees, Louisiana, in alignment with many other states, allows employees to use annual or sick leave, where appropriate, while they are on leave. As a result, Louisiana loses over 100,000 days of work annually, with over 93 percent of it being paid time.

	FY11					FY12					FY13				
				Employees Taking FMLA					Employees Taking FMLA					Employees Taking FMLA	
Agency	FTE	FMLA Days Taken	FMLA Days Taken / 100 FTE	#	%	FTE	FMLA Days Taken	FMLA Days Taken / 100 FTE	#	%	FTE	FMLA Days Taken	FMLA Days Taken / 100 FTE	#	%
DCFS	4,579.5	17,417	380	831	18.1%	4,219.5	22,032	522	922	21.8%	3,945.0	18,101	459	860	21.6%
DHH	11,776.6	39,801	338	2,071	16.9%	9,856.6	45,476	461	2,227	21.8%	9,119.7	35,179	386	1,809	19.2%
DOA	752.9	2,932	389	142	17.8%	644.2	3,210	498	152	22.4%	589.1	2,163	367	115	17.9%
DOC	5,805.8	22,704	391	1,069	18.3%	5,291.2	24,380	461	1,059	19.9%	5,204.6	21,395	411	974	18.6%
DOTD	4,535.8	13,590	300	768	16.9%	4,512.1	16,655	369	889	19.5%	4,485.6	15,803	352	835	18.4%
DPS	2,910.9	5,801	199	293	10.0%	2,764.0	8,340	302	382	13.7%	2,717.2	7,471	275	341	12.4%
LDR	866.5	2,709	313	153	17.5%	840.5	4,103	488	203	24.0%	822.5	3,356	408	186	22.5%
LED	123.5	174	141	9	6.9%	124.5	144	116	4	3.1%	118.5	207	175	7	5.6%
OJJ	1,068.5	2,316	217	90	8.3%	1,043.5	4,039	387	155	14.7%	1,006.0	3,604	358	127	12.5%
Total	**32,420.0**	**107,444**	**331**	**5,426**	**16.4%**	**29,296.1**	**128,379**	**438**	**5,993**	**20.1%**	**28,008.2**	**107,279**	**383**	**5,254**	**18.4%**

Figure 12.17: FMLA Days Taken by Agency FY11 – FY13

Note that number of employees as described in the "% of employees taking FMLA" is not the same as FTE.

Over the past three fiscal years alone, Louisiana's nine cabinet agencies have lost an average of 384 work days per 100 employees to FMLA leave, a rate that is 17 percent higher than the public sector median of 329 days per 100 employees and 66 percent higher than the best practice benchmark.

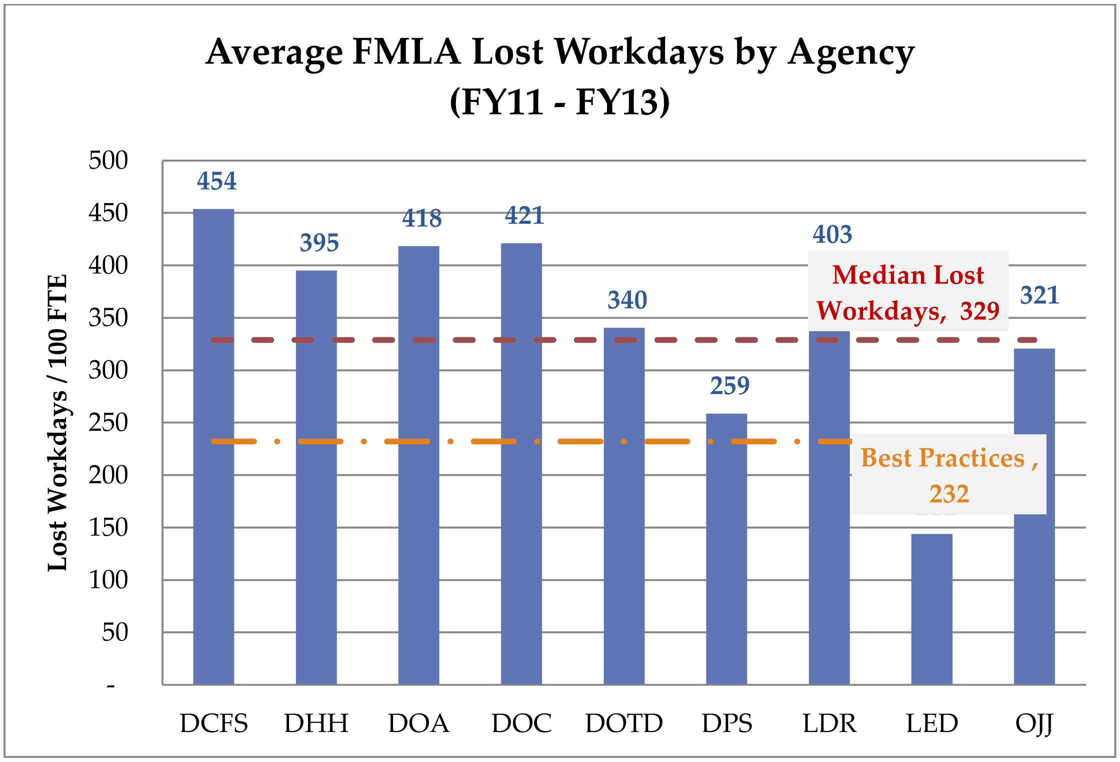


Figure 12.18: FMLA Lost Workdays by Agency

Through interviews with agency leaders, it is evident that FMLA usage by employees can disrupt workflow and hinder productivity. The effects are exacerbated in agencies where coverage is necessary due to the nature of a given position. In many cases, intermittent leave is specifically listed as a concern in these agencies given the large overtime costs associated with employees who are sporadically absent. For example, a corrections officer who is scheduled for a shift but calls in sick with a FMLA claim creates a situation where another employee must be called in and compensated with overtime pay.

There is also evidence that federal FMLA policies are being inconsistently and improperly applied in cabinet agencies. FMLA provides up to 12 work weeks (60 days) of unpaid leave to qualifying employees.[37] Despite this regulation, 36 cabinet agency employees exceeded this leave limit, some by as much as 44 days.

[37] FMLA provides 26 work weeks of leave during a single 12-month period (130 days) to care for a covered service member with a serious injury or illness if the eligible employee is the service member's spouse, son, daughter, parent, or next of kin. There is no indication that employees are using their FMLA time for military caregiver leave.

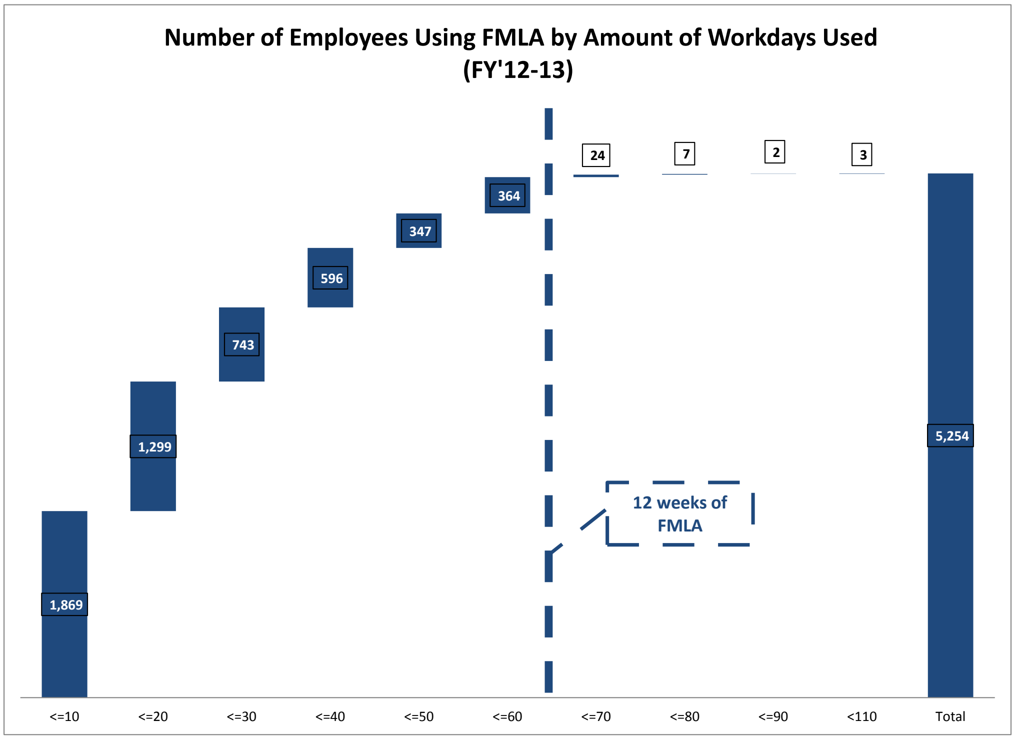


Figure 12.19: Number of Employees using FMLA and Amount of Workdays Used

Best practices for reducing unnecessary FMLA absences implemented in other state governments include:

- Consistent application of FMLA policies
- Appropriate scrutiny of FMLA requests
- Automation of workflow to ensure deadlines are met
- Stricter enforcement of paperwork requirements

While these actions are effective, they are often time-intensive for human resources personnel administering FMLA leave. For this reason, many government agencies choose to outsource all or part of their FMLA administration. The use of a FMLA administrator would start with a review and development of consistent policies and procedures. The administrator will use systems to automate the telephonic and/or electronic claims intake and event reporting processes allowing for more efficient workflow and improved productivity, and an electronic data file with information necessary to make the eligibility determinations would be provided to the administrator for additional workflow automation.

The management of communications, including employee communications for rights and responsibilities, payroll notifications, and physician outreach, would be handled by the administrator. The approval and denial process would be taken on by the administrator and would include a review of the medical certification by staff trained to know the right questions to ask. Due to the end-to-end automation of the process, the administrator would be able to provide substantive analytics to enable ongoing policy modifications and better management of the leave through improved reporting processes. Additionally, the improved intermittent leave reporting will help provide additional tools to the supervisors to improve management.

An important point that should not be overlooked is that the management of FMLA is also about managing risk to the state and that making sure that the latest laws are understood and are being applied consistently is critical to the process. An administrator will help reduce the potential liability to the state that could result from an award for wrongful termination due to inconsistency, missed deadlines, or other process challenges.

Third-party administrators can manage the administrative tasks associated with FMLA requests, provide guidance on requirements and eligibility, coordinate the FMLA benefit on behalf of the state, and train state supervisors and human resources staff on how best to manage FMLA leave. The result is a decrease in the number of FMLA absences, decreased legal risk through consistent application of FMLA policies, and increased availability for human resources staff to focus on critical recruiting and retention tasks. Through these processes, the administrator will ensure that deadlines are adhered to and provide for improved compliance and controls overall.

The management of the third-party administrator would be best served under the under the Office of Group Benefits (OGB) as their role is to manage these type of third party benefit providers. The collocation of the responsibilities will enable improved data integration, as well as improved FMLA and HIPAA compliance. The full set of FMLA policies and procedures across agencies is displayed in Appendix I.

Recommendation #3 - (Dollars in 000's)				
FY15	FY16	FY17	FY18	FY19
$2,355	**$5,213**	**$5,213**	**$5,213**	**$5,213**

Assumptions

By contracting with a third-party administrator, the state should reasonably be able to reduce the number of FMLA absences per year per 100 employees in each agency. This reduction in FMLA absences per 100 employees would result in annual cost savings of $3 million per year, assuming a $0.5 million annual third-party administration fee. The table below provides additional information on the cost savings realized by reducing FMLA absences as well as by contracting with a third-party administrator.

		Low Scenario		High Scenario	
Agency	Average FMLA Lost Workdays per 100 FTE	Estimate of Lost Workdays Avoided	Savings Estimate ($000s)*	Estimate of Lost Workdays Avoided	Savings Estimate ($000s)*
DCFS	453.8	124.8	$1,145	221.8	$2,036
DHH	395.0	66.0	$1,401	163.0	$3,460
DOA	418.3	89.3	$122	186.3	$255
DOC	421.0	92.0	$1,114	189.0	$2,289
DOTD	340.4	11.4	$118	108.4	$1,131
DPS	258.7	26.7	$169	26.7	$169
LDR	403.0	74.0	$142	171.0	$327
LED	143.8	-	-	-	-
OJJ	320.7	88.7	$208	88.7	$208
Total		**572.7**	**$4,419**	**1,154.7**	**$9,874**
[b] Implementation Cost @ $1.50 per FTE per Month			**($504)**		**($504)**
[c] Discount for Implementation Risk @ 20%			**($884)**		**($1,975)**
[d] **Revised Total**			**$3,031**		**$7,395**
			$3,535		$7,899

* Based on average hourly rate of $26.

Figure 12.20: FMLA Savings Estimate Calculation

There are several benefits to all users when FMLA administration is managed through a Third-Party Administrator. The employee is supported by professional assistance through the health care system. A medical professional will coordinate and manage the medical leave of absence from start to finish and help identify any specific needs related to the leave as well as providing access to entitled benefits. The employee is ensured a safe and appropriate return to work coordinated by the FMLA administrator including the Medical Professional case manager, the employee's physician, state supervisor, and occupational or health care professionals, as needed. The state supervisor will benefit from regular status report updates by the FMLA administrator including expected return to work dates to support efficiency in workload planning. With proper support and access to benefits, employees will be able to return to work more quickly resulting in less disruption to work flow and improved productivity. Professional assistance will ensure a safe and appropriate return-to-work plan enhancing employee morale. Overall, FMLA administration managed through a Third-Party Administrator promotes the state's commitment to a productive workforce as employees are the state's most valuable asset. Proper FMLA administration through a Third-Party Administrator also encourages a healthier workforce and enhances the state's Health & Wellness program by promoting prevention, education and workplace accommodations. Better absence management minimizes disruption due to employee absenteeism through consistent customer service experience and ensures compliance with Workers' Compensation laws, Americans with Disabilities Act (ADA), and Family and Medical Leave Act (FMLA).

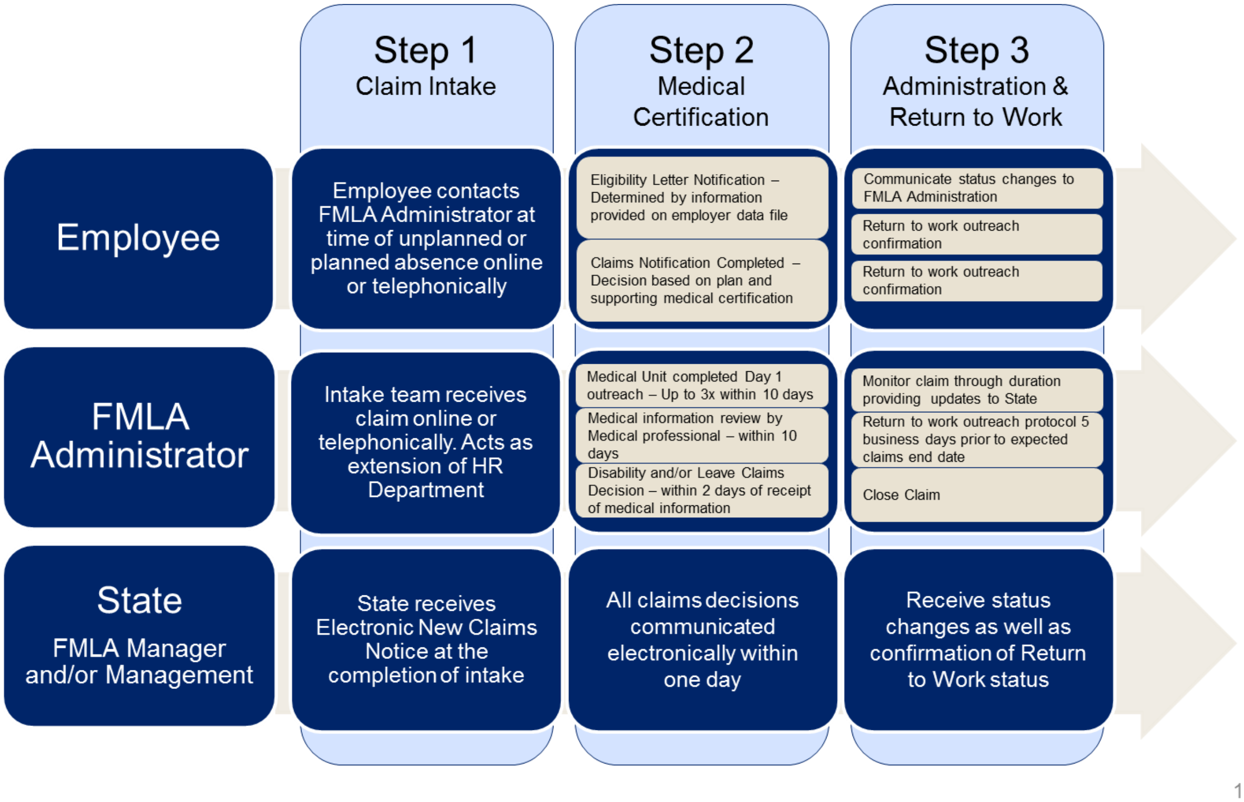


Figure 12.21: FMLA Administration Outsourcing User Experience

If the state decides to reduce the rate of FMLA absences internally, rather than contract with a third-party administrator, the state must ensure that all agencies have a standardized process for FMLA leave approval, and that HIPAA compliance is maintained. A stricter but inconsistent approval processes would put the state at risk of appeals. Establishing an objective and consistent FMLA approval process will ensure all agencies are in compliance with the requirements of FMLA while capturing the cost savings of reduced FMLA absences.

The savings estimates above assume that improvements to FMLA management can be made in any agency that has historically had usage rates in excess of the best-practice average. The low-estimate scenario assumes that (1) agencies with FMLA usage above the median will be able to achieve results that bring their levels down to the median and (2) that agencies that are above the best-practice average but not the median will be able to achieve best practices. The high-estimate scenario assumes that all agencies above the best-practice level will be able to achieve best-practice results. In comparison, the target estimate scenario assumes that the agencies will be in-between the median and above best-practice levels. The estimates also allow for an implementation phase of approximately six months, which is reflected in the Year 1 (FY15) savings numbers. The estimates include only cabinet agencies and do not consider cost savings that may occur if these recommendations are extended to other agencies. The model also does not account for savings accrued due to human resources professionals spending less time on FMLA administration and more time on critical activities. Finally, the estimates assume that the state's leave policy will operate in its current state for the foreseeable future.

Recommendation #4 – Review Overtime Policies

A&M recommends that the state perform a policy and procedures review of the current overtime process from budget development to decision rights to authorize and allow use of overtime. The state should implement a process for overtime authorization that does not impair a supervisor's ability to manage, but controls the decision rights of the organization in order to better maintain the expansion of overtime. As part of this review, the state should also analyze the cash payout authorization policies across the state agencies to define what constitutes allowable overtime, increase the decision rights in the approval process, and to implement consistent policies that limit the agencies' authority to grant cash payment to employees for overtime hours worked, other than payment that is required by the Federal Fair Labor Standards Act.

Findings and Rationale

The use of overtime (i.e., K-Time) had fallen as a percentage of total salaries from 6.6 percent in 2009 to between 3.2 and 3.7 percent from 2010 to 2012. In 2013, overtime as a percentage of total salaries increased to 5 percent. From 2009 to 2012 the total overtime spend on leave across the in scope agencies fell from over $100 million to just over $60 million. Similarly, the overtime payouts fell from over $29 million in 2009 to just over $3 million in 2013.

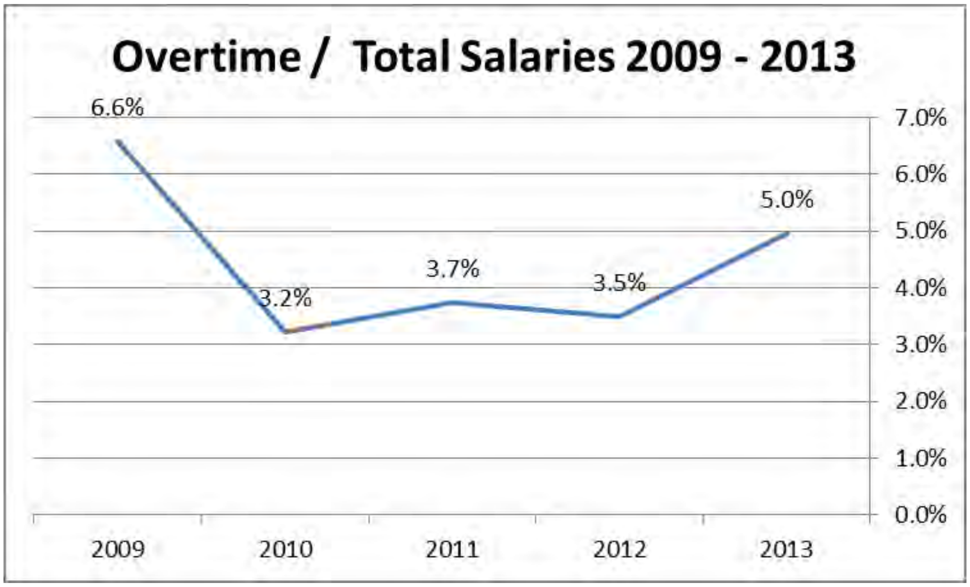


Figure 12.22: Overtime as a Percentage of Total Salaries 2009 – 2013

A review of the policies across the state agencies show that overtime must be pre-authorized by a supervisor, generally in writing prior to both earning and taking leave, and that the leave is awarded on a straight compensatory leave basis (i.e., one hour of overtime is the equivalent of one hour of compensatory leave). The policies are generally consistent across agencies with the requirement that K-Time must be pre-authorized, exempt employees are allowed to carry over 360 hours of K-Time annually, and non-exempt employees are generally allowed to carry over 240 hours. For the agencies that do allow payouts, the limit for K-Time payouts is 200 hours per year on straight K-Time. The use of overtime payouts across the nine agencies show that while some agencies like DCFS do not allow for K-Time payouts, most of the nine agencies reviewed will do a pay out on K-Time when there are available funds.

After years of decline, the use of overtime is starting to grow again. In addition to a review of the broader use of overtime and overtime payouts, the year-end payouts should be monitored as the economy continues to recover and state budgets begin to turn the corner. Without monitoring and revised policies, activity and payouts have the potential to grow toward previous levels.

With the level of overtime use starting to increase across the state agencies, a new set of controls need to be implemented to avoid further increase. It is recommended that a new overtime budgeting process should be implemented to help stem any future grown in overtime budgets. New policies should be put in place to require monitoring and approval of set agency overtime budgets. The overall agency overtime budget would be set and approved at the beginning of the fiscal year through the budgeting process.

Throughout the year, overtime should still be approved by an employee's manager, with decision rights going up to a predetermined threshold. Increases or transfers in that threshold may still occur at the agency level; however, increases beyond the original set agency budget would require budget approval beyond the set budgeted level for the agency.

Additionally, the agencies should consider instituting a consistent and lower cap on annual overtime payouts. The payout cap would have a relatively low impact from an overall budget perspective, but would act to regulate future growth in overtime payouts. The Federal Fair Labor Standards Act (FLSA) requires compensation to certain employees when they work more than 40 hours per week. The provisions of Louisiana Revised Statute 1:55:B and the State Civil Service Rule 21.11 allow for compensation for overtime hours worked for which the FLSA does not require payment. Changes to this statue and State Civil Service rules could be made to disallow cash payments for any compensatory time earned other than that provided for by the FLSA.

Recommendation #4 - (Dollars in 000's)				
FY15	FY16	FY17	FY18	FY19
$681	$681	$681	$681	$681

Assumptions

It is assumed that the new overtime budgeting processes would not create any immediate cash savings, but would prevent any future grow the overtime spend. Therefore, A&M has not developed an estimate to reflect the value of costs avoided from this policy change. Conversely, instituting a lower payout cap would generate immediate savings.

Over the past five years, the agency leadership has diligently reduced those payouts including eliminating overtime payouts at some agencies. As of FY13, the agencies in-scope paid $3.2 million to employees for accrued overtime. Of the 2,411 payments, 392 exceeded 100 hours of overtime. The payments for the overtime in excess of 100 hours represented $0.8 million or 26 percent of the total payments. When the payment threshold drops to 80 hours, the payments in excess of the 80 hours represented $1.1 million or 33 percent of the total payments.

An assumed policy threshold of 80 and 100 hours (reduced from the current 200 hours) were used to develop the high, target, and low estimates of savings, respectively. The calculation for estimated savings involved first reducing the total overtime

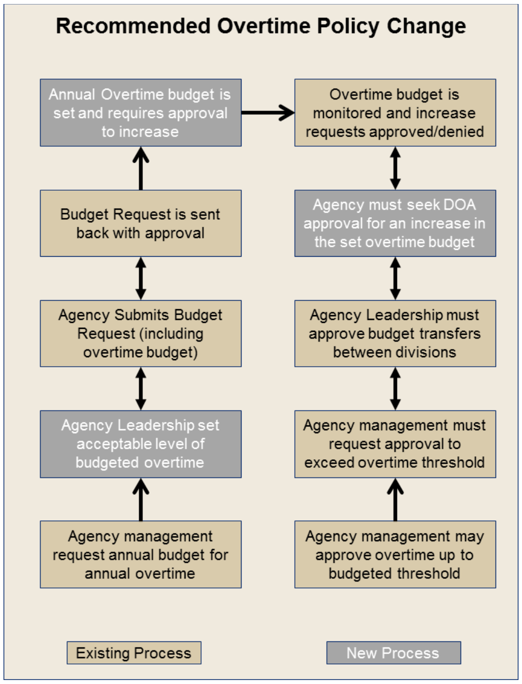


Figure 12.23: Recommended Overtime Policy Change

payments by 10 to 20 percent to remove the benefits calculated in the workforce planning recommendation. The remaining overtime payout costs were then adjusted to extract just the hours paid in excess of the 80 and 100 hour thresholds. The resulting hours were multiplied times the hourly rate to arrive at the reduced K-Time payments going forward based on a policy to limit total payouts to a predetermined threshold. Assuming 10 percent reduction in costs and an 80 hour threshold, the annual savings were calculated to be $0.9 million per year. With assumptions of a 15 percent reduction in costs and a 90 hour threshold, the annual savings were reduced to $0.7 million. With assumptions of a 20 percent reduction in costs and a 100 hour threshold, the annual savings were reduced to $0.5 million. The chart below details the cost savings that will occur from lowing payout thresholds.

	Low Savings Estimate	High Savings Estimate
FY13 Overtime Payouts	$ 3,215,749	$ 3,215,749
Payout Threshold (80-100 hours)	$ 845,051	$ 1,072,014
10-20% reduction for other estimates	20%	10%
Cost Estimate	$ 492,129	$ 869,047

Figure 12.24: Total Savings through lowered payout thresholds

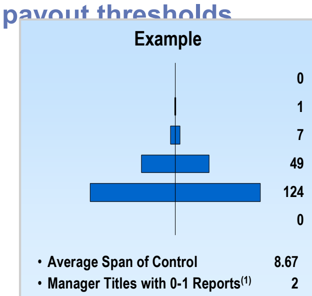
Recommendation #5 – Increase Span of Control for Agency Supervisors

Span of control refers to the ratio of subordinates directly reporting to a supervisor. A supervisor is determined to be an employee who reviews the performance or approves the time of their direct report.

Note: *A&M has conducted a detailed span of control analysis for DOC, OJJ, and DPS, included in each department specific report. A high-level analysis for the remaining in-scope agencies is included in this report.*

Findings and Rationale

Historically, a span of control ratio, also called a supervisor ratio, is a key indicator of an organization's management effectiveness and overall health. The best structured organizations focus on creating fewer layers and wider spans of control (higher ratios), where deemed appropriate. See the following graphic.



The primary and tangible benefits of this approach to organizational effectiveness are[38]:

- Decreased Selling, General & Administrative (SG&A) costs
- Re-investment of savings for growth
- Increased productivity

The widely accepted benchmark is a span of control ratio ranging between 1:6 and 1:10 to 1:15.[39] According to a Department of Civil Service Report released on August 30, 2011, the widely accepted span of control average ranges from 1:4 (reported by the State of Virginia) and 1:11 (reported by the State of Texas), although the Texas Comptroller of Public Accounts has achieved a statewide average of 1:13 through government streamlining efforts.[40] As the communications channels continue to expand, so do the capabilities of organizational management. Today, according to organizational effectiveness

[38] "Global Organization Efficiency Survey (GOES)" White Paper, AGPS / NexGen Market Data, October 19,2009

[39] The Economist, "Span of Control," November 9, 2009 http://www.economist.com/node/14301444

[40] State of Louisiana Department of State Civil Service report, Senator Jack Donahue, August 30, 2011

experts, the number of employees most efficiently managed by a single supervisor has nearly doubled since years past.

It is important to note that the exact ratio is determined by the nature of the work involved (e.g., low, medium or high complexity), as well as the employee's skill set (e.g., bottom, medium and top performer). No single ratio is appropriate for all disciplines within an organization. Different disciplines within a department or agency may require different ratios, meriting a detailed examination of each employee, position, and responsibility in order to determine the ideal ratio for each supervisory position. For example, typically it is more difficult to achieve a reduction in a supervisory ratio in enforcement environments. The International Association of Chiefs of Police estimates that the average in law enforcement is in the range of 1:6 to 1:7, in between A&M's focused ratio listed above. Similarly, in highly complex jobs, like engineering jobs, the span of control target is much closer to 1:5.

For the purposes of this report, the focus will be on the ratio ranging from 1:4 to 1:11. The state's average span of control is 1:3.8, for the remaining in-scope agencies, with a high concentration of reporting ratios falling below the benchmark of one supervisor to four direct reports (i.e. reporting relationships of 1:1, 1:2, and 1:3). This puts the state of Louisiana right below the recommended benchmark.

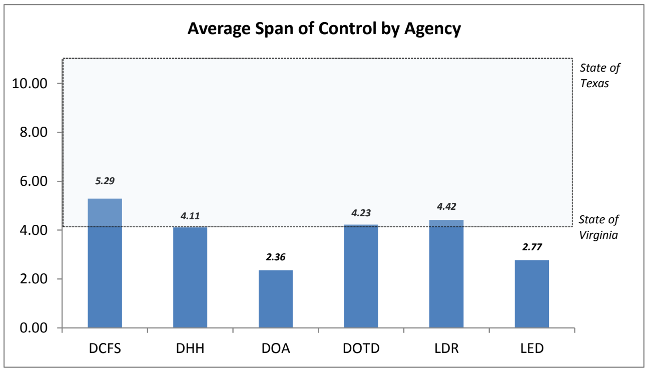


Figure 12.25: 2014 Ratio of supervisory positions to direct reports

Further analysis was conducted at for each agency listed in the graph above. The following table outlines the average span of control by discipline. These disciplines are based off of state data occupational group codes (OGC), associated with a position number provided by Civil Service. The disciplines include:

- Records Management and Office Support Services
- Fiscal Services
- Administrative Services
- Information and Education Services
- Health and Social Services
- Enforcement and Investigation Services
- Engineering Services
- Institutional and Trade Services
- Recreation, Conservation and Agriculture

Discipline benchmarks were pulled and aligned to the respective occupational codes from a variety of sources, including:

Discipline *(occupational group code)*	Benchmark	Identified Benchmark
Records Management and Office Support Services	Range 4-11 Target 8	The Department of Civil Service 2011 report
Fiscal Services	Range 5 – 6	Texas Comptroller of Public Accounts and A&M commercial benchmarks
Administrative Services	Target 6	A&M commercial benchmarks and the Economist Span of Control Report
Information and Education Services	Range 4-11 Target 8	The Department of Civil Service 2011 report
Health and Social Services	Target 5	The Department of Civil Service 2011 report and Child Welfare League of America
Enforcement and Investigation Services	Range 6-7 Target 6	Economist and International Association of Chiefs of Police
Engineering Services	Target 5	DOTD Span of Control Report, 2009
Institutional and Trade Services	Range 4 – 11 Target 5	The Department of Civil Service 2011 report and A&M commercial benchmarks
Recreation, Conservation and Agriculture	Range 4 – 11 Target 10	The Department of Civil Service 2011 report and A&M commercial benchmarks

Figure 12.26: Relevant Span of Control Benchmarks by Agency

Dpts.	Count of Reporting Ratio												
	1	2	3	4	5	6	7	8	9	10	11	12+	Totals
DOA	20	18	11	4	5	1	0	1	0	0	0	0	60
DCFS	7	35	51	116	110	134	71	47	17	6	3	0	597
LED	3	2	2	2	1	0	0	0	0	0	0	0	10
LDR	9	8	16	15	30	14	9	6	2	0	0	1	110
DOTD	85	96	187	192	109	82	60	23	18	5	3	9	869
DHH	195	224	224	160	108	71	48	33	36	29	14	39	1181

Figure 12.27: Count of Reporting Ratio by Agency

RECOMMENDATION #5 - (DOLLARS IN 000'S)				
FY15	FY16	FY17	FY18	FY19
$1,990	**$3,583**	**$4,479**	**$5,971**	**$5,971**

Assumptions

The savings associated with this recommendation are estimates based off department salary averages, not taking into account supervisory group. These salaries are based off of human resource hourly wage data, with a 35 percent ratio used for benefit costs. It is important to note that for each supervisory ratio (1:1, 1:2, and 1:3), only a certain percentage of the reporting relationships can and will be changed. For example, the complexity of the work or the skill set of the employee may require a 1:1 reporting relationship, or other strategies may be implemented, such as redistribution of employees or salary freezes.

The percentage of reporting relationships that can or will be changed can range from 4 to 5 percent for relationships that have three direct reports, 8 to 10 percent for relationships that have two direct reports, and 15 to 20 percent savings for relationships that have one direct report. See Figure 12.27 on the following page.

It is also assumed that due to the use of attrition rather than staff reductions to realize savings, that the span of control targets will be achieved over a four to five year ramp-up period.

Disciplines / Department	Reporting Ratio Count 1	2	3	4	5	6	7	8	9	10	11	12+	SOC Benchmark
DEPARTMENT OF ADMINISTRATION (DOA)													
ADMINISTRATIVE SERVICES	8	8	4	2	1	0	0	1	0	0	0	0	8
ENFORCEMENT AND INVESTIGATION SERVICES	0	0	0	0	0	0	0	0	0	0	0	0	5
FISCAL SERVICES	23	18	15	12	7	3	0	0	2	1	0	0	6
HEALTH AND SOCIAL SERVICES	0	0	0	0	0	0	0	0	0	0	0	0	5
INFORMATION AND EDUCATION SERVICES	3	8	6	2	0	1	1	0	1	0	0	0	8
RECORDS MANAGEMENT AND OFFICE SUPPORT SERVICES	7	4	4	1	0	3	1	0	0	0	0	0	11
ENGINEERING SERVICES	5	3	5	1	2	2	1	1	0	0	0	0	5
INSTITUTIONAL AND TRADE SERVICES	5	9	4	1	5	0	0	1	0	0	0	0	5
RECREATION,CONSERVATION AND AGRICULTURE	0	0	0	0	0	0	0	0	0	0	0	0	10
% Realized (Low)	15%	8%	4%	0%	0%	0%	0%	0%	0%	0%	0%	0%	NA
Count of Supervisory Ratio Minimization	7.65	3.75	1.43	0			0	0					
% Realized (High)	20%	10%	5%	0%	0%	0%	0%	0%	0%	0%	0%	0%	NA
Count of Supervisory Ratio Minimization	10.16	4.58	1.77	0									
DEPARTMENT OF CHILDREN & FAMILY SERVICES (DCFS)													
ADMINISTRATIVE SERVICES	2	9	7	24	8	18	9	3	1	0	1	0	8
ENFORCEMENT AND INVESTIGATION SERVICES	0	0	0	0	0	0	0	0	0	0	0	0	5
FISCAL SERVICES	1	5	2	0	0	2	0	0	0	0	0	0	6
HEALTH AND SOCIAL SERVICES	3	21	42	92	102	114	62	44	16	6	2	0	5
INFORMATION AND EDUCATION SERVICES	0	0	0	0	0	0	0	0	0	0	0	0	8
RECORDS MANAGEMENT AND OFFICE SUPPORT SERVICES	1	0	0	0	0	0	0	0	0	0	0	0	11
ENGINEERING SERVICES	0	0	0	0	0	0	0	0	0	0	0	0	5
INSTITUTIONAL AND TRADE SERVICES	0	0	0	0	0	0	0	0	0	0	0	0	5
RECREATION,CONSERVATION AND AGRICULTURE	0	0	0	0	0	0	0	0	0	0	0	0	10
% Realized (Low)	15%	8%	4%	0%	0%	0%	0%	0%	0%	0%	0%	0%	NA
Count of Supervisory Ratio Minimization	1.05	2.63	1.91	0.00									
% Realized (High)	20%	10%	5%	0%	0%	0%	0%	0%	0%	0%	0%	0%	NA
Count of Supervisory Ratio Minimization	1.24	2.87	2.30	0									
DEPARTMENT OF ECONOMIC DEVELOPMENT (LED)													
ADMINISTRATIVE SERVICES	2	1	2	2	1	0	0	0	0	0	0	0	8
ENFORCEMENT AND INVESTIGATION SERVICES	0	0	0	0	0	0	0	0	0	0	0	0	5
FISCAL SERVICES	1	1	0	0	0	0	0	0	0	0	0	0	6
HEALTH AND SOCIAL SERVICES	0	0	0	0	0	0	0	0	0	0	0	0	5
INFORMATION AND EDUCATION SERVICES	0	0	0	0	0	0	0	0	0	0	0	0	8
RECORDS MANAGEMENT AND OFFICE SUPPORT SERVICES	0	0	0	0	0	0	0	0	0	0	0	0	11
ENGINEERING SERVICES	0	0	0	0	0	0	0	0	0	0	0	0	5
INSTITUTIONAL AND TRADE SERVICES	0	0	0	0	0	0	0	0	0	0	0	0	5
RECREATION,CONSERVATION AND AGRICULTURE	0	0	0	0	0	0	0	0	0	0	0	0	10
% Realized (Low)	15%	8%	4%	0%	0%	0%	0%	0%	0%	0%	0%	0%	NA
Count of Supervisory Ratio Minimization	0.45	0.15	0.08	0									
% Realized (High)	20%	10%	5%	0%	0%	0%	0%	0%	0%	0%	0%	0%	NA
Count of Supervisory Ratio Minimization	0.32	0.12	0.01	0									
DEPARTMENT OF REVENUE (LDR)													
ADMINISTRATIVE SERVICES	2	2	6	4	2	7	1	2	1	0	0	0	8
ENFORCEMENT AND INVESTIGATION SERVICES	0	1	1	0	1	0	0	0	0	0	0	0	5
FISCAL SERVICES	7	5	9	11	27	7	8	4	1	0	0	0	6
HEALTH AND SOCIAL SERVICES	0	0	0	0	0	0	0	0	0	0	0	0	5
INFORMATION AND EDUCATION SERVICES	0	0	0	0	0	0	0	0	0	0	0	0	8
RECORDS MANAGEMENT AND OFFICE SUPPORT SERVICES	0	0	0	0	0	0	0	0	0	0	0	0	11
ENGINEERING SERVICES	0	0	0	0	0	0	0	0	0	0	0	0	5
INSTITUTIONAL AND TRADE SERVICES	0	0	0	0	0	0	0	0	0	0	0	0	5
RECREATION,CONSERVATION AND AGRICULTURE	0	0	0	0	0	0	0	0	0	0	0	0	10
% Realized (Low)	15%	8%	4%	0%	0%	0%	0%	0%	0%	0%	0%	0%	NA
Count of Supervisory Ratio Minimization	1.35	0.60	0.60	0.00									
% Realized (High)	20%	10%	5%	0%	0%	0%	0%	0%	0%	0%	0%	0%	NA
Count of Supervisory Ratio Minimization	1.70	0.57	0.48	0									
DEPARTMENT OF TRANSPORTATION & DEVELOPMENT (DOTD)													
ADMINISTRATIVE SERVICES	19	10	12	7	9	2	4	3	0	0	1	0	8
ENFORCEMENT AND INVESTIGATION SERVICES	0	0	1	1	0	1	0	1	0	0	0	0	5
FISCAL SERVICES	4	5	10	22	7	7	4	3	1	0	0	0	6
HEALTH AND SOCIAL SERVICES	0	0	0	0	0	0	0	0	0	0	0	0	5
INFORMATION AND EDUCATION SERVICES	0	3	2	1	1	2	0	0	1	1	0	0	8
RECORDS MANAGEMENT AND OFFICE SUPPORT SERVICES	0	0	0	0	0	1	0	0	0	0	0	0	11
ENGINEERING SERVICES	54	66	120	115	78	47	40	13	11	3	2	0	5
INSTITUTIONAL AND TRADE SERVICES	8	12	42	46	14	22	12	3	5	1	0	0	5
RECREATION,CONSERVATION AND AGRICULTURE	0	0	0	0	0	0	0	0	0	0	0	0	10
% Realized (Low)	15%	8%	4%	0%	0%	0%	0%	0%	0%	0%	0%	0%	NA
Count of Supervisory Ratio Minimization	12.75	7.20	7.01	0.00									
% Realized (High)	20%	10%	5%	0%	0%	0%	0%	0%	0%	0%	0%	0%	NA
Count of Supervisory Ratio Minimization	15.78	9.33	9.05	0.00									
DEPARTMENT OF HEALTH & HOSPITALS (DHH)													
ADMINISTRATIVE SERVICES	85	103	60	40	22	17	8	9	8	5	3	0	8
ENFORCEMENT AND INVESTIGATION SERVICES	25	13	27	17	4	10	12	8	5	7	4	0	5
FISCAL SERVICES	17	24	12	4	1	0	0	0	0	0	0	0	6
HEALTH AND SOCIAL SERVICES	59	69	102	92	80	42	25	15	20	15	6	0	5
INFORMATION AND EDUCATION SERVICES	1	2	4	1	0	0	0	0	0	0	0	0	8
RECORDS MANAGEMENT AND OFFICE SUPPORT SERVICES	0	1	1	3	0	0	2	1	1	0	0	0	11
ENGINEERING SERVICES	4	7	7	0	0	1	0	0	0	0	0	0	5
INSTITUTIONAL AND TRADE SERVICES	4	5	11	3	1	1	1	0	2	2	1	0	5
RECREATION,CONSERVATION AND AGRICULTURE	0	0	0	0	0	0	0	0	0	0	0	0	10
% Realized (Low)	15%	8%	4%	0%	0%	0%	0%	0%	0%	0%	0%	0%	NA
Count of Supervisory Ratio Minimization	29.25	16.80	8.40	0									
% Realized (High)	20%	10%	5%	0%	0%	0%	0%	0%	0%	0%	0%	0%	NA
Count of Supervisory Ratio Minimization	22.88	12.49	7.27	0									

Figure 12.28: Reporting Ratio Count by Agency

Disciplines / Department	Reporting Ratio Count 1	2	3	Est. Salary ($ in 000s)	Benefits (35%)	Savings Est. ($ in 000s)	
		DEPARTMENT OF ADMINISTRATION (DOA)					
ADMINISTRATIVE SERVICES	8	8	4				
ENFORCEMENT AND INVESTIGATION SERVICES	0	0	0				
FISCAL SERVICES	23	18	15				
HEALTH AND SOCIAL SERVICES	0	0	0				
INFORMATION AND EDUCATION SERVICES	3	8	6				
RECORDS MANAGEMENT AND OFFICE SUPPORT SERVICES	7	4	4				
ENGINEERING SERVICES	5	3	5				
INSTITUTIONAL AND TRADE SERVICES	5	9	4				
RECREATION,CONSERVATION AND AGRICULTURE	0	0	0				
% Realized (Low)	15%	8%	4%				
Count of Supervisory Ratio Minimization	7.65	3.75	1.43	66	23	1,149	*Low*
% Realized (High)	20%	10%	5%				
Count of Supervisory Ratio Minimization	10.16	4.58	1.77			1,480	*High*
		DEPARTMENT OF CHILDREN & FAMILY SERVICES (DCFS)					
ADMINISTRATIVE SERVICES	2	9	7				
ENFORCEMENT AND INVESTIGATION SERVICES	0	0	0				
FISCAL SERVICES	1	5	2				
HEALTH AND SOCIAL SERVICES	3	21	42				
INFORMATION AND EDUCATION SERVICES	0	0	0				
RECORDS MANAGEMENT AND OFFICE SUPPORT SERVICES	1	0	0				
ENGINEERING SERVICES	0	0	0				
INSTITUTIONAL AND TRADE SERVICES	0	0	0				
RECREATION,CONSERVATION AND AGRICULTURE	0	0	0				
% Realized (Low)	15%	8%	4%				
Count of Supervisory Ratio Minimization	1.05	2.63	1.91	56	19	423	*Low*
% Realized (High)	20%	10%	5%				
Count of Supervisory Ratio Minimization	1.24	2.87	2.30			1,250	*High*
		DEPARTMENT OF ECONOMIC DEVELOPMENT (LED)					
ADMINISTRATIVE SERVICES	2	1	2				
ENFORCEMENT AND INVESTIGATION SERVICES	0	0	0				
FISCAL SERVICES	1	1	0				
HEALTH AND SOCIAL SERVICES	0	0	0				
INFORMATION AND EDUCATION SERVICES	0	0	0				
RECORDS MANAGEMENT AND OFFICE SUPPORT SERVICES	0	0	0				
ENGINEERING SERVICES	0	0	0				
INSTITUTIONAL AND TRADE SERVICES	0	0	0				
RECREATION,CONSERVATION AND AGRICULTURE	0	0	0				
% Realized (Low)	15%	8%	4%				
Count of Supervisory Ratio Minimization	0.45	0.15	0.08	97	34	88,928	*Low*
% Realized (High)	20%	10%	5%				
Count of Supervisory Ratio Minimization	0.32	0.12	0.01			2,175	*High*
		DEPARTMENT OF REVENUE (LDR)					
ADMINISTRATIVE SERVICES	2	2	6				
ENFORCEMENT AND INVESTIGATION SERVICES	0	1	1				
FISCAL SERVICES	7	5	9				
HEALTH AND SOCIAL SERVICES	0	0	0				
INFORMATION AND EDUCATION SERVICES	0	0	0				
RECORDS MANAGEMENT AND OFFICE SUPPORT SERVICES	0	0	0				
ENGINEERING SERVICES	0	0	0				
INSTITUTIONAL AND TRADE SERVICES	0	0	0				
RECREATION,CONSERVATION AND AGRICULTURE	0	0	0				
% Realized (Low)	15%	8%	4%				
Count of Supervisory Ratio Minimization	1.35	0.60	0.60	64	22	222,350	*Low*
% Realized (High)	20%	10%	5%				
Count of Supervisory Ratio Minimization	1.70	0.57	0.48			1,440	*High*
		DEPARTMENT OF TRANSPORTATION &					
ADMINISTRATIVE SERVICES	19	10	12				
ENFORCEMENT AND INVESTIGATION SERVICES	0	0	1				
FISCAL SERVICES	4	5	10				
HEALTH AND SOCIAL SERVICES	0	0	0				
INFORMATION AND EDUCATION SERVICES	0	3	2				
RECORDS MANAGEMENT AND OFFICE SUPPORT SERVICES	0	0	0				
ENGINEERING SERVICES	54	66	120				
INSTITUTIONAL AND TRADE SERVICES	8	12	42				
RECREATION,CONSERVATION AND AGRICULTURE	0	0	0				
% Realized (Low)	15%	8%	4%				
Count of Supervisory Ratio Minimization	12.75	7.20	7.01	61	21	2,241	*Low*
% Realized (High)	20%	10%	5%				
Count of Supervisory Ratio Minimization	15.78	9.33	9.05			1,372	*High*
		DEPARTMENT OF HEALTH & HOSPITALS (DHH)					
ADMINISTRATIVE SERVICES	85	103	60				
ENFORCEMENT AND INVESTIGATION SERVICES	25	13	27				
FISCAL SERVICES	17	24	12				
HEALTH AND SOCIAL SERVICES	59	69	102				
INFORMATION AND EDUCATION SERVICES	1	2	4				
RECORDS MANAGEMENT AND OFFICE SUPPORT SERVICES	0	1	1				
ENGINEERING SERVICES	4	7	7				
INSTITUTIONAL AND TRADE SERVICES	4	5	11				
RECREATION,CONSERVATION AND AGRICULTURE	0	0	0				
% Realized (Low)	15%	8%	4%				
Count of Supervisory Ratio Minimization	29.25	16.80	8.40	57	20	4,254	*Low*
% Realized (High)	20%	10%	5%				
Count of Supervisory Ratio Minimization	22.88	12.49	7.27			1,290	*High*
					Total Savings (Low)	4,217	
					Total Savings (High)	7,725	

Figure 12.29: Estimated Supervisory FTE Savings by Agency

In FY15, it is assumed that following eight more months of job-specific analysis and further strategy development, 33 percent of the total savings can be realized by targeting span of control numbers in the final months of the fiscal year. In the following three years, FY16, FY17 and FY18, it is assumed that 60 percent, 75 percent and 100 percent will be realized, respectively. In the last and final year, FY19, savings will be reoccurring at 100 percent.

These numbers do not include IT, classified or vacant positions.

Implementation Steps

For further progress to be made on this issue, each agency will need to conduct granular examinations of the human capital data and create a plan for organizational flattening. Investment costs will vary by agency.

Implementation objectives could include[41]:

- Eliminate the 1:1 reporting relationships
- Increase staffing leverage
- Reduce layers of supervisory management
- Increase consistency across similar groups
- Combine small groups with similar responsibilities
- Remove pay grade inflation

Span of Control Activities/Worksteps	Est. Time / Status
High Level Current Assessment • Review existing organizational charts and HR data sets • Assess current span of control averages across all departments and by discipline • Gather appropriate benchmarks by discipline • Identify next steps	Complete
Detailed Current Assessment • Assess complexity of work by position and note employee skill set • Identify the distinct number of organizational layers • Capture wage bands and other limitations • Develop strategies by management level, discipline, and department to identify opportunities for improving efficiencies, matched up against benchmarks	6 – 9 months required to complete / Open
Implementation	1 – 2 fiscal years required to complete / Open

Figure 12.30: Span of Control Activities/Estimated Time

[41] A&M Internal SOC Strategy

Project Implementation Plan

Project Management / Implementation Strategy

A well-defined implementation plan for each human capital recommendation is critical for its successful implementation and for realization of the associated savings. To effectively manage the implementation plan, the state should insure adequate resources are dedicated to the respective implementation teams.

There are five strategic imperatives for each of the recommendations:

- Implementation Plan
- Customer/Stakeholder Engagement and Communications Plan
- Change Management
- Risk and Issue Management
- Monitoring and Tracking Models

The key implementation tasks of each of the recommendations can be found below. The plans and estimates do not include the full set of incremental steps that Louisiana needs to perform. The implementation plan includes resource estimates. Some resources may be used across several recommendations, thereby reducing the total required. The state will need to determine the desired level of involvement from affected teams and outside contractors to optimize the implementation for each recommendation.

WBS	Tasks	Resources
1	**Human Capital Recommendation #1 – Create Agency Workforce and Succession Plans**	
1.1	Develop requirements for RFP	2 Gov't FTE + 1 Project Manager
1.2	Issue RFP and hire consultants	2 Gov't FTE + 1 Project Manager
1.3	Develop workforce and succession plans and implementation plan	Consultants + 1 Project Manager
1.4	Identify leadership roles to be covered by succession plans	Consultants + 1 Project Manager
1.5	Implement workforce and succession plans	2 Gov't FTE
1.6	Communicate new policies and plans to key stakeholders	1 Project Manager + Leadership
2	**Human Capital Recommendation #2 – Redesign Job Families and Create Competency Model**	
2.1	Develop requirements for RFP	2 Gov't FTE + 1 Project Manager
2.2	Issue RFP and hire consultants	2 Gov't FTE + 1 Project Manager
2.3	Develop job families and create competency models	Consultants + 1 Project Manager
2.4	Implement job families and competency models	2 Gov't FTE
2.5	Communicate new policies and plans to key stakeholders	1 Project Manager + Leadership
3	**Human Capital Recommendation #3 – Improve the Administration of Family and Medical Leave**	
3.1	Develop requirements for RFP	2 Gov't FTE + 1 Project Manager

WBS	Tasks	Resources
3.2	Issue RFP and hire consultants	2 Gov't FTE + 1 Project Manager
3.3	Review current policies and processes for FMLA and workers compensation/disability approval and administration	Consultants + 1 Project Manager
3.4	Implement updates to FMLA policies and processes	2 Gov't FTE
3.5	Communicate new policies and plans to key stakeholders	1 Project Manager + Leadership
4	**Human Capital Recommendation #4 – Review Overtime Policies**	
4.1	Review of the current overtime process and policy	2 Gov't FTE + 1 Project Manager
4.2	Analyze cash payout authorization policies	2 Gov't FTE + 1 Project Manager
4.3	Review decision rights in the approval process	2 Gov't FTE + 1 Project Manager
4.4	Implement updated policies and processes	2 Gov't FTE + 1 Project Manager
5	**Human Capital Recommendation #5 – Increase Span of Control for Agency Supervisors**	
5.1	Voluntary Separation and Reorganization Planning	Agency Leadership
5.2	Develop Communications and Stakeholder Engagement Plan	Agency Leadership
5.3	Eliminate 1:1 reporting relationships	Agency Leadership
5.4	Increase staffing leverage	Agency Leadership
5.5	Reduce layers of supervisory management	Agency Leadership
5.6	Increase consistency across similar groups	Agency Leadership
5.7	Combine small groups with similar responsibilities	Agency Leadership
5.8	Remove pay grade inflation	Agency Leadership

Figure 12.31: Human Capital Project Plan

Affected Stakeholders

The potential stakeholders affected by these recommendations include:

- Internal – All state employees including: administrative leadership and division/department staff, including supervisors, managers, and supporting employees
- External – Citizens, legislators, media and some private service providers.

It is not hard to see how some of these recommendations could result in misunderstandings and the spread of misinformation.

Clearly, employees are essential to stakeholder engagement around these initiatives and they should be a main focal point for communications. Basic fact sheets and Q&As should also be prepared for members of the legislature who may be concerned or have questions about upcoming changes.

The recommendations represent an important part of the way the state manages its employees and its efforts to reduce costs, improve efficient outcome, and improve career transparency for its staff. A strategic communications plan, designed to inform stakeholders of the need and value of the changes is critical to their success. Once developed, internal and external communication plans can be effectively managed by current agency staff and state communications personnel.

Change Management

Implementation of the recommendations will require significant change management efforts. Each implementation team should ensure sufficient resources allocated for successful change management. The change management plan must provide for adequate communications with all stakeholders affected regarding the reason for change, expected issues along the way, and the "future state" of the organization. The change management plan should include:

- Outreach: internal and external stakeholder communication about changes and new policies
- Organizational Design: personnel needs of the organization, workforce planning, succession planning, and span of control alignment

Monitoring and Tracking Models

Monitoring is a critical component of success for these recommendations. All of these tracking metrics should also include bottoms-up build of each aspect of the metric for review on a regular basis (monthly or more frequent review). The metrics detailed below will allow the state to monitor and address any performance gaps in its implementation.

A&M suggests the state provide incentives for performance associated with these initiatives and accountability for lack of participation, rigor, or results from managers. These incentives can range from recognition or awards from peers or more public settings to promotions, performance-related bonuses (subject to statutory limitations), and other potential means of recognition.

Rec#	Objective	Performance Measure	Target	Unit
1	Reduce overtime spend	% of reduction in overtime dollars paid out from 2013	15	%
2	Reduce turnover of state employees	% of reduction in turnover from 2013	6	%
3	Reduce usage of FMLA	% of reduction in FMLA usage from 2013	50-100	Workdays lost per 100 employees per year
4	Reduce overtime spend	% of reduction in overtime dollars paid out from 2013	10	%
5	Increase average span of control	Ratio of supervisors to employees	1:4	Ratio
5	Decrease narrow spans of control	% of supervisors who have three direct reports	5	%
5	Decrease narrow spans of control	% of supervisors who have two direct reports	9	%
5	Decrease narrow spans of control	% of supervisors who have one direct report	18	%

Figure 12.32: Human Capital Monitoring and Tracking Models

CHAPTER 13: PROVIDER MANAGEMENT

PROVIDER MANAGEMENT OVERVIEW

Provider management, also called “outsourcing” or “privatization,” involves a governmental entity obtaining services from an outside supplier. This means that instead of state agencies providing services with their own employees, the state pays private firms (including non-profit companies) to deliver services. The principle argument for outsourcing is that the private sector operates in a more competitive marketplace than the public sector and therefore can offer services at the lowest price and the highest quality. Government can often better serve taxpayers by exploring the competitive market as an option to service taxpayers.

The GEMS Procurement Assessment/Plan observes that Louisiana’s current sourcing and procurement program is not uniform across agencies. The report lists several key elements necessary to establish a robust provider/vendor relationship management program in Louisiana. It suggests that in FY15, the Office of State Purchasing (OSP) and state agencies be trained in vendor relationships and reporting and internal and vendor performance metrics. As part of the implementation of strategic sourcing, the state should design a vendor relationship management program and begin implementing the program with key vendors. Key employees should be trained in vendor negotiations and contracting and the provider/vendor relationship management program would include specific negotiation requirements, clear metrics, routine evaluations of spending and contract compliance, and vendor performance evaluations.

Managing Vendor Performance

Louisiana needs a robust provider management program to receive fair value for its expenditure of taxpayer money and adopt and enforce strategies that include best management practices and performance indicators, in areas including risk assessment, monitoring, reporting, and communication.

Performance Indicators

It is common in state government, and Louisiana is no exception, to have legislative directives detailing how a material or service is to be purchased. The law requires certain steps and timetables in the pre-bid process. This process dictates how an agency can decide on a bid award, and prescribes the accounting methodologies necessary to make payments, change the purchased service or material, and close out the contract. State employees should have concrete guidelines and guidance to ensure a good outcome in this process.

Performance indicators can vary widely and every contract should align vendor performance requirements with agency objectives, measure effects on taxpayers and clients, ensure money is spent properly, and guarantee vendor responsiveness. The indicators should focus on what is important and allow the agency to answer questions such as:

- What agency objectives cannot be compromised?
- What activities will ensure those deliverables are executed?
- What is the most appropriate timeline to reach the agency objectives in the contract?

Understanding risk factors is one important way to assess vendor performance as well. Louisiana, like any other organization, has limited resources that must be used efficiently and all contracts awarded cannot be monitored at identical levels. Risk assessment strategies can pinpoint the most critical contracts, and good risk assessment tools help agencies to prioritize resource needs.

Texas, for example, requires its state government agencies to develop a matrix to determine risk:

- The agency lists risk factors such as vendor past performance, contract dollar amount, vendor experience on similar projects, state experience with the vendor, and the type of contract (product or service)
- The agency assigns a weight to each factor to calculate the risk level
- The agency uses this risk calculation as an important factor when choosing the final vendor and to determine the level of monitoring the contract will require during the contract implementation period

Risk management strategies should be included in provider/vendor relationship management program development.

Responsible Personnel

Louisiana should assign contract management personnel based on the contract's risk assessment. If a contract has high risk (i.e. successful completion is highly important to the agency mission), significant cost, and/or its failure is extremely detrimental to clients and taxpayers, then the agency head may need to be part of the contract process from beginning to end. Less risky contracts require less attention from upper management. All contracts should include a knowledgeable procurement officer and a contract officer who is a subject matter expert. The contract officer is responsible for daily contract management, contract documents, reports, corrective measures, contract files, and contract close out. Subject matter experts from the agencies participating in the contract should be involved in the contract bid documents, performance metrics, risk assessment, vendor selection and evaluation, as part of the cross-functional strategic sourcing teams recommended in the GEMS Procurement Assessment/Plan. Some states, like Delaware, require agency contract users to be part of the process from beginning to end in similar structured "user groups" to ensure that all parties have input into the process.

Monitoring and Corrective Measures

Monitoring vendor work minimizes contract risks by recognizing and resolving problems early. Best practices suggest that the contracting agency and the vendor negotiate and agree to monitoring and corrective measures as part of the contract and can improve the monitoring process by encouraging vendor involvement.

Louisiana should choose the type and frequency of contract monitoring based on the nature of the contract and the contract's risk factors. For instance, if a contract is for equipment or supplies, it is not likely that the state would visit the site where the product is manufactured. However, if the contract is for a critical off-site service, it is almost imperative that the state visit the facility where the service is provided. Site visits are usually reserved for more complex contracts which have high risk factors associated with public health and safety. These visits not only allow the state to determine that the vendor is providing adequate resources to meet contract goals but it also demonstrates to the vendor the contract's importance. Less risky contracts usually need a desk review, which is completed off-site, and is largely based on vendor-generated reports. These reports should be defined in the contract documents and include items such as timeliness, budget, and adherence to the prescribed work plan. Another type of review that is necessary for every contract is expenditure document review which ensures that documentation of work and materials adequately supports request for payment.

Even the best vendor can make mistakes. To minimize negative results, Louisiana's contracts should define the means by which the agency communicates these errors to the vendor, have a process for vendor self-reporting, and define consequences for errors. Louisiana agencies should include the vendor when determining how errors will be resolved so that the vendor can understand the relative significance of errors to the overall agency mission and objectives. Vendors should always be allowed to propose solutions that may not have been anticipated when the contract was negotiated. Vendors can bring valuable insights to problem solving that agency personnel may not be positioned to anticipate.

Reporting

Written reporting is crucial to accomplish effective provider management because it documents progress and problems to all parties in a prescribed manner. Reporting increases accountability for the contract by presenting written documentation to the contract officer and anyone else responsible for reports (the vendor, the procurement officer, managers). Sharing updates with the vendor ensures that reporting is accurate and allows the vendor to take corrective action as soon as possible. To ensure good reports and reporting processes, Louisiana should adopt the best practice of providing agencies with reporting templates, written by contract experts and agency representatives involved in contracting.

Communication

As outlined above, communication between contracting agency personnel and the vendor is crucial to contract success. Louisiana agencies should communicate their expectations through performance indicators, and let vendors know how their performance will be assessed. To take advantage of vendor experience and product or service expertise, Louisiana should always treat the vendor as a partner, even during contract negotiations.

Outsourcing versus Insourcing

Current Outsourcing in Louisiana

An outsourcing survey was conducted and agencies responding reported outsourced services valued at $2.3 billion in FY13. The GEMS project agency recommendations contain insourcing/outsourcing-related recommendations including:

- DOTD: hire additional engineers to insource some of the services currently provided by engineering firms with a potential savings of $2.3 to $3.5 million per year

- Hiring third-party administrators for both OGB and FMLA will increase savings for the state

Maximizing Comparative Advantage

Just as private sector competition can produce lower costs and greater efficiency, so too has competition with the public sector been shown to produce further efficiency and cost advantages.

According to the 2000 International City/County Management Association survey mentioned above, insourcing between 1992 and 1997 accounted for 11 percent of delivery approaches, increasing to 18 percent between 1997 and 2000. Used in conjunction with each other, insourcing and outsourcing combine the best of two worlds: the benefit of the private market that encourages lower prices through competition and the benefits of the public sector that offers more control and predictability.

For instance, after Florida's state government realized it could save money by ending a food vendor's contract and allowing 100 new state workers to perform the same function, it created the Council on Efficient Government. The council's purpose was to help state agencies calculate the business case for outsourcing or insourcing. It provided cost-benefit analysis templates and risk-assessment tools to help employees do this, and it trained state employees to make educated decisions about project management, performance measurement, and continuity of operation plans.

Successful insourcing examples include:

- In 2008, the Texas Department of Transportation's internal audit found that employees could seal roadway cracks for 50 percent less than the outsourced vendor.
- Gary, Indiana cancelled its contract with United Water and insourced it, saving the city 50 percent on its system costs.

The key is not to reject privatization or outsourcing of government services in favor of insourcing, nor is it to favor a wholly outsourced approach; rather, it is to recognize the value of competition between the public services and the private sector. Through competition, both sides can be driven to improve efficiency and reduce cost. This type of approach, called managed competition, has been used most widely and successfully at the municipal government level.

There are numerous examples of city agencies successfully competing for work when the competitive process is well-designed and accurately defines the scope of work. In June 2011, city employees in Tulsa, Oklahoma beat out 12 private firms when they won a contract to provide all maintenance services for City Hall. The services were budgeted at $1.1 million; however, the city workers' winning bid was for just over $977,000, saving the city 10.5 percent. The employees submitted a bid that reduced one position, eliminated two vehicles, and proposed using an upgraded software system to streamline the process and improve services. In addition, the city set up a reward system: if employees can produce additional savings beyond those proposed in their bid, they will share in the documented savings.

In May 2011, an independent advisory board in San Diego, California, chose a city workers' bid over five others from private firms to run the city's print shop, lowering costs by 30 percent. The workers submitted a plan to operate the shop more cost-effectively by eliminating about $1 million of personnel and operating costs over five years. San Diego is now working on similar bidding opportunities for fleet services, street sweeping, street and sidewalk maintenance, public utilities customer support, and landfill operations. The city projects savings of $27 million annually once managed competition, where appropriate, is fully implemented.

In fact, San Diego's well-developed approach – including a Managed Competition web site, Pre-Competition Assessment Reports, Preliminary Statement of Work Reports, ongoing Managed Competition Status Reports, and Managed Competition Guide – provides a good example of the components that must be in place to establish such an approach.

An example of managed competition that allowed city workers to submit bids to compete with private sector firms is in Indianapolis, Indiana. A study completed in 2005 by the School of International and Public Affairs at Columbia University reported that, from 1992 to 1997, Indianapolis saved $230 million through competitive bidding of 70 different city services.

Most notably, the city requested bids to manage its fleet, which at the time was handled by the Indianapolis Fleet Services (IFS). IFS, competing with 32 private firms, successfully bid and was awarded a three-year contract, saving the city 35 percent over current costs. IFS reduced staff, creating a more efficient supervisor-to-worker ratio, and improved customer service (holding hundreds of intra-department meetings each year in order to ensure customers were happy with services). At the end of the three-year contract, IFS was awarded a follow-on contract and had expanded its services to other quasi-government agencies for which it provided fleet services. Charlotte, North Carolina, and San Diego, California, used the Indianapolis model to bid fleet services. When San Diego's city fleet department bid on providing the services, it produced a bid $1.4 million below that of the next-lowest bidder.

Provider Management Approach

As recommended in the Procurement section of Chapter 5, a well-defined and consistent approach to provider management and evaluation of insourcing or outsourcing is a key component of strategic sourcing. Clear definition of requirements and evaluation criteria are important in all sourcing activities, and particularly so for outsourced services. Recommended guidelines concerning bid documents, vendors and contracts follow:

Bid Documents

- Invest significant resources to make sure the bid documents with outsourcing or insourcing goals meet all programmatic requirements before the documents are made public. These requirements will drive the process, the award, the contract, and the final work product. Create pre-determined, merit-based criteria to rank every important aspect of the project. Each project should have its own criteria, because standard criteria are not project-specific enough to be meaningful. For instance, for some projects success may depend on the quality of employees while for others success may rest more heavily on the quality of the management team.
- Involve subject-matter experts as key bid document writers and evaluators. Employees who can only ensure that the bid documents and contract documents are technically correct are insufficient. Instead, borrow experts from other agencies in the state, the federal government, and localities. In particular, include field experts who do or have done the work to be bid out.
- Make sure that state agencies are not competing against each other by consolidating the state's demand for one type of service into a single contract. In some instances, Louisiana agencies write independent contracts for the same services, losing purchasing leverage, creating inconsistencies, and duplicating work in contract development and provider/vendor management. When agencies are required to plan and contract together, efficiency is increased and costs are reduced. Provide the details of the current public sector costs. This is critically important so that the private sector and incumbent public sector employees can understand current operations and know what price will beat the current price structure.

Vendors

- Ensure that the bidders are qualified both in experience and with a strong balance sheet. Financial capital is important; a performance bond only ensures that some money can be retrieved if something goes wrong; it does not mean the vendor is necessarily financially strong.
- Do not privatize if there are insufficient firms to do the work. One or two bidders do not create

sufficient competition. Enough businesses should be available at bid time so that if the contract fails, another business can be hired at competitive rates.

- Require a list of subcontractors with the bid and vet them individually. A bad subcontractor can ruin an entire project.

Contracts

- Develop very specific contract performance measurements, goals, and desired outcomes. This requires thinking through each important step of every deliverable and attaching a fair, achievable, accountable goal.
- Include non-performance penalties and use them. If the vendor does not meet the deliverables, penalties should be constructed so that issues can be repaired early in the process before the contract becomes unsalvageable. The state should consider monetary incentives if the vendor exceeds expectations.
- Base decisions on a generally accepted cost/benefit model to determine the most efficient service program, whether it is outsourced or insourced. The model should compare current government program costs and revenues to outsourcing and insourcing expenses and revenues. Government costs should include:
    - Shutdown expenses associated with employee lay-offs
    - Shutdown savings resulting from reduced contractual, capital, equipment, and state employee costs
    - All costs incurred by the state during the span of the contract, including contract monitoring costs. Train employees who will monitor contracts, including rigorous contract monitoring in real time and alerting the vendor about discrepancies and possible penalties.
    - Always consider insourcing as a viable alternative to current operations and outsourcing. Experience has shown that the outsourcing process itself can be a valuable tool to create efficiencies even when the result is that government keeps services within its own agencies.

CROSS-AGENCY RECOMMENDATIONS

		Target Savings and Revenue Estimate (All values in 2014 dollars, in 000s)					
Rec #	Recommendation Name	FY15	FY16	FY17	FY18	FY19	Total
1	Maximize Utilization of the Public Safety Baton Rouge Maintenance and Repair Facility to Reduce the Cost of Maintaining and Repairing State-owned Vehicles	($6)	$234	$296	$345	$395	$1,264
2	Review Agency Toll-Free Telephone Numbers, Eliminate Redundant and Unnecessary Service, Consolidate Toll-Free Agency Access Among a Smaller Inventory of "800" Numbers	$184	$184	$184	$184	$184	$920
Total		**$178**	**$418**	**$480**	**$529**	**$579**	**$2,184**

Recommendation #1 – Maximize Utilization of the Public Safety Baton Rouge Maintenance and Repair Facility to Reduce the Cost of Maintaining and Repairing State-owned Vehicles

The State of Louisiana should increase utilization of the Department of Public Safety (DPS) vehicle maintenance and repair facility by adding a second daily shift devoted to maintaining and repairing state vehicles. The garage will be staffed by appropriately trained and skilled inmate trustees under supervision of the State Police. Using inmate labor to conduct vehicle maintenance and repair services will reduce vehicle lifecycle costs and provide additional training, education, and skill-building opportunities for inmates. Specifically, the state should:

- Increase utilization of the Public Safety Baton Rouge vehicle maintenance and repair facility by increasing the number of daily shifts from one to two
- Utilize appropriately trained, skilled, and supervised inmates to staff the second-shift operation
- Devote the second-shift operation to maintaining and repairing state-owned vehicles
- Manage the mix of maintenance and repair services to maximize aggregate savings
- Consider privatizing the parts warehousing function to minimize the value of inventory on-hand while improving access to parts and supplies
- Implement billing procedures that reflect the true cost of vehicle maintenance and repair services
- Expand second-shift vehicle maintenance and repair operations to other state-owned garages as appropriate

Findings and Rationale

- State code authorizes the Division of Administration to develop central contracts for vehicle maintenance and repair services.
- Some agencies (e.g. DPS, DOC, DHH, and DOTD) own and operate vehicle maintenance and repair facilities (sometimes called garages); these facilities maintain and repair their agency's vehicles and operate one shift, five days per week.

- Agencies without access to state-owned garages may self-perform some vehicle maintenance procedures (e.g. oil changes), but these agencies generally procure maintenance and repair services from local providers. Agency fleet managers are responsible for selecting and directing work to appropriate service providers.
- Agencies that own and operate, or have access to state-owned garages generally use those facilities for most vehicle maintenance and repair work.
- State Police provides limited maintenance and repair services for external agencies, but they do not fully recover the cost of work performed. Interagency billings for service recoup the cost of parts. Overhead, labor, and direct operating expenses are not billed.
- State Police manages its garage with state employees, but vehicle maintenance and repair services are provided by inmate trustees, supervised and secured by state troopers.
- DPS owns and operates an impressive vehicle maintenance and repair facility in Baton Rouge. This facility operates one shift per day successfully maintaining and repairing State Police and other Public Safety Vehicles while using inmate trustee labor, but the garage lies idle for the remainder of each work day. Operating only one shift per day, the Public Safety garage is underutilized.
- Most agencies procure vehicle maintenance and repair services from commercial providers. Because the Public Safety vehicle maintenance and repair facility is underutilized, the annual spend for vehicle maintenance and repair services are significantly higher than otherwise possible.

The State Police Baton Rouge vehicle maintenance and repair facility is underutilized. Enhanced utilization can be accomplished without significant investment and will enable the state to benefit from low-cost inmate labor. Appropriately trained and skilled inmate labor can be used to perform maintenance and repair on state-owned vehicles, reducing expenditures for these services while increasing education, training, and skill-building opportunities for inmates.

Recommendation #1 - (Dollars in 000's)				
FY15	FY16	FY17	FY18	FY19
($6)	**$234**	**$296**	**$345**	**$395**

Assumptions

- DOC has the capacity to house the required number of inmate trustees to staff second shift operations at the Public Safety Baton Rouge vehicle maintenance and repair facility.
- Appropriately skilled, trained and supervised inmates are able to provide vehicle maintenance and repair services equivalent to commercial providers. State Police and DOC will need to screen inmates before training classes so that a sufficient number of trustees are available to work at the State Police garage.
- The Baton Rouge metropolitan area has a sufficient concentration and number of state-owned passenger vehicles to efficiently use service-hours provided by a second-shift maintenance and repair operation.
- FY15 savings will accrue for six months; the first half of the fiscal year will be devoted to recruiting and training inmate trustees and implementing second shift operations.

	High Estimate	Low Estimate
Number of Inmates Required to Operate 2nd Shift	12	15
Annual Inmate Wages	$3,120	$3,900
Incremental Increase in Cost to House Second Shift Inmates	$0	$0
Annual Cost of Inmate Transportation to/from the Public Safety Garage	$15,600	$19,500
Incremental Annual Increase in Energy Costs as a Result of Second Shift Operations	$40,000	$50,000
Annual Cost of State Police Supervision for Second Shift Inmates (3 State Police Troopers Including OECs)	$165,629	$220838
FY5 Start-up Cost (Tools, Uniforms, etc.)	$20,000	$30,000
Annual Expenditure for Tools, Uniforms, Cleaning Supplies, etc.	$3,000	$4,000
Projected Annual Second Shift Work Hours (Hours Devoted Solely to Maintenance and Repair Work)	7,678	
Baton Rouge Average Hourly Labor Rate for Vehicle Maintenance Services	$69	
Baton Rouge Average Hourly Labor Rate for Vehicle Repair Services	$116	
Hourly Second Shift Operating Rate for an Inmate-Staffed Garage	$30	$39
FY15 Productivity of Inmate Labor vs. Commercial Labor. See Note Below	80-95%	70-90%

Note: Productivity of inmate labor versus commercial labor is used to account for likely performance differences between inmates and commercial mechanics. For example, if a commercial mechanic performing at 100 percent productivity takes one hour to complete a repair, an inmate working at 80 percent productivity would take 1.25 hours to complete the same repair. As inmate mechanics gain proficiency, their efficiency is expected to increase.

Recommendation #2 – Review and Consolidate Toll-Free Telephone Numbers

The State of Louisiana should consolidate agency toll-free telephone numbers to improve customer access to state agencies and reduce wasted call-minutes. Specifically the state should:

- Identify and eliminate redundant or unnecessary toll-free telephone numbers.
- Investigate the feasibility of transferring inbound toll-free calls to the state network and reduce the accrual of inbound toll-free calling-minutes.
- Use existing or, if necessary, develop new web-based tools to determine the proper call routing. Train employees who typically receive calls from the public to use these tools and reduce call minutes.
- Require that all requests for new or expanded toll-free telephone service be justified and approved by the Office of Telecommunications Management.
- Implement policies and procedures to periodically review the need for established toll-free services and eliminate those deemed unnecessary.

The savings estimates below are based on the following:

- The annual spend for toll-free telephone service is estimated at $1,471,130.
- Eliminating redundant or unnecessary toll-free telephone numbers will result in a 10-15 percent reduction in annual toll-free call minutes, saving from $147,113 to $225,000 per year.

Curtailment of new and existing toll-free numbers coupled with enhanced employee training may reduce annual toll-free call-minutes by 12.5%, saving a target of $184,000 per year.

Findings and Rationale

- Over time, state agencies established at least 1,426 toll-free telephone numbers
- The annualized toll-free telephone service spend totals $1,471,130
- Agencies submit requests for new toll-free telephone service through the Office of Telecommunication Management (OTM) but at this time agencies are not required to justify the need for new or expanded service
- OTM manages central contracts for toll-free telephone service
- The rationale for toll-free phone lines is not routinely reviewed and the rationale used to establish toll-free service may no longer be valid
- The proliferation of toll-free numbers complicates public access to state agencies and services; customers may have to call many numbers before reaching the correct agency or person
- An inflated inventory of toll-free telephone numbers inflates call-minutes and increases spend for telecommunication services

Reducing the inventory of toll-free telephone numbers will streamline public access to state agencies and services, improve customer service, and reduce the costs incurred.

RECOMMENDATION #2 - (DOLLARS IN 000'S)				
FY15	FY16	FY17	FY18	FY19
$184	**$184**	**$184**	**$184**	**$184**

Assumptions

By eliminating redundant or unnecessary toll-free numbers, costs can be reduced by 10-15 percent while better serving the public.

PROJECT IMPLEMENTATION PLAN

Project Management / Implementation Strategy

To ensure the success of the cross agency recommendations within the state, a well-defined implementation plan is critical. The following tables depict the project plan for the two recommendations.

Project	Project Name	Duration (Weeks)	Q4	FY 2014-2015 Q1	Q2	Q3	Q4	FY 2015-2016 Q1	Q2	Q3	Q4
1	Maximize Utilization of the Public Safety Baton Rouge Maintenance and Repair Facility.	26									
2	Reduce Inventory of Toll-Free "800" Telephone Numbers	13									

Figure 13.1: Provider Management Project Plan Gantt Chart

WBS	Tasks	Resources
1	**Maximize Utilization of the Public Safety Baton Rouge Maintenance and Repair Facility.**	
1.1	Form the second shift implementation team with personnel from Public Safety, State Police, DOC and DOA. Hold project kick off meeting. Define roles and responsibilities.	4 Gov't FTE + 1 Project Coordinator
1.2	DOC: Form sub-team and identify inmates who may be good candidates for an automotive technology class and trustee status; identify inmate trustees who may have the skills and abilities for immediate transfer to the Public Safety 2nd shift vehicle maintenance operation.	2 Gov't FTE
1.3	DOC: Plan and start the automotive technology class for inmates identified in task 1.2	2 Gov't FTE + 1 Project Coordinator
1.4	Public Safety and DOC: Form a sub-team to identify and resolve operational, logistical and security issues associated with opening a second daily shift for devoted to fleet vehicle maintenance and repair.	3 Gov't FTE + 1 Project Coordinator
1.5	DOA: Form a sub-team to identify and resolve operational, logistical and security issues associated with managing vehicle movement to and from the second shift vehicle maintenance operation.	2 Gov't FTE + 1 Project Coordinator
1.6	Begin weekly coordination meetings among DOC, Public Safety and DOA second shift implementation sub-teams.	4 Gov't FTE + 1 Project Coordinator
1.7	Procure tools and supplies required to initiate the second shift vehicle maintenance and repair operation.	2 Gov't FTE
1.8	Develop, bid and award automotive maintenance supply and repair parts contract(s)	2 Gov't FTE + 1 Project Coordinator
1.9	Based on the work of Public Safety, DOC and DOA sub-teams, set a date to implement the second shift vehicle maintenance and repair operation	4 Gov't FTE + 1 Project Coordinator

WBS	Tasks	Resources
1.10	Develop policies and procedures designed to support the 2nd shift vehicle maintenance and repair operation	4 Gov't FTE + 1 Project Coordinator
1.11	Initiate second shift vehicle maintenance and repair operation (estimated start date based on the outcome of task 1.9)	2 Gov't FTE + 1 Project Coordinator
2	**Reduce Inventory of Toll-Free "800" Telephone Numbers**	
2.1	Form the DOA/OTM toll-free service review and inventory control team. Hold project kick off meeting. Define roles and responsibilities.	2 Gov't FTE + 1 Project Coordinator
2.2	Reach out to agencies; invite agencies to assign personnel to the toll-free telephone service review group; hold first group meeting	2 Gov't FTE + 1 Project Coordinator
2.3	Identify data and information requirements to support the review of existing toll-free telephone service; develop a strategy to obtain data and information	2 Gov't FTE + 1 Systems Support
2.4	Develop and communicate interim policies and procedures intended to control the implementation of new toll-free service while the existing inventory of toll-free "800" numbers is being evaluated.	2 Gov't FTE
2.5	Obtain and review data and information pertaining to existing toll-free telephone service	2 Gov't FTE + 1 Project Coordinator
2.6	Begin holding periodic meetings with agency representatives of the toll-free telephone services review group	2 Gov't FTE
2.7	Develop or identify information tools and employee training strategies to accelerate the handling of incoming telephone calls.	2 Gov't FTE
2.8	Begin training agency employees in the use of information tools to accelerate the handling of incoming telephone calls	2 Gov't FTE
2.9	Identify and terminate redundant, unneeded or outdated toll-free telephone service	2 Gov't FTE + 1 Project Coordinator
2.10	Develop and communicate policies and procedures to evaluate requests for new toll-free telephone service and periodically review existing service.	2 Gov't FTE

Figure 13.2: Provider Management Project Plan

Affected Stakeholders

Potential stakeholders who will be affected by these recommendations include:

- Citizens of the State of Louisiana
- State government employees
- Public safety officers
- State inmates
- Corrections officers
- Department of Corrections officials

Communications planning and skillful execution of those plans can mean the difference between widespread acceptance and disruptive resistance to change. Clear and forthright communication at each step of the process is crucial to success and involves a number of initial steps:

- Building an understanding among stakeholders of the purpose, process and objectives, and responding rapidly to inaccurate information by presenting the facts
- Ensuring that each agency involved possesses adequate communications capabilities and resources for internal and external communications.
- Determining the best tactics for communicating with each stakeholder group for each agency, including

employees, users of agency services (members of the public), third party intermediaries (community-based organizations that refer people to agencies) and non-governmental community leaders (ranging from clergy to business groups)

Change Management

Managing organizational change is about supporting individual employees impacted by the change through their own transitions — from their own current state to their own future state that has been created by the project or initiative. Organizational change is the summation of individual change. Achieving a future state as an organization depends on the success of individuals reaching their own personal future states.

The new shift for DPS and Corrections staff will require sufficient scheduling, training for the new inmate workers, and increased inter-agency coordination.

The reduction in toll free numbers will require an external citizen communication strategy that will need to be put in place in order to direct the citizens to the proper numbers for their needs.

Monitoring and Tracking Model

Below is a sample of the monitoring metrics that will be used to track project progress through completion.

Rec#	Objective	Performance Measure	Target	Unit
1	Provide at least a minimum number of maintenance and repair service hours annually	Number of annual service hours	7678	Hours
1	Control direct operating costs for maintenance and repair service	Cost of maintenance and repair service on an hourly basis	$30	$/Hour
2	Reduce spend for toll-free telephone service	Reduction in FY 2015 spend for toll-free telephone service using FY 2014 as the base year	15%	%

Figure 13.3: Provider Management Tracking Tool

Chapter 14: Operational Plan For Service Delivery

Overview

There are several sections that comprise the Operational Plan for Service Delivery. Each provides a detailed view of and distinct perspective on operations while describing insights discovered at the agency level as well as the state as a whole. A brief description of each of the sections follows:

- *Overview of the Recommended Lines of Service Catalog* – Through extensive data gathering and analysis at each of the cabinet agencies, A&M created a comprehensive catalog of each of the activities it was engaged in and assessed their cost drivers and alignment with their mission. Leveraging this work, DOA and the state will be able to view their budgets through this lens to allocate resources where they will be most impactful.
- *Recommendations and Observations for Cross Agency Centralization* – Each assessment team worked collaboratively with agency staff and each other to come up with ideas for efficiency improvements that will impact operations across the state. Descriptions of these ideas are presented in this section, including a discussion of the rationale for improvement and any impacts on service delivery. Ideas classified as recommendations have been thoroughly analyzed, while observations will require additional investigation beyond the scope of the GEMS effort.

- *Agency Observations* – In addition to the cross-agency initiatives, A&M's assessment teams identified efficiency opportunities within each agency. Descriptions of these ideas are presented in this section, including a discussion of the rationale for improvement and any impacts on service delivery
- *Operational Plan for Human Capital* – This section includes requisite policies, procedures, controls and performance objectives for each agency. The agency's operations were evaluated to identify any potential improvements to these areas and descriptions of any efficiency opportunities that will have impacts on an agency's policies and procedures or internal controls have been catalogued here.

Recommended Lines of Service Catalog

A&M worked with targeted state agencies in the development of a "Line of Service" catalog, which clearly defines categories or groupings of specific services or activities in which an agency is engaged.

This exercise was conducted so that agencies could review their operations in terms of the programs and services they are providing, to identify duplicate lines of service across agencies, consolidate similar lines of services across agencies, and find ways of providing services more efficiently.

It also allows for budget decisions to be made based on the importance of the services being provided and how they align with key strategic and program goals – rather than simply budgeting based on the previous year's funding level. By continually monitoring performance, the service line can adapt its strategies to meet and exceed local and national benchmarks. The service line's leadership helps drive standards of care to meet both quality and cost goals.

By defining lines of service, departments will also have the ability to develop a better internal review process that includes:

- Challenging agencies to think in terms of the performance of financial, operational and economic cost drivers, and strategic priorities
- Comparing current services to activities needed to support the department's core mission and priorities
- Highlighting what is in the base, lending credibility to budget proposals
- Validating all current programs, services and activities and related "service" spending requirements
- Allowing for new funding proposals to be made at a service line basis
- Identifying key performance indicators that are aligned to the department's services including vision, mission, goals and priorities

The results of the lines of service catalog development and review identified a number of potential operating model changes that will be studied further for possible savings opportunities after the service-based budget development process has been completed for each agency.

A sampling of recommendations based on the work to date includes:

- Adopting a strategic service based budget process for all agencies to support comprehensive planning, shared decision-making, the development and application of strategies and allocation of resources as a way of achieving established goals and objectives.
- Utilizing program-based budgeting tools that include consideration of strategic priorities, developing and monitoring performance indicators and evaluating the funds being allocated against the value of the specific service being performed.

Some departments do use some of these methods in developing their spending models. Budgets are built, for example, based on such things as cost per program participant, number of highway lane miles and primary diagnosis codes. However, the line of service method is not used universally as a budgeting or performance enhancement tool.

The time commitment and level of effort required by each agency to complete service-based budget made it impossible for that to happen within the time frame of the GEMS project. However, there are some clear, practical next steps.

The next steps that are required to transform the lines of service catalog into a service-based budgeting tool include developing an allocation methodology and conducting a workload study within each agency to align staff and resources with the transformed lines of service. By allocating appropriated funding using the service-based budget methodology, the agencies will transform the budget into a service-based structure. An automated solution to perform this task should be considered to minimize risk and reduce time requirements.

Additionally, the development of performance measures that are aligned with the cost drivers for each service will provide each agency with the ability to identify specific services that require a change in appropriation funding.

For example, the Office of Human Resources within DOA conducted a cost allocation exercise to better align budgeted expenses with the identified lines of services. This will allow the office to identify future budget adjustments through expected cost driver changes for each line of service.

Recommendations for Cross-Agency Centralization

Throughout the GEMS program review, a number of recommendations either did not have quantifiable benefits or required additional project work to determine the eventual benefits from the recommendations. Additionally, during the lines of service review, a number of early stage observations were made for potential implementation with limited costing analysis. These recommendations and observations are found below.

Facilities Management

Within the Division of Administration (DOA), real property, leasing, and facilities management services are provided by three separate agencies: (1) Facility Planning and Control, (2) the Office of State Lands, and (3) the Office of State Buildings.

The lines of service each agency provides are essential to the efficient management of the state's lands and facilities, and many of these services are required by statute. Having three completely separate agencies handling real estate and facilities management is inefficient, and there are potential synergies from consolidating these offices. As a result, consideration is already being given to combining the three entities within DOA in FY15.

In addition, individual agencies manage their own real estate. By statute, several in-scope agencies (ex. DOTD, DHH) are exempt from any oversight in the management of their real estate assets. Being autonomous allows these agencies to operate and manage their assets as they see fit. However, it doesn't necessarily lend itself to an efficient process that enables the state as a whole to track its facilities costs.

A&M believes the current decentralization of facility services creates cost and occupancy inefficiencies and that economies of scale can be gained by centralizing the cross-agency management of several services into the Office of Property & Facilities.

A&M's recommendations focus on lowering costs, increasing revenue and improving the operational efficiency of state-occupied facilities through an increased centralization of asset management services, continuous portfolio occupancy management and detailed operating and financial reporting capabilities.

Recommendation #1 – Implement appropriate cost accounting for effective real estate and facilities management cost control within the state's financial accounting system

Implement the ability to capture, track, and report on real estate, facilities management, repairs and maintenance, and utility expenses at the facility level, not merely at the departmental level within the state's SAP financial accounting system.

Rationale

The state's financial accounting system does not track operating, maintenance, and capital expenditure at the facility level. Currently, the SAP object codes that capture these costs are only accounted and reported at the departmental level.

The inability to report real estate, facilities, and utility costs of owned facilities at the facility level hinders the ability of the state to:

- Benchmark cost of various facility types against national averages
- Consider procurement strategies to lower costs and provide consistent levels of service
- Allocate real estate and facilities cost to specific programs
- Track energy usage by facility type and identify energy-inefficient facilities for energy audits
- Track staff time by facility
- Identify buildings that are costly to operate and maintain that the state should evaluate for investment or monetization

SAP is the current financial accounting system for the state. Segments that track Chart of Accounts (Object Codes) into trial balances will need to be reconfigured for the accounting and reporting of real estate, facilities management, and utility costs to occur at the facility level.

These types of accounting systems reconfigurations are not unusual, and internal staff and external consultants have the necessary experience for managing the process from project inception through to completion. The entire reconfiguration process should take between six and 12 months.

At its most basic, the key elements as follows:

- <u>User Requirements</u> – The state will need to investigate the specific requirements of the reconfiguration, ensuring all needs are documented and approved before any system design work is completed. The user requirements would consolidate systems needs such as overall approach, naming conventions, linkages into other modules such as procurement and accounts payable, user/security measures, and reporting outputs, in conjunction with and prior to review and approval by the state CIO.
- <u>System Build, Reconfiguration, and Testing</u> – Design documentation is completed and approved, reconfigurations are completed in the system, and testing of transactions is completed.
- <u>Reporting, Pilots, Training, and Go-Live</u> – Reporting outputs are designed and tested, training and pilots are completed, and the upgrades are fully introduced into the system.

Recommendation #2 – Expand the facilities management portfolio under the Office of State Buildings for select divisional office facilities in the largest metropolitan areas

The Office of State Buildings is one of the largest public sector operating entities, providing real estate and facilities management services. OSB currently manages more than six million square feet of office, garage, and plant facilities (of this total three million square feet was for office space).

OSB is well-positioned to leverage its internal expertise, staff, policies, and procurement services to efficiently manage approximately 1.7 million square feet of additional cross-departmental office facilities, which are currently managed by real estate and facilities maintenance organizations across the departments.

Rationale

OSB currently manages facilities in the major cities, at cost levels below industry benchmarks. OSB efficiently delivers real estate and facilities management services and has the critical mass in the largest metropolitan areas to support additional departmental facilities. OSB manages operations and minor projects, tracks costs, and benchmarks costs and operations against industry standards, manages internal and external staff, and services some of the highest-profile facilities in the state portfolio.

This portfolio consolidation recommendation would be part of a larger centralization of real estate and facilities management services within DOA.

The figure below summarizes, by city and division, the additional 1.7 million square feet purposed for OSB facilities management services. The additions effectively expand the OSB portfolio-under-management by 35 percent, from approximately three million square feet to 4.7 million square feet.

City	DOTD	DPS	DED	DHH	DOC	Proposed	Existing	New Office Portfolio
Alexandria	18,597	9,210		207,743		235,550	73,200	308,750
Baton Rouge	400,648	361,007			238,328	999,983	2,569,648	3,569,631
Lafayette						0	91,931	91,931
Lake Charles						0	0	0
Monroe			319,303			319,303	97,699	417,002
New Orleans	65,097					65,097	130,207	195,304
Shreveport	33,084			61,412		94,496	3,300	97,796
Totals	**517,426**	**370,217**	**319,303**	**269,155**	**238,328**	**1,714,429**	**2,965,985**	**4,680,414**

Figure 14.1: Proposed Office Space Additions to the OSB Managed Portfolio

City and Facility	DOTD	DPS	DED	DHH	DOC
Alexandria					
DPS - Region 3 HQ - Main Office		9,210			
DOTD - Alex. Admin. Building	8,119				
DOTD - Alex. Design Building	3,072				
DOTD - Alex. MU Survey Office	896				
DOTD - Alex. Permit Building	4,320				
DOTD - Alex. RE Office	2,190				
DHH - A Building				16,125	
DHH - Admin Building				19,096	
DHH - Front and Main Gatehouses				196	
DHH - Nursing Complex				6,416	
DHH - Business Office				20,264	
DHH - Security HQ				2,400	
DHH - SSD Med Complex				1,653	
DHH - Unit 16				11,066	
DHH - Unit 19				6,704	
DHH - Unit 1 Admissions				23,760	
DHH - Unit 2 Office				4,260	
DHH - Unit 24				10,000	
DHH - Unit 26				10,000	
DHH - Unit 28				22,822	
DHH - Unit 29 Vocational Rehab				20,989	
DHH - Unit 30				10,600	
DHH - Unit 33 and Kitchen				11,392	
DHH - Unit 35				10,000	
DOC - Headquarters					238,328
Baton Rouge					
DPS - OMF/OMV Building		155,100			
DPS - OMV District Office		17,266			
DPS - State Fire Marshal Office Building		31,147			
DPS - OSP Headquarters		157,494			
DOTD - Headquarters Building	290,655				
DOTD - District 61 Airline Admin Building	10,780				
DOTD - Headquarters Annex Building	39,704				
DOTD - Section 45 Admin Building	59,509				
Monroe					
DED - Accent Corporate Center			319,303		
New Orleans					
DOTD - Administration	12,727				
DOTD - CCCD HQ Admin Building	23,250				
DOTD - Reg. Trans. Mgmt. Center	29,120				
Shreveport					
DOTD - Bossier City District Office	29,148				
DOTD - Bossier City District 04 HQ	3,936				
DHH - Admin Building				19,412	
DHH - Medical Center Building				33,311	
DHH - Oak Haven Building				8,689	
	517,426	**370,217**	**319,303**	**269,155**	**238,328**

Figure 14.2: List of Proposed Office Facility Additions to the OSB Managed Portfolio

The figure above lists the specific departmental assets under consideration for OSB facilities management services in each city.

OSB has established critical mass/economies of scale in Baton Rouge in particular, and also has operational staff in the other four cities. Based upon its currently benchmarked costs, it is expected that OSB's facilities management organization can deliver the appropriate level of facilities management with fewer on-site managers than the departments are currently employing for such services.

Using International Facilities Management Association (IFMA) industry benchmarks on FM staffing for various services and interviews with senior OSB leadership, the chart below estimates the potential number of existing facilities management staff across these facilities, as well as an estimate of OSB staff needed to provide similar services.

City	Est. Div. Staff	Est. OSB Staff	Variance
Alexandria	22	14	(9)
Baton Rouge	17	13	(5)
Lafayette	0	0	0
Lake Charles	0	0	0
Monroe	3	2	(1)
New Orleans	3	2	(1)
Shreveport	6	4	(2)
Totals	**51**	**34**	**(17)**

Figure 14.3: Estimated Variance between Estimated Divisional Staff and Estimated OSB Staff for 1.7 million SF of Additions to the OSB Managed Portfolio

With basic assumptions of salary, benefits, and severance packages, staff redundancies of between 12 to 20 individuals in facility management could result in annual savings in FY16 of between $250,000 and $450,000, and FY17 and thereafter of between $500,000 and $900,000.

Recommendation #3 – Conduct new facility condition assessments to support the bundling of cross-departmental energy efficiency contracts and cooperative endeavors

Two methods are available for generating revenue from state-owned energy assets: Energy Efficiency Performance Contracts (EEPC) and Cooperative Endeavors, known as public-private partnerships (PPP). Both are long-term, negotiated contracts with non-state entities. These entities operate state energy facilities more efficiently than the state would itself, are responsible for making sometimes costly capital repairs, and derive a profit by being able to sell the excess energy to other parties.

For the state to derive the full benefit from these contracts, it needs to have significant knowledge of the operational costs and capital requirements of its assets and conduct significant due diligence prior to negotiating terms.

One of the steps it needs to take is to conduct Baseline Facility Condition Assessments (FCA) to document the condition, capacity and future maintenance needs of the energy and utility assets. An FCA for all deferred maintenance needs has not been updated in approximately 10 years.

Findings and Rationale

Energy Efficiency Performance Contracts

Revised Statute 33:4547.1 authorizes the use of performance-based energy efficiency contracts (EEPC). DOC recently implemented a 15-year EEPC with an outside energy-management entity. Under this contract, the outside entity will perform overdue capital improvements to DOC's energy/utility systems, which in turn deliver energy/utilities at overall lower costs to the state. In discussions with the outside project- and energy-management entity leading this contract, the contract delivers approximately $30 million in capital avoidance to the state and reduces the annual cost of operations (electricity, natural gas, water) by $3 million in year 15.

Using the authority for EEPCs, the state has the opportunity to bundle energy-efficiency projects across departments, under larger and broader contracts than the DOC contract, to maximize the financial benefits to the state while reducing procurement and oversight costs. Capital cost avoidance from these larger contracts, based upon the needs outlined in new Facility Condition Assessments, could reasonably deliver two to four times the value of the DOC contract – $60-120 million – over the term of the contract. In short, these performance-based contracts can effectively reduce the state's capital expenditure/outlay requirements for deferred maintenance projects on energy/utility assets, and deliver lower operating costs to the state.

Public-Private Partnerships

PPPs are similar to EEPCs, except that the monetization of the state's assets are less restricted by specific performance-level targets of the assets, but rather enhanced by the ability of the state to benefit from revenue sharing from development focused on meeting current market (non-state) demands. Many PPPs involve leasing, or concession of rights to operate under-utilized state assets to generate revenue-sharing opportunities that deliver revenue back to the state.

For example, in discussions with an external entity that recently proposed to operate state-owned energy/utility assets, the third party proposed operating the energy/utility assets, improving the efficiency of the assets, and selling the under-utilized (excess capacity) services to private entities. Under the proposed 25-year operating agreement structure, the state could receive financial benefit from lower cost of operations and revenue sharing from the third party selling the excess utility capacity. The initial proposed financial arrangement would provide the state a net present value of savings and revenue sharing in the range of $8 to 10 million in year one. The same entity agreed that a contract that focused on multiple assets – bundled from an understanding of state-wide needs, the condition of all the energy/utility assets, and the market demand for services across the state – could result in a net present value five to 10 times the value of the initial proposed contract ($50-100 million).

With complete FCAs, Facility Planning and Control, the Office of State Buildings, State Procurement, and outside consultants can implement large-scale strategic sourcing events for either performance-based energy-efficiency contracts and/or public-private partnerships, based upon the centralized maintenance plans and market demands.

These FCAs, EEPCs, and PPPs would be part of a larger centralization of real estate and facilities management services within DOA.

Facilities Condition Assessments

Conducting FCAs of Louisiana's real estate portfolio will provide the supporting documentation to allow the state to calculate the timing of capital funds needed for necessary building systems repairs and upgrades. Procuring up-to-date FCAs for state-owned improvements is a critical step toward implementing a Preventative Maintenance Program (PMM) that will help the state realize cost savings for years to come.

Savings from performing FCAs are based on reductions in:

- Waste in capital projects
- Cost of project materials
- Cost of project labor
- Frequency of emergency repairs
- New construction
- Frequency and duration of building shut downs

There is an active market for service providers who perform FCAs. After developing a clearly defined scope of services and determining its goals, the state should strategically procure a FCA provider through a competitive Request for Proposal (RFP) process. After conducting preliminary market research, the estimated cost for assessment and implementation of a PMM system would likely be between $0.10 to 0.15 psf. According to surveys conducted by the Gantry Group, customers who implemented a PMM via FCA have seen three-year Return On Investment (ROI) of 75 to 275 percent, with many customers realizing savings within the first year.

Recommendation #4 – Centralize certain real estate services within the Division of Administration to lower facility costs and improve efficiency

The state should centralize non-division-specific asset management services, such as occupancy management, facilities management, preventative maintenance, and energy/utility programs, within the new DOA Office of Property & Facilities, to manage and lower the state's overall facility costs and improve facility efficiency.

Findings and Rationale

The state's decentralized management of real estate and facilities management services inhibits the ability of the state to manage its real estate assets properly and cost-effectively.

- **Real Estate and Facilities Management Costs –** The state's financial system does not track operating, maintenance, and capital expenditure at the facility level
- **Occupancy and Space Utilization and Management –** Neither the departments nor the state utilize occupancy and space management systems to actively track the utilization of facilities, reducing the state's ability to assess opportunities for facility consolidations, dispositions, buyouts, and alterations to facilities management service delivery
- **Preventative Maintenance Management –** Neither the departments nor the state utilize current preventative maintenance information to actively manage the capital required to maintain the 22 million square feet of facilities in the in-scope departmental portfolios up to industry and state standards
- **Under-Utilized Property Identification Process –** There is no defined annual or bi-annual process for identifying under-utilized facilities that could be candidates for revenue producing PPP transactions or surplus sales.
- **Overall Portfolio Performance Tracking –** Without the above systems and processes, the departments and the state are unable to:
    - Reduce Capital Requirements – Reduce capital outlay costs and requests through the scrutiny of project feasibility, space use, lease terms, and repair cost requests
    - Reduce Portfolio Size – Propose cross-departmental space consolidation/ subleasing and other portfolio-reducing solutions
    - Lower Operating Costs – Lower costs through an understanding of high cost facilities, energy management techniques, and low-cost service procurement
    - Eliminate High-Cost Facilities – Determine which facilities are the highest cost to maintain, calculate the time and financial investment to lower the cost of operations, and recommend action or removal from the portfolio
    - Identify Consolidation Opportunities – Track employees and space utilization across the owned and leased portfolios to recommend cost-effective cross-departmental consolidation projects

The state's decentralized management of real estate and facilities management services inhibits the ability of the state to properly and cost-effectively manage its real estate portfolio. One reason is the lack of IT systems and other tools to deliver the level of asset management oversight required of such a large and dispersed portfolio. These systems and tools include:

- **Financial Cost Accounting and Reporting –** In the Real Estate and Facilities Management Plan, A&M recommended on accounting for operating, maintenance, and capital expenditure at the facility level.
- **Preventative Maintenance Management –** With up-to-date electronic FCAs, preventative maintenance systems provide the ability to assess the timing of capital funds for building system repairs and replacements – allowing the state to determine the demand for capital for repairs, and to bundle similar projects into single strategic sourcing procurements or performance contracts for significant economies of scale.
- **Occupancy and Space Utilization and Management –** Public and private entities are using occupancy systems to track employees, personal property, and the utilization of work spaces through IT systems that allow for real-time updates from facility floor plans, human resources, IT, and other related inputs. Centrally managed occupancy systems will allow the state to actively track the utilization of facilities,

increasing the opportunities for facility consolidations, dispositions, buyouts, and alterations to facilities management service delivery.

- **Energy Management Systems –** The Office of State Buildings currently has an energy management program that tracks and monitors energy demand and peak loads to minimize energy draw and reduce peak hour rates. The replacement of inefficient lighting and controls also has delivered significant savings to the 4 million square feet OSB portfolio. Other departments, based upon the age of their facilities, may also have energy controls. The centralization of energy management will ensure that resources are directed to the most inefficient energy-use assets. And similar to the preventative maintenance systems, energy management systems will allow for strategic sourcing bundling of services and supplies across the state portfolio.
- **Overall Portfolio Performance Tracking –** With a central command focused on the above management systems, the state and the departments will be able to reduce capital requirements, reduce portfolio size, lower facility costs, and identify under-utilized assets for monetization and opportunities for cross-department consolidation projects

These management systems would be part of a larger centralization of real estate and facilities management services within DOA.

Centralization of any real estate and facilities management services may require a directed authority or statute revision to direct the departments which are currently exempt from this oversight to work with services provided within DOA. The planned Office of Property and Facilities consolidation forms the basis for further centralization of real estate services, as each recommendation involves leadership from the resources within the new office.

A high-level organizational assessment of the proposed Office of Property and Facilities is provided on the following pages.

Impact on Service Delivery

Greater centralization and leveraging of information and resources across agencies should have no impact on service delivery, simply resulting in more efficient use of assets, lower costs and increased revenues.

Fleet Management

Recommendation #1 – Centralize passenger vehicle fleet

The state should centralize ownership and management of state-owned passenger vehicles. Centralizing the fleet will improve transportation options for state employees while enabling DOA to reduce fleet size, maximize vehicle utilization, and minimize the lifecycle cost of vehicle ownership. Specifically Louisiana should:

- Centralize ownership of all passenger vehicles subject to current state code (motorized, licensed vehicles with four or more wheels used primarily for surface transportation of passengers, and delivery of small equipment and supplies)
- Centralize vehicle management including the acquisition, assignment, maintenance, and disposal of vehicles
- Invest in a fleet-wide GPS vehicle information system to support and enhance centralized fleet management data requirements and enhance safety
- Establish fleet vehicle rental rates based on vehicle lifecycle costs including capital, maintenance, repair, fuel, and residual value
- Establish fleet vehicle pools conveniently located for state employees (e.g. Capitol Complex, State Police Independence Blvd. Campus)
- Charge agencies for the use of fleet vehicles on a trip-by-trip or monthly basis depending on how vehicles are used.

- Implement an internet/intranet-based fleet reservation system that enables employees to reserve vehicles on an as-needed basis from any convenient fleet pool
- Increase fleet utilization rates and reduce personal vehicle reimbursements

Rationale

The following points describe important aspects of the current fleet management program operation:

- DOA established a fleet management program, including uniform policies and procedures for state agencies that own and operate motor vehicles, to provide safe, dependable, and cost-effective transportation for state employees who require the use of a passenger vehicle to perform their duties
- LPPA monitors agency compliance with policies, procedures, and standards, and evaluates the financial and operational outcomes of the program
- DOA has authority for the management and control of the following types and categories of state vehicles:
    - Vehicles owned and leased by executive branch agencies, boards, commissions, councils, departments, or other entities
    - Vehicles owned and leased by any state college or university
    - Vehicles owned and leased by the judicial and legislative branches of state government
    - Motorized, licensed vehicles with four or more wheels used primarily for surface transportation of passengers and delivery of small equipment and supplies
- DOA controls fleet size by evaluating and approving or denying agency requests for new vehicles. It also approves or denies requests for store-at-home-vehicles and personally-assigned vehicles, and may evaluate agency vehicle utilization rates and assume ownership of underutilized vehicles
- New vehicle purchases approved by DOA are funded via appropriations to requesting agencies. Post-purchase, vehicle ownership is transferred to the funding agency along with the financial obligation to appropriately maintain and repair vehicles during their operational life
- Agencies generally assign day-to-day fleet management responsibilities to employees for whom fleet is a secondary function
- Agency fleet managers implement LPAA policies and procedures, schedule employee use of vehicles, procure and monitor vehicle maintenance, transport vehicles to maintenance facilities, and manually enter vehicle use and cost data into LPAA's Protégé vehicle management system
- Although agencies make a concerted effort to adhere to LPAA fleet management policies and procedures, they do so without interagency coordination.
- Fleet vehicles are not shared among agencies
- Funding and operational disparities among agencies result in disproportionate vehicle utilization and inequitable fleet conditions
- Because vehicle ownership and management is decentralized, it is difficult to maximize vehicle utilization rates, right-size the fleet, and minimize vehicle lifecycle costs

Centralizing ownership and management of state-owned passenger vehicles will eliminate disparities among existing decentralized fleets, enable a comprehensive right-sizing of the fleet, and minimize vehicle lifecycle costs via the implementation of fleet-wide, rather than agency-wide management strategies.

Also, installing centralized GPS vehicle tracking will optimize fleet sizing and operations and improve safety as is already being done in several other states.

State employees will have better access to fleet vehicles, and management responsibilities now delegated to agency employees as a secondary responsibility will be centralized among a group of employees for whom fleet management is their expertise. Diligent use of the fleet tracking data will enable optimization of fleet size, expense and improve safety. Changing the way agencies pay for state employee transportation may also serve to remove a portion of vehicle lifecycle cost from the general fund.

Impact on Service Delivery

Personnel will need to be trained and acclimated to the new system as it goes into effect over a period of time. The end result of this process, however, will be that individuals who need vehicles will have them, although they have to reserve them through a new system, and they will be able to perform their duties as they always have. There should be no impact other than the type of temporary potential disruptions that are bound to occur when employees having difficulty utilizing a new system.

Human Resources

Observation #1 – Consolidate the training, testing, and processing of candidates for positions within all agencies

The state should consolidate the human resource functions of employee policy training, drug testing, and the management, processing and posting of positions from all of the agencies and their offices into the Office of Human Resources within DOA.

Rationale

By centralizing the employee training and testing functions, as well as the processing and posting of positions, the human resources organizations within each agency will realize several efficiency benefits in addition to reduced costs, including increasing the speed with which decisions are made, improving communications, and increasing opportunities for employee recruitment and retention. Centralizing these functions will ensure consistency in providing policy training and drug testing, as well as ensuring that all employees receive the required training and preparation across government agencies.

Observation #2 – Employee background checks: background checks should be centralized within the Department of Public Safety

The state should consolidate the process of conducting employee background checks within the Department of Public Safety (DPS) for all of the agencies. Currently the service is contracted to providers by each agency and DPS only provides background checks for its own employees.

Rationale

Centralizing the background checking process within DPS will be more efficient, reduce costs and ensure consistent quality.

Impact on Service Delivery

The impact on service delivery of these human resources recommendations would be entirely positive as they would facilitate and improve the hiring process.

Contracts and Purchasing

Observation #1 – Improve training and preparation of Request for Proposal (RFP) and contract management within the government agencies reviewed

Until a consolidation effort for the procurement and contract management is undertaken, an observation was made during the lines of service catalog development effort that there is a need for training concerning the RFP development and contract management functions across all agencies.

Rationale

Training and teaching consistent and efficient methods for developing requests for proposal and contract management will ensure more consistent performance in acquiring vendors and maintaining contract compliance.

Observation #2 – Consolidate contract management and development functions into the Office of State Purchasing

Currently, each agency reviewed during the lines of service catalog development maintains procurement and contract management functions within the Office of Management and Finance of its own agency. There is an opportunity to realize cost savings and increased purchasing power by consolidating these functions into the Office of State Purchasing within DOA.

Rationale

Centralizing these procurement functions will save the state money, increase its purchasing power and reduce the burden of managing the multitude of vendor contracts currently within each agency.

Observation #3 - Centralize purchasing for commodities within Office of State Purchasing

Currently, the purchase of commodities such as gasoline, diesel fuel, and vehicle parts and equipment is conducted at the agency level. Departments with large vehicle requirements such as DPS and DOTD would realize cost reductions resulting from centralized bulk bidding for commodity purchases. A procurement contract maintained within DOA's Office of State Purchasing would leverage the state's buying power and benefit all state departments.

Rationale

By centralizing the procurement of commodities such as fuel, tires, and equipment, the management and finance organizations within each agency would realize several efficiency benefits in addition to reduced costs, including inventory management, increased purchasing power, and reducing the burden of managing multiple vendor contracts for the same products across different agency. Centralizing these functions will ensure a consistent delivery in acquiring vendors and maintaining contract compliance.

Impact on Service Delivery

Improved training and consolidation of certain services will improve performance and enable agencies to operate more efficiently.

Emergency Medical Transports

Observation #1 – Institute strategic sourcing for emergency medical transport for state agencies

Currently, DOC employs ambulances from local companies to transport offenders to the hospital for emergency or life threatening health issues. During the development of the lines of service catalog, A&M observed that an opportunity exists for the state to request a contract for this service on a statewide or regional level through the DOA's Office of State Purchasing to reduce costs for emergency medical transportation for agencies such as DOC, DPS, and OJJ.

Rationale

By strategically sourcing the emergency transport service, the agencies involved can reduce costs and negotiate the best contracts possible. Also, sourcing this service centrally will enable the state to conduct monitoring in a way that ensures consistency of service.

Impact on Service Delivery

Consolidation of these overlapping services will have a beneficial impact on the delivery of those services. Services can be delivered more efficiently and at lower costs.

Alcohol and Tobacco Enforcement

Observation #1 – Consolidate alcohol and tobacco control enforcement

Currently there are services performed within both LDR's Alcohol and Tobacco Control Unit and DHH's Office of Public Health that include tobacco enforcement and spot-checks to ensure retailers are compliant with state regulations and sales requirements. DHH receives the SAPT Block Grant funds to provide the federally required Annual Synar Report (ASR). The Synar Amendment requires that a random sample must be drawn of licensed tobacco merchants and that compliance checks are conducted on those merchants in the sample.

Rationale

Combining programs that overlap will reduce duplication of effort and improve efficiency.

Impact on Service Delivery

Service will be improved as there would no longer be two agencies performing an overlapping service and improved coordination between the two agencies.

Enhance Compliance Control Review and Reporting

The A&M team conducted a comprehensive review of the internal audit function of DOA and the eight agencies included in the GEMS project. The team found that each agency utilizes a different approach to managing the internal audit function, mostly due to the available resources and staffing size for the function. As shown in the chart below, the size of the organizations relative to the agency budget varied considerably, as did the reporting structures and established methods for conducting internal audits.

Agency	Number of Auditors	Agency FY14 Budget ('000)	Reports to:	Audit Plan	Risk Assessment	Findings/ Exit Interviews
DOA	6	$1,497,075	Office of the Commissioner	Yes	Yes	Yes
DCFS	13	$784,598	Office of the Secretary	Yes	Yes	Yes
DHH	2	$9,144,099	Compliance Department	In Development	In Development	Yes
DOC	2	$494,105	Deputy Secretary	No	No	Yes/Informal
DOTD	1	$587,981	Office of the Secretary	Yes	In Development	Yes
DPS & OJJ	8	$613,840	Undersecretary	Yes	Yes	Yes/Informal
LDR	5	$100,323	Deputy Secretary	Yes	Yes	Yes
LED	2	$58,680	Undersecretary	No	Informal	Informal/No

Figure 14.4: Agency Audit Breakdown

Currently, there is not an official line of communication between the agency audit functions and DOA or the Legislative Auditors. None of the agencies reported working with the internal audit function within DOA and have limited contact with the Legislative Audit group. Some, but not all, of the agencies are notified when the Legislative Audit group is conducting an audit of their agency, but none of the agencies are involved in the Legislative Audits findings, recommendations, or exit interviews. The Commissioner's Office does follow-up with the agencies to review findings from the Legislative Audits and follow-up on the status of the corrective action plans.

The Commissioner's Office holds meetings and also follows-up with the agencies on internal audit findings and corrective action plans of critical importance. Recently, the Committee on State Audit Groups (COSAG) was reconvened to allow the internal auditors from all of the agencies to meet and discuss current events. The forum, led by DOA's head of internal audit, will allow the auditors to share best practices, review high risk areas within their agencies, discuss possible approaches to transition the function from being reactive to issues to being proactive in finding areas of concern and resolving the problems. The committee will provide a great opportunity for the agencies to improve their communication with the division and with the other agencies.

As a result of the limited resources available within the internal audit groups of the agencies, there is not much available time to implement an audit plan or identify major areas of risk within the agency. Most of the agencies currently conduct a risk assessment and develop an audit plan. However, most of the agencies are only able to review a fraction of the annual audit plan because there are so few auditors available. A large portion of the auditor's time is spent reacting to high-priority situations, responding to requests from agency executives, or handling special projects. The current staffing environment within most agencies leads to reduced internal audit coverage and review. All of the agencies reviewed reported having current policies, procedures and a charter.

The audit group for DCFS is able to provide 85 percent of audit coverage of the agency each year. The audit group issues findings and monitors the corrective actions being taken by the program.

DOTD is in the process of conducting a risk assessment and developing an audit plan for FY15. With one internal auditor, the agency is anticipating being able to cover 50 percent of the audit plan in FY15. The agency also has an audit committee made up of section heads and executives to review findings and update the committee on corrective actions being implemented. The committee allows the secretary to monitor the status of all internal audit reports and provides awareness to the agency leads which ensures that recommendations are acted upon.

DPS, which also serves as the audit group for OJJ, and LDR have mature audit functions that conduct risk assessments and develop annual audit plans. The audit groups for both agencies are able to abide by the audit plan and cover a majority of the agency. The staffing size for both agencies allows for the audit functions to be more proactive as well as cover special projects and requests.

DHH is currently implementing a risk assessment tool and will develop an audit plan for FY15. The two auditors currently respond to ad hoc requests and special projects, cover high risk areas that need to be addressed, as well as coordinate 21 different federal, state, and Legislative audits currently being conducted. The audit plan will be a three-year plan based on the risk assessment tool and special requests. This approach will allow the agency to be proactive and partner with agency executives in solving potential issues before they occur.

With two internal auditors for the agency, DOC is solely focused on addressing special projects, ad hoc requests, and high-priority issues and concerns. The internal audit team has developed a plan to become more proactive in identifying and resolving issues before they become high risk areas, but the limited staffing has hindered the implementation of the plan. With the absence of a risk assessment tool, the informal approach positions the audit group as partners with the agency executives in solving critical issues as a team. This approach allows the group to proactively address issues by encouraging executives to request advice and guidance from the internal auditors.

Areas of Risk and Vulnerability

In its review of the internal audit and compliance review offices, A&M reviewed major areas of risk or agency vulnerabilities in the operational, financial, management and environmental areas. Below are the areas internal audit groups themselves viewed as most vulnerable:

- Revenue collections from outsourced providers
- Processing and handling of sensitive data by outsourced providers
- Sensitive data security and processing
- Billing and fiscal management systems

- Contractors submitting incorrect information
- Contractors not following division standard operating procedures (e.g. reinstatement of driver licenses)
- Driving policies with public safety weapons and ammunition
- Enforcement and license of gaming regulations
- Contract management and monitoring
- Building and physical security
- The increasing use of social media outlets used in industry and government
- Budget size and number of employees versus the number of internal auditors
- Limited data sharing/mining tools within divisions/departments and offices

Observation #1 – Create consolidated audit and compliance group within each agency which includes the internal audit function

Using a similar organizational structure implemented by DCFS, by combining the internal audit function with quality and continuous improvement, compliance, investigation, and external audit groups, the limited staff for internal audit groups in multiple agencies would gain the ability to increase coverage and support the implementation of recommendations. The quality and continuous improvement team would assist with developing and implementing recommendations in areas of high risk. The investigation and compliance functions would assist with exposing systemic issues with processes and procedures. The internal and external audit functions would support each other with increased collaboration and cooperation, thus allowing a more proactive audit function.

The consolidated group would report to the agency secretary and allow for increased communication with other agencies as well as DOA.

Also, the secretary, section heads and executives of the agencies should comprise an audit committee, as is done at DOTD, to discuss, among other issues, the internal audit findings and the status of corrective actions being taken to resolve the issues.

Rationale

By creating a single point of contact within each agency would improve their ability to track the areas that are covered, monitor issues and follow-up on the recommendations and findings, and communicate the status of corrective action plans to DOA, the Commissioner's Office, and the agency executives.

By having one point of contact for all audit reviews, the newly created audit and compliance function would be aware and involved with any and all audits and reviews being conducted.

Having a committee consisting of the secretary and top executives of the agency would provide urgency for resolving the internal audit findings. It would also provide a forum for the internal auditor to formally present findings, whether the findings have been accepted, and the steps being taken by the agency to resolve the issue.

Impact on Service Delivery

Any improvements in the audit function will enables agencies to measure their performance more effectively and assure that services are being provided as they should.

Rate Alignment

Observation #1: OJJ should increase use of the Louisiana Behavioral Health Partnership to use a standard set of rates similar to DCFS and DHH

Currently, Office of Juvenile Justice (OJJ), Department of Child and Family Services (DCFS), and Department of Health and Hospitals/ Office of Behavioral Health (DHH/OBH) utilize a standardized set of rates for medical and non-medical residential facilities through the Louisiana Behavioral Health Partnership (LBHP) Statewide Management Organization (SMO), Magellan. These rates were established on behalf of the state by Mercer and Myers and Stauffer using actuarial financial tools to establish set rates for "room and board" and medical/non-medical services. Through the LBHP, OJJ and DCFS can access providers of non-secure residential care for youth in both medical and non-medical settings. DCFS and DHH currently utilize the LBHP for its populations to the most extent possible. However, the state suffers from a shortfall in the number of service providers and capacity managed by Magellan, which include Therapeutic Group Homes (TGH), Non-medical Group Homes (NMGH) and Psychiatric Residential Treatment Facilities (PRTF). Addressed in recommendation #4 of the OJJ assessment plan OJJ should work with LBHP to implement changes to service definitions for residential care in the LBHP provider network to encourage more providers to enter the network and transition all OJJ youth, who are deemed medically qualified and only if it does not impede their treatment progress to a therapeutic, Medicaid reimbursable placements in LBHP.

Agency-Specific Observations

Department of Transportation and Development

Observation #1 – Convert some of the vehicle fleet to natural gas

DOTD should convert some of its existing fleet from gasoline to natural gas.

Rationale

A third-party study for DOTD found that converting the DOTD fleet to natural gas could be expected to achieve $900,000 in annual savings from reduced fuel costs for 290 vehicles in the Baton Rouge area. (The cost of natural gas is $1.70 per gasoline gallon equivalent compared to $3.25 per gallon of gasoline in the Baton Rouge area.)

The capital cost for conversions would be $13 million, with the capital cost for a fast-fill fueling station at District 61 being $1.5 million. DOTD may be able to obtain 80 percent of the capital cost, or $11.6 million, from the Federal Highway Administration.

Impact on Service Delivery

Combining programs that overlap will reduce duplication of effort and improve efficiency. Service will be improved as there would no longer be two agencies performing an overlapping service.

This change will provide continued long-term savings for DOTD. Additionally converting to natural gas will also result in lower emissions.

Observation #2 – Consolidate the permitting functions into one section within the Department of Transportation and Development

DOTD should consolidate its permitting functions into one office from across multiple sections. Currently the Office of Operations issues truck permits for oversized loads in the Structures and Facilities section, and the Office of Engineering and Design issues permits for driveway access in the Traffic Engineering Management section, right-of-way permits in the Road Design section, and bridge permits, wetland permits, Coastal Use Permits, and Scenic Stream permits in their Environmental section. A consolidation opportunity exists for the services provided within each Business Office (Fiscal Operations) within the various region and district offices under DOTD.

Rationale

Streamlining the permit issuance function will produce cost savings and greater efficiency.

Impact on Service Delivery

The impact on service delivery will be positive. Consolidated the permitting functions will be more efficient and utilizing natural gas will produce a long term cost savings.

Department of Health and Hospitals

Observation #1 – Shift the administrative management of the uninsured population from the state management organization to the Local Governing Entities

There may be an opportunity to capture savings through better alignment of services between the Local Governing Entities (LGEs) and Magellan, the administrator of the Louisiana Behavioral Health Partnership (LBHP) managed care plan. DHH should specifically analyze the uninsured behavioral health Medicaid population.

Rationale

Louisiana has been striving to execute a successful transition from a regional model for behavioral health care to one that features the human service authorities. LGEs, also known as Human Services Authorities, are charged with decreasing the disabling effects of mental illness and/or addictive disorders in their parishes to enable adults ages 21 and older who are receiving services to live successfully in the community by the end of FY18-19. Currently, the funding for this initiative is provided through LGEs while the Coordinated System of Care (CSoC) is the responsibility of Magellan.

A&M recommends that DHH commission a study that assesses the effectiveness of care coordination services to the uninsured. Activities to support this study will include documenting the intake process, interviewing the personnel at Magellan and each of the LGEs, and examining recent cases to evaluate outcomes. The study will result in recommendations to improve the coordination between Magellan and the LGEs and potentially include a change to the funding model to ensure incentives are aligned to support effective care coordination.

Observation #2 – Analyze the operations, services, and cost structures of the Local Governing Entities

There may be an opportunity to capture savings through a detailed review of the administrative operations supporting the LGEs. DHH divides the state into ten regions, with each region encompassing several parishes. There is a LGE in each region that is responsible for administering various state- and locally run human services programs to constituents. The budgets for the LGEs range from $12-$29 million per year, resulting in total recommended budget of over $199 million for FY14-15.

Rationale

Through a preliminary review of LGE operations, A&M found that:

- Many business processes in the districts, such as disbursements and HR functions, are performed manually
- Participant intake and enrollment are areas that could be enhanced by automation

Further, DHH should evaluate administrative cost containment strategies including the following actions:

- Develop an administrative cost structure and cost allocation plan for administrative support costs for the LGE
- Require each LGE to identify services provided including major cost drivers and key performance agreements
- Revise the memorandum of understanding to provide annual reporting of programs and services including administrative costs

Due to resource and capability constraints, DHH should contract with a vendor that has the appropriate proficiencies to perform the analysis described above.

Observation #3 – Establish market-based rates outside of managed care

There may be an opportunity to capture savings by moving the rate setting process for fee for service programs to a market based methodology that aligns rates with the current local labor market, ensuring that DHH is not overpaying for services.

The Office of Aging and Adult Services (OAAS) and the Office of Citizens with Developmental Disabilities (OCDD) administer home- and community-based long-term care services through various waiver and state plan programs for individuals who are elderly or have intellectual disabilities, assisting them to remain in their homes and in the community.

Rationale

While many services within DHH are covered under the Bayou Health managed care program, rates for the Home and Community Based waivers in the Office of Aging and Adult Services and the Office of Citizens with Developmental Disabilities are not set under that contract. A&M understands that a formal actuarial re-evaluation of the rates has not been undertaken since 2007. Best practices in other states include developing rates for each of the fee schedule services by evaluating information from the U.S. Bureau of Labor Statistics, state-specific compensation studies, and data from provider's cost reports, as applicable. In addition, to reflect consideration for differences in costs observed across the state, best practice states have established intrastate geographical area designations to account for regional distinctions in labor markets.

Below is a table showing the enrollment and expenditures by waiver in each of the two offices:

Office	Program	Recipients	FY12-13 Expenditures
OAAS	Adult Day Health Care Waiver	939	$9,175,001
	Community Choices Waiver	4,913	$112,700,467
Subtotal		5,852	$121,875,468
OCDD	Children's Choice Waiver	1,245	$14,688,124
	New Opportunities Waiver	8,492	$439,577,397
	Residential Options Waiver	27	$560,514
	Supports Waiver	1,665	$12,982,256
Subtotal		11,429	$467,808,291
Grand Total		17,281	$589,683,759

Figure 14.5: Waiver Recipients and State and Federal Expenditures by Program

Though both programs have been able to cut rates in some service categories in the recent past, doing so without a strong, defensible fact base puts the department at risk for appeals. Establishing an objective, rigorous rate setting methodology puts the department on sound regulatory footing while potentially capturing significant savings.

Observation #4 – Review the feasibility of consolidating back office functions of all licensing boards

The state has numerous licensing boards that perform a variety of functions. Each board varies in size and scope of duties. The boards operate autonomously or semi-autonomously from DHH. DHH should commission a study that evaluates a transition to a centralized model.

Rationale

A centralized model would consolidate similar back-office functions, improve processes, improve state staff cross-training opportunities, and take advantage of economies of scale. Areas that could be enhanced by partial or full centralization include procurement, payables, budget, legal, and human resources.

The study should include a comprehensive review of resources, processes, governance, and budgeting across the boards to determine the greatest area of opportunity. Also, the study will focus on ensuring that each board's organizational structure and operations are correctly aligned to support its stated mission.

The following is a listing of Louisiana's licensing boards under DHH's purview:

Louisiana Addictive Disorders Regulatory Authority	Louisiana Physical Therapy Board
Louisiana Board of Examiners in Dietetics and Nutrition	Louisiana State Board of Chiropractic Examiners
Louisiana Board of Examiners of Nursing Facility Administrators	Louisiana State Board of Dentistry
Louisiana Board of Pharmacy	Louisiana State Board of Electrolysis Examiners
Louisiana Board of Wholesale Drug Distributors	Louisiana State Board of Embalmers and Funeral Directors
Louisiana Licensed Professional Counselors Board of Examiners	Louisiana State Board of Examiners for Sanitarians
Louisiana Licensed Professional Vocational Rehabilitation Counselors Board of Examiners	Louisiana State Board of Examiners for Speech-Language Pathology and Audiology
Louisiana State Board of Examiners of Psychologists	Louisiana State Board of Optometry Examiners
Louisiana State Board of Hearing Aid Dealers	Louisiana State Board of Practical Nurse Examiners
Louisiana State Board of Massage Therapy	Louisiana State Board of Social Work Examiners
Louisiana State Board of Medical Examiners	Louisiana State Board of Veterinary Medicine
Louisiana State Board of Nursing	Louisiana State Radiologic Technology Board of Examiners

Figure 14.6: DHH Licensing Boards

Observation #5 – Review institutional facility operations and costs to garner greater operational efficiencies

As part of A&M's review, it was noted that the state has garnered operational savings from the state institutions' operations. Specifically, the state has outsourced food service and selected administrative operations. A&M recommends that the state complete this review by commissioning a study to determine if other operational savings could be realized with a full operational review of state facilities. The assessment would review all services that are not outsourced and determine whether there is a compelling economic case that supports it. This assessment would also include a review of the food service and select back office operations to determine if the projected savings have been realized.

The below table indicates which services have been outsourced at each of the facilities:

Facility	Food Services	Laboratory Services	Pharmacy Services	Laundry Services	Grounds Maintenance
Villa Feliciana	✓	✓	✓	✓	
Pinecrest	✓	✓			✓
Central	✓			✓	
ELMHS	✓			✓	✓

Figure 14.7: DHH Facility Outsourced Services

Impact on Service Delivery

The observations for DHH involve recommendations for assessments and reviews of a variety of functions and operations. The results of those assessments will determine whether changes are made and how extensive they should be. Any impacts on service delivery should be considered at that time.

Department of Corrections

Observation #1 – Consolidate the business offices located within each correctional institution

DOC could reduce costs and improve efficiency by consolidating the business offices within each correctional institution into the current regional offices or the central headquarters Business Office/Fiscal Operations. Currently, each correctional institution contains a human resources, purchasing, accounting and budgeting, risk management, training and inventory control operation.

Rational

Centralizing the business office functions could reduce costs and improve efficiency.

Impact on Service Delivery

There would be no impact on service delivery as all services would continue to be performed, but centralized in fewer locations.

Operational Plan for Human Capital

Analysis of Service Delivery

From the development of the lines of service catalog A&M made the following observations and recommendations related to specific service delivery including:

- Enhancements to agency policies and procedures
- Areas for improved internal controls
- Operational efficiency improvements
- Recommended key performance measures

Department of Public Safety

Enhancements to Policies and Procedures

The Louisiana State Police (and other law enforcement units of the LA DPS) that use 12-hour shifts should change its current policy regarding the number and length of shifts per work period (14 days). DPS currently bases overtime on 80 hours of work in a two-week period. Fair Labor Standards Act provides that law enforcement agencies utilizing twelve hour shifts can base overtime on 86 hours for any two-week period. DPS utilizes 12-hour shifts for troopers and other law enforcement staff. With an 80-hour limit, this allows each officer to work six 12-hour shifts and two four-hour shifts before paying overtime. Adopting an 84-hour standard under FLSA, each officer would work seven 12-hour shifts in each two-week period.

Under the current system of 12-hour shifts there are 28 12-hour shifts to be manned in a two week period. With an 80-hour limit before overtime, there are four shifts that are either undermanned or are manned with overtime personnel. Moving to an 84-hour standard would cover this current gap. To deal with the problem in a manner that can be beneficial to both staff and to an agency, Section 201-7k permits agencies such as police, fire, EMS, etc. that staff 24/7 to utilize a standard of up to 86-hours in a two week period. An example of this practice is currently in place at DOC, which uses the 84-hour work period for its employees.

Recommended Performance Measures

DPS is comprised of seven different public safety agencies. Below are some recommended performance indicators:

Office of Management and Finance

Recommended Performance Indicators:

1. Number of Supervisor to Staff Positions
2. Budget per current employee

3. Training compliance for Support Service personnel
4. Accuracy of Forecasts
5. Revenue
6. Expense
7. Variance of Expenditure Projections to Appropriation

Office of State Police

Recommended Performance Indicators:

1. Number of Supervisor to Staff Positions
2. State trooper patrol strength per mile patrolled
3. State trooper administrative task hours
4. Annual number of special events activities coordinated by State Police
5. Number of contacts, arrests, citations by region

Office of Motor Vehicles

Recommended Performance Indicators:

1. Reservations made for appointments at Motor Vehicles
2. PTA transaction charges
3. Identification cards returned and processed by mail
4. Identification cards returned and processed by internet
5. Vehicle registration renewals returned and processed by mail
6. Vehicle registration renewals returned and processed via internet
7. Number of Supervisors to Staff Positions.

Office of State Fire Marshal

Recommended Performance Indicators:

1. Number of inspections performed by type
2. Final Inspections completed requiring multiple site visits.
3. Number of Fire Prevention Training courses by region
4. Number of hours worked processing licensing applications
5. Number of investigations conducted

Liquefied Petroleum Gas Commission

Recommended Performance Indicators:

1. Training and prevention courses related to liquefied petroleum gas and anhydrous ammonia
2. Number of inspections and citations by region

Louisiana Gaming Control Board

Recommended Performance Indicators:

1. Number of unsuitable persons that denied a license or permit
2. Number of licensees or permittees who were disqualified and/or license or permit was suspended or revoked
3. Number of licenses and permits issued by type
4. Number of licenses and permits issued by region
5. Number of administrative actions of the Board by type

Louisiana Highway Safety Commission

Recommended Performance Indicators:

1. Number of traffic related fatalities by type
2. Number of Traffic Safety courses by region
3. Number of Traffic related accidents by region

Office of Juvenile Justice

Enhancements to Policies and Procedures

The OJJ should explore the development of an Evening Reporting and Resource Center that operates during the peak juvenile crime hours of the day – 4PM to 9PM – and offers daily group counseling, tutoring and homework support, employment training and placement, college counseling and access to community support resources to high-risk youth that have been stepped down to Probation & Parole (P&P) supervision from secure/non-secure care facilities.

According to an analysis of all 2011-2012 discharged youth that spent some time in secure/non-secure care, their average one-year recidivism rate was 20 percent. While youth often achieve tremendous personal growth and progress under the recent reforms made to the quality of OJJ care, far too many of them experience devastating setbacks upon discharge back to negative and unsafe home environments. OJJ serves an estimated 4,000 youth in the community each year. In the last calendar year, approximately 2,000 OJJ youth received behavioral health and substance abuse treatment services in the community through the BHP. The BHP does not offer other services often needed by OJJ youth such as educational, job training and job attainment services. National benchmarks indicate increasing community based programming in education, employment and behavioral health can help youth succeed. A national study found that 32-37 percent of young people given employment and behavioral programs were estimated to recidivate, as compared to a 50 percent recidivism rate for the group of youth not given this intervention.[42]

Simply requiring youth to attend a program during these high crime/high risk hours after release could have an impact on reducing recidivism among participants. In an article published by the Juvenile Justice Information Exchange, called "Evening Reporting Center Keeps Kids out of Trouble during Peak Crime Hours" from June 6, 2011, indicated that the Clayton County, Georgia Evening Reporting Center for nonviolent youth ages 13 to17 has reported a seven percent recidivism rate within six months of completion of the program.

Evening Reporting and Resource Centers should improve educational and employment outcomes, as well as providing a source of ongoing support for youth in the community. Additionally the Centers should reduce recidivism, and improve public safety.

Recommended Performance Measures

The mission of OJJ is to protect the public by providing safe and effective individualized services that encourage youth to become productive, law-abiding citizens.

1. Marginal Cost per Youth served
2. Unduplicated Revocations per year including types of violations and responses to violations, such as movement between P&P, non-secure and secure levels of care
3. Number of youth receiving assessments within 30 days of arrival
4. Number of Supervisor to Staff Positions.
5. Number of Probation and parole officers caseloads
6. Average number of episodes and total days of placement in non-secure and secure care per youth for five-year period.

[42] Lipsey, Mark W. "Juvenile Delinquency Treatment: A Meta-Analytic Inquiry into the Variability of Effects."

Department of Corrections

Enhancements to Policies and Procedures

The DOC should expand access to the Certified Treatment and Rehabilitation Program (CTRP) at the state and local level. Under the current CTRP program, Department Regulation No. B-04-003, inmates at state correctional facilities and local jails may earn as much as a 360-day credit reduction in their prison sentence for participation in meaningful programs that reduce their risk to society, while also increasing their ability to become productive citizens of their communities. DOC should change its current policies of credits offered per program. The changes should be better tied to value and potential improvement to safety.

Recommended Performance Measures

DOC's mission is to enhance public safety through the safe and secure incarceration of offenders, effective probation/parole supervision, and proven rehabilitative strategies that successfully reintegrate offenders into society, as well as to assist individuals and communities victimized by crime. Below are recommended performance indicators:

1. Number of participants enrolled in CTRP Programs
2. Inmates released with CTRP Credits
3. Number of CTRP credits earned per inmate
4. Increase the number of parole and probation self-reporting cases
5. Number of Supervisory to Staff Positions
6. Accuracy of Forecasts
   A) Revenue
   B) Expense
7. Variance of Expenditure Projections to Appropriation
8. Measure unduplicated recidivism among parolees by level of supervision, including self-reporting
9. Monitor length of time parolees spend in different levels of supervision
10. More established evaluation of number and types of technical violations committed by parolees that are re-incarcerated

Department of Health and Hospitals

Enhancements to Policies and Procedures

A&M's assessment of DHH included an analysis of the effectiveness of its policies and procedures. The assessment resulted in two recommendations that aim to align incentives and streamline service delivery:

- *Improve the Process and Rate of Transition of Individuals with Age-Related and Developmental Disabilities from Nursing Facilities and Hospitals* – By improving the Office of Aging and Adult Services' (OAAS) identification and transition process out of institutional nursing facilities, DHH can capture savings by moving an increased number of participants into lower-cost programs. A&M recommends specific improvements across four key dimensions of system performance: (1) affordability and access; (2) choice of settings and providers; (3) quality of life and quality of care; and (4) support for family caregivers. These improvements include conducting assessments to identify potential My Place candidates in conjunction with the Level Of Care (LOC) evaluation during the admission process and converting existing positions to work full-time as housing coordinators among several others.
- *Establish More Cost-Effective Pediatric Day Health Care (PDHC) Programs and Services* – By modifying recipient criteria to better align the program with the state's approved Medicaid

State Plan provisions and creating conflict of interest provisions for facility medical directors, board members, and prescribing physicians with ownership interests, DHH can increase oversight over the rapidly growing PDHC programs. The number of PDHC facilities seeking state licenses has increased dramatically, doubling in the last year. Historically, there has been no mechanism in place to determine the true need for PDHC services or facilities. Similarly, there have been no regulations in place to govern how PDHC facility medical directors, board members, and physicians with ownership interests may prescribe PDHC at facilities with which they are affiliated. The new rules are anticipated to reduce the number of new facilities that qualify to be a PDHC. Additionally, the increased recipient qualifications are expected to result in a two percent recipient reduction, beginning in March 2014.

Enhancements to Internal Controls

A&M's assessment of DHH included an analysis of the effectiveness of the internal controls within the agency. The assessment resulted in three recommendations that aim to enhance DHH's management of financial risk:

- *Use electronic visit verification (EVV) to improve long-term care integrity and client care* - By improving the technology used by home health care providers, DHH can reduce overbilling by providers for extra time resulting from imprecise timekeeping. Currently, individuals providing in-home care or services track the time spent delivering care or services on time sheets. Although the vast majority of caregivers are honest, inadvertent errors on an individual's time sheet quickly accumulate. In an instance where an in-home worker fails to show up for a visit and claims the hours on their time sheet, the state has paid 100 percent more than it should and the person who needed the services failed to receive necessary care. DHH can tighten controls on these costs by requiring the in home workers to make a phone call with a secure pin or the use of a bio-metric verification device such as voice recognition or a thumb printer reader when the client visit begins and when the visit concludes.
- *Reduce Improper Payment in the Medicaid Program* – By implementing the same predictive analytic technologies used at the federal level, DHH can prevent and identify Medicaid abuse and fraud. Improper payments include claims submitted for unnecessary services, services billed in error, and claims knowingly submitted under false pretenses (i.e., fraud). Leveraging cloud-based technology and specialized analysts, DHH can further its use of automated payment controls to identify problems with claims prior to the claim being paid, ultimately limiting improper payments with relatively low up-front investment in IT infrastructure.
- *Implement Claims Level Indicator to Capture Cost Savings within 340B Drug Pricing Program* – By increasing the functionality of its existing payment systems, DHH can ensure its providers within the 340B pharmacy program are being reimbursed at the appropriate rates. Implementing a modifier (claims level indicator) to add an additional level of detail will allow DHH to disqualify drug purchases that do not meet requirements and determine the Actual Acquisition Cost (AAC) for drugs covered under the 340B Pricing Program, ensuring providers are not overcompensated.

Recommended Performance Measures

DHH Office of Public Health

1. Budget per current employee
2. Number of incidents
3. Number of training events
4. Change in medical equipment costs
5. STD case statistics

6. Change in Women, Infants and Children (WIC) dollars provided

Office for Citizens with Developmental Disabilities

1. Budget per current employee
2. Percent of funds spent on community living
3. Percent of funds spent on employment activities
4. Percent of individuals with disabilities assisted
5. Time to complete CMS Waiver renewals
6. Change in dollars spent per participant

Office of Behavioral Health

1. Budget per current employee
2. Change in dollars spent per participant
3. Average Daily Census
4. Average Length of Stay
5. Average Daily Occupancy Rate
6. Percentage of adults discharged from a state hospital and readmitted within 30 days of discharge

Human Services Authority

1. Budget per current employee
2. Change in dollars spent per participant
3. Percentage of individuals receiving outpatient treatment for three months or more
4. Average cost per individual served
5. Average cost per individual served and merchants educated
6. Percentage of enrollees completing the evidence-based educational prevention program
7. Average cost per Waiver Supports and Services client served
8. Percentage of waiver participants with a current Statement of Approval
9. Average cost per individual receiving PASRR services

Office of Aging and Adult Services

1. Budget per current employee
2. Percentage of OAAS Performance Indicators that meet or exceed performance standard
3. Administrative cost as a percentage of service cost
4. Percentage on registries for all OAAS HCBS waivers who are receiving other Medicaid LTC
5. Percentage of Medicaid spending for elderly and disabled adult long term care that goes towards community-based services rather than nursing homes.
6. Average expenditure per person for community-based long term care as a percentage of the average expenditure per person for nursing home care.
7. Percentage of participants receiving long term care in the community rather than nursing homes
8. Percentage of available Healthcare Effectiveness Date Information Sets (HEDIS)/Agency for healthcare Quality (ARHQ) Prevention measures on which Medicaid community-based program perform the same or better than the Medicaid nursing home Program

Louisiana Emergency Response Network

1. Budget per current employee
2. Percentage of time where traumatically injured patients that were directed to an emergency department for definitive care did not require transfer to another facility for higher level resources
3. Trauma Center Verification Achieved via the American College of Surgeons and verified by the State of Louisiana"
4. Percentage change in cost per number of calls
5. Number of incidents

Louisiana Developmental Disabilities Council

1. Budget per current employee
2. Number of events held per year
3. Number of attendees per event
4. Cost per attendee
5. Cost per event
6. New training materials developed

Office of the Secretary

1. Annual percentage of Bayou Health members who proactively select a health plan
2. Percentage of Bayou Health Primary Care practices NCQA PCMH recognized or JCAHO PCH accredited
3. Percentage of Total Script PDL Compliance
4. Percentage of applications for Pregnant Women approved within 5 calendar days
5. Percentage of eligibility determination accuracy obtained through Medicaid Eligibility Quality Control process - review of negative case actions
6. Average cost of enrolled per year
7. Percentage of procedural closures of renewal
8. Percentage of applications for LaCHIP and Medicaid programs for children approved within 10 calendar days
9. Percentage of applications for LaCHIP and Medicaid programs for children approved within 15 calendar days
10. Estimated percentage of children potentially eligible for coverage under Medicaid or LaCHIP who remain uninsured

Louisiana Department of Revenue

Enhancements to Policies and Procedures

The audit function of the state is divided into Office Audit (protects the state against individual's fraudulent refund claims) and Field Audit (audits businesses for Corporate Income/Franchise Tax (CIFT) and sales tax). LDR is in the process of obtaining metadata from SAS, Delta V9, and FAST to better protect the state's general funds. This additional data will better identify possible fraud that will lead to increased activity by the Office of Field Audit.

In order to efficiently select leads and technical issues for further development, A&M recommends the establishment of a cross-functional discovery unit. The Discovery Unit will be comprised of seven FTEs. This group will generate a centralized audit plan which will be executed by Office Audit and Field Audit. Responsibilities include:

- Data mining and analyses, including identification and utilization of best available data analytics tools, databases and technologies in a dynamic environment
- Tax minimization planning strategies expertise and intelligence, including identifying, understanding and tracking of state-of-the-art and dynamic tax minimization planning, strategies and methodologies employed by taxpayers across multiple tax types and industry sectors
- Interface with the IRS, other states and local authorities to develop and enhance cross-jurisdictional compliance and enforcement efforts
- Utilization of experience, know-how and LDR and other resources to enhance data analytics to develop specific risk-based audit strategies and identify audit targets by tax type, industry sector, taxpayer metrics, etc.
- Working with other LDR operational teams to "operationalize", where appropriate, audit

strategies and target identification for efficient front line audit and enforcement personnel.

Recommended Performance Measures

1. Percent of applications accepted
2. Percentage of tax returns filed electronically
3. Average return processing time (in days)
4. Percent of reporting compliance
5. Percent of audits completed within budgeted hours

Louisiana Economic Development

Enhancements to Policies and Procedures

LED's mission to attract and retain high-wage jobs to Louisiana requires the agency to facilitate one-time and ongoing business transactions with clients and customers. LED leads economic development for the State of Louisiana. Its efforts are focused on positioning Louisiana as the next great American state for business investment, quality of life, and economic opportunity.

LED differs from most other state agencies in that the majority of its activities are directed towards generating net increase in future state tax revenue. When LED enters into a cooperative endeavor agreement with a business for an expansion in Louisiana, it structures the agreement such that new state tax revenue generated due to the economic impact from the expansion exceed the state incentives provided for the project.

In order to increase operational efficiencies as well as enhance policies and procedures is through enhanced accountability of the tax credit provisions. LED should increase its audit integrity, document standard operating procedures and defined roles and responsibilities to enhance the internal review process as the application is received, during the production and after the project is completed. LED should enhance its current internal review procedures to include the following:

- Develop a standardized chart, in alignment with entertainment industry accounting terminology, clearly identifying qualifying/non-qualifying expenditures by category
- Document current application and audit review procedures into an operating procedures manual, including proposed expenditures presented in the preliminary budget (i.e. charting proposed qualifying above the line expenditures, soft costs and related party transactions) as well as a detailed outline of the multiple review steps to be taken in order to verify the validity of related party transactions and soft costs
- Fully integrate an electronic submission system (currently through FastLane) and require any and all documentation submitted to OEID to be done so through the electronic system. The system may be accessed by other state agencies, such as LDR

Enhancements to Internal Controls

LED has also identified problems with the quality of audited expenditure reports submitted by the applicant company's independent CPA's. The Legislature should allow LED to have the authority to select the CPA and be party to the audit engagement. Limiting the audit to be performed to one per production would gain efficiencies by the administrators. This would allow the administrator to be able to see the entire project and evaluate the analytics around the project as a whole.

Finally, LED should design a framework to automate the analytics of the film expenditure review process. This is currently manually entered into a spreadsheet and reviewed by the program director. A mandated standardized cost report could be developed and required to be used by the applicant. Any costs outside of the norm for the category could be rejected immediately.

Recommended Performance Measures

Office of the Secretary

1. Number of national ranking reports showing Louisiana with an improved state ranking over previous periods or with a high state ranking for rankings not published in previous periods
2. Percentage of readers of the Economic Development Quarterly (EQ) believe progress is being made with the business climate in Louisiana
3. Louisiana per capita income
4. Louisiana per capita income as a percent of U.S. per capita income
5. Louisiana unemployment rate
6. State ranking for value of exports (based upon zip code of origin)
7. Louisiana employment (number of jobs)

Office of Management and Finance

1. Accuracy of Forecasts
   A) Revenue
   B) Expense
2. Variance of Expenditure Projections to Appropriation
3. Average procurement cycle time
4. Average contract processing time
5. Percent variance in forecasting
6. Turnover rate

Office of Business Development

1. Estimated amount of dollars generated in Louisiana from entertainment industry projects (in millions)
2. Estimated amount of tax credits (in millions) as a percent of dollars generated
3. Three-year default rate on small business bond guarantees
4. Private financing generated by Small Business Development Centers per state dollar invested
5. Percentage by which assisted certified companies 2-year survival rate exceeds similar companies

Department of Children and Family Services

Enhancements to Policies and Procedures

A recommended policy enhancement for DCFS is to transition to a model allowing for one caseworker to manage the same child throughout his or her tenure under state supervision. By reducing the time children spend transitioning from one caseworker to another and reducing the administrative duties of the caseworkers, the amount of time children spend in the system will decline overall and operating efficiencies will increase.

Recommended Performance Measures

Office of the Secretary

1. Percentage of termination of parental rights cases received by Bureau of General Counsel (BGC) within the Adoption and Safe Families Act timeframe and filed within same.
2. Reviewed Contracts Accuracy Rate
3. Percentage of all cases litigated successfully by BGC.
4. Percentage of major federal programs audits completed as defined by the LA Single Audit
5. Percentage of contractor compliance reviews performed on DCFS qualifying programmatic contracts annually.
6. Percentage of DCFS cost allocated to each programmatic funding source in the prior year compared to the current year as reported in the semi-annual plan amendment cost impact statement.

7. Percentage of System Development Life Cycle-driven user requests that met the agreed upon implementation date per quarter.

Office of Prevention and Intervention

1. Of all children who were served in foster care during reporting period, and who were in foster care for at least 8 days but less than 12 months, what percent had two or fewer placement settings
2. Of all children who were served in foster care during the reporting period, and who were in foster care for at least 12 months but less than 24 months, what percent had two or fewer placement settings
3. Of all children who were served in foster care during the reporting period, and who were in foster care for at least 24 months, what percent had two or fewer placement settings
4. Percentage of children reunified in less than 12 months from latest removal
5. Percentage Increase of newly certified foster/adoptive homes in current fiscal year over prior year
6. Percentage of new Family Services cases with children who remain home without a valid CPI case within six months of closure
7. Of children exiting foster care during the time period, the average length of time to permanency (in months)

Community and Family Services

1. Average monthly cost per child
2. Food Stamps Recipient Rate
3. Cost per case (for public assistance programs)
4. Percentage of established claims and investigations completed during the fiscal year
5. Percentage of cases referred for criminal prosecution during the fiscal year

Division of Administration - Office of Group Benefits

The Office of Group Benefits (OGB) is responsible for the administration of state health and welfare benefit programs to over 230,000 active and retired State of Louisiana employees and their dependents, as well as the employees and dependents of other government entities that have selected OGB benefits. Offered benefits include health insurance, flexible spending account benefits, and life insurance.

Enhancements to Policies and Procedures

With a redefined strategic direction, A&M recommends that OGB redesign its organizational structure to complete its transformation and realize full savings. OGB can operate as an efficient and effective organization, eliminating operational redundancies and maximizing the contribution of each employee through a new organizational structure. The redesigned structure will support the effective management of third-party administrators and best serve the state's population, by driving the strategic direction set forth by the CEO and COO. As a result, A&M recommends that a number of policies and procedures should be changed. Internal OGB teams should be instituted to review and rewrite policies and procedures.

A&M recommends the centralization of OGB policies, completed in a standard OGB policy format and approved by the CEO and COO.

Communications procedures should be rewritten to reflect A&M's recommendation to migrate from paper mailings to electronic communication. Policies should be completed for both internal OGB communications team as well as agency HR representatives.

Eligibility policies including the dependent verification policy and the eEnrollment policy should be written to incorporate changes in the new organization. A&M recommends that, to the extent that it is allowed, dependent verification be held at the agency level. An internal OGB eligibility team should be formed to create this policy. eEnrollment procedures should be written to incorporate the changes to the eligibility department.

To reflect the changes to the Secretary of State microfilming process, the record retention policies should be updated for records including but not limited to medical claims, dependent verification documents, and enrollment forms.

Call center and imaging services procedures should be combined into a set of customer service policies to best serve the new multi-functional call center in the reorganization.

Standard operating procedures should be written to train both new and existing employees in the new strategic direction of OGB. These documents will be foundational in the training of employees.

Enhancements to Internal Controls

Resulting from A&M's assessment and analysis of the current organization and operations, the following enhancements to internal controls are recommended to increase operating efficiencies.

OGB should strengthen its overall control environment through a reorganization that results in the CEO having direct supervision of all functions, and increased functional expertise in the executive team.

With the assistance of specialized outside counsel, OGB should update its HIPAA and other regulatory compliance procedures. This review should cover new procedures and facilities.

OGB's new organization should establish the compliance function as a direct report to the CEO, and the lead compliance executive should be an attorney. In addition, the recommended changes to the eligibility team function and processes should be supported by audit of both OGB and state agency functions.

In order to better manage and oversee both current and proposed new third-party vendor arrangements, OGB should strength its vendor compliance oversight functions, including as regards performance measurement and payment. Increased executive functional expertise will also support key vendor controls.

OGB's accountability to the Division of Administration should be reinforced through (i) establishing regular reporting as a function for which the CEO is accountable; (ii) explicitly imposing dotted-line reporting between key executive positions and the DOA; and (iii) moving the OGB facility to the Division's Claiborne Building location.

Recommended Performance Measures

1. Percentage of eligible OGB plan members enrolled in a disease management program
2. Percentage improvement of population health metrics
3. Percentage of participation in OGB Wellness Program (completion of health risk assessment and biometric screening)
4. Percentage of vendor contracts performance standards exceeding 95%
5. Percentage of employees scoring above average on performance reviews
6. Agency State/DHH "Well Head" Status
7. Medical Loss Ratio (expenses: claims, administrative, taxes/fees vs. premium equivalent rate)

Division of Administration - Office of Risk Management

Enhancements to Policies and Procedures

The ORM should restructure the property insurance procurement process to allow for a more competitive bidding process. The new process would provide access to more markets and allow for the state to take advantage of economies of scale in its insurance purchasing. The new RFP process will result in more insurers competing for the state's business, better insurance coverage and reduced costs on brokerage commissions and policy premiums. This allows them to structure the program with limits and layers utilizing various known carriers, including some of those currently utilized on the incumbent program. Additionally, the new RFP process will allow negotiation and competition between carriers over an extended period, up until binding of coverage. As dynamic as the property market can be, this additional time to pursue and consider improvements in terms and pricing is material. Flexibility to the benefit of the state is expanded, while the risk is minimized.

Another opportunity for ORM to enhance policies is to align civil service workers compensation-personal sick days with other states. Civil Service Rule 11:21 requires workers injured on the job and receiving workers' compensation benefits to use sick leave or a combination of sick leave and annual leave. The process of paying the injured worker 100 percent of their salary is also a disincentive to return to work and various agencies have expressed concern that it is difficult to get employees back to work once they are receiving workers' compensation. Additionally the state accrues additional overtime costs for other employees who are required to cover the responsibilities of those individuals who are not on the job.

Also, A&M recommends the establishment of a state insured builders' risk fund to self-insure the builders' risk insurance costs currently purchased by contractors – and reinsuring it through global insurance markets. This move could produce significant savings and bring additional small businesses into the competitive bidding process that otherwise lack the buying power to obtain these policies at costs that are manageable.

Recommended Performance Measures

Office of Risk Management

1. Average Cost (WCRI)
2. Closing Ratio
3. Claims Frequency
4. Average Medical Paid (WCRI)
5. # of Employees per claim
6. Lag time for claims reported to TPA
7. WC cost per employee and as a percentage of payroll

Division of Administration - Office of State Purchasing & Travel/ Office of Contractual Review

Enhancements to Policies and Procedures

To allow for increased operating efficiencies within the Office of State Purchasing and Travel and the Office of Contractual Review, the team identified a need to develop, execute, and enforce consistent purchasing policies and procedures across agencies, including standardization of forms, documents, and contracts.

Another recommended policy enhancement is to make the use of statewide contracts a requirement, a change that would not only result in improved pricing, but also greater leverage as spend is consolidated and moved toward strategic sourcing.

A third opportunity to increase operational efficiencies is to consolidate purchasing statutes to maximize and sustain benefits from strategic sourcing. It is important to continually revisit and update the procurement code to ensure continued improvement of initiatives.

Enhancements to Internal Controls

Internal controls should be enhanced to increase operational efficiencies by conducting post-invoice audits to identify possible overpayments and refunds to which the state may be entitled.

Recommended Performance Measures

Office of State Purchasing & Travel

1. Percent utilization of statewide contracts
2. Percent savings/cost avoidance due to negotiations

3. Percent agency customers expressing satisfaction with contracts created through OSP
4. Percent of transactions using purchasing cards for volume under $5,000
5. Percent of agency audits for P-Card and Travel Card Programs found out of compliance
6. Percent of agencies utilizing P-Card and Travel Card Programs for purchasing and travel
7. Number of agency issues per total headcount
8. Number of P-Card and Travel Card accounts per total OST headcount

The following are additional sample metrics to track progress of the implementation of strategic sourcing:

1. Dollar spend strategically sourced
2. Percent supplier relationship strategies in place

Office of Contractual Review

1. Percent decrease in contract processing time
2. Percent increase in number of mandated standard templates with state's vetted clauses reduces risk and improves contracts effectiveness and efficiencies

Division of Administration - Office of the General Counsel

The Office of General Counsel (OGC) provides the state with a wide range of legal services such as advice and counsel, responses to public records requests for DOA, prosecution and defense of lawsuits, drafting legal documents, legislative services, administrative review and subrogation/collections of state payments.

OGC provides legal support services and counsel in the following major areas:

- To ensure compliance with federal and state laws and regulations
- To minimize adverse actions against the division and its programs and operations
- To provide a variety of document review activities associated with litigation
- To provide legal representation
- To provide advice and counsel regarding appropriate courses of action

Enhancements to Policies and Procedures

OGC should review all RFPs, ITBs, and competitive bids prior to the proposal documents being released. This pre-review will ensure that the terms and conditions are properly stated for the type of service or goods being provided. The legal review will also ensure that the scope of services, specifications and evaluation criteria are clearly defined.

An additional recommendation is to conduct client and customer satisfaction surveys on a routine basis to ensure that DOA and state agency legal service needs are being meet in a professional, ethical, timely, efficient, and effective manner.

Another opportunity to increase operating efficiencies through enhanced policies and procedures is to consider a legislative change to allow OGC to charge for “reasonable” staff costs to prepare and produce open records requests. Many other state governments allow for the cost to prepare the document request to be passed on to the requestor. In those states, an estimate of the amount of time to prepare the document is provided to the requestor prior to the start of the preparing the record request. DOA had 180 record requests in 2013 and 68 year to date.

Enhancements to Internal Control

OGC should implement a central records management and tracking system to track and monitor case files and litigation matters. Current manual systems demand staff resources to provide needed management reports. Manual systems are also not cross indexed which results in duplicative data entry of case file information.

Also, OGC should increase training and education opportunities for its attorneys. There is a need for enhanced training for the current staff attorneys and professional support staff in areas like family medical leave, subrogation and collection recovery, fair labor standards, and emergency disaster assistances (FEMA/HUD).

OGC needs to streamline the review process for employee garnishments. It should work with the payroll department to streamline the review and approval of requested garnishments.

OGC should conduct an overview of the rules and regulations related to the state's employee benefit and contract services on an annual basis for existing DOA office/unit and agency heads. This annual training and reference materials can assist in reducing questions from agency personnel.

Recommended Performance Measures

1. Budget amount per current employee
2. Average utilization per employee (example: billed 30 hours in a 40 hour work week = 75 percent utilization)
3. Percent of time outside counsel consulted
4. Average records request response time

Percent of cost/benefit analysis goals achieved/met.

Chapter 15: Organizational Structure Recommendations

Organizational Structure Recommendations

A&M evaluated the organizational structures of each of the nine agencies in scope to analyze current and optimal workflows, establish span of control guidelines, and assess whether the overall structure facilitates the agency's mission delivery. These recommendations are to be incorporated as the organization is redesigned.

The focus areas included in this report are: insufficient managerial span of control, dilution of responsibilities, and areas of responsibility duplication.

Findings

A&M identified findings common to many of the nine agencies, including:

- ***Unbalanced*** – A&M found that in several agencies, the structure is somewhat top-heavy when compared to peer organizations. Due in parts to a recent hiring freeze, staff have become relatively more senior as a proportion of the total complement.
- ***Overall Organizational Performance*** – A&M identified areas where the organizational structure created frictions, inhibited collaboration, or created boundary issues that impaired performance.
- ***Consolidation*** – A&M has created recommendations centralizing shared service functions.
- ***Restructuring*** – A&M identified increased span of control and transfer of and removal of functions where appropriate.
- ***Identification of new functions*** – Where appropriate, A&M assessed whether a new

office or function may be necessary to more efficiently pursue funding and revenue sources.

- ***Pockets of Expertise*** – There are instances when relevant skill sets are not available where they are required, at the appropriate time to ensure efficient completion of an agency's mission. A&M recommends restructuring the service delivery model and outsourcing to ensure expertise is available or on call to support necessary activities.
- ***Validation of Organizational Structure*** – A&M did not move around functions in groups, but set out to validate that the organization's structure facilitated its mission and was not impeding service delivery.

Identified Structural Opportunities

- **Division of Administration**: Opportunity to create Federal Funds Office, to coordinate and guide statewide federal funding, and reorganize Office of General Counsel practice group structure to better meet user/stakeholder needs.
- **Office of State Purchasing and Contractual Review**: Opportunity to establish strategic sourcing capabilities and create cross-functional, cross-agency strategic sourcing team to support this initiative.
- **Office of Risk Management**: Opportunity to streamline current staffing levels and reducing costs by decreasing levels of contract adjusters
- **Department of Children and Family Services**: Opportunity to streamline relationships between the department and other partnering agencies (e.g. health, workforce, etc.) and increasing the quality of foster care homes.
- **Louisiana Economic Development**: LED is appropriately aligned and staffed to execute its mission.
- **Department of Health and Hospitals**: Opportunity to implement trends in state-level health and hospital services that would improve quality of care and efficiency.
- **Department of Public Safety**: Opportunity to consolidate positions, administrative support, and communications centers.
- **Department of Corrections**: Opportunity to increase efficiency and decrease cost by increasing span of control.
- **Office of Juvenile Justice**: Opportunity to increase efficiency and decrease cost by increasing span of control and defining responsibilities of Department of Public Safety and Office of Juvenile Justice.
- **Louisiana Department of Revenue**: Opportunity to create Discovery Unit to determine audit strategy and tax enforcement.
- **Department of Transportation and Development**: The department's organizational structure is not impeding efficiency or effectiveness. No structural recommendations.

DIVISION OF ADMINISTRATION: FEDERAL FUNDS OFFICE

Current Organizational Structure

The Division of Administration currently consists of 25 sections. A&M's first organizational recommendation is the creation of a new organization, the Office of Federal Funds. The figure below illustrates the current organizational structure of DOA, without this office.

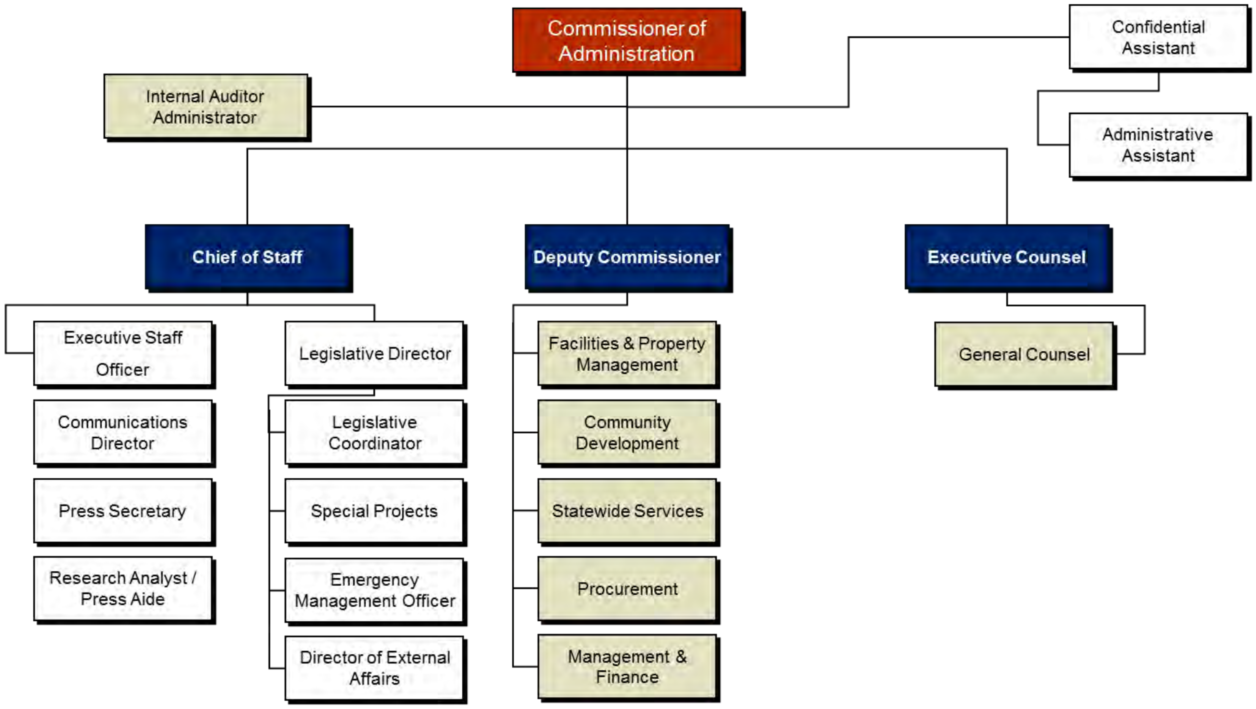


Figure 15.1: DOA Baseline Organizational Structure

Identified Structural Opportunities

The state should create a Federal Funds Office within the Division of Administration, or the state, with the responsibility to coordinate functional efforts in all phases of the grants process.

Rationale

Complex grants application, management, budgeting, and compliance processes are currently performed at the agency or departmental basis. Outside of the budget process, no process exists to coordinate, prioritize, and pursue federal funds across agencies, resulting in duplication of functional efforts in all phases of the grants process.

Currently, the existing process and systems could benefit from a coordinating office with responsabilities to:

- Implement a unified, trackable grants management system for the state
- Put in place a consistent, statewide quality control and application process in place
- Develop a coordinated, statewide reallocation or reprogramming strategy or process for expiring federal funds
- Put in place a coordinated planning process
- Lead the common compliance process outside of the statewide audits (such as A-133) by the legislative auditor or outside firms

Recommended Organizational Structure

A&M recommends that the Federal Funds Orrice be created to coordinate and guide statewide federal funding prioritization and strategy. The office will also serve as lisason to executive branch agencies, local governments, and universities to offer technical assistance and compliance monitoring.

The Federal Funds Office would consist of three functional areas: Planning and Communications, Management/Administration, and A-133 Compliance, all of which would be overseen by the Director of the Federal Funds Ofice.

Figure 15.2: Federal Funds Office Organizational Structure

Key Tasks of the Federal Funds Office would include:

- Long Range Plan Coordination per Agency
- Grant Application Coordination
- Liaison with Agency Subject Matter Experts
- Agency, Local, and University Liaison
- Grant Management Best Practices
- Grant Application (Discretionary)
- Special Projects Management/Coordination
- Risk Management
- Re-allocation Analysis
- Federal Oversight coordination
- QA/QC
- Grant Tracking & Performance Reporting
- Re-allocation Compliance Review

DIVISION OF ADMINISTRATION: OFFICE OF GENERAL COUNSEL

Current Organizational Structure

The Division of Administration currently consists of 25 sections. A&M's second organizational recommendation focus upon the Office of General Counsel (OGC), which reports directly to the Commissioner of Administration.

The Office of General Counsel (OGC) provides the state with a wide range of requested legal services such as legal advice and counseling, public records request for the DOA, prosecution and defense of lawsuits drafting legal documents, legislative services, administrative review and subrogation/collections of state payments.

The figure below illustrates the current structure of OCG.

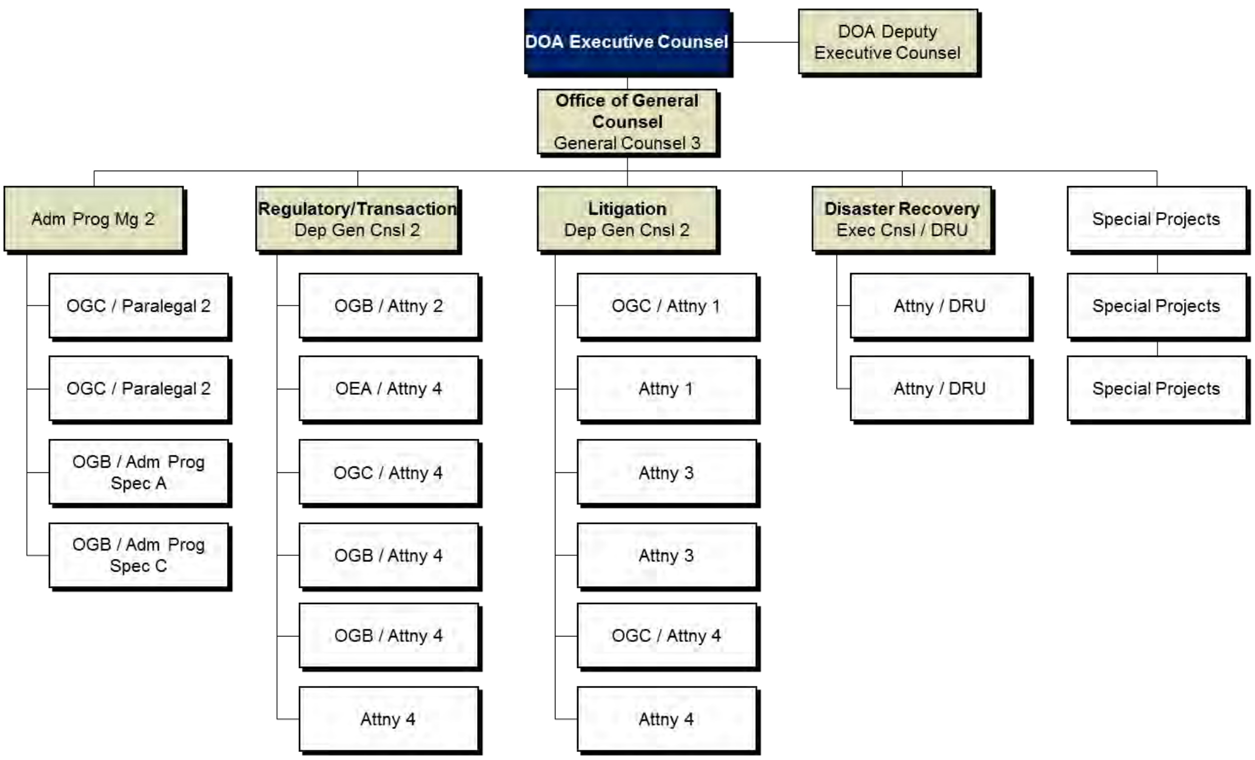


Figure 15.3: OCG Current Organizational Structure

Identified Structural Opportunities

OCG should reorganize its practice group structure into two distinct practice work groups to meet the stakeholder and user division/office customer needs. There will be a deputy general counsel designated for each of the two proposed practice groups:

- Employee and Benefit Services
- Contract and Litigation Services

The Office of General Counsel's current organizational structure is divided into five main program functions. The primary activities and services for each main function are:

- Regulation/Transaction- Human resources, medical plan, Group Benefits, State land office leases, Office of Elderly Affairs, COBRA, Monitoring and billing for contracted attorneys billings

- Litigation- Public Bid Law, Contracts (RFPs, ITB, Bids), Construction contracts and bids, Litigation of purchases and contracts, Open records
- Disaster Recovery & Hazard Mitigation
- Special Projects- Open records support
- Program/Office Support- Paralegal and executive support, Recoupment analysis, Payroll/human resources process, and the OCG financial reporting.

Currently OGC has 20 attorney positions and six professional support, paralegal, and program specialist positions. Of the 26 positions, seven vacancies currently exist, including the position of General Counsel, which is being assumed by the DOA Executive Counsel. There are also five vacant staff level attorney positions and one vacant paralegal position. The OGC organization recently assumed the legal counsel positions and accompanying support staff formerly under the Office of Group Benefits as well as the legal positions and support staff for the Disaster Recovery Unit under the Office of Community Development.

As of May 14, 2014, OGC had 79 active litigation cases. Of this amount 45 were assigned to inside OGC staff attorneys and 34 cases are being handled by outside legal counsel due to the specialty of the case.

Recommended Organizational Structure

A&M recommends a revised practice group structure within OGC with two distinct practice work groups to meet the stakeholder and user division/office customer needs. There will be a deputy general counsel designated for each of the two proposed practice groups:

- Employee and Benefit Services
- Contract and Litigation Services

During A&M's interviews with DOA office and unit heads, a common theme for improvement was to have client-based or -assigned attorneys work with a single point of contact attorney who specialize and have subject matter expertise. To support this model, A&M also recommends that OGC attorneys and professional support staff continue to meet weekly to discuss active workload files and cases and share issues facing assigned offices.

Each deputy general counsel has the primary oversight as it relates to that practice group. The deputy general counsel is responsible for making sure all matters are being handled within that practice group efficiently and efficiently.

A&M recommends that OGC create an assigned attorney case load structure where specific attorneys are assigned to various program functions and in some cases, specific offices due to the specialized legal knowledge and workload. Attorneys are proposed to be assigned to a separate group and sub-unit with specific department/office/agency liaison support. This provides for improved communication and synergy with the user departments. Having a single point of contact and designated back-up contact should improve workload and delivery of workload assignments. The following proposed organizational structure, below, places emphasis on providing the defined lines of service within the following program or functional areas:

- **Practice Group A: Human Resources and Employee Benefits**
  - General Human Resource Legal Advisory Services- Handles all payroll, human resource and risk management issues.
  - Employee Group Benefits Legal Advisory Services- Handles legal advisor services for employee benefit services provided by Office of Group Benefits
  - Public Records and Legislative Affairs- Handles routine record requests and special projects related to review of large records requests related to a bid dispute
  - Legislation Affairs/ Monitoring- Handles key legislative priorities during legislative session

- **Practice Group B: Contract and Litigation Services**
  - Procurement/Purchasing Contracts- Handles state purchasing and non-construction contract review issues.
  - Construction/Facilities, Buildings, & Property Contracts and State Leases- Provides legal services related to construction contracts and facility and property and state-owned land leases
  - Litigation (Prosecution and Defense)- Handles court preparation and trial litigation for all procurement and construction contracts and employment related suits, using outside legal counsel for all specialized litigation cases and advisory services when workload and expertise demands additional resources.
- **Project Group C: Administrative Support and Project Management-** Project management and professional support staff assume additional program tasks and responsibilities currently being handled by staff attorneys.

Below is the proposed organizational structure which proposes 17 full-time positions and three special projects positions. The organizational structure eliminates six attorney positions and shifts programmatic transactional work to trained paralegals and law clerks. A&M recommends one vacant paralegal position to be filled to assume some of the programmatic workload tasks.

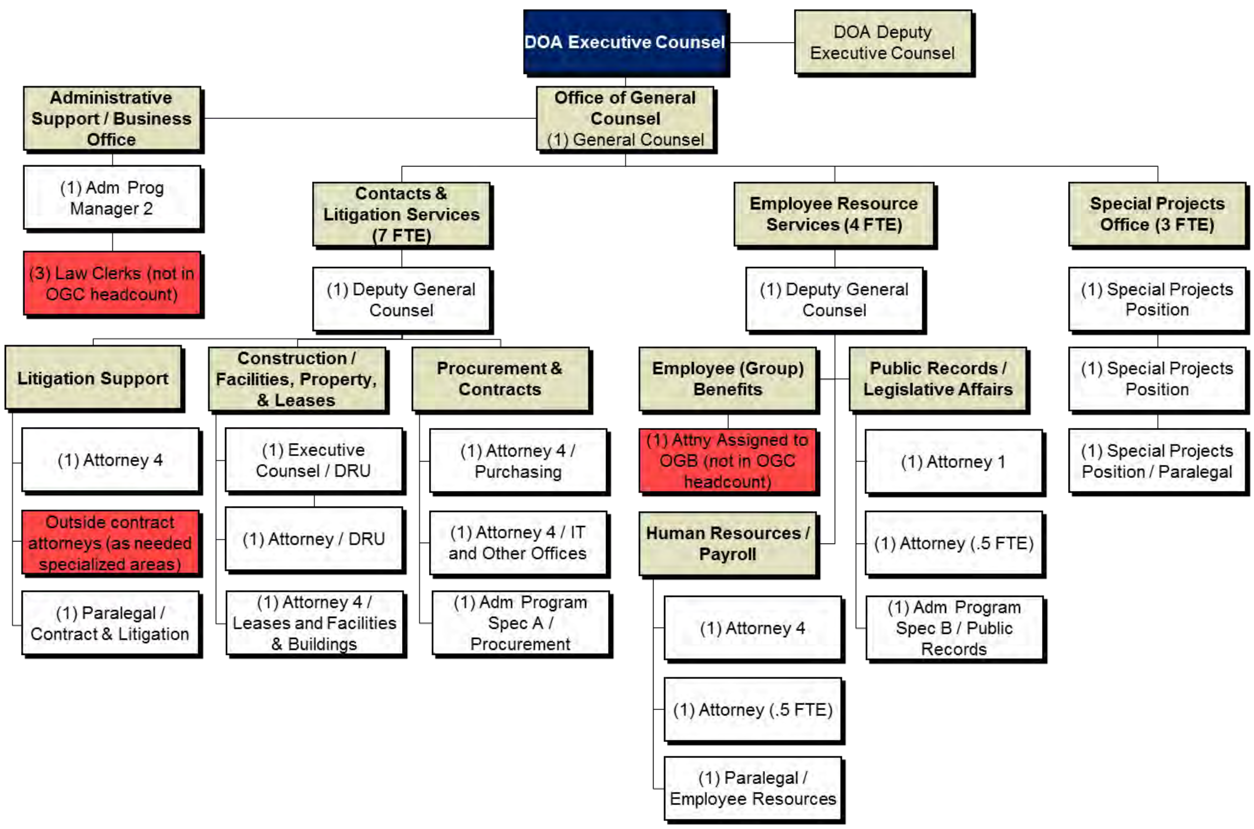


Figure 15.4: Recommended OGC Organizational Structure

Division of Administration: Office of Group Benefits

Baseline Organizational Structure

- The organization is generally aligned by function (e.g. administration, flexible benefits, eligibility, customer service, etc.) as shown in Figure 15.5.
- TPAs administer the medical and pharmacy benefit plan.

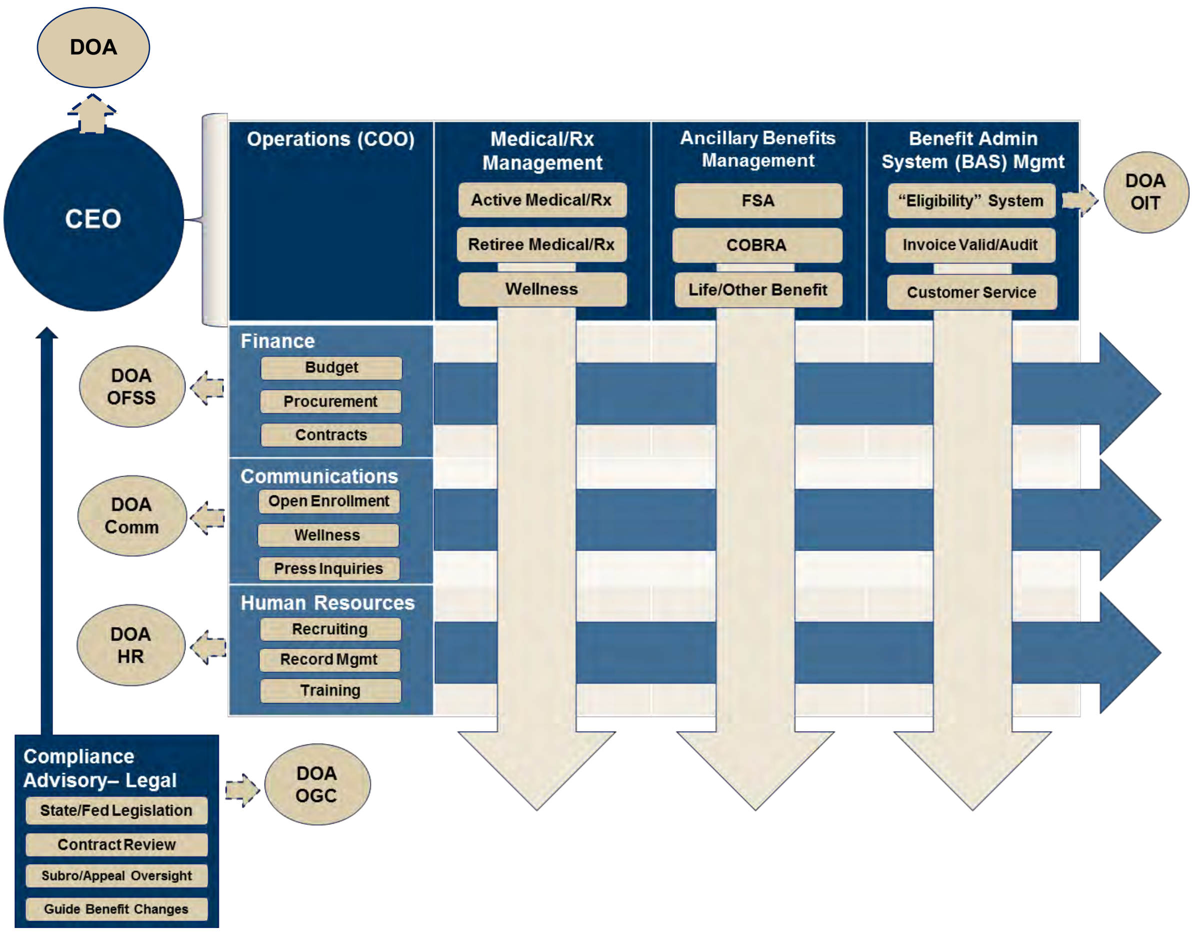


Figure 15.5: Functional New OGB Organizational Structure

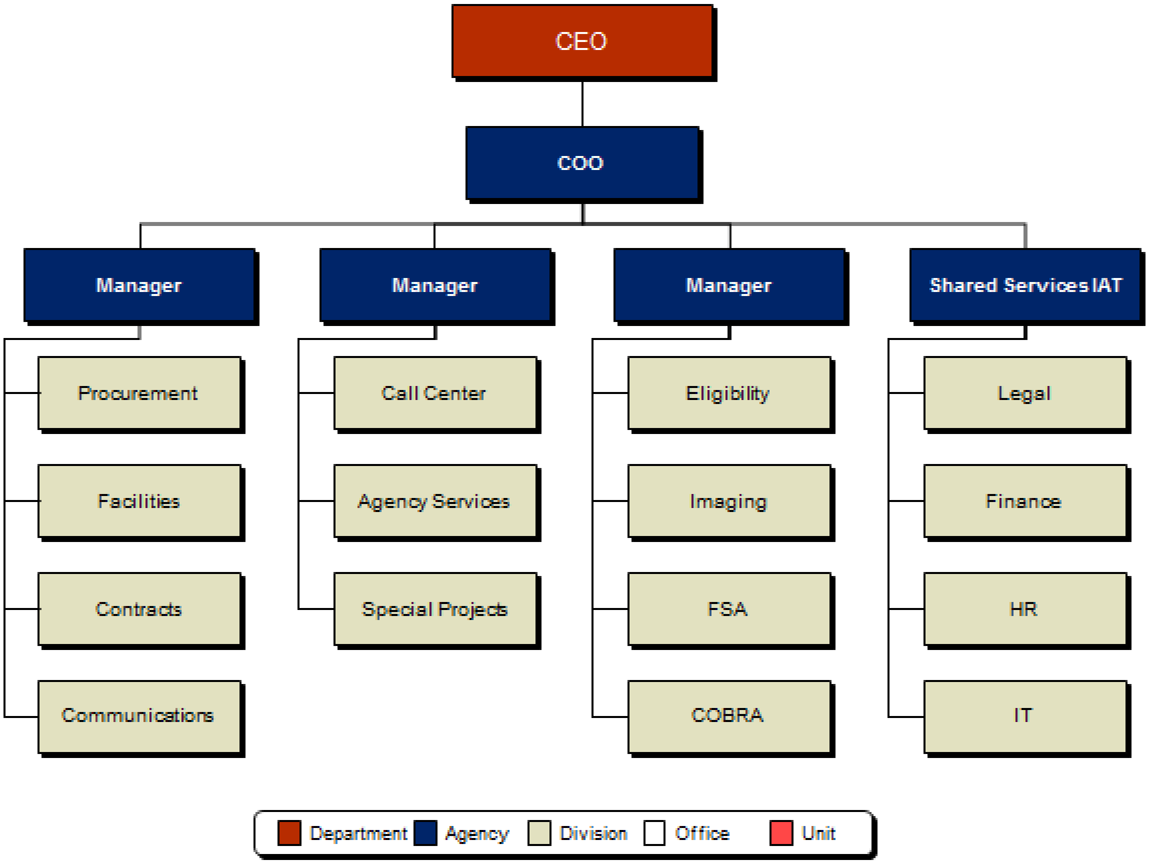


Figure 15.6: High Level OGB Baseline Organizational Structure

Organizational Benchmarks

Alabama

- The State of Alabama's State Employee's Insurance Board is a flat organization
- The COO is at the same hierarchal level of the directors and reports directly to the CEO
- Directors of different work streams all report to the CEO
- The CEO reports to the State of Alabama administration

Source: Alabama State Employees' Insurance Board Organizational Chart 2014

Texas

- The Employees Retirement System of Texas hierarchy is similar in structure to Alabama's
- The COO level, however, is differentiated from and operates separate functions from other directors
- The Executive Director reports to the State of Texas administration

Source: Employees Retirement System of Texas, Agency Organizational Chart by Section, March 2014

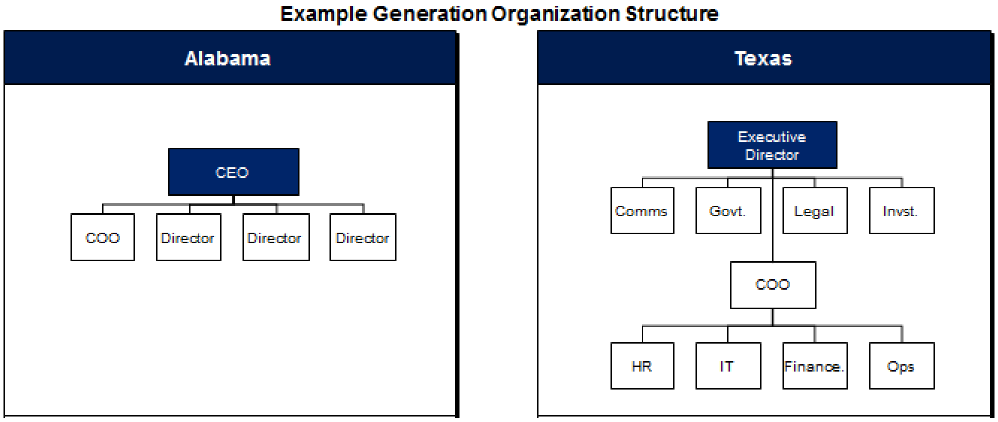


Figure 15.7: OGB Organizational Benchmarks

Identified Structural Challenges

- Lack of Functionality Structure
    - The Office of Group Benefits is working under the shell of its previous organization
    - A new organization is necessary to support the new strategic direction of the OGB
- Hierarchy Issues
    - There are too many levels in the organization resulting in a cumbersome reporting process
    - Functions are fragmented and poorly designed internal communications and operations have created inefficiencies
    - Ineffective communication has blurred lines of responsibility and unclear job responsibilities have resulted in duplicative work

Organizational Recommendation

This recommendation will be achieved in three phases. Phase 1 will focus entirely on the leadership structure of the new OGB. In this phase it is important to quickly establish new leadership positions and leverage leadership ability in legacy staff. The goal of this phase is to hire a CEO and COO, as well as the CEO supporting positions. Focus will also be placed on recruiting and hiring leadership roles with specific emphasis on Medical and Pharmacy practice. During this phase, it is important to align the new leadership with the current organizational structure. Figure 15.8 illustrates the recommended changes.

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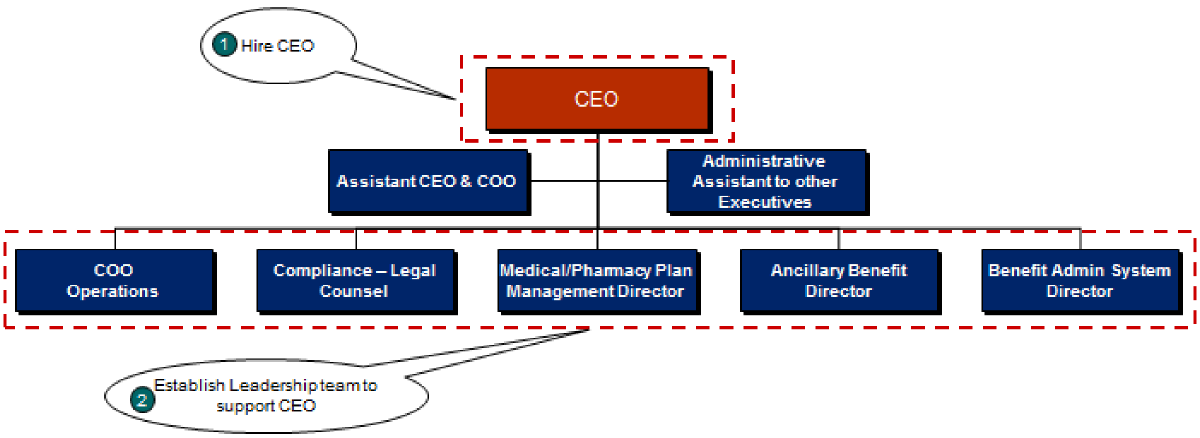


Figure 15.8: Office of Group Benefits Proposed Organizational Changes, Phase 1

Phase 2 will complete the core reorganization and establish the right size organization for OGB. This phase will right-size the organization. To create a smooth transition it is critical that the new leadership is able to align with the current roles. Figure 15.9 illustrates the alignment:

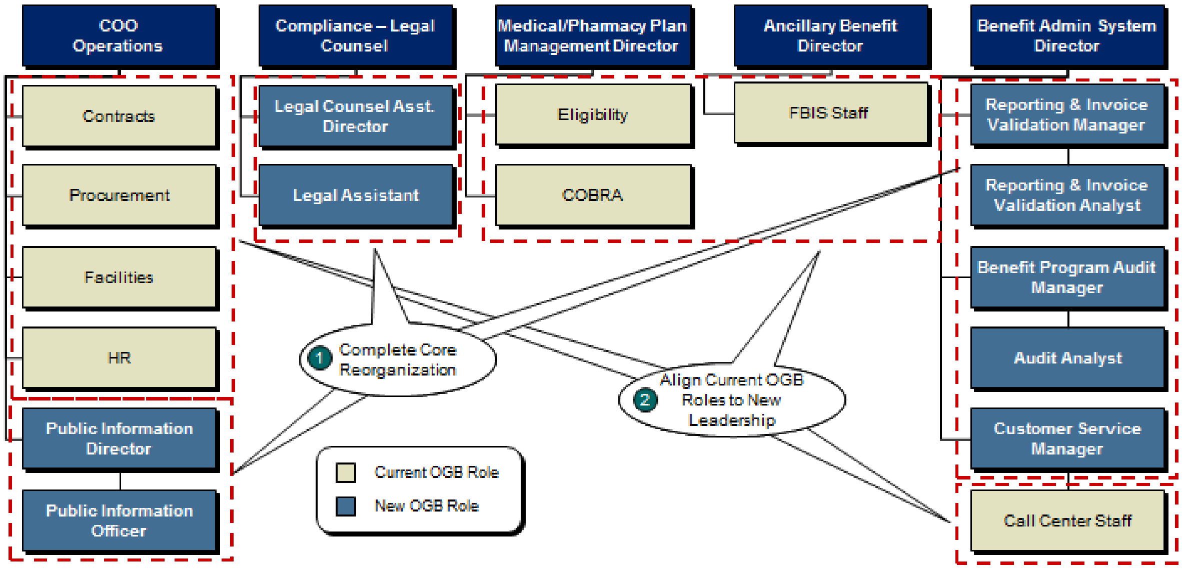


Figure 15.9: Office of Group Benefits Proposed Organizational Changes, Phase 2

Phase 3 will fully complete the reorganization of OGB and bring the organization into a steady state of operation. This phase will address any outstanding reorganizational goals. Remaining roles will be specialized and moved under the indicated department. Figure 15.10 illustrates the final structure:

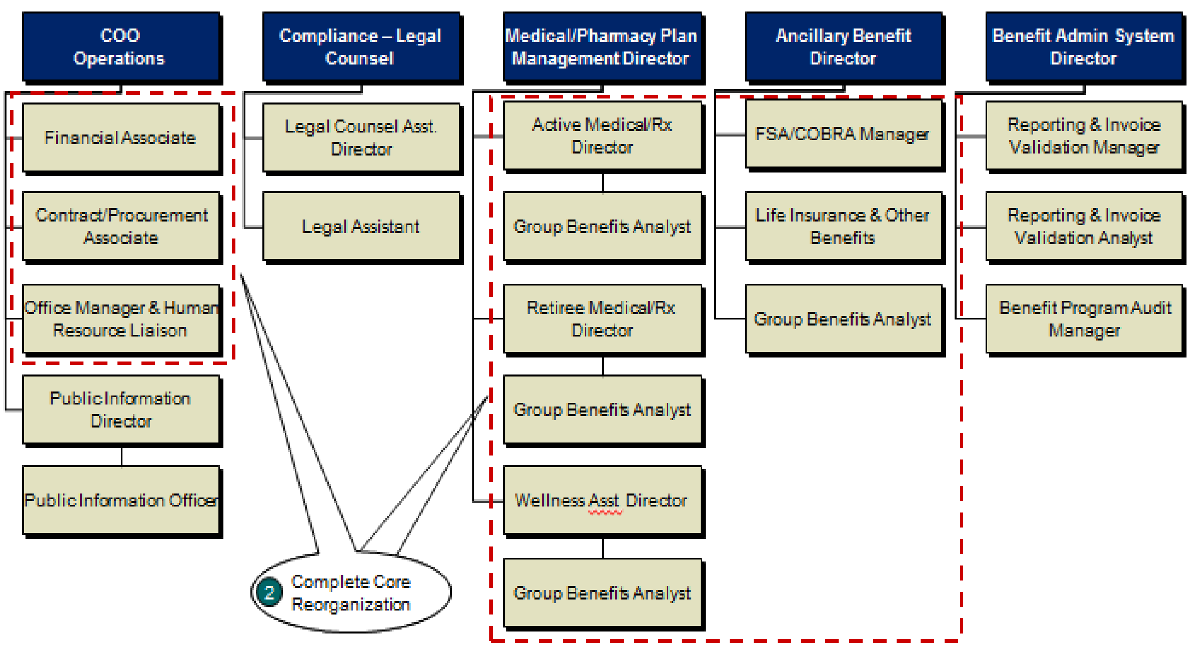


Figure 15.10: Office of Group Benefits Proposed Organizational Changes, Phase 3

Figures 15.11 and 15.12 illustrate the final organizational structure of OGB:

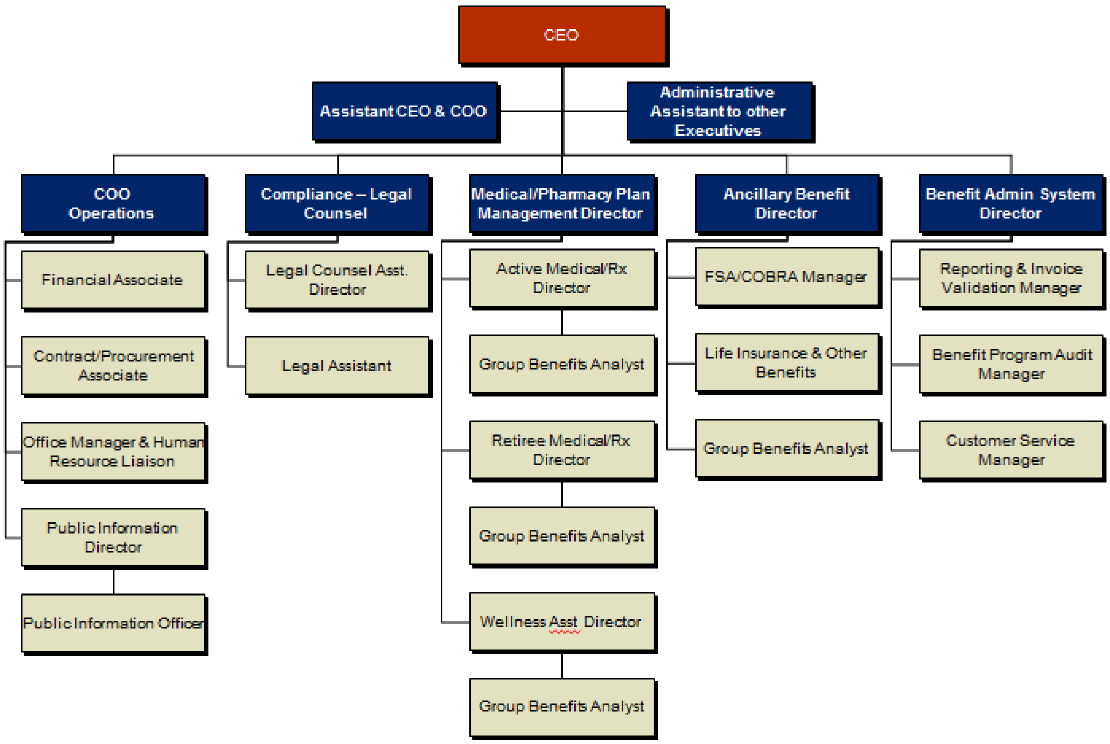


Figure 15.11: Office of Group Benefits Recommended Organization

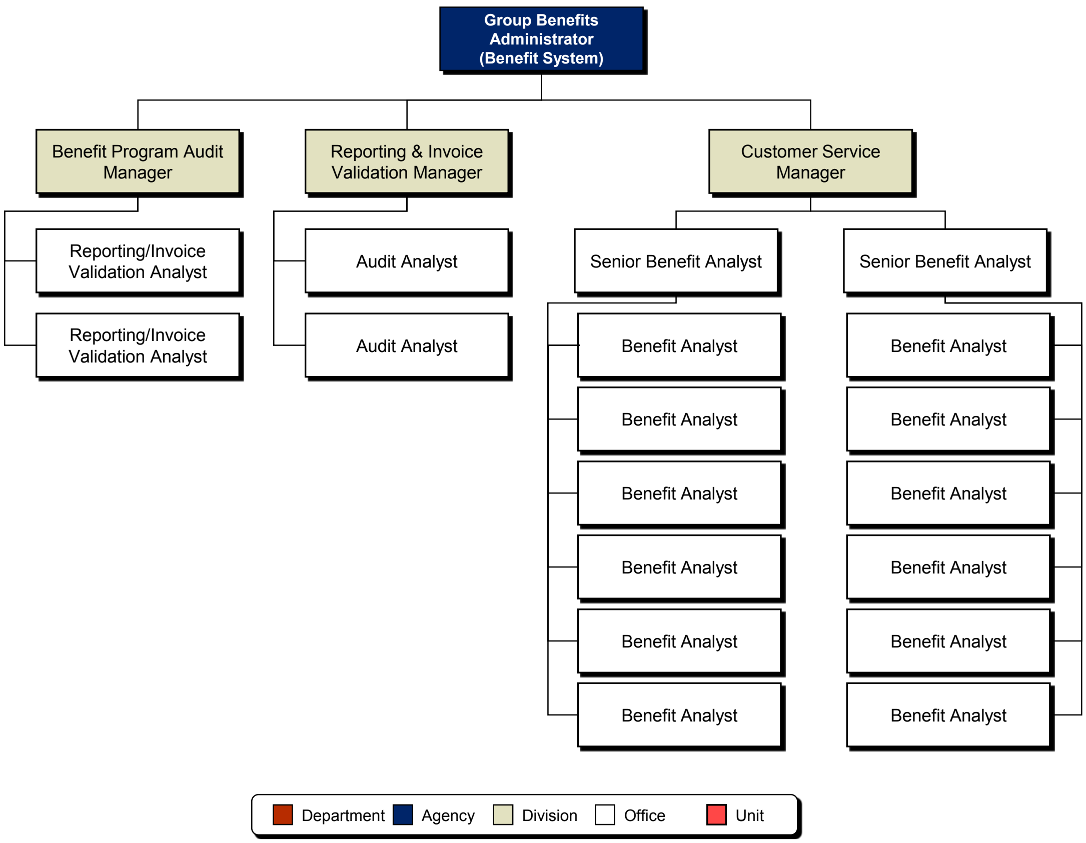


Figure 15.12: Office of Group Benefits, Group Benefits Administrator in charge of Benefit System proposed Org Structure

Three recommendations are essential to the single goal of a transformed, efficient Office of Group Benefits. OGB needed a new strategic direction, a new organization, and a new benefits structure to accelerate response to challenges in FY 2015 and beyond. Together these recommendations create a strong organization, equipped with a clear purpose and cross functional abilities to efficiently and effectively serve the State of Louisiana.

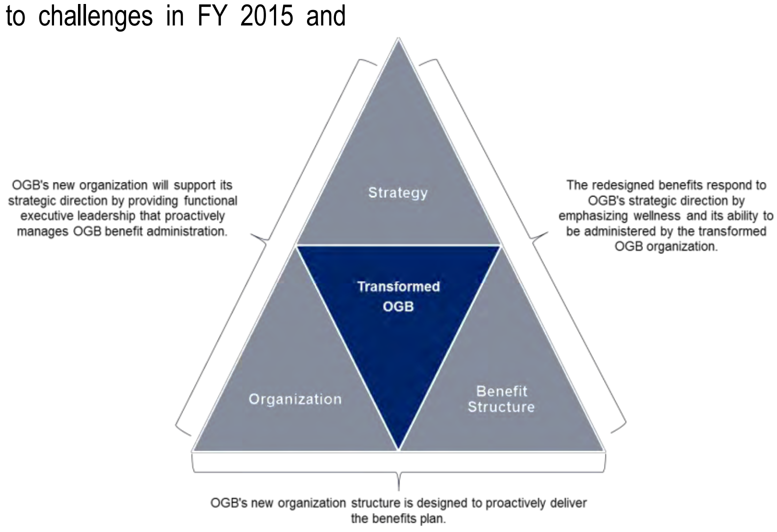


Figure 15.13: Office of Group Benefits, Group Benefits Administrator in charge of Benefit System proposed Org Structure

OFFICE OF STATE PURCHASING AND OFFICE OF CONTRACTUAL REVIEW

Current Organizational Structure

The Office of State Purchasing (OSP) is the central office that is charged with simplifying, clarifying, and modernizing the procurement process in the State of Louisiana. The Office of Contractual Review (OCR) is a section within the Division of Administration (DOA), charged by law with adopting rules and regulations for the procurement, management, control and disposition of all professional, personal, consulting, and social services contracts required by state agencies. The OPS and OCR are led by the by the OSP/OCR Director, who oversees one contract review group and four specialized state procurement groups.

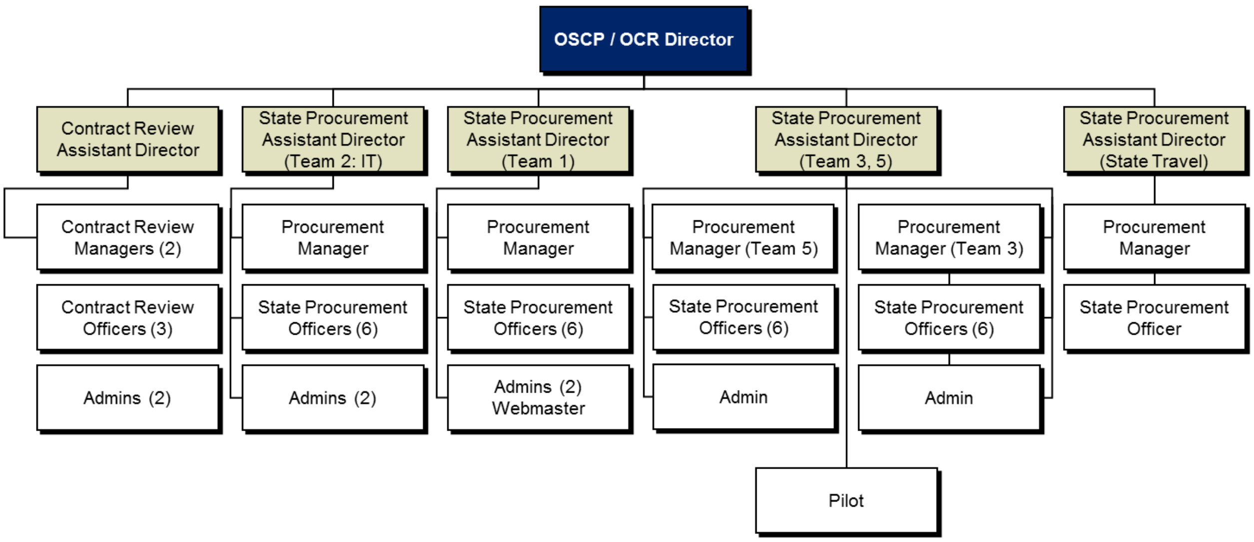


Figure 15.14: Current OSP/OCR Organizational Structure

Identified Structural Opportunities

A&M conducted a thorough analysis of the state's current procurement process, and found opportunities for structural improvement. The following organizational and process streamlining opportunities were identified in OSP/OCR:

- Organizational
  - Procurement and contract review functions have been established in each agency, as well as centrally
  - Information not shared or pooled across agencies to identify opportunities to leverage spend and concentrate the supplier base
  - Duplication of work between agencies as similar purchases are made or contracts executed
  - Duplication of work as purchases or contracts are reviewed at the agency and again at the Office of State Purchasing/Office of Contractual Review if exceeding agency delegation of authority
  - One- or two-on-one reporting relationships, adding a layer to the central organization
- Process - System
  - Multiple systems are cumbersome, reporting is difficult, and data visibility is poor
  - Three central purchasing systems and additional agency systems

- Purchase coding does not provide adequate or accurate spend visibility
- Spend data sporadically obtained from suppliers – requires significant effort
- Lack of good performance data and metrics
- Many offline spreadsheets have been created to track activity
- Processes are not consistent across agencies
- Significant amount of paper-based activity at the agencies and in the Office of State Purchasing/Office of Contractual Review causing delays and lack of data accessibility
- Many offline spreadsheets have been created to track activity
- Processes are not consistent across agencies
- Significant amount of paper-based activity at the agencies and in the Office of State Purchasing/Office of Contractual Review causing delays and lack of data accessibility

Recommended Organizational Structure

After reviewing OPS/OCR's current structure and operation, A&M recommended that OSP/OCR establish strategic sourcing capabilities to leverage overall state purchases, in order to obtain the lowest cost of ownership.

This recommendation includes the establishment, of a cross-functional, cross-agency strategic sourcing team, with the appropriate skillsets to ensure agency needs are well understood, that those needs are met in the procurement process, and the establishment of strong analytical capabilities to extract and analyze spend required to strategically manage spend categories. The implementation of strategic sourcing should also include development of a consistent procurement strategy across agencies; robust vendor and contract management process and set targets for procurement cost savings with clear metrics; routine evaluations of spending and contract compliance; vendor evaluations; joint cost reduction and quality improvement targets and programs; and improved technology and reporting capabilities.

The organization should also:

- Establish Strategic Sourcing expertise for high-, medium-, and low-level commodity categories
- Eliminate redundant level- Assistant Directors/Managers, using that headcount instead for Strategic Sourcing establishment
- Reduce the number of Administrative Assistants and create analyst positions to support Strategic Sourcing
- Consolidate procurement and contract review to OSP/OCR, keeping a presence on-site at major agencies
- FTE central requirements will need to grow as agency procurement groups are consolidated
- Maintain an FTE 1:6 ratio

The resulting organizational structure is illustrated in the figure below.

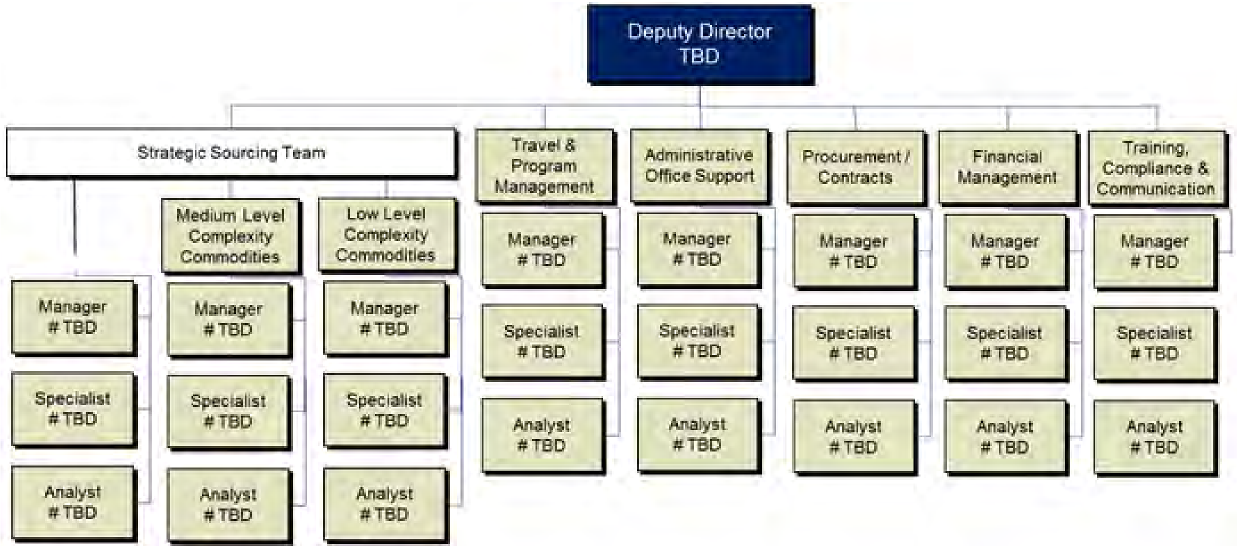


Figure 15.15: OSP/OCR Recommended Organizational Structure

***NOTE**- Data leveraged from the Lean Assessment will be used to determine the exact number of FTEs slated for each position*

Office of Risk Management
Current Organizational Structure

The Office of Risk Management (ORM) was created within the Division of Administration by R.S. 39:1527, et seq. in order to provide a comprehensive risk management program for the state. The Office of Risk Management is solely responsible for all property, casualty, and workers compensation insurance purchased or self-insured by the Office of Risk Management for all state departments, agencies, boards, and commissions. The agency is led by the State Risk Director who overseas two groups: ORM Administration and ORM Litigation Management.

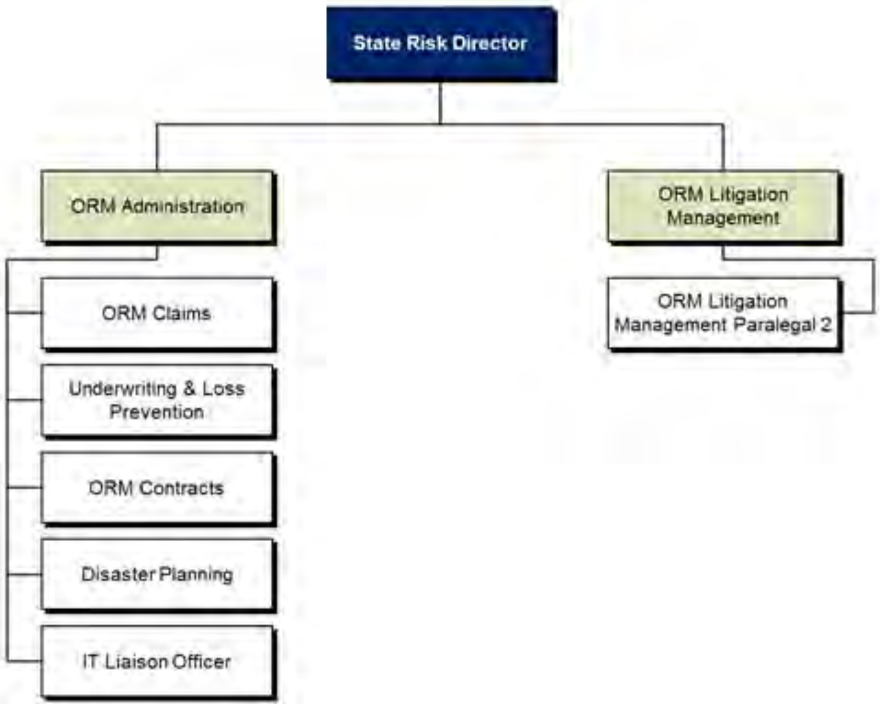


Figure 15.16: ORM Current Organizational Structure

Identified Structural Opportunities

A&M identified the following opportunities for structural improvements within ORM's current organizational structure:

- ORM has 35 full-time employees
- There are 18 vacancies within the department, which will not be filled
- There are three open positions to be filled
- Currently, there are two "B-owned positions (i.e. a position that is held due to temporary transfer of employees to other positions
- Two additional positions will be eliminated in FY 16 as a result of the TPA renewal
- There are 10 contract positions working on claim files, many of whom are assigned to prior hurricanes, the need for which is reducing, barring any new hurricanes

The Office of Risk Management process and systems observations:

- Currently there is a significant amount of time spent on contract review that could be streamlined
- Claim data and payments handling should be reengineered. Currently the leave buy-back checks are issued to the agency.

- Reports such as Chronic Opiate Therapy should be reviewed and sent to the agencies for review and action
- F.A. Richard & Associates, Inc. (FARA) provides boilerplate reports; report queries
- FARA provides PDF versions of their reports making it challenging to use them for in-depth analysis
- The Office of Risk Management currently uses information from several systems which can lead to inconsistencies between reports and inaccurate analysis
- Despite there being an adequate amount of data collection, there are inconsistencies in the centralization and accessibility of the data. This can result in inefficiencies in the allocation of resources and mismanagement of budget related items
- Information that is generated does not get to the end user

Recommended Organizational Design

The Office of Risk Management should review its current staffing, expense and budget, given the current workloads and operations. While the Office of Risk Management has taken substantive steps toward reducing headcount and costs within their department, A&M believes that the claims currently handled by contract adjusters are diminishing and thus the costs associated with them can be reduced. The overall organizational structure of ORM should remain in place.

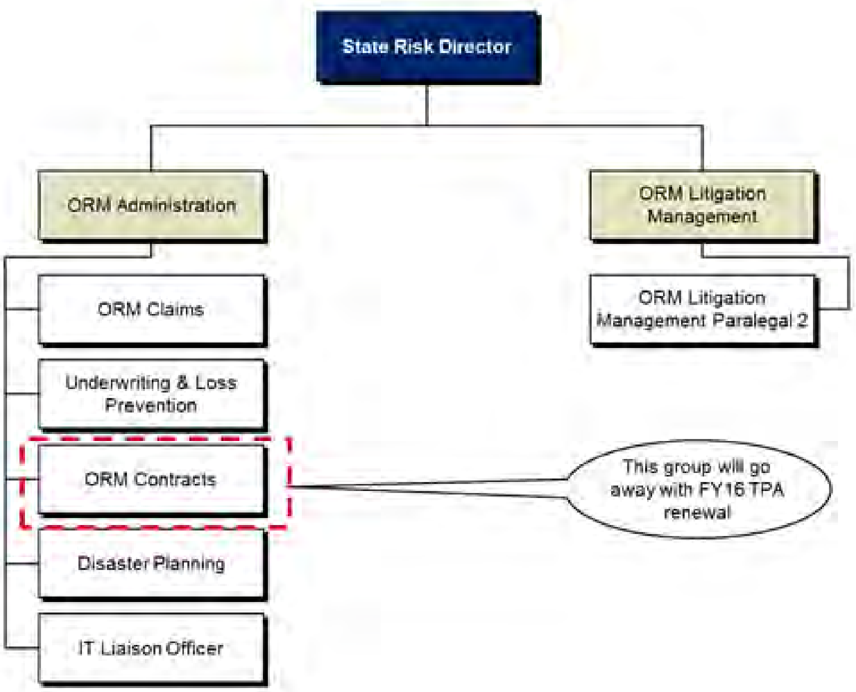


Figure 15.17: ORM Recommended Organizational Structure

DEPARTMENT OF CHILDREN AND FAMILY SERVICES

Current Organizational Structure

The mission of the Department of Children and Families Services (DCFS) is to keep children safe, help individuals and families become self-sufficient; and to provide safe refuges during disasters. To fulfill this mission, the agency has responsibility for a wide range of services designed to promote and support safe and thriving children and families and to improve emergency preparedness, response, recovery, and mitigation capacities during disasters.

The Secretary leads and directs DCFS and also oversees emergency preparedness, communications and government affairs, general counsel, and the bureau of audit and compliance. The Deputy Secretary of Programs oversees child welfare, economic stability and self-sufficiency and disability determination, child support enforcement, licensing, systems, research and analytics, and program integrity and improvement. The Deputy Secretary of Field Operations oversees nine regional administrators, child protection, and intake. The Undersecretary manages budget, appeals, human resources, administrative services, and fiscal services. Each program strives to improve customer service through staff productivity and satisfaction with a focus on reducing fraud and abuse and modernizing and realigning business practices.

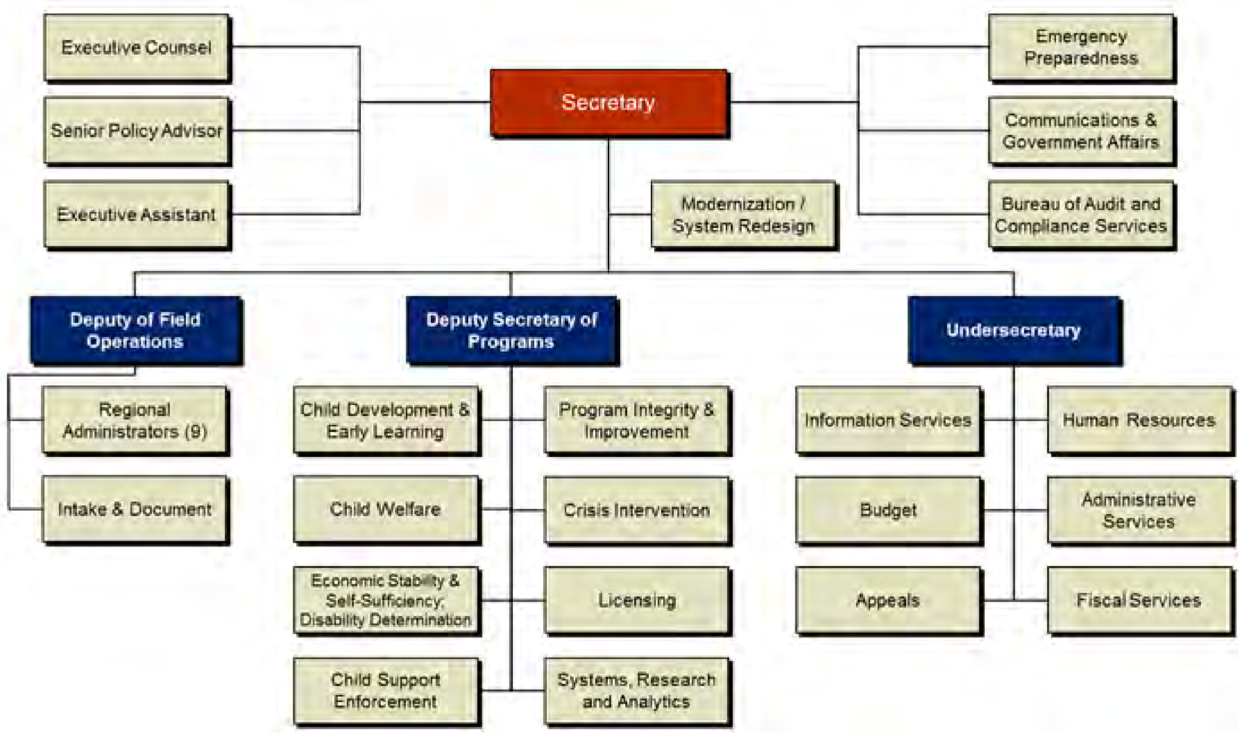


Figure 15.18: DCFS Current Organizational Structure

Identified Structural Opportunities

After carefully reviewing DCFS' current structure and processes, A&M does not recommend making any staffing or organizational changes, such as combining offices or reducing staffing.

- DCFS has been pursuing efficiencies for a number of years and would be hard-pressed to support its case-working needs on further-reduced staff.
- The department is composed of a range of distinct functions not easily combined.
- More can always be done to build a better-integrated system, but this requires not just significant technology investments beyond the scope of this project but also a thorough consideration of what other entities and functions outside of the DCFS should also be part of such an integrated approach; some of these entities lie outside the scope of this project

While A&M does not recommend any changes at this time, DCFS should consider the following potential structural opportunities as the department plans for future operations:

- Streamlining the interrelationship between children and family services and the wide range of other potential partnering agencies (e.g. health, workforce, education, economic development, and education)
- The solution varies from state to state, and largely depends upon philosophical and policy directions that the state must make at the highest level. Considerations include:
    - To what extent the state conceives of and wishes to treat workforce issues as an economic development or a social service function.
    - To what extent the state views its primary goal in serving families to be addressing their social or their economic challenges and needs.
    - To what extent the state views its provision of social services to be primarily a prophylactic or a remedial function.
    - To what extent the state views such expenditures as a cost or as an investment.
    - To what extent gains in coordination gains outweigh challenges of administration.
- Various states have privatizing aspects of their foster care systems based on the belief that the private sector may be able to lower costs and achieve greater success. However, the greatest savings are not achieved through private contracts with lower administrative costs; they are achieved by increasing the number quality foster care homes which allows children from costly high-end residential care to move into stable foster care placements or even permanency. States that have privatized their systems have actually invested more dollars into private contracts that include performance-based financial incentives in order to achieve identified placement goals.

Recommended Organizational Structure

A&M does not recommend making any staffing or organizational changes at DCFS.

Louisiana Economic Development

Current Organizational Structure

LED leads economic development for the State of Louisiana. Its efforts are focused on positioning Louisiana as the next great American state for business investment, quality of life, and economic opportunity. LED contains two primary divisions: Office of the Secretary and Office of Business Development, with approximately 119 employees, comprised of 66 classified and 53 unclassified positions. The benchmark analysis is in Appendix H.

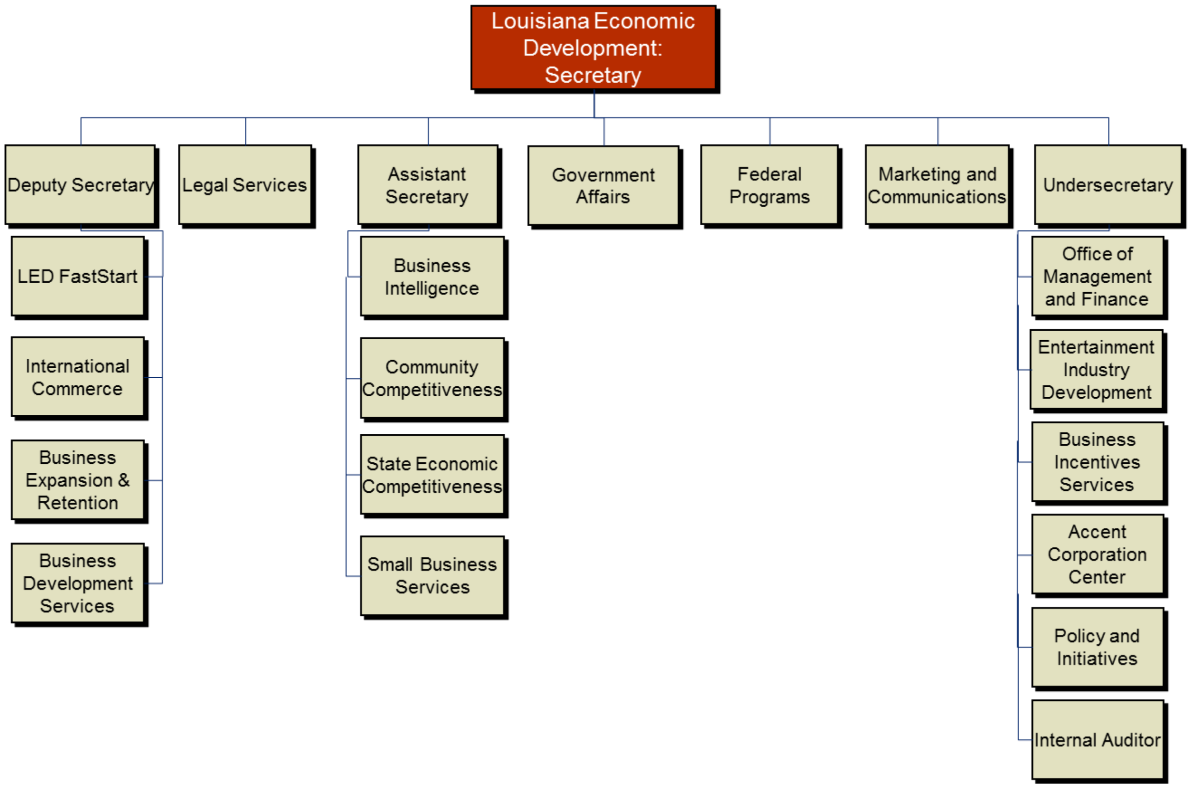


Figure 15.19: Current LED Organizational Structure

Identified Structural Opportunities

After reviewing LED's current structure and operations, A&M recommends that the department maintain its current organizational structure.

- Since 2008, Louisiana Economic Development has worked to increase it spans of control eliminating layers and has flattened its organization to expeditiously and efficiently implement its Lines of Services
- Louisiana Economic Development's current structure compares favorably when examining other States (Virginia, Georgia, North Carolina)
- The organization is currently appropriately aligned to execute its mission
- Louisiana Economic Development's division directors report directly to the Office of the Secretary
- There does not seem to be duplication of efforts in meeting the organizations mission

Recommended Organizational Structure

A&M recommends that LED maintain its current organizational structure.

DEPARTMENT OF HEALTH AND HOSPITALS

Current Organization

The mission of the Department of Health and Hospitals (DHH) is to protect and promote health and to ensure access to medical, preventive and rehabilitative services for all residents of Louisiana. DHH is responsible for running the state's largest health care and public health programs, including behavioral health programs and programs for individuals with age-related and developmental disabilities.

The Office of the Secretary leads and directs DHH. The Undersecretary of the Office of Management and Finance oversees Medicaid, budget, human resources, contracts, and other functions. The Deputy Secretary oversees public health, behavioral health, aging and adult services, developmental disability services and other programmatic offices.

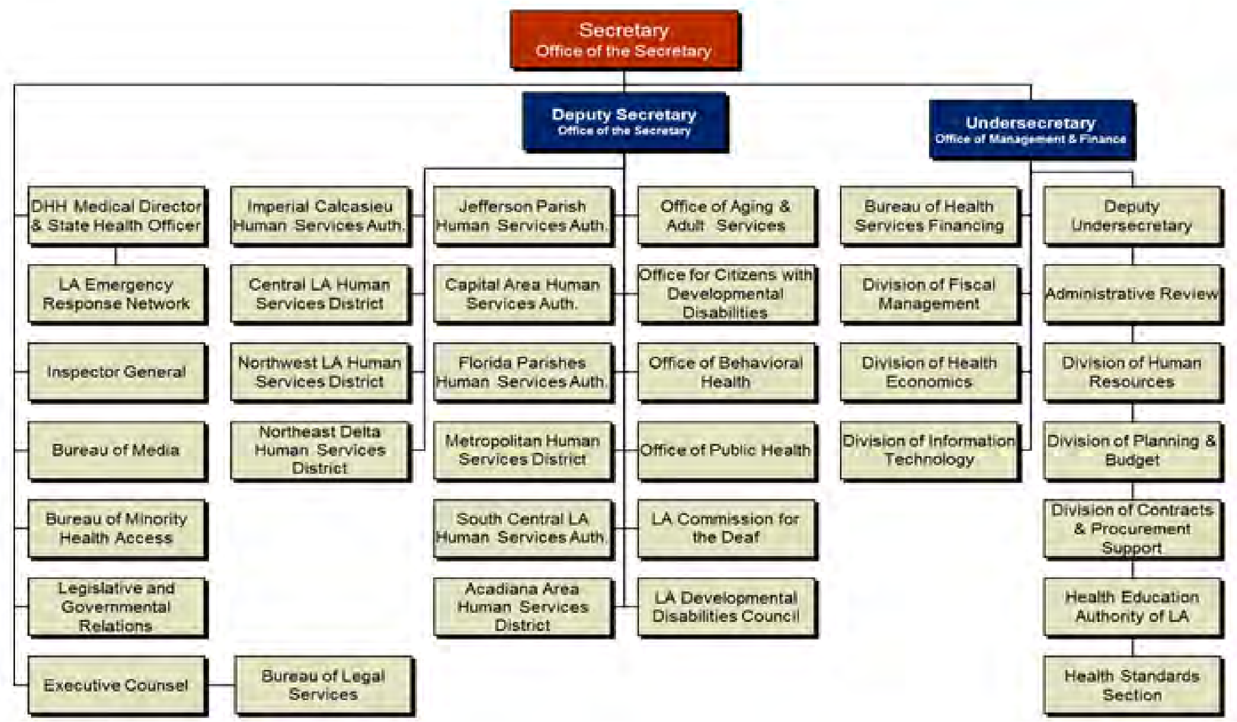


Figure 15.20: DHH Current Organizational Structure

Recommended Organizational Structure

A&M does not recommend making changes to DHH's current organizational structure.

However, there are trends in state-level health and hospital services that DHH may want to consider, as the department plans for future needs:

- Fusion of health-related functions around the foundational services that they provide, operations they perform, and/or specific populations they assist. States have left behind organizational models that were based by categories. In turn, several states have marked their reorganization undertakings as a drive to shift away from program-centric "silos" – i.e., programs that operate independently even though they may serve the same populations.
- Amalgamation of health and related human services programs into one or a limited number of governing agencies. Several of these undertakings involved structural change

affecting numerous health programs such as Medicaid, SCHIP, and the Title V MCH program.

- Centralization of program support services. State health agencies restructuring efforts have consisted of consolidating administrative systems and managerial functions such as communications, human resources, legal services, budget and financing, and information technology functions. States have also planned to revamp aging data systems, specifically as part of efforts to streamline the eligibility and enrollment processes for Medicaid and other public programs.
- Combination of public health with auxiliary health functions. A 2010 study found similarities among public health entities. The research found that seven distinct public health organizational models exist, and suggested that highly demarcated public health systems were superior to other models as they provided more all-encompassing services within a jurisdiction.
- Movement away from organizational models that are centered on unique health conditions such as HIV/AIDS. Instead, states are centralizing their program functions around their core services, duties they perform, and/or specific population(s) they assist. In the majority of situations, the condition-specific “silos” are being reorganized with centralized structures centered on common goals and services.
- Upgrading Medicaid within the state health agency or executive branch due to the Medicaid program’s proportion and reach. Several states also examined upgrading Medicaid to report directly to the governor. In two states, Medicaid already directly reports to the office of the governor.
- Formation of “self-evaluating learning health systems” in which there is a continual and ongoing endeavor to monitor, evaluate, and drive actions upon cost, quality, and outcomes. These data systems include, All-Payer Claims Database and upgraded Medicaid Management Information System (MMIS). In a system where this does not exist, it could lead to a fragmented approach in which system reform efforts are undertaken in a divided method, without coordination between providers, citizens, and stakeholders is essential to achieving successful cost savings and improving quality.

DEPARTMENT OF PUBLIC SAFETY: LOUISIANA STATE POLICE

Current Organization

The Office of State Police (LSP) provides safety services to citizens by upholding and enforcing the law, both directly and through interaction with agencies.

The current patrol organization of the LSP has three regional commands overseeing nine troops and two commands overseeing Weights and Standards (W&S), and Transportation Environmental Safety Section (TESS).

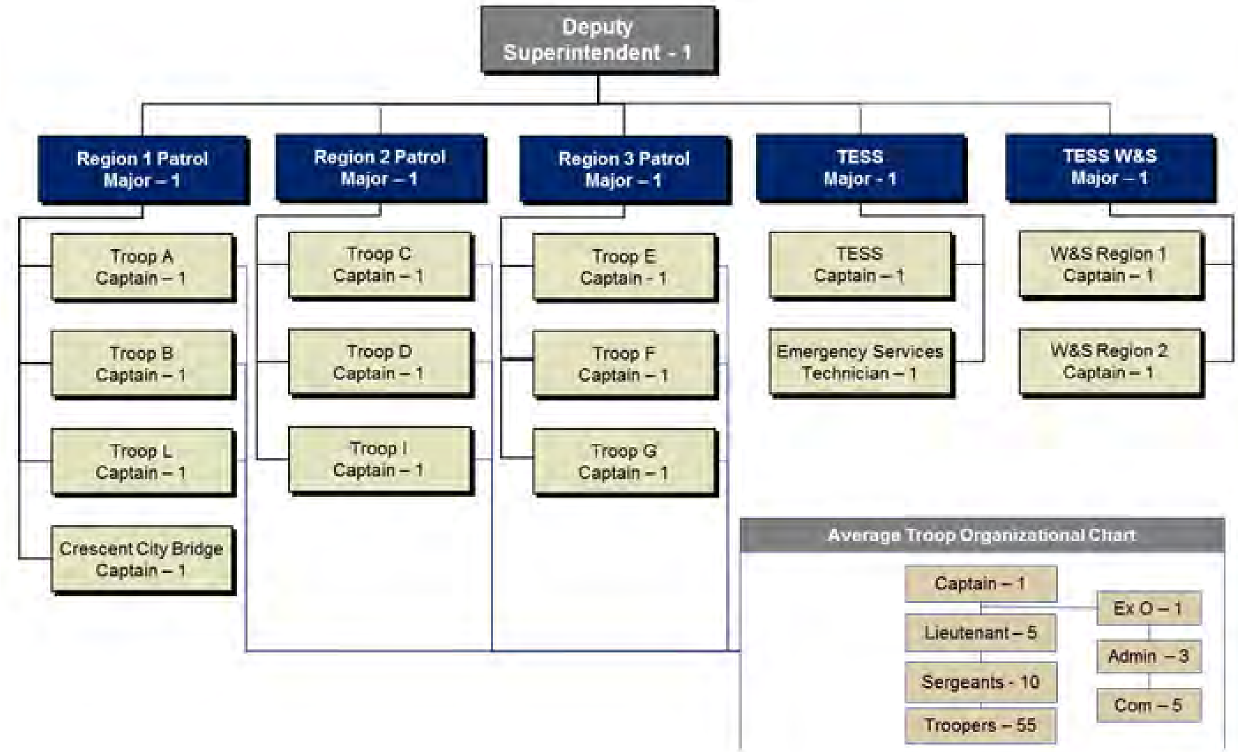


Figure 15.21: LSP Current Organizational Structure

Identified Structural Opportunities

The DPS workforce has been reduced by approximately 315 FTEs since 2011 mainly as a result of voluntary separation. Over that same time period, turnover for voluntary separation was approximately eight percent of the DPS workforce. These trends allowed DPS to implement labor-saving efficiencies without requiring significant layoffs.

DPS had significant success in modernizing and efficiently managing its operations, under budget constraints while at the same time providing essential public safety to citizens and visitors. This success can largely be attributed to effective leadership of DPS and the department personnel.

After reviewing LSP's current structure and operations, A&M recommends the following changes to LSP's Patrol Command and Troops' organizational structure:

- Consolidate two Command Major positions in TESS and W&S into one Major position
- Consolidate administrative support to Tech Support Services
- Eliminate executive officer (XO) positions
- Consolidate 9 troop communication centers into one, state-wide communication center

The organizational chart, below, illustrates these structural opportunities.

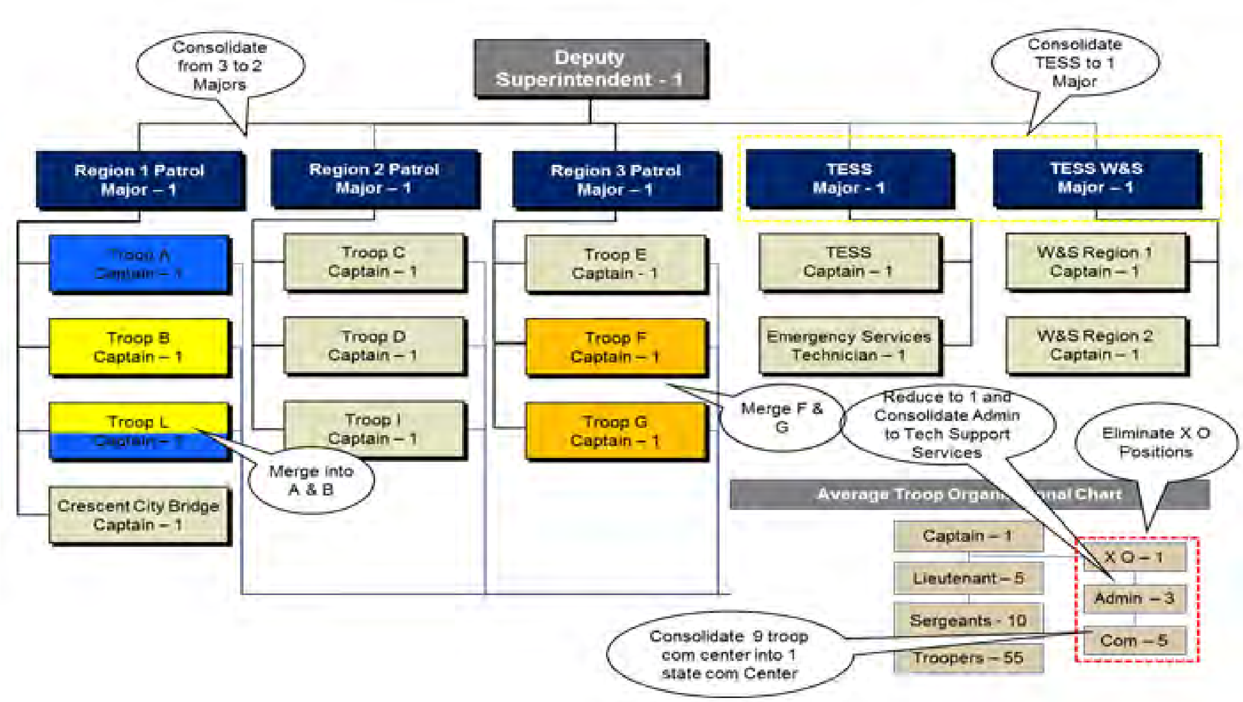


Figure 15.22: Identified Structural Opportunities in LPS Organizational Structure

Recommended Organizational Structure

By consolidating two Command Major positions in TESS and W&S into one Major position, consolidating administrative support, eliminating XO positions, consolidating 9 troop communication centers into one, state-wide communication center, LSP can make troop operations more efficient and less costly. The figures below illustrate the resulting LSP- Patrol overall organizational structure, troop structure, and support services structure.

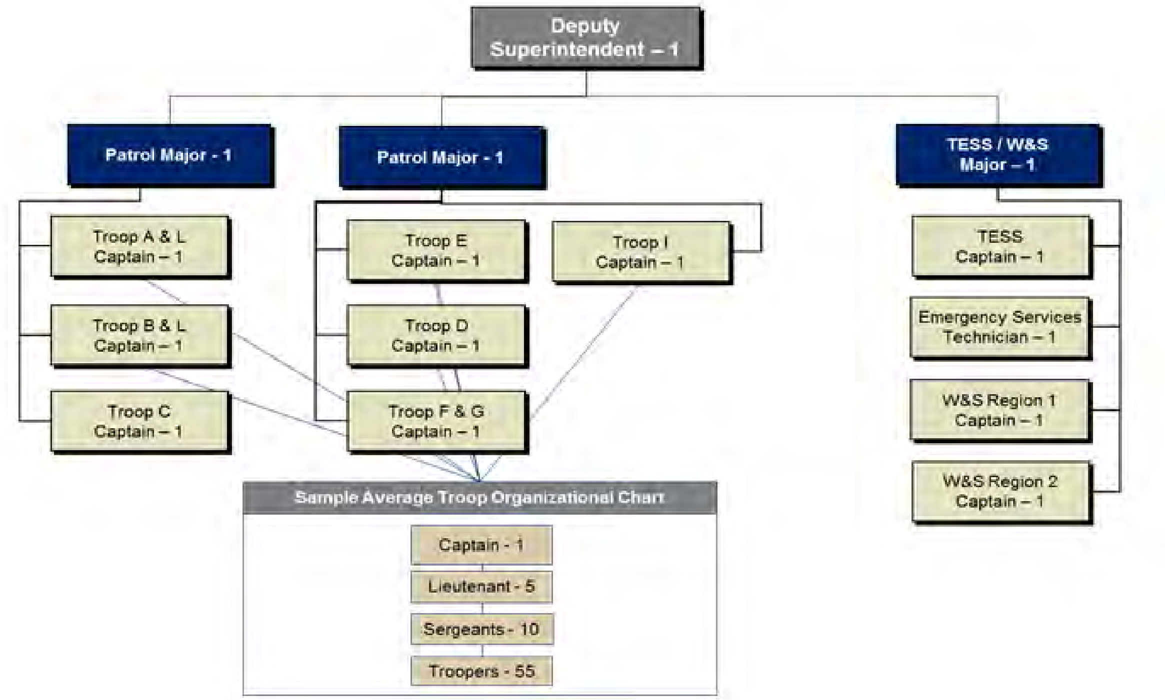


Figure 15.23: Overall Recommended LSP-Patrol Organizational Structure

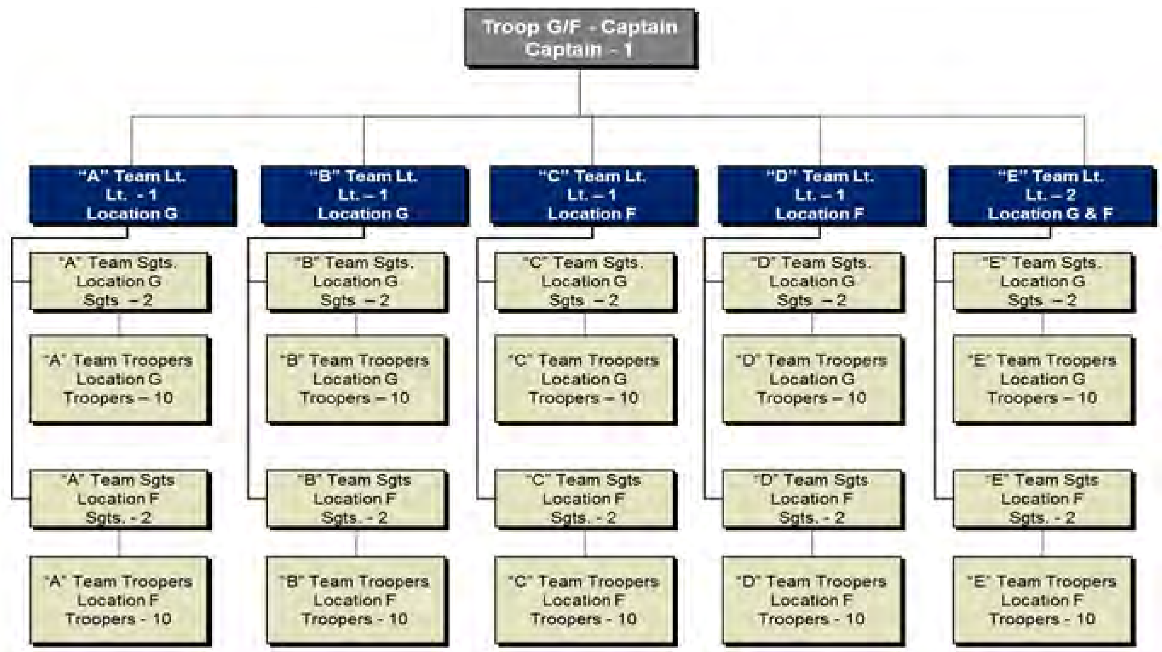


Figure 15.24: Recommended LSP-Patrol Troop Structure

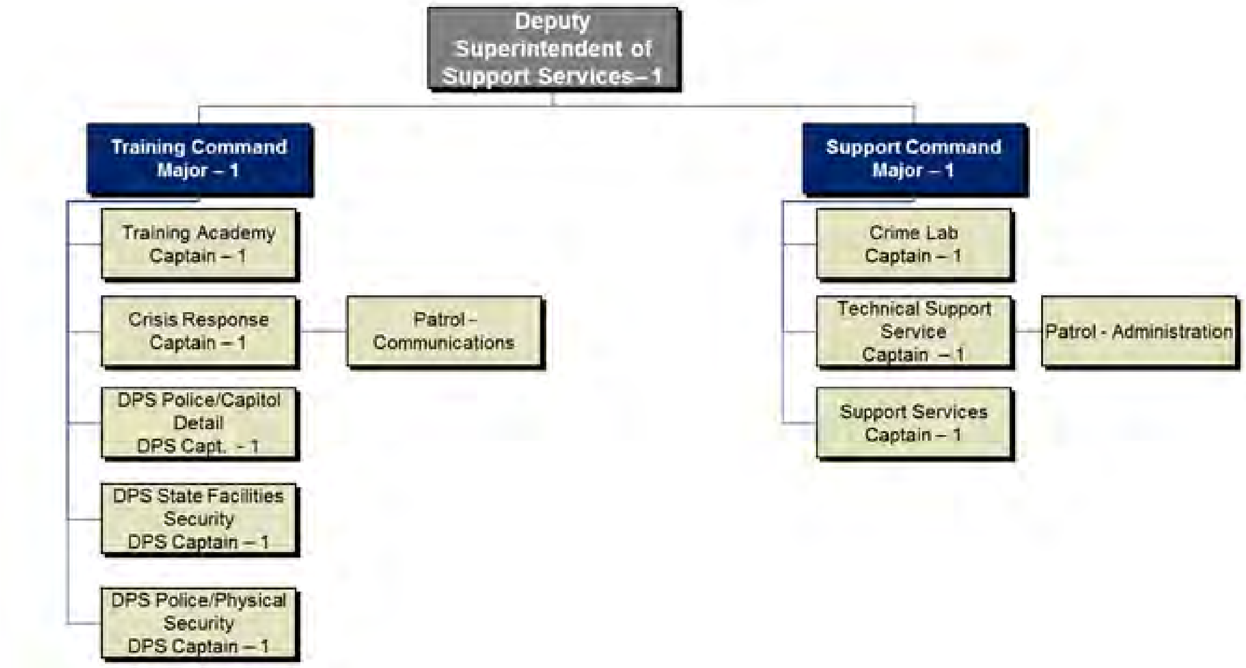


Figure 15.25: Recommended LSP-Patrol Support Services Organizational Structure

DEPARTMENT OF CORRECTIONS

Current Organizational Structure

The Department of Corrections (DOC) mission is to enhance public safety through the safe and secure incarceration of offenders, effective probation/parole supervision, and proven rehabilitative strategies that successfully reintegrate offenders into society, as well as to assist individuals and communities victimized by crime. The DOC utilizes a partnership with Louisiana sheriffs to house offenders at parish and local jails in addition to state correctional facilities. The Secretary of Corrections oversees departments grouped together around three core functional areas: 1) Institutions/Prisons (Adult Services); 2) Probation and Parole; and 3) Administration.

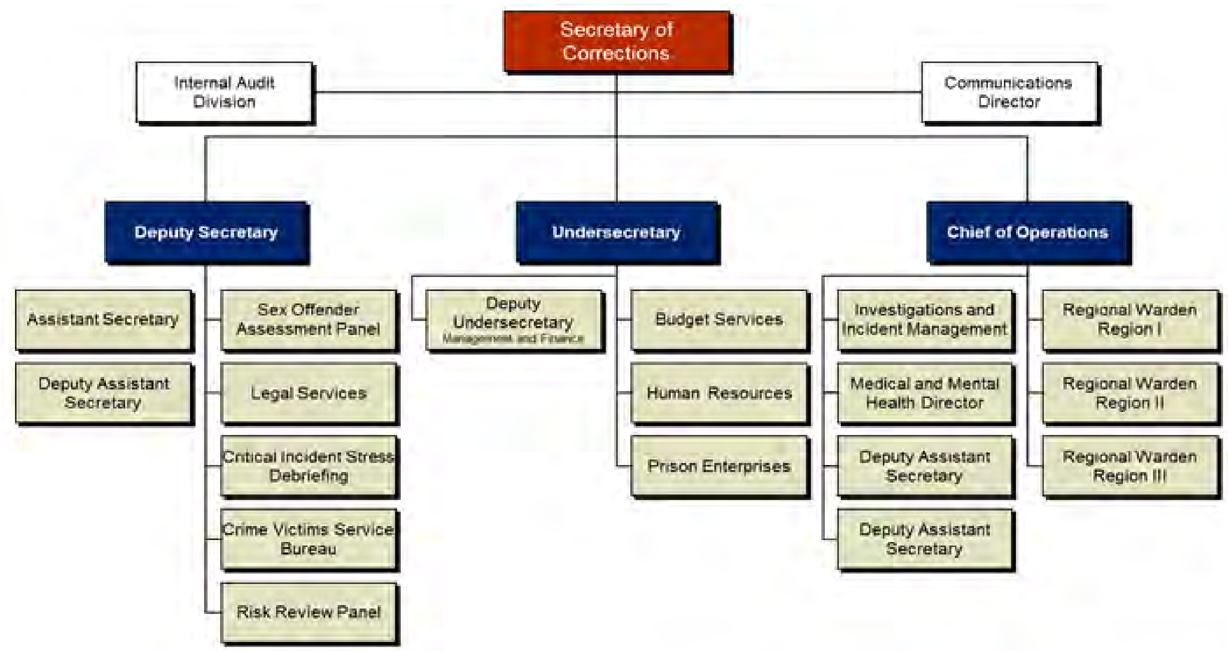


Figure 15.26: DOC Current Organizational Structure

Identified Structural Opportunities

A&M conducted a thorough analysis of the Department of Corrections and found that the department's structure was common to the most efficiently run departments of corrections in the nation, where the main activities of the department are grouped around three core function areas: 1) Institutions/prisons (Adult Services); 2) Probation and Parole; and 3) Administration.

Recommended Organizational Structure

While A&M not recommend any changes to DOC's current organizational structure, there are opportunities to build greater efficiencies throughout the system by exploring an increase in span of control, meaning a reduction in staff-to-supervisor ratio:

- Current DOC span of control is estimated at 1:3.7
- Consensus among organizational design experts that efficient staff-to-supervisor rations have doubled since the early 20th century with modern technology, from 1:6 to a range of 1:10 to 1:15.

- Corrections presents unique challenges, but there is room to achieve moderate increases
- DOC should execute a phased reduction of management layers over a 5 year period, from an initial span of control of 1:3.7 one of 1:5.5 or as high as 1:6.5.
- The estimated savings from increasing span of control are estimated to be $19.9 million to $26.3 million in FY15.

OFFICE OF JUVENILE JUSTICE

Current Organization

The mission of the Office of Juvenile Justice (OJJ) is to protect the public by providing safe and effective individualized services that encourage youth to become productive, law-abiding citizens. The vision of OJJ is to create a quality system of care which embraces partnerships with families, communities, and stakeholders to assist youth in redirecting their lives toward responsible citizenship.

The number of employees at OJJ has decreased from 1,300 staff in FY08 to 990 today. During that same time period, the agency experienced a reduction in the total budget by approximately $71 million.

In the past two fiscal years, OJJ has consolidated the majority of its administrative functions with the Department of Public Safety (DPS), who took over human resources, IT, contracts, and purchasing and finance duties. As a result of the consolidation, 66 positions were eliminated or transferred to DPS. The bulk of these positions were eliminated within OJJ's Central Office, which has been reduced from 100 positions to 42.

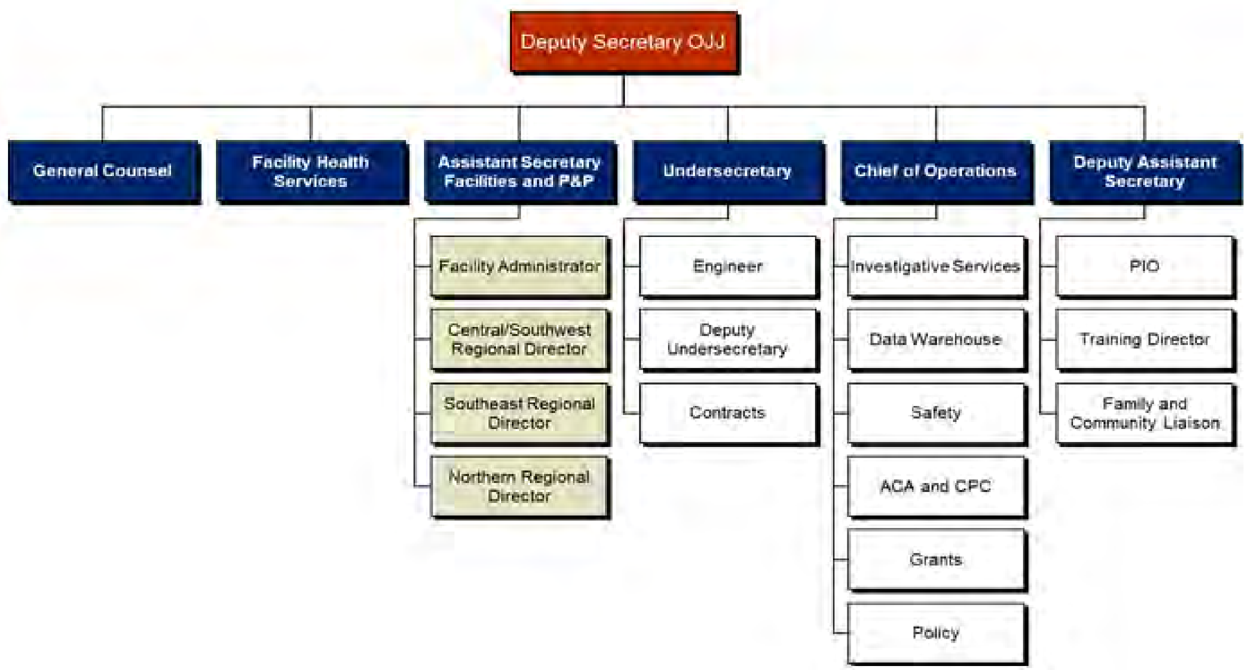


Figure 15.27: Current OJJ Organizational Structure

Identified Structural Opportunities

OJJ recently completed a significant restructuring of their programs based on a regional organization model. The secure care facilities, along with the Field Services program, have converted into the three regional programs. By combining Field Services and the secure care facilities into regions the staff will be able to coordinate service delivery to help the youth's transition into the community. Because of this effort, the only recommendations to the organizational structure of the Office of Juvenile Justice are to improve support services between the Office of Juvenile Justice and Department of Public Safety (DPS).

Recommended Organizational Structure

There is ongoing concern regarding the allocation of responsibilities and accountability related to the streamlining of back office functions between the Office of Juvenile Justice and the Department of Public Safety, including procurement and human resources. Based on the findings of a Legislative Audit Reports (January 15, 2014 report on non-secure residential contracts; and February 5, 2014 report on prevention and diversion program contracts), it is recommended that the departments work to limit the risks defined by the audit by:

- Developing an Memorandum of Understanding (MOU) adequately defining responsibilities, service levels, and chain of accountability between the Office of Juvenile Justice and the Department of Public Safety;
- Initiate bi-weekly liaison meetings including appropriate working level personnel to review performance and outstanding issues (liaison meetings should be attended periodically by the two Undersecretaries), improve overall communication, and work to raise the awareness and understanding of the unique needs of the Office of Juvenile Justice among Department of Public Safety staff that address their HR, procurement and contract monitoring requirements.
- Review the quantity and nature of HR transactions at the two secure care facilities and regional Probation & Parole offices, and consider the need for an HR specialist either full or part-time at each facility to cover their needs.
- Consider a training regimen for the Department of Public Safety personnel on any unique needs of the Office of Juvenile Justice including a tour of key facilities.

In addition to the recommended changes to support services, there are also opportunities to build greater efficiencites in OJJ by exploring an increase in span of control, meaning a reduction in staff-to-supervisor ratios.

- Current Office of Juvenile Justice span of control is estimated at 1:3.7.
- Consensus among organizational design experts that efficient staff-to-supervisor ratios have doubled since early 20th century with modern technology from 1:6 to a range of 1:10 to 1:15.
- Corrections environment present unique challenges and may not be appropriate for major increased, but there is room to achieve efficiencies on a more moderate scale.
- OJJ should phase in a reduction of management layers over a 5 year period from an initial span of control of 1:5.2 to between 1:5.5 and 1:6.5. Estimated savings: $313,000 to $1.24 million in FY15.

LOUSISANA DEPARTMENT OF REVENUE

Current Organization

The Louisiana Department of Revenue (LDR) is a results-based and -focused department that is capable of responding to the needs of the citizens and stakeholders. The Department of Revenue's mission is "to fairly and efficiently collect state tax revenues to fund public services and regulate the sale of alcoholic beverages, tobacco, and charitable gaming within Louisiana." With a recovery rate of 89 percent, the Department of Revenue currently collects over 75 percent of the state's general fund. The department relies heavily on technology and audit personnel to detect and assess noncompliance.

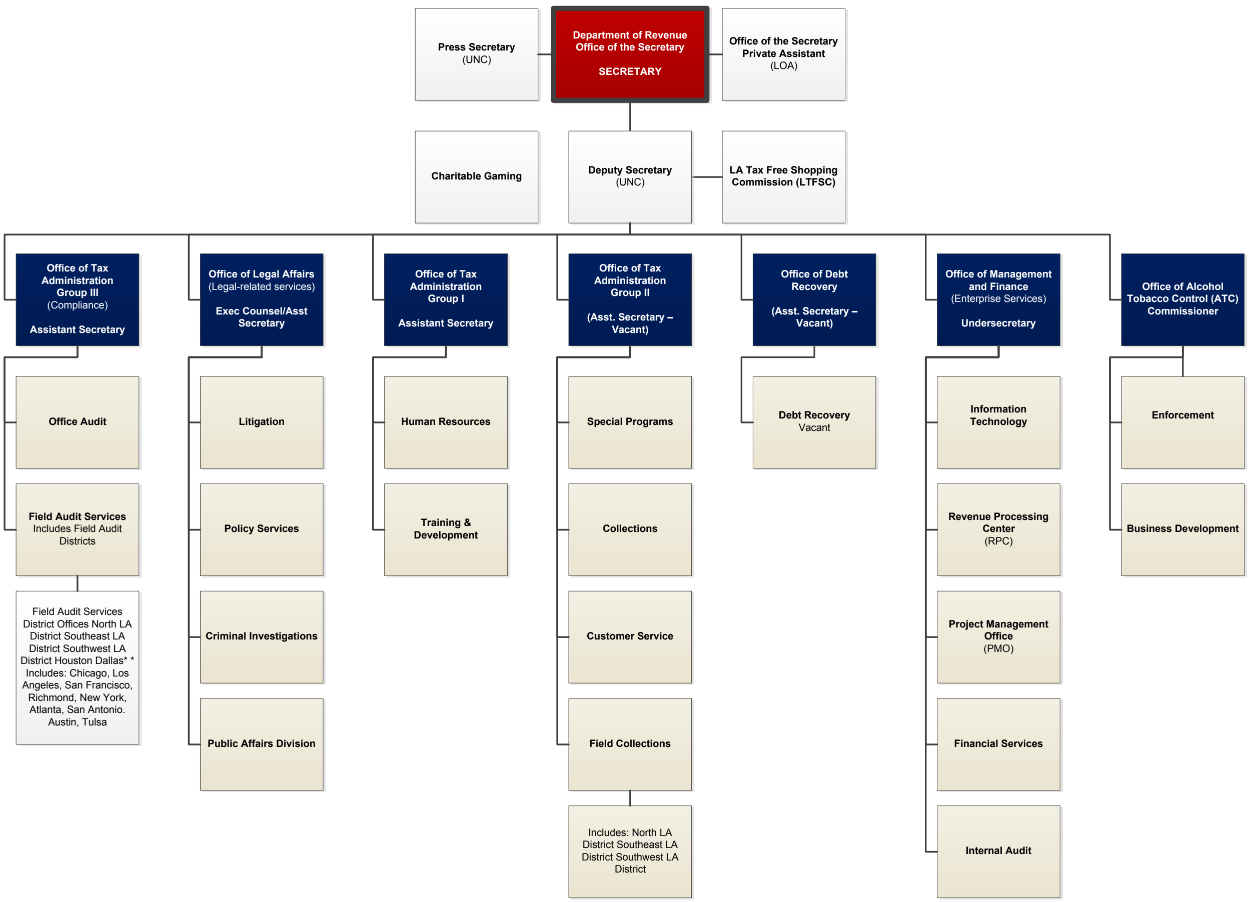


Figure 15.28: LDR's Current Organizational Structure

Identified Structural Opportunities

A&M identified the structural challenges the agency faced and analyzed them for improvement. Using a series of state benchmarks such as Virginia and Utah, A&M was able to compare Department of Revenue to best practices in its organizational structure.

- Issues
  - Current structure creates a silo mentality and possibly contributes to an inefficient tax administration process.
  - Audit is decentralized and the selection of audit candidates is determined by field agents without evaluation of potential results.
- Solution
  - In addition to the purchasing of meta data from SAS, Delta, and Fast, a more efficient, closed-loop process should be developed to ensure the Department of Revenue maximizes the potential of the new anti-fraud leads.

- Form a Discovery Unit to design a centralized Audit Plan, as well as issues list.
- Team
  - Supervision by a non-stakeholder: Office of Tax Administration, Group II
  - Cross functional team of stakeholders to mine leads from metadata suppliers in a concerted team approach to maximize efficiency and revenues. Members would include:
    - Audit (Office and Field Services)
    - Legal Affairs (Litigation and Policy Services)
    - Information Technology
    - Project Management Office

Recommended Organizational Structure

After analyzing LDR's current organizational structure and processes, A&M recommends that LDR establish a cross-agency Discovery Unit to improve collaboration within the department. The unit will be comprised of seven FTEs and individuals representing Audit, Legal Affairs, IT, and PMO and would select leads and technical issues for further development. Based on best practice, six units would contribute to the Discovery Unit. The below figure illustrates the organizational structure that would result from this recommendation.

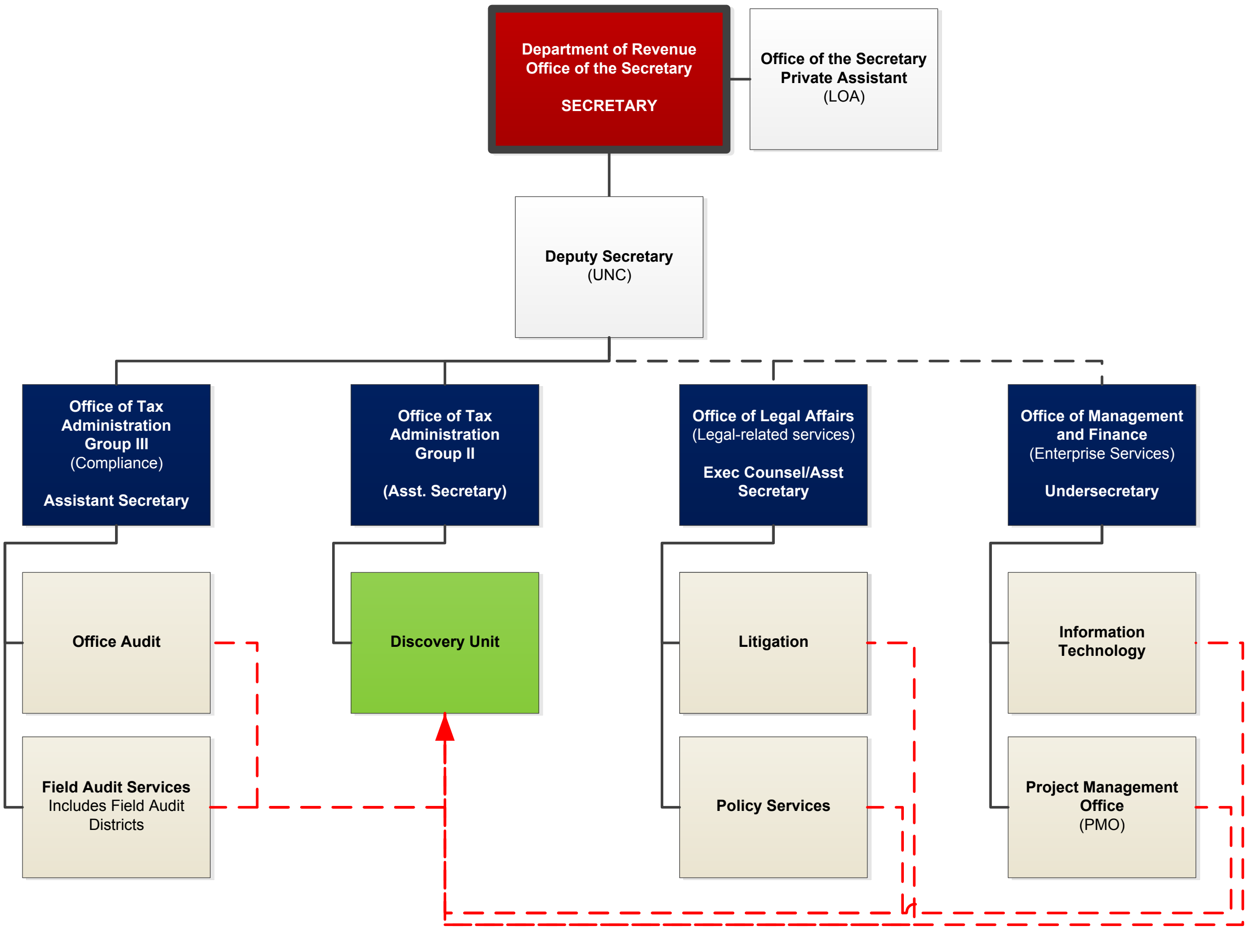


Figure 15.29: LDR's Recommended Organizational Structure

This cross-agency Discovery Unit would jointly determine LDR's strategy in audit selection and tax enforcement. The closed loop system will also ensure improvements in efficiency throughout the discovery process. The figure below illustrates the closed loop discovery process which A&M recommends LDR implement.

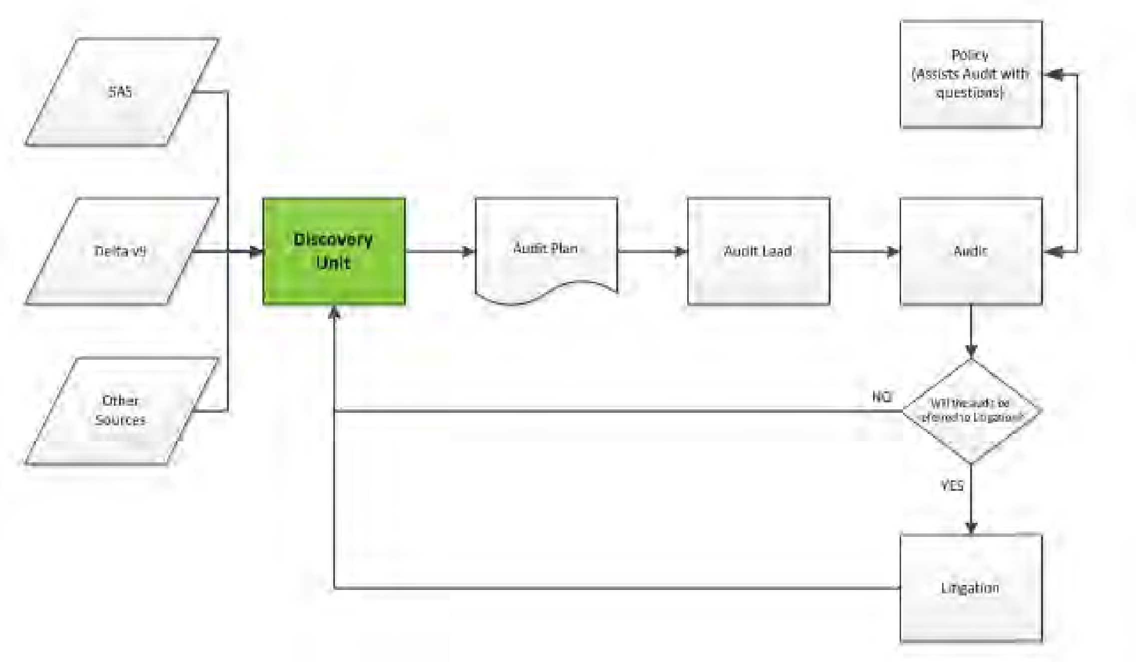


Figure 15.30: Closed-Loop Discovery Process

DEPARTMENT OF TRANSPORTATION AND DEVELOPEMENT

Current Organizational Structure

DOTD's organizational structure is generally aligned by function (e.g. engineering, operations, finance, planning). This organizational structure is common among state department of transportations. The DOTD benchmark analysis is in Appendix H.

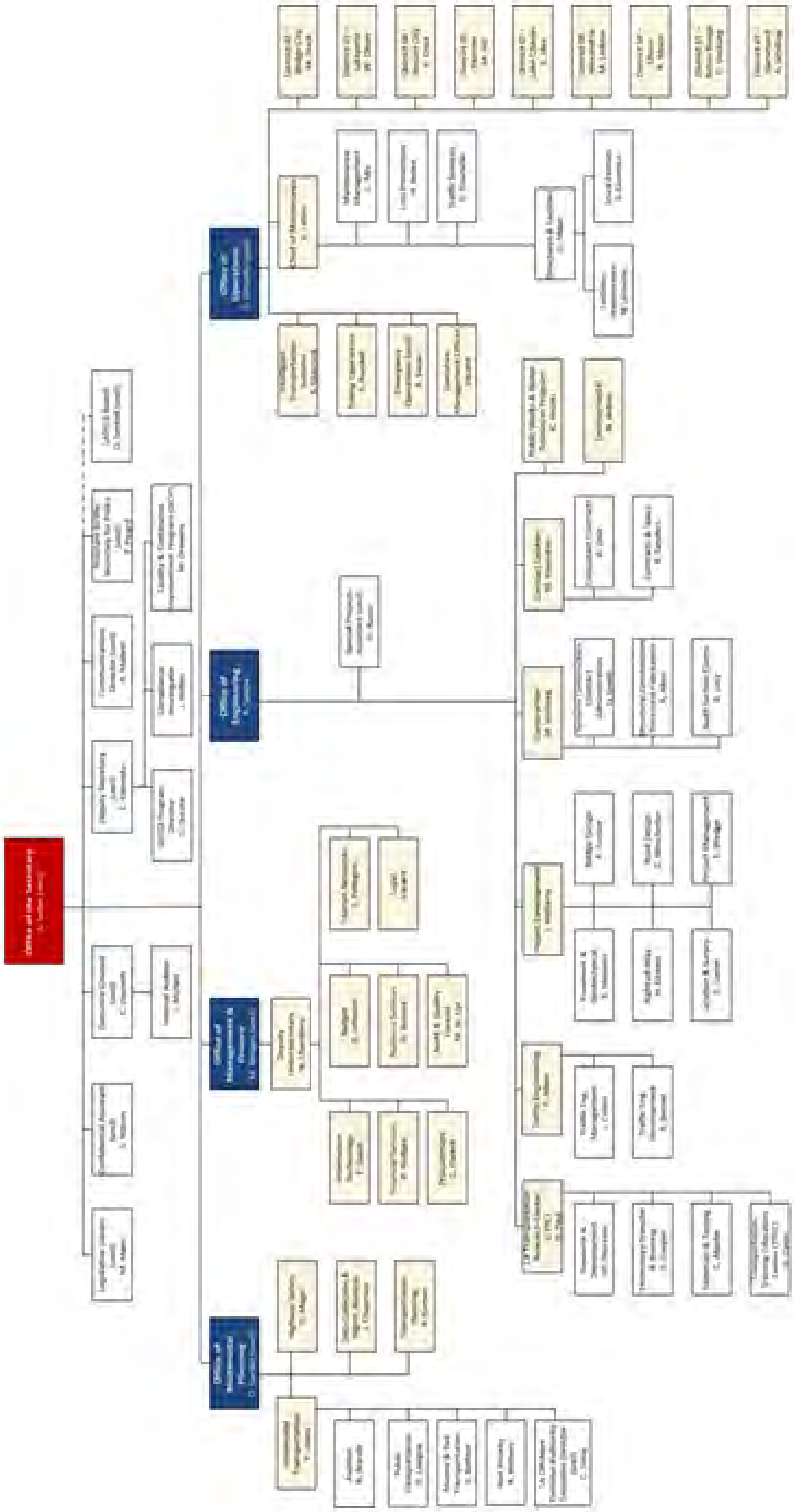


Figure 15.31: DOTD Current Organizational Structure

Identified Structural Opportunities

While DOTD's structure is consistent among other state department of transportations, there are opportunities for structural improvement:

- In 2011, a portion of Public Works was combined with Department of Transportation and Development, resulting in a consolidation of several undersecretaries
- Several functional areas are heavily outsourced to private contractors (e.g. highway maintenance, capital projects construction, design engineering)
- Mandated headcount reductions have resulted in more reliance on private contractors
- Districts act as autonomous operating units with own personnel, equipment, facilities, and support functions
    - More states are moving toward shared back office support and facilities as well as coordinated equipment management
- Large project engineering and project management is separate from district engineering and project management.
    - Some states like Texas, Mississippi, South Carolina, and Tennessee have combined district operations and capital project engineering under one deputy director in order to more closely align and coordinate district initiatives

Recommended Organizational Structure

- DOTD should move most business support services, currently housed within each district, to a regional or central model to consolidate redundant functions, improve processes, and take advantage of economies of scale.
- DOTD should reduce the number of maintenance units in order to reduce required facilities, and consolidate small project engineering offices and other underutilized offices with existing facilities.
- DOTD should replace some contract engineers with internal hires to lower overall engineering spend.

APPENDICES

APPENDIX A: DIVISION OF ADMINISTRATION

PROCUREMENT ANALYSIS

State/City Procurement Functions

A&M researched a number of other state/city procurement functions including Arizona, Virginia, Minnesota, and the City of Houston.

State of Arizona

- Implemented an eProcurement system, ProcureAZ, and the state expects to generate five to 20 percent in savings on $6 billion spend at the state and local level. Following is a representative sample of solicitations and savings estimates[43]:
  - Office supplies – 25 percent
  - Janitorial supplies – 24 percent
  - Elevator maintenance – 32 percent
  - Legal messenger – 20 percent
- The eProcurement system was a self-funded model. The state assessed a one percent fee for purchases made by local government entities and the administrative fee covered the entire system cost within 18 months.
- Electronic submission leveled the playing field for smaller vendors by providing the same accessibility to vendors of all sizes. As a result, the local vendor participation increased

[43] "AZ BuySpeed Case Study," Periscope Holdings Inc. ®

significantly. For example, a small local company would have the same on-line visibility as a large company that maintained a catalog. Information is transparent and available on-line, thus making information accessible to any interested party with an Internet connection.

- Arizona moved spend from multi-state consortium contracts to an in-state cooperative purchasing program, providing increased leverage for the state
- System and new processes reduced cycle time[44]
    - Requisition processing – 42.5 percent less time
    - Purchase order/contract processing – 46 percent less time
    - Open market, "one-time" buy – 34 percent less time
- Reverse auction solicitations – saved an average of 26 percent[45]

Commonwealth of Virginia[46]

- "Implemented a system (eVA) that serves as a single point of contact for state government and vendors. The system benefits state agencies by enabling them to submit requisitions and solicit bids electronically, as well as analyze purchasing and spending data. It also benefits vendors by enabling them to register once with all state agencies, automatically receive solicitations for bids, and respond to solicitations electronically. Use of eVA also has increased the number of bids for goods and services. One estimate suggests that the state saved $114 million from 2001 to 2004 by securing lower prices on selected goods and services through improved contracting practices." The system also allowed the state to expand its cooperative purchasing program and more than 600 additional entities are now using the system.

State of Minnesota[47]

- "Minnesota's most innovative practices have included focusing on price, developing statewide product standards, and negotiating with vendors throughout the procurement process (i.e. strategic sourcing). Taken together, such practices have resulted in $246 million in actual and projected cost savings since December 2005. Other benefits have included higher quality goods and services delivered in a shorter period of time."

City of Houston

- Hired a Chief Procurement Officer (CPO) and is implementing strategic sourcing to leverage spend across the departments.

[44] "AZ BuySpeed Case Study," Periscope Holdings Inc. ®
[45] "AZ BuySpeed Case Study," Periscope Holdings Inc. ®
[46] "States Buying Smarter: Lessons in Purchasing and Contracting from Minnesota and Virginia," Drs. Brown, Fernandez, and Heckman, with financial support from the Pew Center on the States
[47] "States Buying Smarter: Lessons in Purchasing and Contracting from Minnesota and Virginia," Drs. Brown, Fernandez, and Heckman, with financial support from the Pew Center on the States

The following charts are a baseline analysis of procurement spending for the State of Louisiana.

Overall Spend by Category Analysis (FY13)

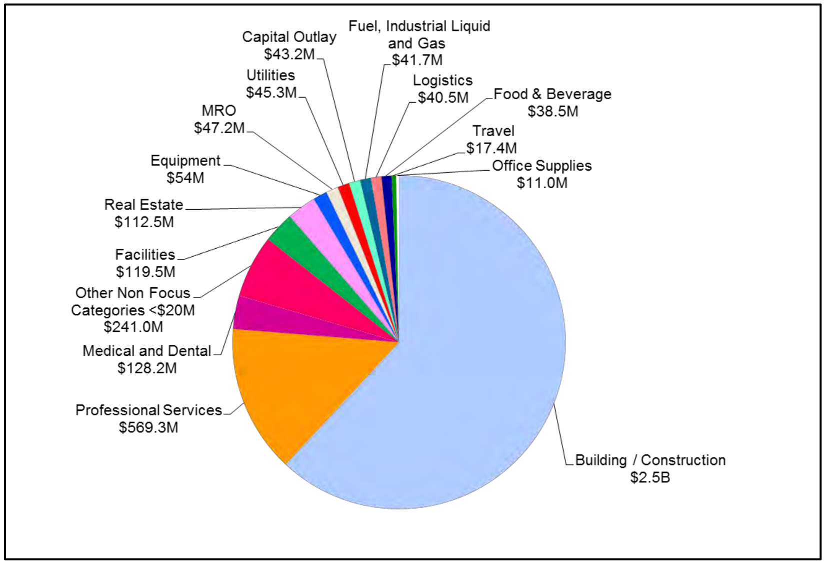


Figure A1: Overall Spend by Category Analysis (FY13)

Year One Savings Calculations by Category (FY15)

Year One															
Category	Wave	Category*	Spend (in millions)	Savings (%)	Overall Savings Low (%)	Overall Savings High (%)	Overall Savings Low (in millions)	Overall Savings High (in millions)	State Funding (%)	Federal Funding (%)	State Savings Low (in millions)	State Savings High (in millions)	State Savings (in millions)	Federal Savings Low (in millions)	Federal Savings High (in millions)
1	First	Fuel, Industrial Chemicals and Gas	$ 41,700,000.00	5 to 10	5%	10%	$ 2,085,000.00	$ 4,170,000.00	66%	34%	$ 1,376,100.00	$ 2,752,200.00	$1.4 - $2.8	$ 708,900.00	$ 1,417,800.00
2	First	Office Supplies	$ 12,500,000.00	20 – 25	20%	25%	$ 2,500,000.00	$ 3,125,000.00	66%	34%	$ 1,650,000.00	$ 2,062,500.00	$1.7 - $2.1	$ 850,000.00	$ 1,062,500.00
3	First	Courier Services *(excluding US Postal)*	$ 7,300,000.00	15 – 20	15%	20%	$ 1,095,000.00	$ 1,460,000.00	66%	34%	$ 722,700.00	$ 292,000.00	$0.7 - $0.2	$ 372,300.00	$ 496,400.00
4	First	Copiers	$ 5,100,000.00	15 - 20	15%	20%	$ 765,000.00	$ 1,020,000.00	60%	40%	$ 459,000.00	$ 612,000.00	$0.5 - $0.6	$ 306,000.00	$ 408,000.00
5	First	Waste Management	$ 4,800,000.00	5 to 10	5%	10%	$ 240,000.00	$ 480,000.00	58%	42%	$ 139,200.00	$ 278,400.00	$0.1 - $0.3	$ 100,800.00	$ 201,600.00
6	Second	Professional Services: Accounting / Legal / Management Consulting	$ 64,600,000.00	3 – 5	3%	5%	$ 1,938,000.00	$ 3,230,000.00	45%	56%	$ 862,410.00	$ 1,437,350.00	$0.9 - $1.4	$ 1,075,590.00	$ 1,792,650.00
7	Second	MRO	$ 47,200,000.00	5 to 10	5%	10%	$ 2,360,000.00	$ 4,720,000.00	62%	38%	$ 1,463,200.00	$ 2,926,400.00	$1.5 - $3.0	$ 896,800.00	$ 1,793,600.00
8	Second	Logistics	$ 40,500,000.00	3 to 5	3%	5%	$ 1,215,000.00	$ 2,025,000.00	45%	55%	$ 546,750.00	$ 911,250.00	$0.5 - $0.9	$ 668,250.00	$ 1,113,750.00
9	Second	Janitorial	$ 10,600,000.00	20 – 25	20%	25%	$ 2,120,000.00	$ 2,650,000.00	49%	51%	$ 1,038,800.00	$ 1,298,500.00	$1.0 - $1.3	$ 1,081,200.00	$ 1,351,500.00
10	Second	Medical and Dental: Pharmaceutical	$ 128,219,143.00	2 to 4	2%	4%	$ 2,564,382.86	$ 5,128,765.72	81%	19%	$ 2,077,150.12	$ 4,154,300.23	$7.8 - $15.5	$ 487,232.74	$ 974,465.49
11	Second	Opportunistic Procurement Opportunities	$ 630,000,000.00	3 to 4	3%	4%	$ 18,900,000.00	$ 25,200,000.00	65%	35%	$ 12,285,000.00	$ 16,380,000.00	$12.3 - $16.4	$ 6,615,000.00	$ 8,820,000.00
		Total Addressable	$ 992,519,143.00			Total Savings Overall	$ 16,882,382.86	$ 28,008,765.72	Total State Savings		$ 22,620,310.12	$ 33,104,900.23		$ 6,547,072.74	$ 10,612,265.49

Figure A2: Year One Savings Calculations by Spend Category (FY15)

YEAR TWO SAVINGS CALCULATIONS BY CATEGORY (FY16)

Year Two															
#	Category	Spend (in millions)	Spend	Savings (%)	Overall Savings Low (%)	Overall Savings High (%)	Overall Savings Low (in millions)	Overall Savings High (in millions)	State Funding (%)	Federal Funding (%)	State Savings (Low)	State Savings (High)	State Savings in millions	Federal Savings Low (in millions)	Federal Savings High (in millions)
1	Building / Construction	$2,500.0	$ 2,500,000,000.00	2	2%	2%	$ 50,000,000.00	$ 50,000,000.00	64%	36%	$ 32,000,000.00	$ 32,000,000.00	$32.0	$ 18,000,000.00	$ 18,000,000.00
2	Professional Services: Engineering	$161.8	$ 161,800,000.00	2	2%	2%	$ 3,236,000.00	$ 3,236,000.00	60%	40%	$ 1,941,600.00	$ 1,941,600.00	$1.9	$ 1,294,400.00	$ 1,294,400.00
3	Facilities	$104.1	$ 104,100,000.00	5 to 7	5%	7%	$ 5,205,000.00	$ 7,287,000.00	70%	30%	$ 3,643,500.00	$ 5,100,900.00	$3.6 - $5.1	$ 1,561,500.00	$ 2,186,100.00
4	Food & Beverage	$38.5	$ 38,500,000.00	5 to 7	5%	7%	$ 1,925,000.00	$ 2,695,000.00	53%	47%	$ 1,020,250.00	$ 1,428,350.00	$1.0 - $1.4	$ 904,750.00	$ 1,266,650.00
5	Travel	$17.4	$ 17,400,000.00	2 to 4	2%	4%	$ 348,000.00	$ 696,000.00	58%	42%	$ 6,960.00	$ 13,920.00	$0.007 - $0.013	$ 146,160.00	$ 292,320.00
6	Heavy / Light Outdoor Equipment	$22.0	$ 22,000,000.00	3 to 5	3%	5%	$ 660,000.00	$ 1,100,000.00	59%	41%	$ 389,400.00	$ 649,000.00	$0.4 - $0.6	$ 270,600.00	$ 451,000.00
7	Advertising / Marketing	$23.3	$ 23,300,000.00	5 to 10	5%	10%	$ 1,165,000.00	$ 2,330,000.00	91%	9%	$ 1,060,150.00	$ 2,120,300.00	$1.1 - $2.1	$ 104,850.00	$ 209,700.00
	Total Addressable		**$ 2,821,800,000.00**			**Total Overall Savings**	**$ 62,539,000.00**	**$ 67,344,000.00**	**Total State Savings**		**$ 40,061,860.00**	**$ 43,254,070.00**		**$ 22,282,260.00**	**$ 23,700,170.00**
-	Less FY15 Opportunistic	$150.0	$ 630,000,000.00	5 to 7	3%	4%	$ 18,900,000.00	$ 25,200,000.00	65%	35%	$ 12,285,000.00	$ 16,380,000.00	$12.3 - $16.4	$ 6,615,000.00	$ 8,820,000.00
	Net Addressable		**$ 2,191,800,000.00**			**Total Overall Savings**	**$ 43,639,000.00**	**$ 42,144,000.00**	**Total State Savings**		**$ 27,776,860.00**	**$ 26,874,070.00**		**$ 15,667,260.00**	**$ 14,880,170.00**

Figure A3: Year Two Savings Calculations by Spend Category (FY16)

OVERALL SPEND BY AGENCY ANALYSIS (FY13)

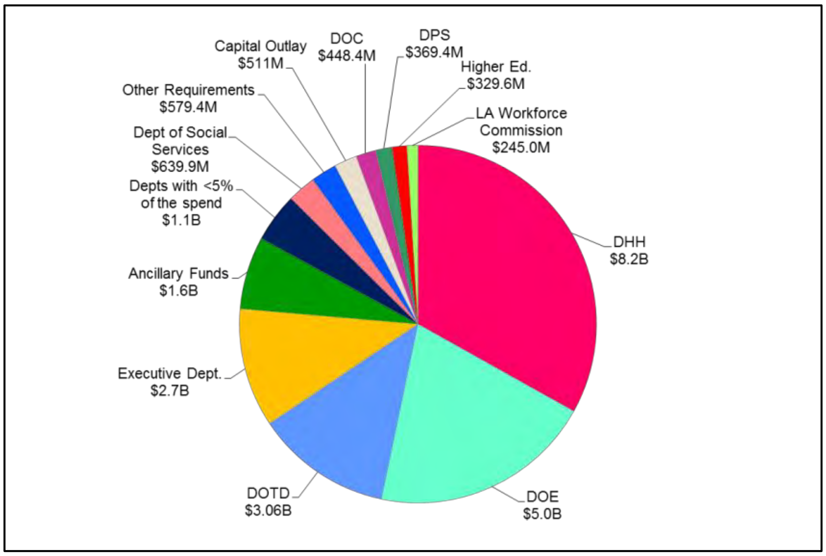


Figure A4: Overall Spend by Agency Analysis (FY13)

EQUIPMENT SPEND BY SUB-CATEGORY (FY13)

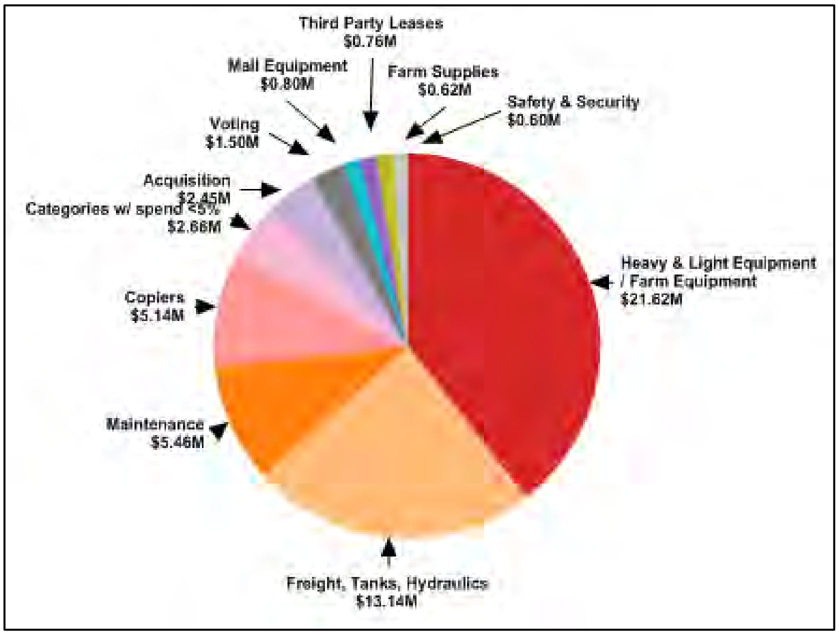


Figure A5: Equipment Spend by Sub-category (FY13)

EQUIPMENT SPEND BY AGENCY

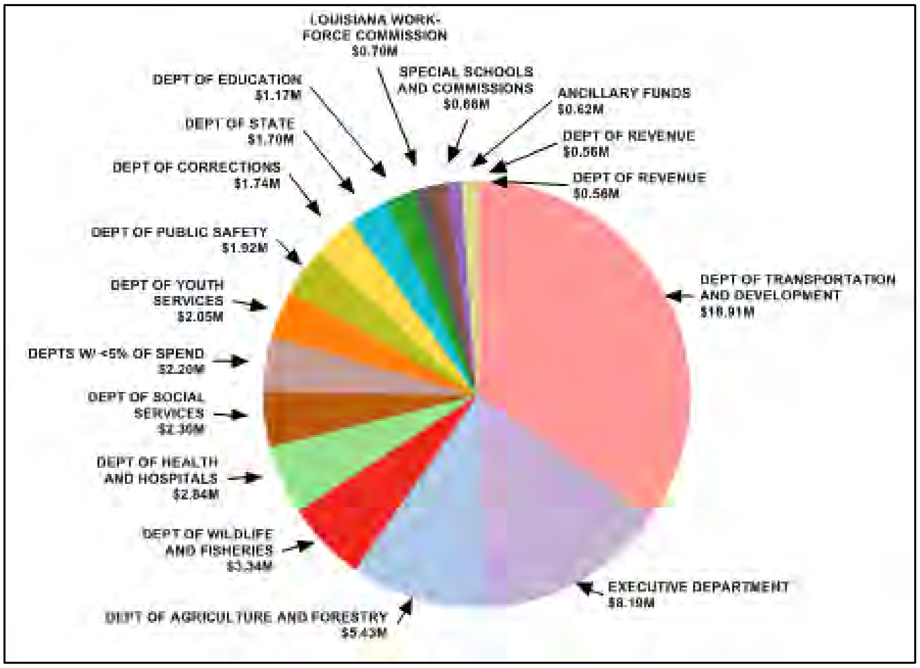


Figure A6: Equipment Spend by Agency (FY13)

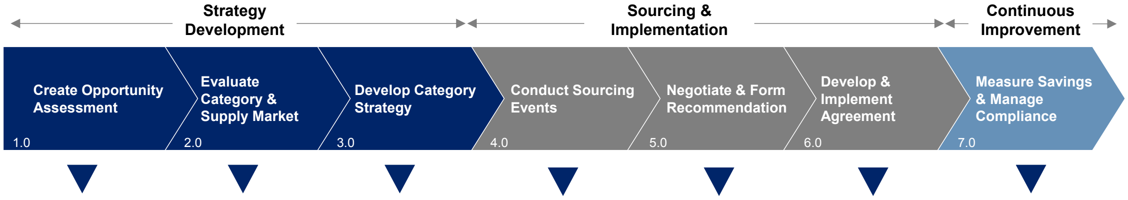
CURRENT AGENCY PROCUREMENT/CONTRACT PERSONNEL AT AGENCIES IN-SCOPE

Agency	Procurement FTEs	Contract Review FTEs
DCFS	4	4
DHH	5	8
DOA/OFSS	2	-
DOA/ORM	-	3
DOC	4	1
DPS	4	4
LED	1	2
LDR	1	-
Total Identified excl. DOTD	**21**	**22**
DOTD – Sec. 39/48	10	-
DOTD – Sec. 80	12	16
Total Identified	**43**	**38**

Source: Agency interviews

Note: Section 39/48 is procurement of goods and / or services under the oversight of OSP. Section 80 is the procurement of consulting and engineering contracts managed by DOTD, not under the oversight of OSP.

Strategic Sourcing Methodology



Activities

• Spend analysis • Market analysis • Competitive analysis • Interview key stakeholders • Identify requirements • Estimate opportunities • Prioritize opportunities • Create project plan • Forecast future demand	• Identify supply sources • Evaluate market trends • Create and send RFI • Evaluate Total Cost of Ownership (TCO) • Evaluate supplier risks and sustainability	• Evaluate supply and demand leverage • Evaluate strength of category and supplier strategies • Create strategy with cross function team • Socialize with key stakeholders • Create internal change plan	• Create and send RFQ / RFP / Auction • Schedule events with suppliers • Execute events with suppliers • Evaluate sourcing events	• Plan for negotiation • Set starting, target and walkaway offers • Negotiate with suppliers • Evaluate and document results	• Develop agreement • Socialize with key stakeholders • Award agreement • On-board new suppliers • Prepare implementation plan • Create communication plan • Implement agreement	• Monitor contract compliance • Address maverick spend • Monitor business and supplier key performance • Communicate performance • Implement continuous improvement

Five Components of Strategic Sourcing

Significant costs savings and cost avoidances can be realized through the implementation of strategic sourcing. There are five recommended components of strategic sourcing:

5. **Category management structure:**
   - Establish a strategic sourcing team (Procurement Center of Excellence) within OSP to provide the operational support framework for state agencies and other stakeholders. Structure should include category management expertise for the high spend or critical categories being managed
   - Identify and establish cross-functional teams to integrate with the Strategic Sourcing team to assure agency and stakeholder requirements are met
   - Develop standardized job titles for buyers within OSP and the agencies and identify and train qualified resources to fill the positions
   - Develop and implement performance metrics and include in job descriptions to increase accountability
   - Develop a robust training for those involved in the strategic sourcing program, including agency end users involved in specifying and negotiating contracts
6. **Consistent and standard processes:**
   - Aggregate demand through innovative cooperative purchasing approaches to better leverage spend across the agencies and increase the state's buying power and agency planning and forecasting capabilities
   - Establish cost reduction goals, reduce budget numbers, and measure success
   - Further expand buying power for the state by engaging other state entities (such as public universities, colleges and school districts), jurisdictions (such as cities and counties), and other states in cooperative purchasing arrangements
   - Develop category strategies for high spend or critical commodities/services and focus on negotiation throughout the acquisition process
   - Expand and accelerate implementation of the Lean Six Sigma Business Transformation Project and consolidate and centralize procurement and contract responsibilities to OSP/OCR
   - Develop, execute, and enforce consistent purchasing policies and procedures across agencies, including standardization of forms/documents/contracts
   - Standardize and improve procure-to-pay (P2P) processes
7. **Contract management:**
   - Consolidate vendor base and, where appropriate, standardize products and solicit bids based on "fit for use" rather than specifying brand names
   - When a statewide agreement is available, mandate usage
   - Establish legal counsel expertise within OSP to review solicitations and contracts as well as provide guidance regarding procurement statutes, administrative codes and policies
   - Implement recommended changes to statutes to maximize and sustain benefits from strategic sourcing. It is important to continually revisit and update the procurement code to ensure continued improvement of initiatives
8. **Vendor Relationship Management (VRM):**

- Implement contracted performance metrics to monitor quality and drive cost savings opportunities
- Implement service level agreements across the agencies and with the vendors

9. **Technology:**

- Implement a comprehensive electronic procurement solution to automate the P2P process, improve spend data visibility, manage internal and external performance metrics, and facilitate cost reductions across all agencies, including the facilitation of early payment discounts

Immediate next steps include:

- Continuation of the spend analysis, determining a start date for implementing strategic sourcing activities and identifying the resources needed
- Develop a multi-year strategic plan for the major procurement and process improvement initiatives to ensure alignment and priorities are met. Following is an example of a one-page, high-level strategic plan:

2015	2016	2017	2018
❖ Commissioner commitment and visible leadership ❖ Create strategic sourcing organization in OSP ❖ Establish cost savings goals ❖ Develop agency cross-functional teams (Sourcing Committee) ❖ Train OSP and agency teams ❖Strategic sourcing ❖Total cost of ownership ❖Contract negotiations ❖Vendor relationship Mgmt. ❖ Develop detailed spend analysis and classification structure ❖ Implement strategic sourcing ❖ Develop and measure benchmarks for cost savings ❖ Select eProcurement technology tool and begin implementation ❖ Implement reverse auction tool ❖ Expand Lean techniques to streamline P2P process ❖ Develop reporting and performance metrics (internal & supplier)	❖ Perform lessons learned ❖ Continue eProcurement implementation and develop reporting capabilities ❖ Expand strategic sourcing to categories approved by sourcing committee ❖ Develop and implement forecasting and total cost of ownership models ❖ Continue staff and vendor training & development ❖ Continue to evaluate opportunities for sourcing consolidation and product standardization ❖ Design vendor relationship management program and begin implementing with key vendors ❖ Continue Lean initiatives to minimize redundancy and improve sourcing and contracts speed and efficiency ❖ Refine/expand reporting capabilities ❖ Develop new savings target and forecast scorecard ❖ Measure success	❖ Continue to expand strategic sourcing and update sourcing strategies for contracts requiring renewal ❖ Develop procurement programs to include other state entities ❖ Continue Lean initiatives to minimize redundancy and improve sourcing and contracts speed and efficiency ❖ Review metric and compliance validation ❖ Continue process and technology improvement ❖ Continue staff training & development ❖ Continue to implement management program ❖ Trend analysis for all key cost drivers ❖ Continue to develop vendors and establish a program to drive additional savings though joint cost saving programs ❖ Review and update upcoming year's plan	❖ Review core supplier strategies and tweak as necessary ❖ Continue to expand strategic sourcing and update sourcing strategies for contracts requiring renewal ❖ Review metric and compliance validation ❖ Be relentless in application of best practices and continuous improvement ❖ Comprehensive vendor relationship management for all key categories ❖ Continue to develop talent

APPENDIX B: DEPARTMENT OF CORRECTIONS

The following charts provide additional details for the Department of Corrections and its recommendations.

CERTIFIED TREATMENT AND REHABILITATION CENTER PARTICIPANTS

DOC - CTRP Offender Participation

Location	Basic Education	Job Skills Training	Values Development & Faith Based	Treatment Programs	Miscellaneous	Total _ Total CTRP Programs	Total _ Total Participants
AVC	2,265	1,254	1,566	2,396	1,368	228	7,647
DCC	0	0	0	0	0	0	0
DCI	2,828	1,105	1,584	4,559	2,237	164	11,968
DWCC	883	587	117	2,429	0	263	4,011
EHCC	2,034	2,048	1,183	6,073	357	192	10,792
FWCC	0	0	0	0	0	0	0
LCIW	2,017	857	2,259	1,556	1,416	156	7,973
LSP	2,656	1,536	1,096	2,715	2,351	240	10,354
PCC	2,707	571	30	465	280	240	4,053
RCC	2,414	2,218	1,906	4,081	2,860	216	13,479
Total	17,804	10,176	9,741	24,274	10,869	1,699	70,277
ALC	2,366	1,272	1,596	3,270	1,793	192	10,488
WNC	1,699	706	184	6,370	500	216	9,501
Total	4,065	1,978	1,780	9,640	2,293	408	19,989
Total	21,869	12,154	11,521	33,914	13,162	2,107	90,266

*Source - DOC 2013 Calendar Year Rollup (1/22/2014)

Figure B1: DOC Offender Participation

HISTORICAL AND PROJECTED PERSONNEL

Over the next six years, 17.6 percent of DOC staff, or approximately 876 people, will be eligible for retirement.

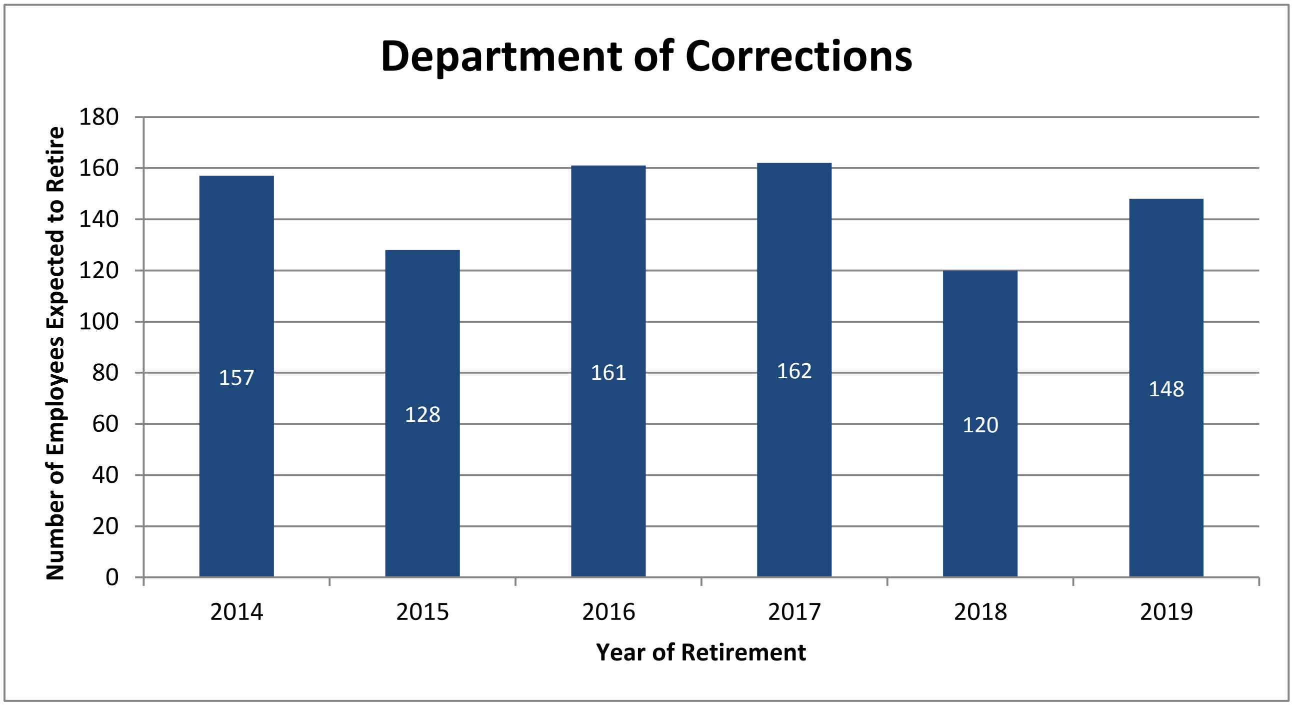


Figure B2: DOC Retirement Estimates

APPENDIX C: DEPARTMENT OF PUBLIC SAFETY HISTORICAL AND CURRENT PERSONNEL

DPS has been steadily reducing authorized TO positions since 2011. They have reduced from 2,619 in 2011 to 2,491 projected for 2014. As stated earlier, many of these reductions are a result of voluntary separation. In addition the DPS organization has become very top heavy and has a low span of control; 22 percent of the workforce has greater than 20 years of service.

Agency	2011	2012	2013	2014
Office of Management and Finance	164	183	191	183
Office of State Police	1,635	1,581	1,567	1,576
Office of Motor Vehicles	577	542	521	505
Office of Legal Affairs	9	9	10	10
Office of State Fire Marshal	177	169	161	159
Gaming Control Board	3	3	3	3
Liquefied Petroleum and Gas Commission	11	11	10	10
Highway Safety Commission	12	12	12	13
Training Academy	31	28	31	32
Total	**2,619**	**2,538**	**2,506**	**2,491**

Figure C1: DPS Actual Historical and Current Personnel

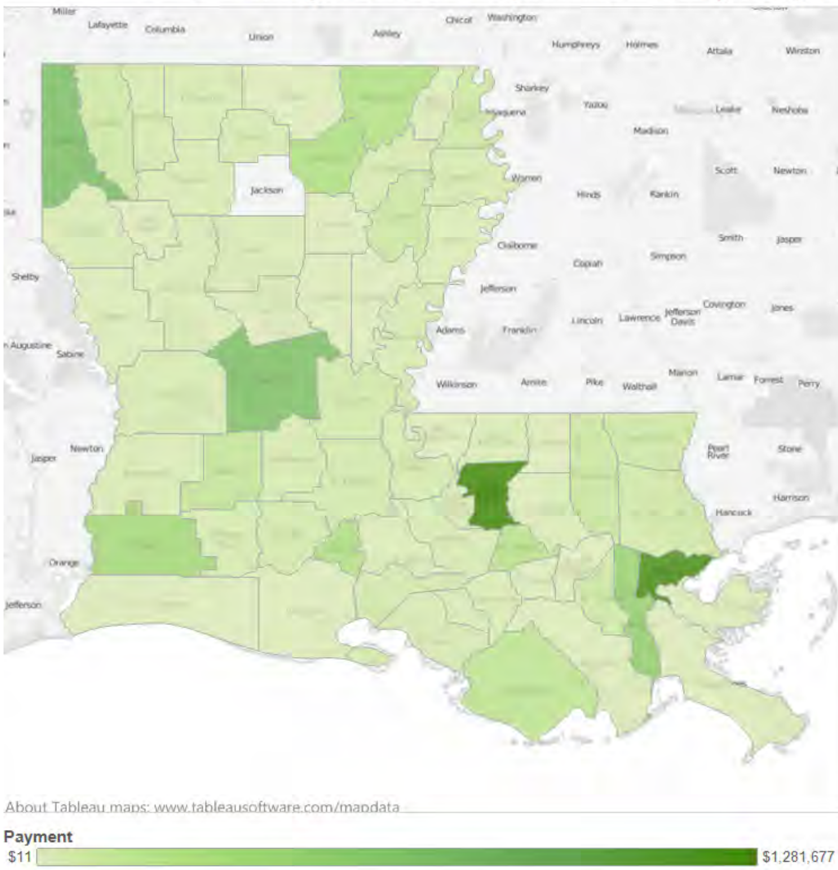
APPENDIX D: DEPARTMENT OF HEALTH AND HOSPITALS

The following section provides additional detail for selected recommendations to support the savings estimates. In addition, supporting information leveraged in the assessment process is also catalogued.

Consolidate Non-Emergency Transportation Services into a Single Contract

The chart below shows how transportation service utilization is concentrated in the most populated parishes:

FY13 Transportation Expenditures by Region - Fee for Service



	2011	2012	2013
Acadia	$175,264	$108,424	$66,357
Allen	$168,751	$175,702	$147,861
Ascension	$303,081	$180,340	$206,776
Assumption	$40,273	$34,704	$24,236
Avoyelles	$133,743	$75,623	$70,357
Beauregard	$3,587	$10,673	$28,085
Bienville	$52,735	$47,491	$28,848
Bossier	$80,835	$173,315	$92,677
Caddo	$1,056,876	$821,595	$673,637
Calcasieu	$383,367	$376,168	$346,593
Caldwell	$6,444	$3,997	$1,458
Cameron	$335	$82	$11
Catahoula	$5,251	$5,089	$1,197
Claiborne	$49,747	$44,794	$34,475
Concordia	$101,229	$75,503	$34,376
Desoto	$57,896	$48,910	$34,838
East Baton Rouge	$1,697,807	$1,662,582	$1,281,677
East Carroll	$97,063	$116,078	$96,419
East Feliciana	$40,188	$34,348	$25,597
Evangeline	$78,570	$63,045	$49,948
Franklin	$78,731	$119,838	$105,630
Grant	$310	$1,062	$61
Iberia	$67,797	$65,014	$53,634
Iberville	$31,790	$55,954	$35,415
Jackson	$14,628	$1,932	
Jefferson	$694,456	$586,659	$462,674
Jefferson Davis	$58,131	$64,868	$47,880
Lafayette	$416,120	$354,644	$234,149
Lafourche	$19,489	$9,592	$4,225
LaSalle	$542	$257	$285
Lincoln	$56,798	$49,733	$41,622
Livingston	$11,878	$23,711	$15,065
Madison	$43,925	$75,694	$48,100
Morehouse	$417,899	$411,419	$250,343
Natchitoches	$118,564	$98,359	$23,782
Orleans	$795,384	$696,275	$1,229,500
Ouachita	$547,986	$460,609	$264,947
Plaquemines	$1,197	$1,721	$734
Pointe Coupee	$54,292	$43,200	$49,779
Rapides	$401,129	$847,485	$644,256
Red River	$7,077	$15,525	$444
Richland	$130,351	$83,681	$46,995
Sabine	$27,273	$25,747	$11,702
St Bernard	$403	$8,253	$50
St Charles	$3,950	$4,028	$93,226
St Helena	$567	$517	$160
St James	$688	$1,222	$1,197
St John	$149,974	$119,922	$8,958
St Landry	$86,632	$63,758	$61,148
St Martin	$20,421	$18,346	$14,236
St Mary	$54,858	$47,996	$29,821
St Tammany	$103,513	$60,535	$78,722
Tangipahoa	$202,834	$173,872	$112,326
Tensas	$2,813	$26,355	$19,564
Terrebonne	$225,355	$231,214	$175,678
Union	$5,050	$4,127	$3,395
Vermilion	$2,331	$2,452	$2,113
Vernon	$105,323	$109,167	$42,716
Washington	$14,479	$3,900	$93,022
Webster	$96,614	$81,015	$45,896
West Baton Rouge	$48,384	$42,885	$47,956
West Carroll	$20,005	$12,032	$8,344
West Feliciana		$61	$335
Winn	$36,266	$31,369	$18,110
Grand Total	$9,709,245	$9,194,465	$7,673,620

Figure D1: DHH Transportation Expenditures

The below tables indicate the overlapping provider community between the prepaid networks and those in fee for service:

Top 10 Fee for Service Transportation Providers by Units (FY13)

#	Provider Name	FY13 Units Billed
1	*ACADIAN AMBULANCE SERVICE*	*1,148,066*
2	BALENTINE AMBULANCE SERVICES	149,530
3	MED EXPRESS AMBULANCE SERV IN	130,212
4	A MED AMBULANCE INC	129,048
5	*METRO AMBULANCE*	*104,171*
6	ACADIAN AMBULANCE SERVICE OF NEW ORLEANS	102,056
7	PAFFORD EMERGENCY MEDICAL SERVICES	100,071
8	ST LANDRY EMS LLC	89,841
9	CARE AMBULANCE SERVICE INC	67,535
10	*NORTHEAST LOUISIANA AMBULANCE*	*65,272*

Top 10 Prepaid Transportation Providers by Units (FY13)

#	Provider Name	FY13 Units Billed
1	*ACADIAN AMBULANCE SERVICE*	*47,032*
2	JEFFERSON PARISH HOSPITAL SERVICE	41,444
3	EAST JEFFERSON GENERAL HOSPITAL	25,190
4	DHH MEDICAL DISPATCH	20,004
5	CITY OF BATON ROUGE DEPARTMENT	12,641
6	CITY OF NEW ORLEANS	8,043
7	*METRO AMBULANCE*	*7,767*
8	ST MARTIN IBERIA LAFAYETTE	6,632
9	*NORTHEAST LOUISIANA AMBULANCE*	*6,538*
10	CLYDE WELLS JR	6,012

Note – Italics indicate that the provider is in the top ten for both systems

Figure D2: DHH Transportation Providers

Effective PMPMs per program describe the savings opportunity:

Program/Population	Effective PMPM
Fee for Service Participants	$2.08
Prepaid Plan Participants[1]	$2.59
Transportation Broker – estimated for all participants	$2.00

Contribution to the overall capitated payment is provided by DHH's actuarial consultant

Figure D3: DHH Program Populations

DHH Expenditures on Non-Emergency Transportation		Current State		Transition	Pro Forma			
		FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
Fee for Service								
[1]	NEMT	$ 7,673,620	$ 7,673,620	$ 5,115,746				
	Friends and Family	144,969	144,969	96,646				
	For Profit	6,510,993	6,510,993	4,340,662				
	Non-Profit	1,017,658	1,017,658	678,439				
[2]	Non-Emergency Ambulance	10,713,434	10,713,434	7,142,289				
[3]	Dispatch Office Contract(s)	1,500,000	1,500,000	1,000,000				
Fee for Service Total		$ 20,032,022	$ 20,032,022	$ 13,354,682	$ -	$ -	$ -	$ -
Prepaid Transportation Services								
[5]	Louisiana Healthcare Connections	$ 4,598,845	$ 4,598,845	$ 3,065,897				
[6]	Amerigroup	3,887,890	3,887,890	2,591,927				
[7]	AmeriHealth Caritas	4,367,921	4,367,921	2,911,947				
Prepaid Total		$ 12,854,657	$ 12,854,657	$ 8,569,771	$ -	$ -	$ -	$ -
Transportation Broker		$ -	$ -	$ 9,600,000	$ 28,800,000	$ 28,800,000	$ 28,800,000	$ 28,800,000
Grand Total		$ 32,886,679	$ 32,886,679	$ 31,524,453	$ 28,800,000	$ 28,800,000	$ 28,800,000	$ 28,800,000
Current State Projected FY15-FY19		$ 32,886,679	$ 32,886,679	$ 32,886,679	$ 32,886,679	$ 32,886,679	$ 32,886,679	$ 32,886,679
Net Savings / Costs		*$ -*	*$ -*	*$ 1,362,226*	*$ 4,086,679*	*$ 4,086,679*	*$ 4,086,679*	*$ 4,086,679*
Net Savings / Costs - State Only		*-*	*-*	*520,370*	*1,561,111*	*1,561,111*	*1,561,111*	*1,561,111*

Figure D4: DOA OGC Transportation Savings

Establish an Additional Program of All-inclusive for the Elderly (PACE) facility to offer Another Alternative to Institutional Care

As described in the Recommendation write-up, the below tables provide additional detail supporting the savings estimate presented above.

Assumptions		
i. Investment Costs		
Number of facilities to introduce	1	Franciscan PACE Monroe
Introduction year	2015	
Proposed Capacity	221	New facility at Franciscan Pace Monroe
2) Training	$ 50,000.00	Estimate based on discussions with OAAS
3) Implementation Coordinator	$ 45,000.00	Estimate based on cost of one contract employee [recurring cost yrs 1-2]
Total Implementation Cost:	$ 95,000.00	Total of #1-3
Total Recurring Cost:	$ 45,000.00	Estimate based on cost of one contract employee [recurring cost yrs 1-2]
FMAP - Services	61%	
FMAP - Investment	50.0%	
FMAP - MFP	82.0%	
ii. Current Cost to the State		
Total Members Transferring to PACE	124	Source: PACE "10 Year Projection" as of 2009
Total Member Months	1,488	Source: 2009 "10 Year Projection" numbers
Monthly Rate for a Nursing Home	$ 4,279.17	Source: OAAS "Making Medicaid Better" Report
Monthly Rate for Adult Day Health Care Pre-Transition	$ 2,800.00	Source: OAAS - Top Quartile of Recipients in ADHC Waiver
iii. Cost Savings		
Monthly Rate Per Member for PACE	$ 2,718.33	Source: OAAS
Average Cost savings per month from Nursing Home to PACE	$ 1,560.83	Source: OAAS

Figure D5: DHH Assumptions

Enrollment Schedule							
Status Quo	**124**	**124**	**124**	**124**	**124**	**124**	**124**
Nursing Home	90	90	90	90	90	90	90
Adult Day Health Care	34	34	34	34	34	34	34
New PACE enrollment	**124**	**124**	**124**	**124**	**124**	**124**	**124**
PACE Monroe	0	0	15	35	64	94	124
Nursing Home	90	90	80	65	45	25	0
Adult Day Health Care	34	34	29	24	15	5	0
Blended MFP - New PACE Enrollees			**82.0%**	**73.0%**	**70.5%**	**67.7%**	**66.1%**

Cost Schedule	Current State		Pro Forma				
	FY13	FY14	FY15	FY16	FY17	FY18	FY19
Status Quo - Projected Costs	**$ 5,763,900**	**$ 5,763,900**	**$ 5,763,900**	**$ 5,763,900**	**$ 5,763,900**	**$ 5,763,900**	**$ 5,763,900**
Nursing Home	4,621,500	4,621,500	4,621,500	4,621,500	4,621,500	4,621,500	4,621,500
Adult day health care	1,142,400	1,142,400	1,142,400	1,142,400	1,142,400	1,142,400	1,142,400
Future State	**$ 5,763,900**	**$ 5,763,900**	**$ 5,571,700**	**$ 5,285,850**	**$ 4,902,430**	**$ 4,518,030**	**$ 4,044,880**
PACE enrollee costs	-	-	489,300	1,141,700	2,087,680	3,066,280	4,044,880
Nursing Home	4,621,500	4,621,500	4,108,000	3,337,750	2,310,750	1,283,750	-
Adult day health care	1,142,400	1,142,400	974,400	806,400	504,000	168,000	-
Recurring Savings	**$ -**	**$ -**	**$ 192,200**	**$ 478,050**	**$ 861,470**	**$ 1,245,870**	**$ 1,719,020**
Future State - Investment Costs	**$ -**	**$ -**	**$ (95,000)**	**$ (45,000)**			
Net Savings / (Investment)	**$ -**	**$ -**	**$ 97,200**	**$ 433,050**	**$ 861,470**	**$ 1,245,870**	**$ 1,719,020**
Net Savings / (Investment) - State Only	**$ -**	**$ -**	**$ 105,347**	**$ 301,170**	**$ 534,991**	**$ 691,840**	**$ 876,463**
State Only Status Quo			$2,249,074	$2,249,074	$2,249,074	$2,249,074	$2,249,074
State Only Future State - Recipients			2,071,226	1,925,404	1,714,083	1,557,234	1,372,610
State Only Future State - Investments and Support Costs			72,500	22,500	-	-	-
State Only Future State - Total			2,143,726	1,947,904	1,714,083	1,557,234	1,372,610

Figure D6: DHH Enrollment & Cost Schedules

Improve the Process and Rate of Transition of Individuals with Age-Related and Developmental Disabilities from Nursing Facilities and Hospitals

The below table illustrates the savings opportunity described in Recommendation #8:

Assumptions	
[1] % Increase in Transitions	30%
[2] Investment costs - see "Investment calculator"	$ (46,800)
[3] Savings in annual cost by moving to a HCBS waiver	38%
[4] MFP	82%
[5] FMAP	61%
[6] Months of Service in year 1	3
[7] Planning/Consulting Total Cost	$0

Savings per transition calculator	
Current Cost	$42,947
Community Waiver Savings	$16,348
New Cost per Participant	$26,599
Year 1 State Cost	$2,660
Cost above Average HCBS CC participant %	0%
Year 1 Savings (State $, annualized)	$14,098
Year 1 Savings (State $, Prorated)	$3,525
Year 2 Savings (State $)	$12,168
Year 3+ Savings (State $)	$6,379

Investment calculator		
Contractor	1	FTE
Hourly Rate	$45	
Annual Cost	$ 93,600	
FMAP on Contract	50%	
Annual Cost - State Only	$ 46,800	

Transition Schedule	FY15	FY16	FY17	FY18	FY19
Beginning of year Census	30,134	29,969	29,804	29,639	29,474
Diverted at current rate	-127	-127	-127	-127	-127
New Diverted	-38	-38	-38	-38	-38
EOY Census	29,969	29,804	29,639	29,474	29,309
Cumulative New Transitions	-38	-76	-114	-152	-190
Cumulative Full Year Transitions		-38	-76	-114	-152
Cost Schedule					
Investment Costs	$ (46,800)	$ (46,800)	$ (46,800)	$ (46,800)	$ (46,800)
Recurring Cost Savings	$ 133,931	$ 596,325	$ 838,727	$ 1,081,128	$ 1,323,530
FY15 Class	133,931	462,394	242,402	242,402	242,402
FY16 Class		133,931	462,394	242,402	242,402
FY17 Class			133,931	462,394	242,402
FY18 Class				133,931	462,394
FY19 Class					133,931
Total Savings	$ 87,131	$ 549,525	$ 791,927	$ 1,034,328	$ 1,276,730

Figure D7: DHH Assumptions & Schedules

Implement Claims Level Indicator to Capture Cost Savings within 340B Drug Pricing Program

The below tables illustrate the savings opportunity described in Recommendation #12.

Program Type	Total Paid Amount	Claim Count	Provider Count	Annualized Paid Amount	% Savings Estimate	Annual Savings
Fee-for-Service Professional	$ 3,959,597	37,391	50	$ 15,838,388	0.0%	$ -
Managed Care Professional	3,427,883	48,657	52	13,711,531	0.0%	-
Fee for Service Pharmacy	252,268	6,008	12	1,009,073	7.5%	75,680
Managed Care Pharmacy	273,031	7,546	11	1,092,123	0.0%	-
Grand Total	**$ 7,912,779**	**99,602**	**66**	**$ 31,651,115**		**$ 75,680**

Figure D8: DHH Pharmacy Savings (LOW)

Program Type	Total Paid Amount	Claim Count	Provider Count	Annualized Paid Amount	% Savings Estimate	Annual Savings
Fee-for-Service Professional	$ 3,959,597	37,391	50	$ 15,838,388	7.5%	$ 1,187,879
Managed Care Professional	3,427,883	48,657	52	13,711,531	7.5%	1,028,365
Fee for Service Pharmacy	252,268	6,008	12	1,009,073	7.5%	75,680
Managed Care Pharmacy	273,031	7,546	11	1,092,123	7.5%	82,255
Grand Total	**$ 7,912,779**	**99,602**	**66**	**$ 31,651,115**		**$ 2,374,179**

Figure D9: DHH Pharmacy Savings (High)

APPENDIX E: OFFICE OF JUVENILE JUSTICE

The following charts provide background information and statistics for the Office of Juvenile Justice.

LOUISIANA BEHAVIORAL HEALTH PARTNERSHIP CAPACITY AND HISTORICAL LOUISIANA AGENCY CONGREGATE CARE NEEDS ASSESSMENT

Level of Care	# of contracted facilities	# of beds	OJJ Needs:	DCFS Needs:	OBH Needs:	Total	Over / (Under) Beds Needed:	Percent of Capacity
NMGH	22	214	99	103	24	226	12	106%
TGH	2	16	79	72	12	163	147	1019%
PRTF	4	184	108	181	26	315	131	171%
Total	**28**	**414**	**286**	**356**	**62**	**704**	**290**	**170%**

Figure E1: LBHP Capacity and Historical Louisiana Agency Congregate Care Needs Assessment

NON-SECURE RESIDENTIAL PROGRAM CONTRACT RATES

The chart below details the daily rates for juvenile inmates per day at certain non-secure residential facilities.

Non-Secure Residential Program Contract Rates	Per Diem (Per Youth Per Day)
OJJ - Non-Secure Residential Contract Rates	
Ware -- Residential	$276.73
Ware -- Substance Abuse	$270.47
Christian Acres	$206.34
Rutherford House	$199.93
AMI Kids	$149.87
Community Receiving Home – Renaissance	$126.64
Educational & Treatment Council	$120.65
Johnny Robinson's Boys Home	$115.65
LBHP - Residential Program Contract Rates (Includes Admin Fee):	
TGH	$154.06 Medicaid $96.40 general fund
NMGH –	$0 Medicaid $135.68 general fund
PRTF	$335.49 Medicaid $0 general fund

Figure E2: OJJ Non-Secure Residential Program Contract Rates

NUMBER OF EMPLOYEES ESTIMATED RETIREMENT YEAR

Over the next six years, 13.8 percent, or approximately 133, of Office of Juvenile Justice staff will be eligible for retirement.

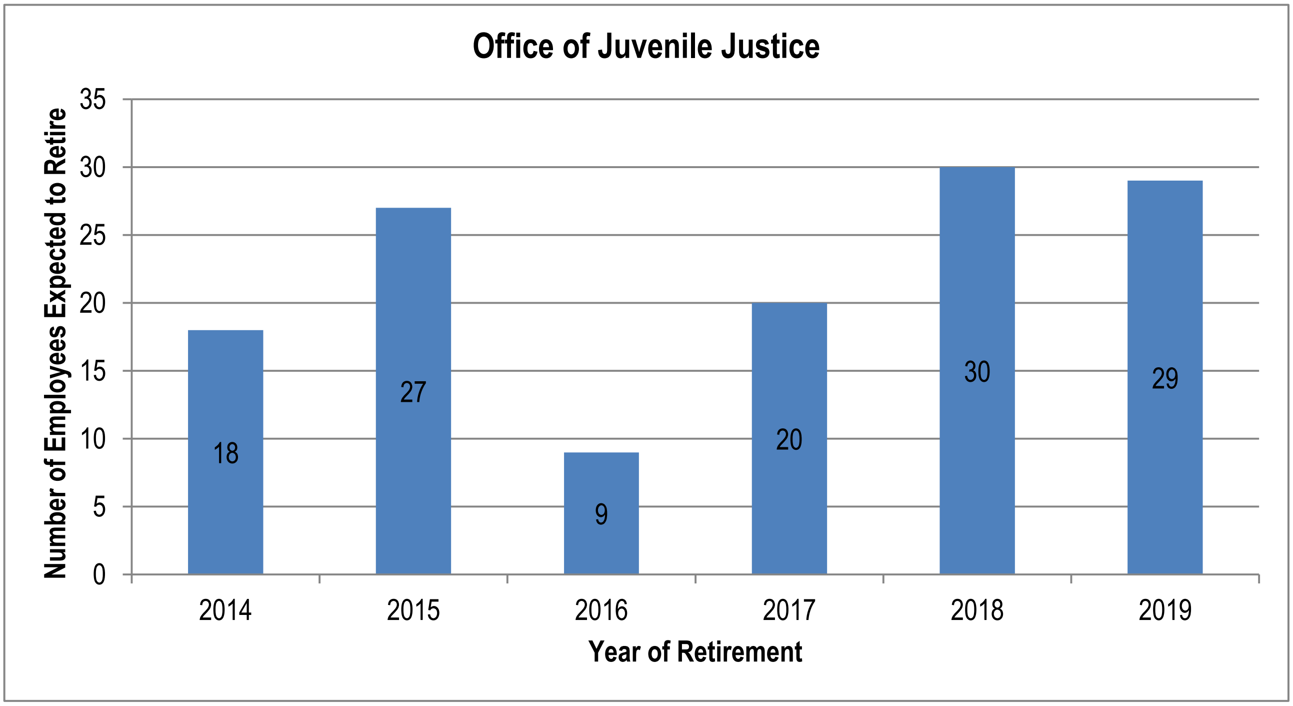


Figure E3: OJJ Number of Employees Estimated Retirement Year

APPENDIX F: OPERATIONAL PLAN

The following appendix serves to expand upon line of services opportunities for the State of Louisiana

Office of Human Resources								
	FY13 Actual	**% FY13 Actual**	**FTE**	**FY14 Budget**	**% FY14**	**FY15 Projected**	**% FY15**	**% Change FY15**
Recruitment / Retention	$1,413,300	74%	18	$1,697,441	58%	$1,835,758	59%	8.15%
Leadership / Employee Development	$157,312	8%	5.5	$759,763	26%	$812,736	26%	6.97%
Performance Management	$191,453	10%	2.8	$229,206	8%	$237,649	8%	3.68%
Employee Discipline	$137,142	8%	2.8	$229,203	8%	$237,646	7%	3.68%
Total	**$1,899,207**	**100%**	**29.1**	**$2,915,613**	**100%**	**$3,123,790**	**100%**	**7.14%**

Figure F1: Example of Lines of Service Cost Allocation – DOA Office of Human Resources

The DOA recently implemented monthly reporting for each of its offices to review its financial forecasts, status of cost driver assumptions and key performance indicators. The quarterly reports will summarize the service based budgeting by office or section within each agency. The report below is an example of the Office of Human Services interim budget report which links the cost drivers, performance measures, and lines of service offered to the budget summary.

Comparison of FY 2014 Revenue Collection Status to Annual Budget

	Current Year Budget	FY14 Revenue Collected YTD	FY14 Pending to Collect	FY14 Revenue Projected for period ending June 30, 2014	Revenue Over/(Under) Budget	Percentage of Budget Authority Collections
State General Fund	$ 1,143,550	$ 1,143,550	$ -	$ 1,143,550	$ -	100.0%
Interagency Transfers	1,022,171	901,264	120,907	1,022,171	$ -	100.0%
Self Generated Revenues	378,399	-	236,590 *	236,590	$ (141,809)	62.5%
Statutory Dedications:						0.0%
SERF	-	-	-	-	-	0.0%
Energy Performance Contract Fund	-	-	-	-	-	0.0%
Future Medical Fund	-	-	-	-	-	0.0%
Federal Funds	-	-	-	-	-	0.0%
TOTAL	**$ 2,544,120**	**$ 2,044,814**	**$ 357,497**	**$ 2,402,311**	**$ (141,809)**	**94.4%**

*Revenue has been adjusted to reflect the amount to be transferred from LHC for salaries and related benefits. The positions were not transferrred until November 2013.

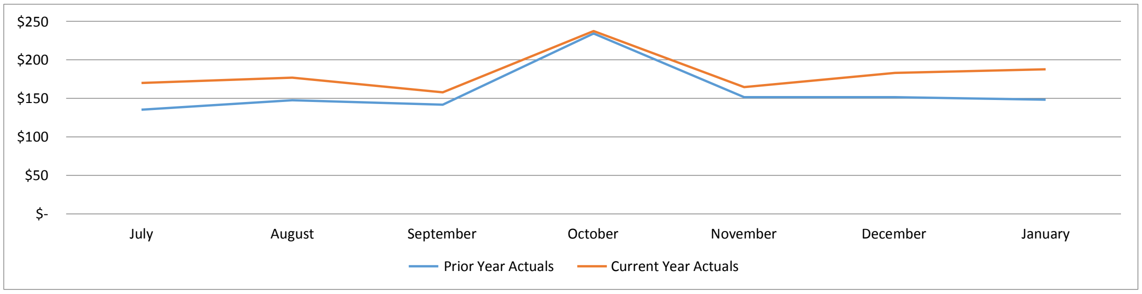
Comparison of FY 2014 Annual Budget to Actual Performance

MEANS OF FINANCING:	Prior Year Actuals	Current Year Budget	Current Year Actuals As of Jan 31, 2014	Budget Variance (Over)	Percentage Variance
State General Fund	$ 1,271,050	$ 1,143,550	$ 376,153	$ 767,397	67.1%
Interagency Transfers	628,157	1,022,171	901,264	120,907	11.8%
Self Generated Revenues	-	378,399	-	378,399	100.0%
Statutory Dedications	-	-	-	-	0.0%
Federal Funds	-	-	-	-	0.0%
TOTAL	**$ 1,899,207**	**$ 2,544,120**	**$ 1,277,417**	**$ 1,266,703**	**49.8%**

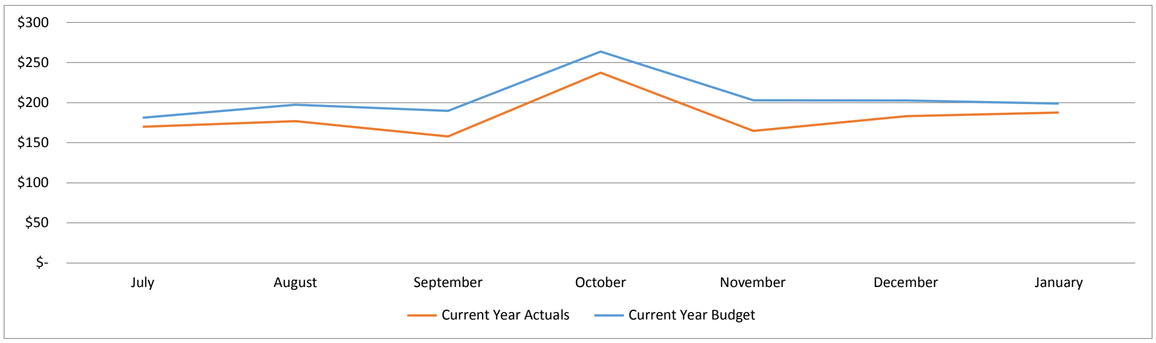
Month	Prior Year Actuals	Current Year Budget	Current Year Actuals as of Jan 31, 2014	Budget Variance (Over)	Percentage Variance
July	$ 135,256	$ 181,185	$ 169,842	$ 11,343	6.3%
August	147,480	197,560	177,025	$ 20,535	10.4%
September	141,623	189,714	157,804	$ 31,910	16.8%
1st Quarter - Total	**$ 424,359**	**$ 568,459**	**$ 504,671**	**$ 63,788**	**11.2%**
October	$ 234,162	$ 263,676	$ 237,329	$ 26,347	10.0%
November	151,427	202,847	164,653	$ 38,194	18.8%
December	151,392	202,801	183,167	$ 19,634	9.7%
2nd Quarter - Total	**$ 536,981**	**$ 669,324**	**$ 585,148**	**$ 84,175**	**12.6%**
January	$ 148,307	$ 198,667	$ 187,598	$ 11,070	5.6%
February	149,705	210,540	-	$ 210,540	0.0%
March	152,134	213,795	-	$ 213,795	0.0%
3rd Quarter - Total	**$ 450,146**	**$ 623,002**	**$ 187,598**	**$ 435,405**	**69.9%**
April	$ 134,929	$ 190,747	$ -	$ 190,747	0.0%
May	203,666	282,824	-	$ 282,824	0.0%
June	149,126	209,765	-	$ 209,765	0.0%
4th Quarter - Total	**$ 487,720**	**$ 683,335**	**$ -**	**$ 683,335**	**0.0%**
Total Spending	**$ 1,899,207**	**$ 2,544,120**	**$ 1,277,417**	**$ 1,266,703**	**49.8%**
Year to Date (YTD) Performance	**$ 1,109,647**	**$ 1,436,450**	**$ 1,277,417**		
% Difference Under (Over) YTD Budget			*11.1%*		
1st Quarter Performance	**$ 424,359**	**$ 568,459**	**$ 504,671**		
% Difference Under (Over) Quarter Budget			*11.2%*		
2nd Quarter Performance	**$ 536,981**	**$ 669,324**	**$ 585,148**		
% Difference Under (Over) Quarter Budget			*12.6%*		
January Performance	**$ 148,307**	**$ 198,667**	**$ 187,598**		
% Difference Under (Over) January Budget			*5.6%*		
$$ Difference Under (Over) Annual Budget			**$ 1,266,703**		

Figure F2: Operation Plan YTD Financial Performance

Current vs. Prior Year Spending ($000s)



Current Year Spending vs. Current Year Budget (Monthly, $000s)



Comparison of Current Year Budget Projections to Actual Performance

EXPENDITURES:	Prior Year Actuals as of Jan 31, 2013	Current Year Budget	Current Year Actuals as of Jan 31, 2014	Remaining Projected Expends thru 6/30/14	Expenditure Variance (Over)	Percentage Variance
Salaries	$ 743,608	$ 1,678,820	$ 843,917	$ 702,685	$ 132,218	7.9%
Other Compensation	58,517	124,696	63,840	38,778	22,078	17.7%
Related Benefits	269,067	666,828	331,334	289,111	46,384	7.0%
Travel & Training	1,095	8,921	2,035	6,886	0	0.0%
Operating Services	5,360	13,332	6,401	58,484	(51,553) [1]	(386.7%)
Supplies	5,175	11,360	3,370	7,089	901	7.9%
Professional Services	-	300	100	200	-	0.0%
Other Charges	-	-	-	-	-	0.0%
Acquisitions	2,134	-	687	11,800	(12,487) [2]	#DIV/0!
Debt Services	-	-	-	-	-	0.0%
Interagency Transfers	24,691	39,863	25,733	9,861	4,269	10.7%
Auxiliary	-	-	-	-	-	0.0%
Total	**$ 1,109,647**	**$ 2,544,120**	**$ 1,277,417**	**$ 1,124,894**	**$ 141,809**	**5.6%**
	$ -	$ 0	$ (0)			

EXPENDITURES:	State General Fund	Interagency Transfers	Self-generated Revenues	Statutory Dedications	Federal Funds	Total Means of Financing
Salaries	$ 779,563	$ 606,233	$ 160,806	$ -	$ -	$ 1,546,602
Other Compensation	72,531	30,087	-	-	-	102,618
Related Benefits	188,942	375,286	56,216	-	-	620,444
Travel & Training	4,921	-	4,000	-	-	8,921
Operating Services	54,317	3,000	7,568	-	-	64,885
Supplies	5,194	3,265	2,000	-	-	10,459
Professional Services	300	-	-	-	-	300
Other Charges	-	-	-	-	-	-
Acquisitions	7,487	-	5,000	-	-	12,487
Debt Services	-	-	-	-	-	-
Interagency Transfers	30,294	4,300	1,000	-	-	35,594
Auxiliary	-	-	-	-	-	-
Total	**$ 1,143,550**	**$ 1,022,171**	**$ 236,590**	**$ -**	**$ -**	**$ 2,402,311**

Figure F3: Operation Plan Budget and Spending Analysis

Comparison of Expenditures and Revenue at Year End

	FY14 Revenue Projected for period ending June 30, 2014	Total Expenditures Projected for period ending June 30, 2014	Expenditures (Over)/Under Revenue	Fund Balance as of June 30, 2013	Fund Balance Reserved by Commissioner	Projected Fund Balance as of June 30, 2014
State General Fund	$ 1,143,550	$ 1,143,550	$ -	$ -	$ -	$ -
Interagency Transfers	1,022,171	1,022,171	-	-	-	-
Self Generated Revenues	236,590	236,590	-	-	-	-
Statutory Dedications:						
SERF	-	-	-	-	-	-
Energy Performance Contract Fund	-	-	-	-	-	-
Future Medical Fund	-	-	-	-	-	-
Federal Funds	-	-	-	-	-	-
TOTAL	**$ 2,402,311**	**$ 2,402,311**	**$ -**	**$ -**	**$ -**	**$ -**

Position Data

T.O. Allotment	Filled T.O.	Vacant T.O.	Filled Non-T.O. FTEs	Filled WAE's	Filled Students	Filled Headcount
29	25	4	0	3	1	29

Highlight of Financial Performance

Analysis of Financial Performance

1) Operating services overage is attributed to the purchase of the talent management software
2) Acquisitions include computers and printers for new staff that have transferred

Cost Drivers and Performance Metrics

Cost Drivers

L1 - Recruitment and Retention	Evolving benefits structure, low employee engagement, lack of an integrated talent management strategy, lack of an effective succession planning strategy
L2 - Leadership and Employee Development	Managers and supervisors without leadership skills training, managers and supervisors without adequate supervisory skills training, low employee engagement, lack of an integrated talent management strategy, lack of an effective succession planning
L3 - Performance Management	PES reviews not conducted in a timely manner, managers and supervisors not attending PES supervisory training, low employee engagement
L4 - Employee Discipline	Employee disciplinary issues not addressed in a timely manner, ineffective management of employee disciplinary issues, low employee engagement

Performance Metrics

PERFORMANCE METRIC	INDUSTRY STANDARD	TARGET	UNIT PERFORMANCE	Line of Service
Time to fill open positions within DOA, ancillary areas and client agencies (days) (Top 5)	33.00 days	30.00 days	49.88 days	1 L1 - Recruitment & Retention
	20.00 days	7.00 days	15.00 days	2 L1 - Recruitment & Retention
	36.00%	36.00%	TBD	L1 - Recruitment & Retention
Turnover rate for classified employees within DOA (%) (Top 5)	15.00%	11.58%	TBD	3 L1 - Recruitment & Retention
Voluntary separations during 12-month probationary period within DOA (%)	15.00%	15.00%	TBD	4 L1 - Recruitment & Retention
Involuntary separations during 12-month probationary period within DOA (%)	15.00%	15.00%	TBD	L1 - Recruitment & Retention
DOA mgt. participation in a leadership development program (%) (Top 5)	33.00%	33.00%	TBD	5 L2 - Leadership & Employee Dev.
	57.00%	80.00%	0.00%	6 L2 - Leadership & Employee Dev.
DOA mgt. who have completed leadership dev. program who have individual	80.00%	95.00%	95.00%	L2 - Leadership & Employee Dev.
DOA management who have completed CPTP supervisory training program (%)	95.00%	97.00%	95.00%	L3 - Performance Management
Performance Evaluation System (PES) completion rate (%) (Top 5)	80.00%	98.00%	98.00%	L3 - Performance Management
DOA management who have completed PES supervisory training program (%)	90.00%	100.00%	100.00%	L3 - Performance Management
Successful defense of performance related employee litigation within DOA per fiscal year	5.00 days	3.00 days	4.00 days	L4 - Employee Discipline

Figure F4: Operation Plan Cost Drivers & Performance Metrics

% of Successful defense of employee litigation within DOA per total litigation (Top 5)	80.00%	100.00%	100.00%	L4 - Employee Discipline

1) Missing information, returning docs that do not have proper approvals, including justifications
2) Missing information, returning docs that do not have proper approvals, including justifications
3) Prior year actual was 12.08%, this information is calculated on an annual basis
4) Prior year actual was 23.5%, this information is calculated on an annual basis
5) Prior year actual was 6.3%, this information is calculated on an annual basis
6) As a result of budget constraints, the implementation of this program is not been launched. Efforts are underway for a 4th Quarter implementation.

NOTE: Human Resources just completed its training outline for the Assistant Commissioners Session(s). Training is scheduled for them on February 28, 2014.

Figure F5: Operation Plan Success Rates

Impact on Service Delivery

Utilizing the lines of service catalog in the ways described will have a positive impact on service delivery, giving the state, across agencies, greater visibility into to its many programs and services and giving it a greater ability to evaluate the effectiveness of the ways those programs and services are being provided.

Operational Efficiency Plan for Service Management

By analyzing the lines of services being provided by each agency, A&M was able to identify and highlight activities that were being duplicated and represented possible cost savings opportunities as well as increased operational efficiency.

In the section titled "Recommendations for Cross-Agency Centralization", the report highlights operational efficiency opportunities across agencies through consolidation, partnerships and centralization of function and programs. These include:

- Facilities management
- Specific contracting and procurement functions
- Certain human resource activities
- Emergency preparedness
- Disaster recovery
- Emergency medical transport
- Performance reporting
- Data warehousing
- Children and family education programs
- Alcohol and tobacco enforcement
- Agency succession planning
- Agency strategic planning

In the section entitled "Agency-Specific Opportunities", the report discusses opportunities for enhanced operational efficiencies within the Department of Transportation and Development (DOTD), Department of Health and Hospitals (DHH), Department of Children and Family Services (DCFS) and the Department of Corrections (DOC). The observations and recommendations that are contained in this report are a result of the lines of service catalog analysis as well as discussions and interviews with the budget directors and undersecretaries within the agencies included in the GEMS project and do not include quantified cost savings amounts.

Appendix G: Department of Children and Family Services

The A&M team conducted an assessment of the viability of achieving cost savings by privatizing DCFS Home Development Services for recruiting and certifying foster care families. By discussing the initiative with DCFS executives, reviewing the current cost structure for Louisiana, and researching what other states have implemented, privatizing these services would not be a potential cost savings opportunity.

The Louisiana DCFS currently has 4,200 youth in their custody, of which nearly one-half are placed in foster care homes, nearly one-half are placed with family members and less than seven percent are placed in high-end residential, such as hospitals, non-medical group homes or therapeutic group homes.

Each year; an average of 750 to 800 foster care families phase-out of the system, while another 750 to 800 are recruited by the department and added to the system.

The DCFS Home Development Services staff in the Division of Operations has 50 employees and a budget of $3.3 million, of which four percent or $133,000 is invested in operating costs. The staff is responsible for managing the recruitment, orientation, training and certification and support of foster homes statewide, including:

- Handling all inquiries from prospective foster families
- Providing a 30-hour training required for all foster families
- Conducting a home study of each foster home to ensure the home is safe and appropriate for youth
- Conducting background checks on all prospective foster families
- Managing the initial certification and re-certification of foster families every three years at minimum
- Developing and implementing corrective action plans to address any issues/concerns among current foster care families
- Provides regional support for foster parents

Overview of State Foster Care Privatization and Cost Savings

States have explored privatization of various aspects of their foster care systems based on the belief that the private sector may be able to manage the system at a lower cost, with less bureaucracy, and with greater success.

However, the greatest savings are not achieved through negotiating private contracts with lower administrative costs. They are achieved when a contractor increases the number of quality foster care homes which facilitates the faster movement of children from costly high-end residential care into stable foster care placements or even permanency through adoption.

In fact, states that have privatized some or most of their foster care systems have actually invested more funding into private contracts that include performance-based financial incentives in order to achieve identified placement goals.

Feasibility of Cost Savings by Privatization of DCFS Home Development Services

From a purely financial perspective, it is not likely that the State of Louisiana would save money by simply privatizing the work of the Home Development Services for two reasons:

- ***Louisiana's high-end residential population is significantly lower than the national average:*** Louisiana already has less than a seven percent high-end residential placement rate among DCFS foster children – which is less than one-half of the national average of 15 percent. In addition, state staff and national experts at the Annie E. Casey Foundation have indicated that increasing the number of foster care homes will not result in significant reductions in residential placements. Because Louisiana has already prevented higher reliance on residential care more successfully than most states, the challenges faced by most of the youth currently in that level of care would not be resolved by simply increasing foster care placements.

- ***Louisiana Home Development Services Operating Costs are Already Low:*** The Louisiana DCFS currently spends $3.3 million on Home Development Services to provide recruitment, training, home studies, background checks and certification of approximately 750 to 800 additional families approved to provide foster care per year (not including those that are not successfully certified), and manages re-certification of thousands more on a regular basis. This budget includes only $20,000 for recruitment, such as advertising and outreach.

  It is difficult to provide accurate cost comparisons to other states because some have established rates covering everything from recruitment to placement and even foster home management. However, a few members of the DCFS staff conducted an informal survey of several states in 2011, and estimated that only privatizing recruitment and certification functions could cost at least $8.9 million. For example, some states reported paying contractors $800 to $2,400 per round of training, $400 to$1,500 for each home study and administrative rates from $9 to $19 for placements. As the staff warned that the survey was unofficial, it would be necessary for this outreach to be conducted on a larger, more formal level in order to determine accuracy of the estimated costs.

- **Louisiana already has high permanent placement rates.** Louisiana has had four years of increased number of children adopted from the foster care system and is ranked number one nationally according to the CFSR permanency composite score (the standard score was 106.4 in 2013 and Louisiana DCFS scored a 153.5)

Of note, however, is information from a call conducted in May 2014 with the Oklahoma State Department of Human Services. They stated that the State of Oklahoma is the only state in the nation that has privatized only the foster care recruitment, certification and support aspects of their department. They provided very helpful information regarding their structure and rates that are included in this document.

Overview of State of Oklahoma Privatization of Foster Care Recruitment, Certification & Support

The State of Oklahoma currently supports 11,558 children removed from their homes. They have 2,877 youth in Traditional FC, 4,825 in Kinship Foster Care, 1724 in other placements and 1,067 in Trial Reunification.

The state launched their privatization program in 2012, but due to some political issues and a slow launch, they re-issued the contracts in August 2013 and the providers did not launch their programs until December 2013.

The state only privatized the foster care recruitment, certification and support work for traditional foster care families. In addition, they are working in a slow transition, where the state continues to manage previous foster care families and plans for the contractor to manage only those that they recruit for the state.

The state has divided the work by five regions, and there are a total of four vendors. They have at least two vendors serving each region, and increase services to three vendors for highly populated urban areas.

The current budget for the privatized programs is $7 million and assumed that the contractors will establish

1,197 foster care families within a year. The providers are only paid a rate per child successfully placed in a traditional foster care home – not for any other recruitment or certification services. The rates are different for each provider, but range from $21 to $24 per child/day.

The state has performance incentives, which can increase or reduce the rate on an individual basis for successful or failed placements in foster care homes. For example, a provider may get a higher rate if they can place a youth in a home near their current school, but they can get a reduced rate if the child is placed with a foster care home that cannot support them, and they must be moved within a few months to a different home.

While these services were privatized, DHS still funds recruitment and advertising, and has about eight state employees that are responsible for managing the contractors and ensuring that they are successful.

- ***Comparing Costs to Louisiana:*** Based only on the information provided in a discussion with the staff in Oklahoma, it can be estimated that this system would be more expensive than the current costs of the DCFS Home Development Services in Louisiana. The Louisiana DCFS currently has 2,000 youth in licensed/certified foster care homes, and if they had to pay $21 per youth/day, and it would cost more than $15 million to manage this type of privatized system. This does not include the costs of state employees to manage the contracts or for the management of other residential placements.

Other Factors for Consideration

Promising Privatization Models: Privatizing Recruitment & Placements

DCFS is currently exploring a cost savings model limited to the recruitment, training and certification aspects of its foster care system. However, some experts have warned that this type of contract could possibly incentivize providers to certify foster care homes too quickly in order to achieve contractually-mandated benchmarks. While it is possible to establish quality controls, this could require the government to spend more, rather than less, on additional oversight functions to ensure that the provider only certifies the safest possible foster care homes.

Furthermore, it has recently been reported that Oklahoma, which recently established a privatized foster care recruitment and licensure system as part of a settlement agreement, has not made the progress anticipated in increasing quality foster care families.[48] There is no evaluation of the success of the privatization of these types of services nationally.

Illinois, Tennessee, Kansas and Florida have established well-known privatized foster care system models. They have all addressed concerns about contractors rushing low quality placements by establishing financial incentives and penalties. For example, these states have created financial incentives for foster care agencies that successfully move the youth to permanency by reunifying them with their families or adoption within reasonable periods of time. In addition, there are severe financial penalties for the placement of youth into an unstable home where they must be relocated within less than one year.[49]

Despite reported successes with privatization in some states, others have been widely reported as failures, including Nebraska and California. In those cases, experts identified lack of proper monitoring and accountability mechanisms to prevent providers from profiting from unsafe placements. Efforts to save funding through privatization actually resulted in the need for increased investments.[50]

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[48] *Co-Neutral Commentary One, Commentary and Settlement Agr*eement, D.G. vs. Yarborough, Case No. 08-CV-074, October 2013.

[49] Therolf, Garrett. "Tennessee Uses Incentives to Change a Troubled Foster Care System." Los Angeles Times December 18, 2013

[50] Performance & Audit Committee, Nebraska State Legislature, November 2011. Committee Report, Volume 17, No 1; "DHH Privatization of Child Welfare and Juvenile Services"; and

While privatization of the foster care system can provide promising results, experts such as Bowen McBeath at Portland State University in Oregon was quoted in a Los Angeles Times article warning that states must always be wary of their vulnerability to fraudulent contractors. "You have to monitor those contracts better because it creates opportunities for gaming. You can't just leave everything to the market. You might think it requires less government, but it requires more."[51]

Performance-based Incentive Payment System Models

- In 2006, the Office of the Assistant Secretary for Planning and Evaluation, of the U.S. Department of Health and Human Services (ASPE, DHHS), funded the "*Child Welfare Privatization Initiatives Project"* to provide information to state and local child welfare administrators who are considering or implementing privatization reforms.
- One of the first technical assistance papers produced, entitled, "Program and Fiscal Design Elements of Child Welfare Privatization Initiatives,"[52] provided recommendations on how states should manage their exploration and expectations of privatization models and included information on the financial designs of more successful systems.

This report included detailed information on the structures of various performance-based incentive systems throughout the nation, including:

Cuyahoga County Ohio Episode of Care Case Rate Model

In 2001, the county launched a lead agency pilot using an episode of care case rate for children, birth to age 14, who were in specialized foster care or in higher levels of care. Only children who have behavioral or health care needs and their siblings are included in the pilot. The case rate amount was established through a request for proposals (RFP) process. The case rate covers the period of custody to permanency, plus 9 months (12 months for children who are adopted) and assumes that at least 50 percent of children achieve permanency within 12 months.

The payment schedule for contractors calls for 18 equal monthly payments for each child/family.

The payments are made whether the child remains in care the entire 18 months or longer or achieves permanency sooner. If the child achieves permanency and remains stable for nine months, the financial obligation of the contractor ends.

If the child reenters care within nine months of permanency, the contractor must take responsibility for the child's care and services within the original case rate.

The lead agency contract also includes penalties that are linked to permanency benchmarks and an adoption bonus. Penalties are imposed if less than 80 percent of children ages 13 and 14 in high-end, restrictive placements achieve permanency within 36 months; and if less than 87 percent of children 12 and younger achieve permanency within 36 months. The lead agency is fined $3,600 for every child over the performance benchmark. On the other hand, the lead agency receives a bonus of $5,000 for a finalized adoption.

Michigan Performance-based Adoption Model

In 1992, Michigan incentivized its adoption contracts by awarding agencies different payments based on the special needs of the children placed and the speed with which they made the placement. Children eligible for adoption and not placed within six months had to be registered on the Michigan Adoption Resource Exchange (MARE). In this way, children become available on a statewide basis for placement

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Therolf, Garrett. "Private Foster System Intended to Save Children, Endangers Some." Los Angeles Times December 18, 2013

[51] Therolf, Garrett. "Tennessee Uses Incentives to Change a Troubled Foster Care System." Los Angeles Times December 18, 2013

[52] United States. Department of Health & Human Services Child Welfare Privatization Initiatives Project. Program & Fiscal Design Elements of Child Welfare Privatization Initiatives. December 2007

by any private adoption agency contracted by the state. Under the state's PBC model, providers were rewarded for achieving specific outcomes or were rewarded for unique recruitment efforts.

Sample payment levels in 2002 were as follows:

- Residential rate (placing a child for adoption directly from residential care within 120 days): $10,000
- Five-month premium rate (paid to an agency that places a child in its care in an adoptive placement within five months of termination of parental rights (TPR)): $8,660
- Enhanced rate (paid to an agency that places a child in its care in adoption within seven months of TPR): $6,520

North Carolina Performance-based Adoption Model

North Carolina has linked payment schedules to milestones across its adoption contracts. Providers are paid percentages of an "average placement cost" at certain milestones:

- 60 percent of the average placement cost if a child is placed in an adoptive home
- 20 percent when the decree of adoption is finalized
- 20 percent when the placement child has been in the home for 12 months

North Carolina is unique in that it bases all contract payments on achievement of specific outcomes. Other contracts link payment schedules to case milestones but also include an up-front payment not linked to performance.

Illinois Performance-based Contract Model & Other Systematic Reforms of Child Welfare System

First piloted in Cook County (Chicago) in 1997, foster and kinship care agencies are required to accept a certain percentage of their caseload in new referrals, and move a certain percentage to permanency each year

Agencies are expected to manage their cases by balancing the cases flowing in with those flowing out. If the standards are not met, caseloads increase, but the level of payment remains steady

Agencies that move more than the contracted number of children (29 percent of their caseload) into permanent living arrangements do not experience a reduction in case management payments and they may receive a bonus above the standard payment

Agencies that fail to achieve the standards set under the contract risk having their new intakes placed on hold.

APPENDIX H: ORGANIZATIONAL STRUCTURE

OFFICE OF GENERAL COUNSEL

Detailed Overview of Organizational Structure Recommendations

Currently OGC has 20 attorney positions and six professional support, paralegal, and program specialist positions. Of the 26 positions, seven vacancies currently exist, including the position of General Counsel, which is being assumed by the DOA Executive Counsel. The current organizational structure is divided into five main program functions. The primary activities and services for each main function are:

- Regulation/Transaction
- Human resource/payroll
- Medical plan
- Group Benefits
- State land office leases
- Office of Elderly Affairs
- COBRA
- Monitoring billing for contracted attorneys billings
- Litigation
- Public Bid Law
- Title 38 – Building and Maintenance Contracts
- Title 39 – Public Contracts (Services and Products)
- Chapter 16 – Professional Services and Social Services
- Chapter 17 – Supplies, materials, equipment and minor maintenance repairs
- Contracts (RFP's; ITB; Bids)
- Construction contracts and bids
- Litigation of purchases and contracts
- Open records
- Disaster Recovery & Hazard Mitigation
- Special Projects
- Open records support
- Program/Office Support
- Paralegal and executive support
- Recoupment analysis
- Payroll/human resource processes
- The OGC financial reporting

Additionally, A&M reviewed the current OGC Active File listing as of May 2014. The master listing includes all open and active cases that the OGC staff is currently pursuing. The active files and caseload includes:

SUMMARY OF OFICE OF GENERAL COUNSEL ACTIVE FILES & WORKLOAD			
NAME OF ACTIVE WORKING FILE	**TOTAL**	**NAME OF ACTIVE WORKING FILE**	**TOTAL**
Cooperative Endeavour Agreements	1	Office of Community Development/Disaster Recovery Unit	8
Collections	4	Office of Contractual Review	1
Construction	12	Office of Procurement/Purchasing	3
Employment	5	Public Records Requests	17
Ethics	1	Ratifications to Contracts	2
Hazard Mitigation Grant Program	10	Subrogation	2
Human Resources	5	State Land Office	10
Louisiana Property Assistances	2	State Land Office – Attorney General Handled Cases	35
Miscellaneous - Litigation	18	Subpoena Duces Tecum	0
Miscellaneous – Non-Litigation	2		
Grand Total of Active OGC Files			**138**

Figure H1: DOA OGC Active Files & Workload

As of May 14, 2014, the OGC had 79 active litigation cases. Of this amount 45 were assigned to inside OGC staff attorneys and 34 cases are being handled by outside legal counsel due to the specialty of the case.

The OGC also handles all contract protest and appeals for DOA and Title 38 Construction issues. As of May 2014, the current workload handling protests and appeals can be seen in Figure H3:

Type	Single Contract Matter	Overlapping Contract Matter
Protests	17	2
Contract Controversy	10	1
Appeals	5	6
Judicial Review	3	3

Figure H3: DOA OGC Contract Protests, Appeals, Etc. as of May 2014

There are also five vacant staff level attorney positions and one vacant paralegal position. The OGC organization recently assumed the legal counsel positions and accompanying support staff formerly under the Office of Group Benefits as well as the legal positions and support staff for the Disaster Recovery Unit under the Office of Community Development.

A&M's approach and rationale for the organizational improvement recommendations included detailed interviews with various key stakeholders (DOA Office/Unit Leaders) OGC senior leadership and selected personnel; best practice review of law practice models; review of the OGC procedure and practice manual, and general hands-on experience working within state government administrative organization. After reviewing the OGC lines of service and tasks being performed, A&M also proposes several organization improvement recommendations.

Organizational Recommendations

A&M recommends a revised practice group structure within OGC with two distinct practice work groups to meet the stakeholder and user division/office customer needs. There will be a deputy general

Office of General Counsel Litigation Matters Assignment			
As of May 14, 2014	Inside Counsel	Outside Counsel	Total Cases
Construction	6	1	7
Judicial Review	8	0	8
Contract Cancellation	0	1	1
Medical Review Panel	1	0	1
Public Records	2	0	2
Employment	1	0	1
FEMA Arbitration	0	0	0
Group Benefit Claims	5	2	7
Subrogation	2	0	2
State Lands	1	25	26
Disaster Recovery Unit	10	0	10
Hazard Mitigation	9	5	14
Total Litigation Cases	**45**	**34**	**79**

Figure H2: DOA OGC Litigation Matters

counsel designated for each of the two proposed practice groups:

- Employee and Benefit Services
- Contract and Litigation Services

During A&M's interviews with DOA office and unit heads, a common theme for improvement was to have client-based or -assigned attorneys with a single point of contact attorney who specialize and have subject matter expertise. To support this model, A&M also recommends that OGC attorneys and professional support staff continue to meet weekly to discuss active workload files and cases and share issues facing assigned offices.

Each deputy general counsel has the primary oversight as it relates to that practice group. The deputy general counsel is responsible for making sure all matters are being handled within that practice group efficiently and efficiently.

A&M recommends that OGC create an assigned attorney case load structure where specific attorneys are assigned to various program functions and in some cases, specific offices due to the specialized legal knowledge and workload. Attorneys are proposed to be assigned to a separate group and sub-unit with specific department/office/agency liaison support. This provides for improved communication and synergy with the user departments. Having a single point of contact and designated back-up contact should improve workload and delivery of workload assignments.

The following proposed organizational structure places emphasis on providing the defined lines of service within the following program or functional areas:

Practice Group A: Human Resources and Employee Benefits

- General Human Resource Legal Advisory Services

All payroll, human resources, and risk management issues should be handled by a dedicated team of three attorneys, under the direction of the deputy general counsel. One of the attorneys should dedicate 50 percent of his/her time to assisting with public records request involving human resources, payroll, risk management, and finance and budget issues.

- Employee Group Benefits Legal Advisory Services

Legal advisory services for employee benefit services provided by the Office of Group Benefits should be handled by a dedicated attorney. The dedicated Office of Group Benefits attorney should advise and establish policy on compliance; monitor and advise on state and federal legislative changes and proposals; contract and procurement review, subrogation appeal legal oversight of third party administrator, legal advice on benefit structure; general corporate counseling; legal process for benefit changes; interface with OGC; and serve on the OGB NIC Team when appropriate. The attorney position should have dual reporting responsibilities to both the CEO of the Office of Group Benefits and the OGC General Counsel/Deputy General Counsel. The attorney position should participate in the OGC staff meetings and have back-up support with the primary human resources attorney.

- Public Records and Legislative Affairs
    - Public Record Requests

Shift the reporting of Public Records to the Deputy Counsel for Regulatory & Transaction.

Currently 1.5 FTEs are dedicated to routine open record requests with an additional 2.5 FTEs assigned to special projects related to review of large record requests related to a bid dispute. The department currently processes the review for all DOA offices including the commissioner's offices. The OGC handled 180 open records requests in 2013 (six remain open record request files) and has managed 68 requests (13 remain open items) through mid-May 2014. This amount does not include subpoena requests for payroll related information that is also handled by the central staff.

The OGC has a two-tier review process. The review is currently being done by professional staff attorneys and the general counsel and executive counsel. OGC receives files and documents of the DOA offices to support the records request. In many instances the documents are not organized or sorted and the materials provided are not germane to the request. OGC staff spends time reviewing the materials and data to ensure that the documents that are eventually provided are not attorney work products and are directly related to the request.

OGC should request the originating department to complete a thorough review and analysis of the materials prior to submitting to OGC.

A&M recommends that the initial review by OGC be transferred to a paralegal and law clerk for development of the document catalog. Available attorneys should provide oversight review. The final review should then be completed by the general counsel or executive counsel or by a delegated senior attorney.

- Legislation Affairs/Monitoring

Due to the seasonality (90 day) for this function and internal service, no dedicated staff attorney is proposed to be assigned. During the legislative session, the assigned Public Records Attorney should lead this service with the assistances of two full-time law clerks. The law clerks should be on staff prior to the legislative session to understand the operations of DOA and key legislative priorities.

Practice Group B: Contract and Litigation Services

- Procurement/Purchasing Contracts

A dedicated sub-group or unit within the Contract and Litigation Services Practice Group should be focused on state purchasing and non-construction contract review issues. It is recommended that two existing attorneys become procurement specialists and handle all requests for proposal, bids, contract and protest work. Their efforts should be assisted by existing paralegals.

One of the two specialty attorneys should be directly assigned to the soon-to-be-consolidated State Procurement Office and the other attorney should handle other non-construction contracts including Facilities and other DOA programs.

A&M recommends that two attorneys be dedicated to the procurement/purchasing contact unit. One attorney should be dedicated to address legal advisory, legislation, and drafting issue for the newly consolidated Office of Purchasing/Office of Contract Review. The other attorney should handle work related to Information Technology and the newly centralized/consolidated office.

With the consolidation of the Office of Information Technology (OIT) and Office of Technology Management (OTM) into one organization and the new office handling all of the technology needs across the cabinet agencies, there will be a need for all license and maintenance agreements to be rebid and consolidated into one agency agreement. It is estimated that over 40 requests for proposals will be developed over the next 18 months. Additionally, the new IT unit will be consolidating the strategic sourcing of IT and telecommunications equipment. It is estimated at more than 1,000 purchase orders will be issued. This increased, short-term work effort over the next 18 months may require added legal support.

Due to the added workload in the immediate future, OGC should consider utilizing outside legal counsel with specialization in technology and intellectual property issues to address the potential complex legal contract, licensing, and maintenance and capital contract equipment consolidated purchasing issues. External legal counsel per hour costs for specialized intellectual legal counsel could cost approximately $400 per hour versus normal external state government attorney rates between $175 and $200 per hour.

A&M recommends that one Administrative Program Specialist position should be assigned to the general counsel's Procurement/Purchasing Contract unit. The current assigned duties and work tasks of the Administrative Program Specialist positions should expanded to more analytical and legal assistant versus more clerical support services. The position can handle many of the up-front document preparation/review, routine and transactional documents to allow the professional attorney's to address more complex and high priority issues.

  - Construction/Facilities, Buildings, & Property Contracts and State Leases

OGC should centralize the provided legal services related to construction contracts and facility and property and state-owned land leases into a combined unit.

A&M recommends that the legal services being provided for Disaster Recovery Assistance Unit related to emergency disaster assistances. The state continues to work with state properties, home owners, and local governments who experienced damage from three major natural hurricane disasters over the past seven years. Work is now focused on the close-out of grant programs and the recovery of funds from third-party insurance providers. The unit also continues to process invoices for payment, recoupment of third party payments, and staffing appeals. The Disaster Recovery Unit has implemented internal contract templates and procedures for use in the event of a future natural disaster or emergency that would impact the state.

Current tasks being performed by the Disaster Recovery and Hazard Mitigation Unit are primarily focused on recovery with FEMA and HUD related to prior natural disasters. Many of the tasks being performed could be assigned to less costly program staff versus professional attorney positions. The workload of the Disaster Recovery and Hazard Mitigation Grant Program Units will be decreasing over the next several years as cases are closed. There is no back-up for the two disaster recovery attorney positions.

Many of the tasks being performed by the two subject matter expert attorneys seem programmatic in nature and should be transferred to the Office of Community Development staff to complete. Additionally, as the disaster recovery work decreases over the next 18 months, the skills of the staff could assist with the property and building contract and lease reviews and potential in-house litigation matters.

If the state experiences another major disaster in the future, the increased workload from property negotiation and litigation and recovery efforts should be outsourced versus being assigned to existing staff. Due to the fact that the State of Louisiana has an established Emergency Disaster Recovery Plan in place, any future emergency declarations should be managed more efficiently.

There is also a need for cross-training on the policies and procedures related to the emergency disaster and hazard mitigation programs within the Office of General Counsel.

- Litigation (Prosecution and Defense)

OGC is involved in the court preparation and trial litigation for all procurement and construction contracts and employment related suits. OGC attorneys handle litigation cases with the use of outside counsel on specialized cases. The OGC budget does not reflect outside legal costs. Actual expenses for external legal services are charged back to each DOA agency and state agency.

The Office of Risk Management (ORM) handles all tort liability in coordination with the State Attorney General Office. The Office of Risk Management has approximately 120 outside legal counsels that are used in various tort related cases and cost approximately $11 million annually.

A&M recommends that OGC outsource specialized litigation cases and advisory services to external legal counsel when the workload and expertise demands additional resources. OGC attorneys are not subject matter experts in many areas, including but not limited to: Immigration, Family Medical Leave Act (FLMA), Health Insurance Portability and Accountability Act (HIPAA), Fair Labor Standards Act, and medical malpractice areas.

OGC should also conduct an annual review and approval of the list of approved attorneys to be used by the Office of Risk Management to handle tort liability cases referred by the Attorney General Office.

OGC should utilize Law Clerks (currently 2.5 positions) to assist with trial preparation and document production.

Practice Group: Administrative Support & Project Management

A&M recommends that the project management and professional support staff assume additional program tasks and responsibilities currently being handled by staff attorneys. The practice group model allocates paralegal and administrative program specialists to specific practice groups for handling front-end review and routine tasks. The National Association of Legal Assistants (NALA) adopted a professional standards model in 1984. NALA defines legal assistants, also known as paralegals, as “distinguishable group of persons who assist attorneys in the delivery of legal services. Through formal education, training, and experience, legal assistants have knowledge and expertise regarding the legal system and substantive and procedural law which qualify them to do work of a legal nature under the supervision of an attorney.”[53]

[53] Model Standards and Guidelines for Utilization of Paralegals, Copyright 2007; NALA, Inc.

The proposed OGC organization plan recommends the job descriptions of the six professional support/legal assistant/paraprofessional be modified to include refined job duties including typical legal assistant/paraprofessional job duty tasks including: [54]

- Conduct investigations and statistical and documentary research for review by the attorney
- Conduct legal research for review by the attorney
- Manage document and case tracking system
- Draft legal documents for review by the attorney
- Draft correspondence and pleadings for review by and signature of the attorney
- Summarize depositions, interrogatories and testimony for review by the attorney
- Attend real estate closings, depositions, court or administrative hearings and trials with the attorney
- Author and sign letters providing the legal assistant's status is clearly indicated and the correspondence does not contain independent legal opinions or legal advice
- Conduct client interviews and maintain general contact with the client after the establishment of the attorney-client relationship, so long as the client is aware of the status and function of the legal assistant, and the client contact is under the supervision of the attorney
- Locate and interview witnesses, so long as the witnesses are aware of the status and function of the legal assistant

The work of the two other full-time paralegals and two program specialists should be reallocated to assist with routine transactional program tasks (with review and oversight by an assigned full-time attorney, as needed). Preliminary program tasks that could be assigned to properly trained paralegal and law clerks should include:

- Initial review of forms and routine terms and conditions of RFP, IBT, and bids to ensure consistency and use of current templates
- Develop training materials to train cross-agency personnel on procurement practices
- Notarize documents upon request
- First review and validation of employee garnishments and child support administrative fee documentation
- First review of open records requests
- First review of 1524 pay-out requests to ensure documentation is in place prior to OGC attorney review
- First review of proposed legislation and billing tracking
- Validation of property ownership
- Complete lien forms and property acquisition/sale closing documents
- Process checks
- Review of outside counsel billing and invoicing
- Transfer group benefit data analysis and subrogation letters to third party administrator (only 500 annually processed versus industry standard of 5,000 annually)

The proposed organization plan recommends filling of one vacant Paralegal 2 position.

Other organizational improvements should include:

- **Office of General Counsel Pre-Review/Approval of All Procurement Actions.** In an effort to help address the potential number of challenges to the state's procurement process currently being handled by DOA, it is recommended that the OGC be required to review all RFPs, ITBs, and competitive bids prior to the proposal documents being released. This pre-review will ensure that the terms and conditions are properly stated for the type of service or goods being provided. The legal review will also ensure that the scope of services being requested is legally defined with clear and

[54] Ibid

concise specifications and evaluation criteria are clearly defined.

- **Job Descriptions.** All OGC job descriptions should be reviewed and modified to reflect the subject matter expertise and specialized training requirements.
- **Client/Customer Service Satisfaction.** Client/customer satisfaction should be measured on a routine basis to ensure that DOA offices and state agency legal service needs are being meet in a professional, ethical, timely, efficient, and effective manner.
- **Cross-Training.** There is currently limited cross-training of attorney positions. A need for enhanced training for the current staff attorneys and professional support staff in areas like family medical leave, subrogation and collection recovery, fair labor standards, and emergency disaster assistances (FEMA/HUD).
- **Central Reception for the Office of General Counsel.** Currently there are rotating persons handling the front desk reception duties. There should be one full-time administrative support/paralegal assigned to address general questions and needs including notarization of documents. Each day, OGC attorneys handle many routine and standard procurement and human resource related questions. The front receptionist position should be handled by a paralegal that could answer some of the general questions and also address many of the transactional tasks.
- **Streamline Garnishment Review/Approval Process.** Finally, OGC needs to streamline the review process for employee garnishments. OGC should work with Payroll to streamline the review and approval of requested garnishments.
- **Annual Training for Office/Agencies on Employee Service and Purchasing/Procurement Contract Procedures.** OGC should hold at least annually for existing DOA office/unit and agency heads an overview of the rules and regulations related to the state's employee benefit and contract services. This annual training and reference materials can assist in reducing questions from agency personnel.
- **Public Record Request Staff/Research Charges.** The state should consider legislative change to allow OGC to charge for "reasonable" staff costs to prepare and produce open records requests. Many other state governments allow for the cost to prepare the document request to be passed on to the requestor. In those states, an estimate of the amount of time to prepare the document is provided to the requestor prior to the start of the preparing the record request. As noted earlier, DOA had 180 record requests in 2013 and 68 year to date.
- The DOA Uniform Fee Schedule for Copies of Public Records (§301 Regulation) allows for copies of public records furnished based on the following schedule.[55]
  - Charges for the first copy of any public records shall be at a minimum $0.25 per page for microfiche reproductions or paper copies up to 8.5 by 14 inches. A two-sided copy shall be considered two pages.
  - Charges for copies of public records on paper larger than 8.5 by 14 inches shall be the same as the actual cost to the agency for copying same.
  - Charges for copies of public records on preprinted computer reports shall be the same rate specified above.

Each agency shall develop a uniform fee schedule for providing printouts of public records stored in a computer database utilizing routing utility programs. Such uniform fee schedule shall be first approved by DOA. An estimated cost shall be given for reproduction of public records stored in a computer which require program modification or specialized programs. The requesting party shall be advised of the estimate, and that it is an estimate, but the actual

[55] Title 4 Administration Part I. General Provisions Chapter 3. Fees §301. Uniform Fee Schedule for Copies of Public Records

cost for reproduction, including programming costs, shall be charged if it differs from the estimate.

The regulations however allow agencies which have an established fee for copying public records that is in excess of those set forth in the rule must justify that fee in writing and have the established fee approved by the DOA.

. For example, currently the State of Louisiana Department Natural Resources (DNR) has promulgated in accordance with R.S. 39:241 which adopts a schedule of rates to recover its costs in providing copies of computerized public records to non-governmental, private sector bodies. The DNR schedule includes rates for those records provided on computer magnetic tape, those provided on computer printouts, and those provided via terminals. Current DNR rates are as follows[56]:

- Output from the DNR Information Processing Center
  - Job Set Up/Take Down. Each request received from the private sector for a copy of computerized records requires the involvement of production control technicians who must set up the job, submit the job for processing, review the output according to quality control standards, and prepare the output for transmittal to the requestor. The current flat rate of $20 per job is charged.
  - Systems Analyst and Programmer Involvement. Certain jobs require the involvement of a systems analyst and/or a computer programmer to customize existing utility programs to meet the requestor's requirements. Each hour worked by an analyst or programmer is charged at a rate of $50.
  - CPU-Related Resources. The selection, extraction, processing and sorting of data consume a combination of DNR computer resources, including CPU usage, memory usage, I/O channels, disk access, and tape access. The combined usage of these resources is logged by DNR in units of Standard Unit of Processing (SUP) hour. Each SUP hour is charged at a rate of $450.
  - Printing. All printing is done on a laser printer using 8.5 by 11 inch paper. Each image is charged at a rate of $0.10.
  - Magnetic Tapes. Users requesting records on magnetic tape are encouraged to supply their own 2,400 foot tapes. Those not doing so are charged $25 for each tape provided by DNR.
  - Postage. Charged on an actual cost basis.
- Output from DNR Computer Terminals. Department of Natural Resources has several computer terminals which are available to the public to access public records. These terminals are located in the Well Files area in the Natural Resources Building in Baton Rouge and in the Conservation District Offices. Currently, no charge is imposed to use these terminals, although there is a $0.25 charge for a copy of any terminal screen which is printed on the terminal printer.
- Output from Non-DNR Computer Terminals. DNR allows private-sector individuals and organizations to dial-up the DNR computer and access public records. Each user of this service must pay a one-time set-up charge of $150, with an annual renewal charge of $100. Each hour of connect time is charged at a rate of $49.80 per hour, plus telephone charges for users outside of Baton Rouge. Transaction-based access is provided at no additional charge, while table-based, query-oriented access is provided at a uniform cost based on SUP hour usage. Technical support, if required, is provided at a charge of $50 per hour. Documentation is provided at a charge of $10 per copy.

The OGC should explore a rate schedule similar to the DNR to recover its costs to open record requests.

[56] Promulgated in accordance with R.S. 39:241

- **Outsourced Legal Services Model.** A&M did explore the option for an outsourced legal services model with the attorney services being provided by an external third-party provider based on specialized needs or subject matter expert. Using external legal services could address some of the current organizational structure issues including:
  - Not enough experts for other identified capabilities (privacy, construction, others)
  - Lack of internal document management and case tracing processes and systems
  - Difficulties in response in purely transactional work flow given a gap in appropriate resources at any given time; need for ability to flex volume of attorneys to address cycling workload
  - Need to have a varying amount of experts at different times versus a steady-state/fixed number of attorneys with specific skills
  - Many of the staff were inherited from other agencies where duties were far more agency regulation specific instead of strictly law focused

The average rate for outside counsel services within the State of Louisiana government ranges from $140 to $250 per hour for general services and up to $400 per hour for specialized legal requirements.

After detailed review of the specific client/office needs, A&M determined that retaining a smaller OGC staff with a specialized focus or practice area was the best solution for OGC. The services being requested are very transactional and require an understanding of agency needs.

The recommended organization model shifts to a preventive legal approach and strategy with increased focus on front end review and due diligence efforts. Actions like the pre-approval review process for all procurements, training of agency heads and procurement specialist, and enhanced focus on client needs is deemed to provide a more responsive and customer-focused legal advisory services approach.

Having the professional-personal client relationship within the proposed model can have the frequent legal interpretation and advisory questions that arise daily. Use of external legal counsel to handle routine legal questions, review of documents and general advisory services may not meet the short term around time needed by DOA offices and state agencies.

DOTD - Several States Favor Combining Operations and Engineering

The following organization charts focus on how benchmark states tend to favor the combination of operations and their egineering departments within their organization.

Texas Department of Transportation

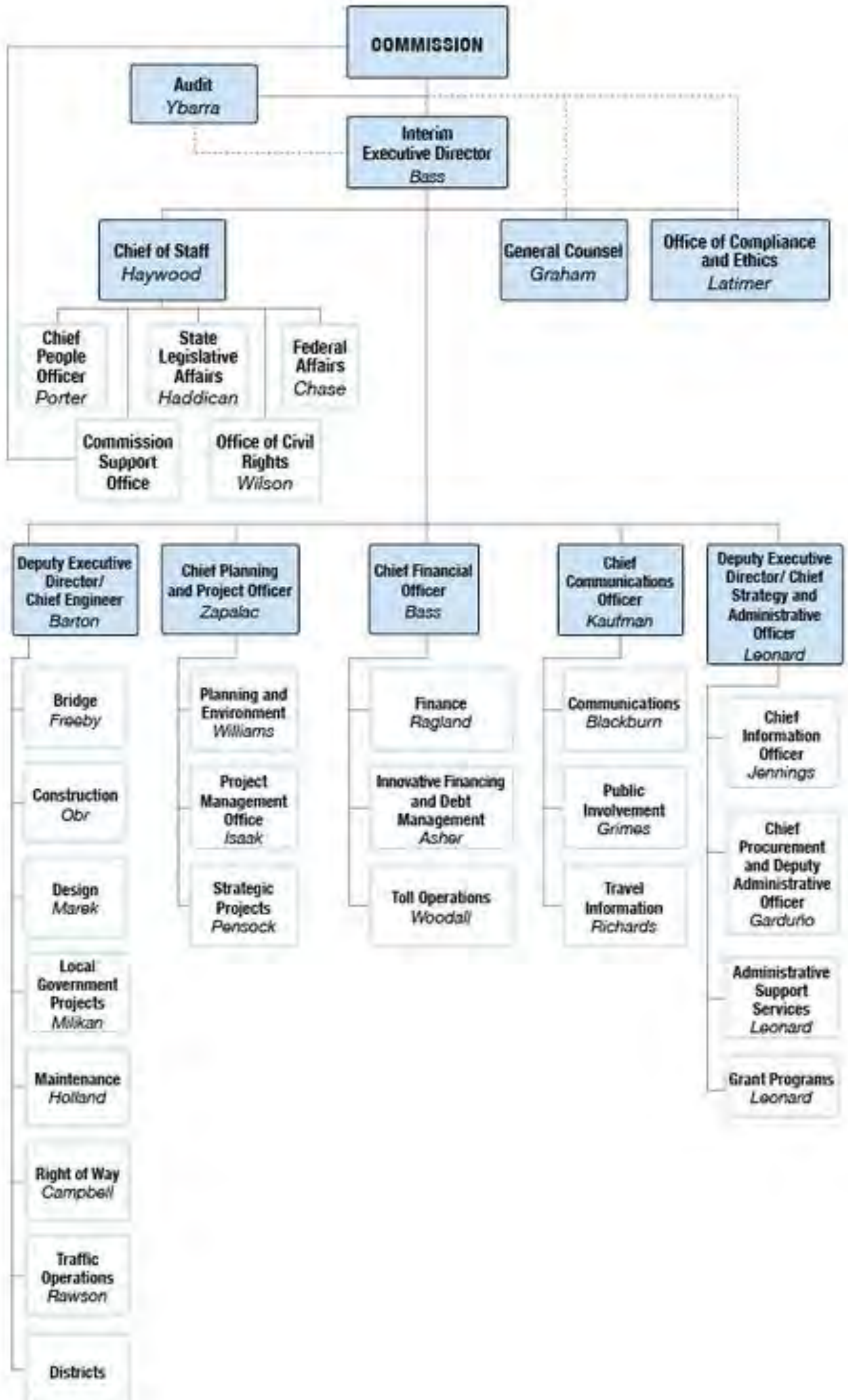

Figure H4: DOTD Texas Benchmark

Texas

- Texas combines the engineering and operations teams into one large group
- Administrative and legislative roles are grouped together with a single Chief of Staff leader reporting to the DOT Director
- Texas has recently undergone a significant restructuring of their organization, including adding the Chief of Staff group*
- They created a new field support structure through a region approack. Have four Regional Support Centers (RSCs) to consolidate support personnel and resources among its districts. They help share workload across districts within the region. Each region provides operational support (purchasing, accounting, IT, etc.) and project delivery support (right-of-way, design coordination, envoronmental review, etc.).
- Created a separate group for Innovative financing and debt management that is separate from Finance **
- Letting coordonated with districts and reports to District ACOO**
- Increase use of non-engineers for non-engineering roles including finance, contracting, etc.

Mississippi Department of Transportation

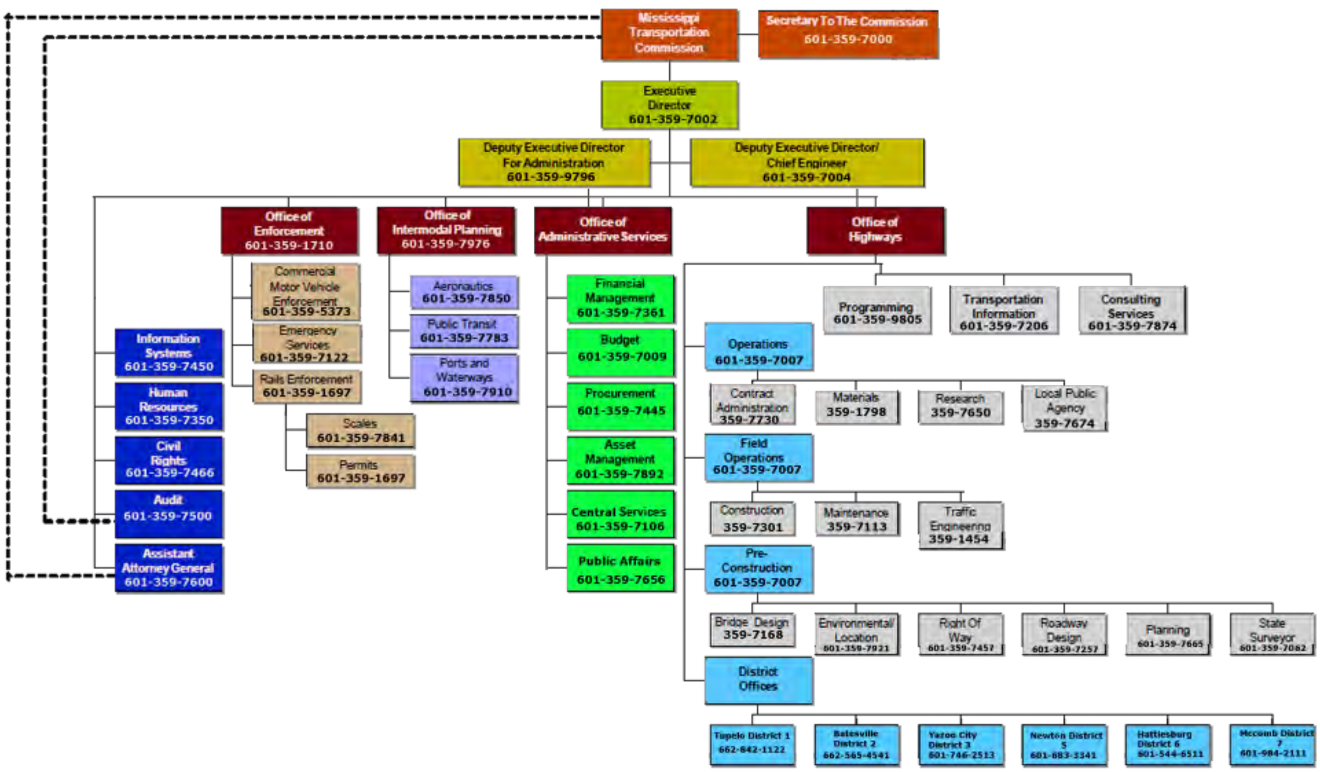

Figure H5: DOTD Mississippi Benchmark

Mississippi

- State of Mississippi has combined the engineering and operations into one group
- Support services are in separate groups reporting to the Director

Georgia Department of Transportation

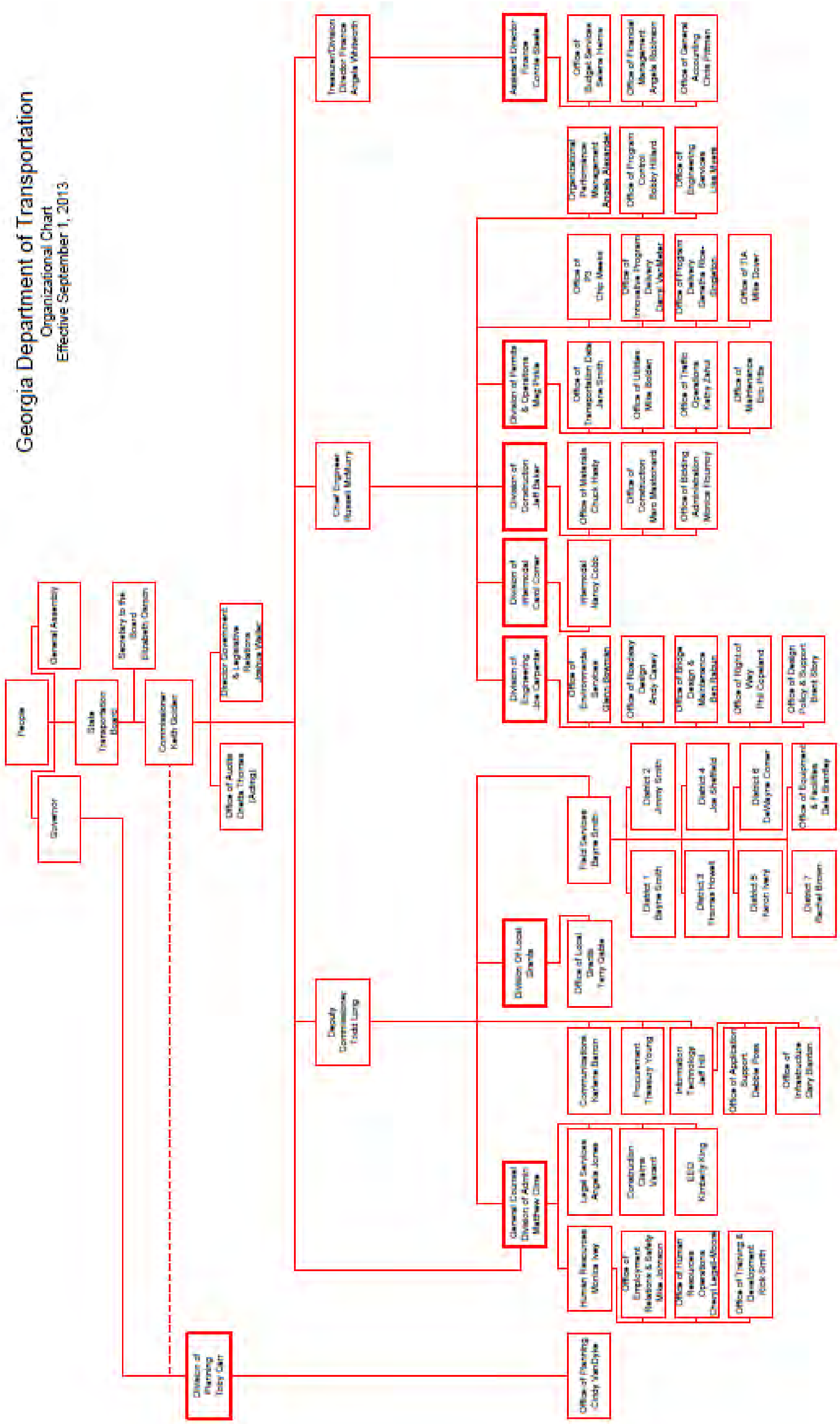

Figure H6: DOTD Georgia Benchmark

Georgia

- State of Georgia combines administrative and support functions under one deputy with districts

LED - Best Practice States Favor Flat Organization and Organize Departments According to Function or Region

The chart below details several benchmark states which expound upon the desire to have a flat organization for the purposes of Economic Development.

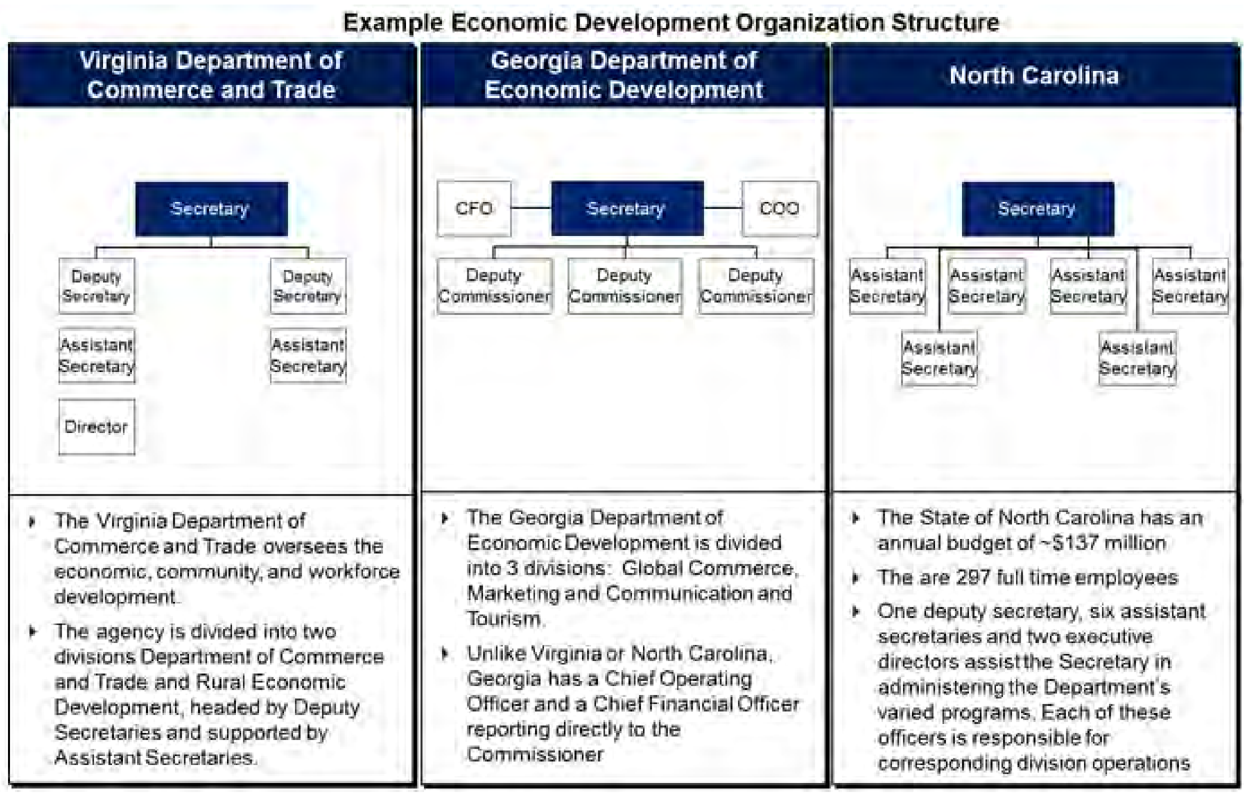

Figure H8: LED Benchmarks

APPENDIX I: HUMAN CAPITAL

	FY11			FY12			FY13		
	Employees	# of Employees Taking FMLA	% of Employees Taking FMLA	Employees	# of Employees Taking FMLA	% of Employees Taking FMLA	Employees	# of Employees Taking FMLA	% of Employees Taking FMLA
DCFS	5,831	1,069	16.9%	5,318	1,059	19.5%	5,248	974	18.4%
DHH	798	142	8.3%	679	152	14.7%	643	115	12.5%
DOA	1,080	90	10.0%	1,055	155	13.7%	1,016	127	12.4%
DOC	4,552	768	16.9%	4,564	889	21.8%	4,540	835	19.2%
DOTD	12,289	2,071	17.8%	10,204	2,227	22.4%	9,434	1,809	17.9%
DPS	872	153	6.9%	846	203	3.1%	828	186	5.6%
LDR	130	9	18.1%	130	4	21.8%	125	7	21.6%
LED	4,599	831	18.3%	4,237	922	19.9%	3,981	860	18.6%
OJJ	2,939	293	17.5%	2,792	382	24.0%	2,761	341	22.5%
Total	**33,090**	**5,426**	**16.4%**	**29,825**	**5,993**	**20.1%**	**28,576**	**5,254**	**18.4%**

Figure I1. Number of Employees in Targeted Agencies Taking FMLA FY11-13

Agency	Resources (FTE)	Governance/ Policy	Decision Rights	Compliance	Monitoring and Tracking Performance
Department of Children and Family Services (DCFS)	• 1-2 FTE	• Agency Specific Forms for agency policy, Notice of Eligibility, Rights and Responsibilities, FMLA designation, • Federal (DOL) forms for Rights and Responsibilities • Supervisors are provided training to ensure an understanding of eligibility	• Employee Informs Supervisor • HR answers questions to establish the process and give forms • HR encourages outreach by supervisor for questions	• HR ensures appropriate paperwork is complete and filed • HR checks request against the federal guidelines and advises employee of eligibility • Supervisor and Employee follow the doctor's plan	• Supervisors are responsible for tracking usage • HR answers questions and maintains paperwork
Department of Health and Hospitals (DHH)	• 5 FTE plus support from 4 facilities HR staff	• Agency Specific Forms for agency policy, FMLA request form, FMLA alert form, and verification of FMLA entitlement • Federal (DOL) forms for designation notice, Certification forms, notice of eligibility and Rights and Responsibilities, • Each of the four DHH facilities have their own HR Director overseeing process • Provide online training to Supervisors	• Employee submits request for FMLA and Supervisor submits an alert form • HR reviews employee service for qualification and sends Rights and Responsibilities • Employee submits Certification of Health Care Provider Form for HR review • HR sends a designation notice to employee if leave qualifies	• HR checks request against the federal guidelines and advises employee of eligibility • Timekeepers are responsible for inputting time in 2 separate entries to start the clock and code it correctly so that the hierarchy works • Paperwork is often missing or not completed by employees	• LaGov and paper timekeeping activities • Frequent data input errors from the timekeepers
Division of Administration (DOA)	• 1-3 FTE	• Agency Specific Forms for agency policy, and Certification forms, FMLA request form, designation notice, notice of eligibility and Rights and Responsibilities	• Employee Informs Supervisor and provides certification forms • HR makes the determination regarding FMLA qualification and informs the employee in 5 days	• Supervisors are responsible for policy compliance and for making the initial determination of FMLA eligibility • HR provides training, maintains documents	• Supervisors are responsible for tracking the use of FMLA leave and the remaining balance
Department of Corrections (DOC)	• 1 FTE (Portion of their time)	• Agency Specific Forms for agency policy, Notice of Eligibility, Rights and Responsibilities, FMLA designation, FMLA Certification, and Request for information • Supervisors are provided training to ensure an understanding of eligibility	• Employee Informs Supervisor • Supervisor initiates and manages the claim • HR answers questions to establish the process and give forms	• HR checks request against the federal guidelines and advises employee of eligibility	• Supervisors are responsible for tracking and monitoring use of FMLA and the remaining balance • Historic analysis of FMLA usage and trend analysis has been performed to improve results
Department of Transportation and Development (DOTD)	• 1 FTE plus support from 9 district HR staff	• Agency Specific Forms for agency policy, Notice of Eligibility, Rights and Responsibilities, FMLA designation, and FMLA Certification • Supervisors are provided training to ensure an understanding of eligibility	• Employee Informs Supervisor • HR answers questions to establish the process and give forms • Appointing authority approves the leave	• HR checks request against the federal guidelines and advises employee of eligibility • Paperwork is maintained in the district HR offices	• Supervisors are provided forms and calendar tracking worksheets for tracking usage
Department of Public Safety (DPS)	• 2 FTE	• Agency Specific Forms for agency policy, FMLA request form, eligibility checklist, verification of FMLA entitlement, memo on leave status, and FMLA alert form • No Federal (DOL) forms are used • Agency does not have FMLA training currently	• If employee is out 3 days in a row, supervisor is required to inform them that an FMLA claim may exist • HR will determine if it is a qualifying event and send a letter out if approved • If denial occurs, legal department is brought in adding 2-3 months to process	• Once it is determined as qualifying, a retroactive start on the accrual process may be applied	• Timekeepers check on the hours and the FMLA quota
Louisiana Department of Revenue (LDR)	• 1 FTE	• Agency Specific Forms for agency policy • Federal (DOL) forms for Notice of Eligibility, Rights and Responsibilities, Certification, and premium recovery authorization	• The policy states that leave qualifying for FMLA cannot be denied • It is the Director's / FMLA HR Representative's responsibility to notify HR when leave will be used based on employee request	• Employee submits request • HR checks request against the federal guidelines and advises employee of eligibility • Problems, use an employment relations attorney to consult • HR responsible for recordkeeping is the responsibility of the HR	• Currently monitor and track in ISIS • Set up the quota buckets with timekeeping code for when the employee takes FMLA leave • Supervisors responsibility to request reports out of the ISIS system via HR • Requires manual manipulation to assess intermittent leave
Louisiana Economic Development (LED)	• 0.05 FTE (i.e., 5% of the year)	• Policy includes specific language on eligible employees, eligible types of leave, detailed procedural steps, and responsibility • Policy describing responsibilities is not executed exactly as written. Appointing authorities have delegated responsibility for approving FMLA leave requests to HR personnel.	• Process begins with informal discussion with HR advises if leave is eligible for FMLA • Direct supervisor approves the leave via an system • HR enters leave request into ISIS after approval • HR approves/denies/asks for more information • HR ensures Dr. has approved employee's return to work	• HR ensures appropriate paperwork is complete and filed • HR checks request against the federal guidelines and advises employee of eligibility • HR follows up with employee if time out of work exceeds doctor's estimate	• HR is able to produce reports on FMLA usage and leave balances in the Agency through the ISIS system • HR ensures employee's balance is monitored
Office of Juvenile Justice (OJJ)	• 2 DPS FTE	• Agency has independent policy and utilizes the DPS forms for the remainder of FMLA processes • Agency does not currently have FMLA training	• If employee is out 3 days in a row, supervisor is required to inform them that an FMLA claim may exist • HR will determine if it is a qualifying event and send a letter out if approved • If denial occurs, legal department is brought in, adding 2-3 months to process	• Once determined retroactive start on the accrual process may be applied	• Timekeepers check on the hours and the FMLA quota

Figure I2: FMLA Policies by Agency

APPENDIX J: RECOMMENDATION SCORECARD

DIVISION OF ADMINISTRATION

Procurement

Agency	Rec #	Recommendation Name	Recommendation Description	Total Savings and Revenue Estimate [$000s] FY 2015	First Full Year FY 2016	FY 2017	FY 2018	FY 2019
Procurement	1	Implement Strategic Sourcing in Key Areas	Implement an overall strategic sourcing approach to realize significant cost savings/avoidances, and aggregate demand through innovative cooperative purchasing approaches to better leverage spend across the agencies and increase the State's buying power.	$18,575	$50,634	$55,188	$55,188	$55,188
Procurement Total				**$18,575**	**$50,634**	**$55,188**	**$55,188**	**$55,188**

Real Estate/Facilities Management

Agency	Rec #	Recommendation Name	Recommendation Description	Total Savings and Revenue Estimate [$000s] FY 2015	First Full Year FY 2016	FY 2017	FY 2018	FY 2019
Real Estate	1	Increase Office Space Efficiency through Spatial Consolidation and Lower Space Usage Standards	Actively develop occupancy-related asset management plans by measuring and tracking utilization of all State facilities against State space use guidelines and external benchmarks, effectively reducing space usage through facility consolidation and space reduction within the portfolio of owned and leased facilities.	($1,574)	$11,088	$11,232	$11,784	$12,506
	2	Surplus Assessment	Identify under-utilized assets for monetization, through the sale of surplus properties and/or public-private partnerships to maximize value of under-utilized assets.	$5,704	$17,112	$754	$754	$754
	3	Adjust the Office of State Lands Right-of-Way Lease Rates	Strategically adjusting lease rates, managed by the Office of State Lands, for pipeline right-of-ways over time to match regional benchmarks will increase revenue to the State for no additional cost.	$0	$116	$174	$232	$291
Real Estate Total				**$4,130**	**$28,316**	**$12,160**	**$12,770**	**$13,551**

Office of General Counsel

Agency	Rec #	Recommendation Name	Recommendation Description	Total Savings and Revenue Estimate [$000s] FY 2015	First Full Year FY 2016	FY 2017	FY 2018	FY 2019
Office of General Counsel	1	Increase organization efficiency of OGC	Due to recent reorganization and consolidation, current staff expertise may not be aligned with departmental needs at this time. Savings estimates envision the outsourcing duties that the Office of General Counsel (OGC) does not have the required expertise.	$395	$395	$395	$395	$395
	2	Increase efficiency of document review process and reduce internal and external attorney costs	The existing documentation review process is inefficient and manually intensive. The possible implementation of a document intelligence software package could generate long-term savings over five years or more and improve efficiency.	$290	$390	$390	$390	$390
Office of General Counsel Total				$685	$785	$785	$785	$785

Office of Risk Management

Agency	Rec #	Recommendation Name	Recommendation Description	Total Savings and Revenue Estimate [$000s] FY 2015	First Full Year FY 2016	FY 2017	FY 2018	FY 2019
Office of Risk Management	1	Property Insurance Procurement	Property insurance procurement should be adjusted to align with standard industry procedures, creating a competitive process to reduce brokerage commissions and improve coverage.	$3,023	$3,125	$3,125	$3,125	$3,125
	2	Property Program Restructure	By means of a newly realized procurement strategy outlined in Recommendation #1, the state can achieve significant annual savings through a more optimized and aggressively brokered property insurance program that saves money on insurance premiums.	$16,984	$17,233	$17,233	$17,233	$17,233
	3	State Insured Builders' Risk Fund	By creating a state sponsored guarantee fund to self-insure the builders' risk insurance costs currently purchased by contractors, the State of Louisiana could realize material savings. Furthermore, by removing builders' risk insurance procurement as a competitive advantage afforded to larger contractors, the State could realize further cost reductions by lowering the barriers of entry for smaller contractors.	$322	$526	$526	$526	$526
	4	Civil Service WC - Personal Sick Days	By eliminating the ability to use sick leave for the 33% that is not paid by workers' compensation; employees are incentivized to return to work sooner.	$1,250	$1,250	$1,250	$1,250	$1,250
	5	Workers' Compensation Loss Control and Safety	By refocusing and enhancing agency participation in TRIP as well as other programs, cost reductions can be achieved in the Workers Compensation program.	$2,875	$3,350	$3,350	$3,350	$3,350
	6	Organizational Headcount & Budget Analysis	Review current staffing, expense and budget for ORM given the current workloads and operations.	$205	$238	$306	$375	$375
Office of Risk Management Total				$24,659	$25,722	$25,790	$25,859	$25,859

DEPARTMENT OF REVENUE

Agency	Rec #	Recommendation Name	Recommendation Description	Total Savings and Revenue Estimate ($000s) FY 2015	First Full Year FY 2016	FY 2017	FY 2018	FY 2019
Department of Revenue & Taxation	1	Litigation	- Consider outsourcing low value cases - Employ a triage-like analysis to identify higher value and likely to prevail cases - Focus resources and develop strategy for higher value cases (trial vs. settlement)	$0	$22,500	$22,500	$0	$0
	2	Discovery Unit	To efficiently select leads and technical issues for further development, we recommend the establishment of a cross-functional discovery unit. The unit will be comprised of seven FTEs and individuals representing Audit, Legal Affairs, IT, and PMO. This will enhance the cooperation between the various functions and result in a more efficient compliance function and increased revenues. This group will generate a centralized audit plan which will be executed by Office Audit and Field Audit.	$17,439	$19,889	$19,394	$19,394	$19,394
	3	SAS Sales Tax Analysis	The audit of sales tax returns for 2010-2012 can be enhanced by purchasing the SAS sales tax module, which would improve audit efficiency and revenues. The leads from this module would go to the Discovery Committee, which then would focus sales tax audits on noncompliant taxpayers.	$0	$11,475	$0	$0	$0
	4	Re-build severance audit team	By legislative mandate, LDR recently reacquired the audit function for severance tax from the Louisiana Department of Natural Resources. LDR's last full audit year of severance taxes resulted in $24 million of additional audit assessments. Conservative estimates for the rebuilding of a severance audit team result in an additional $10 million of audit assessments.	$9,740	$9,740	$9,575	$9,575	$9,575
	5	Hire Additional Auditors	LDR needs additional resources, above and beyond current staffing levels, to protect against fraudulent refund claims and to process leads from the new Discovery Committee. Currently, there is no capacity to increase audits of individuals and corporations without adding auditors.	$27,239	$27,239	$26,249	$26,249	$26,249
Department of Revenue & Taxation Total				$54,418	$90,843	$77,718	$55,218	$55,218

DEPARTMENT OF HEALTH AND HOSPITALS

				Total Savings and Revenue Estimate ($000s)				
					First Full Year			
Agency	Rec #	Recommendation Name	Recommendation Description	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Department of Health & Hospitals	1	Provide Additional STI Treatment and Testing	Generate savings from expanding coverage of STI testing and treatment in the State Medicaid Plan to include women and men now covered under the State's Family Planning Waiver.	$671	$1,858	$2,650	$2,650	$2,650
	2	Allow Medicaid Patients the Option of Using Birthing Centers to Reduce Delivery Costs	Receiving pre-natal care from certified nurse midwives (CNM) and doulas and giving birth at home or in a free-standing birthing center is a cost effective option for low risk mothers that has been shown to produce birth outcomes at least as favorable as those of hospital delivery.	$0	$137	$137	$137	$137
	3	Implement Disease Management Services for Medicaid Patients by Competitively Bidding for Guaranteed Disease Management Savings	Nurses or care managers establish regular contact with patients with chronic conditions, and help them manage care according to physicians' plans and protocols. Disease management saves costs in Medicaid programs and private insurance because costly hospitalizations and disease complications can be reduced.	$1,439	$2,930	$2,930	$2,930	$2,930
	4	Consolidate Non-Emergency Transportation Services into a Single Contract	DHH currently procures non-emergency services on behalf of its Medicaid clients through three different Transportation Dispatch Offices (TDOs) that utilize the same provider network but do not adequately coordinate operations to optimize resources. DHH should evaluate the consolidation of all transportation services under one contractor, ensuring that trips are managed accurately and simplifying management for clients as well as DHH's internal staff.	$520	$1,561	$1,561	$1,561	$1,561
	5	Establish More Cost-Effective Pediatric Day Health Care (PDHC) Programs and Services	• Modify recipient criteria to better align the program with the state's approved Medicaid State Plan provisions. • Require a facility needs review before new programs are licensed. • Ensure that PDHC facilities are not paid to deliver services already provided through early intervention programs or local school districts. • Create conflict of interest provisions for facility medical directors, board members, and prescribing physicians with ownership interests in PDHC facilities.	$142	$483	$463	$463	$463
	6	Establish an Additional PACE facility to offer Another Alternative to Institutional Care	Increasing the Office of Aging and Adult Services' (OAAS) utilization of the Money Follows the Person (MFP) program will help leverage federal dollars to rebalance Medicaid long-term care systems by increasing the use of home and community-based services (HCBS), including the Program of All-inclusive Care for the Elderly (PACE). This transition will reduce the use of institutionally-based services and the average cost per recipient overall to OAAS.	$105	$301	$535	$692	$876
	7	Maximize Intermediate Care Facility (ICF) Bed Occupancy Rates	Louisiana law allows for up to a $30 provider fee per occupied ICF bed day. The actual fee collected is $14.30. The fee could go up by $1.95 to $16.25 per bed day while staying within federal limits and bringing in more federal matching funds to the state's General Fund. The fee increase would be returned to providers in the form of higher reimbursement rates while the federal matching funds will remain in the state treasury.	$2,100	$2,100	$2,100	$2,100	$2,100

Agency	Rec #	Recommendation Name	Recommendation Description	Total Savings and Revenue Estimate ($000s) FY 2015	First Full Year FY 2016	FY 2017	FY 2018	FY 2019
	8	Improve the Process and Rate of Transition of Individuals with Age-Related and Developmental Disabilities from Nursing Facilities and Hospitals	Improved utilization of the Money Follows the Person (MFP) program will help leverage federal dollars to support Louisiana's objective to rebalance Medicaid long-term care systems by increasing the use of home and community based services (HCBS) while reducing the use of facility-based care. This rebalancing will, in turn, reduce the average cost per participant overall to the Office of Aging and Adult Services (OAAS).	$87	$549	$792	$1,034	$1,277
	9	Establish a Sub-Acute Care Rate	Louisiana should establish a sub-acute care rate for the state's two Shared Plans and legacy Medicaid recipients.	$300	$751	$751	$751	$751
	10	Use Electronic Visit Verification (EVV) To Improve Long Term Care Integrity and Client Care	Requiring home health aides to track their time electronically rather than through paper time sheets has yielded successful results in other states.	$500	$16,719	$18,648	$18,648	$18,648
	11	Reduce Improper Payment in the Medicaid Program	Louisiana's Department of Health and Hospitals should employ predictive analytic technology, similar to the technology used by the Centers for Medicaid and Medicare Services (CMS) to detect and prevent improper payments in the State's Medicaid program.	$3,980	$15,372	$22,885	$29,750	$30,800
	12	Implement Claims Level Indicator to Capture Cost Savings within 340B Drug Pricing Program	The 340B Drug Discount Program is a U.S federal government program created in 1992 that requires drug manufacturers to provide outpatient drugs to eligible health care organizations/covered entities at significantly reduced prices. Implementing claims level indicator technology will ensure that Louisiana is capturing the rebates and discounts it is entitled to under the current program by accurately identifying which providers and pharmacies are enrolled in the program at the point of sale.	$47	$1,052	$1,072	$1,072	$1,072
	13	Raise OPH Food, Drug, and Cosmetic Registration Fee to its Statutory Maximum	Currently all Office of Public Health fees are at the statutory maximum except for the Food, Drug, and Cosmetic Production Registration Fee. Increasing that fee from $20 per item to $27 per item would generate an estimated $165,000 in new General Fund revenue for the state.	$165	$165	$165	$165	$165
Department of Health & Hospitals Total				$10,056	$43,978	$54,688	$61,993	$63,430

DEPARTMENT OF TRANSPORTATION & DEVELOPMENT

				Total Savings and Revenue Estimate [$000s]				
					First Full Year			
Agency	Rec #	Recommendation Name	Recommendation Description	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Department of Transportation and Development	1	Consolidate select business office functions	Move business support services, currently housed within each district, to a regional or central model to consolidate redundant functions, improve processes, and take advantage of economies of scale.	$0	$2,000	$2,000	$2,000	$2,000
	2	Consolidate equipment fleet	Consolidate some non-emergency equipment in districts.	$175	$750	$750	$750	$750
	3	Reduced parish maintenance units, PE and other offices	Reduce the number of maintenance units to optimize utilization. Consolidate small PE offices and other underutilized offices with other existing facilities.	$5,000	$5,000	$135	$135	$135
	4	Expand advertising revenue to include roads, bridges and rest stops	In addition to rest stops, roads and bridges, additional revenue sources would include advertising on DOTD's websites and providing traffic camera feeds to the media. DOTD has received unofficial estimates from different advertising agencies that the program can generate between $400,000 and $5,000,000 in annual advertising revenue.	$500	$2,000	$2,000	$2,000	$2,000
	5	Reduce use of outside design and construction engineer contractors	Replace some contract engineers with internal hires to lower overall engineering spend.	$578	$2,312	$2,312	$2,312	$2,312
	6	Utilize 1" thin asphalt overlay	Utilize 1" asphalt rather than 1.5" and 2" in appropriate situations.	$0	$472	$472	$472	$472
	7	Lower building insurance on some facilities	Some facilities are insured for more than would ever be claimed.	$549	$549	$549	$549	$549
	8	Reduce hull insurance on Ferries and Barges	Some vessels are currently insured for more than would ever be claimed.	$704	$704	$704	$704	$704
	9	Reduce cost overruns with QA/QC Engineering Team	Establish a Quality Assurance and Quality Control team to create and maintain a QA/QC program for projects to control costs.	$3,000	$12,000	$12,000	$12,000	$12,000
Department of Transportation and Development Total				$10,506	$25,787	$20,922	$20,922	$20,922

DEPARTMENT OF CORRECTIONS

				Total Savings and Revenue Estimate ($000s)				
					First Full Year			
Agency	Rec #	Recommendation Name	Recommendation Description	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Adult Corrections and Probation	1	Expand DOC Certified Treatment & Rehabilitation Program	DOC should expand access to the Certified Treatment & Rehabilitation Program (CTRP) at the state and local level by [1] increasing the number of CTRP programs available at both state correctional facilities and local jails so that more inmates can earn credits; and [2] conducting an audit of all currently certified programs and reassess the number of credit days inmates can earn per program based on estimated impact	$6,582	$6,582	$6,582	$6,582	$6,582
	2	Expand Transitional Work Program in Orleans and Jefferson Parishes	DOC should increase access to the Transitional Work Program in Orleans and Jefferson parishes by 100-150 slots at each location to reduce recidivism, save the state money and benefit local sheriffs.	$821	$821	$821	$821	$821
	3	Expand Reentry Center Program	DOC should expand its Reentry Center program to a total of 11 regional centers (8 additional), which will be paid for by reentry good time credit, reducing recidivism and re-incarceration costs.	$643	$5,159	$14,458	$14,458	$14,458
	4	Expand Day Reporting Centers	DOC should expand the number of Day Reporting Centers to five more Probation & Parole (P&P) Districts, including: Covington (North Shore), Lafayette, Monroe, Lake Charles, and Alexandria. In doing so, the state can reduce the impact of high-risk probation and parole violators on public safety and on costs of incarceration at state and local facilities.	$205	$821	$821	$821	$821
	5	Increase Use of Self-reporting	DOC's Division of Adult Probation and Parole (P&P) should increase the utilization of self-reporting supervision status for the lowest-risk offenders to 10% of the total probation and parole population currently under supervision	$1,020	$2,550	$3,399	$3,399	$3,399
	6	Increase DOC Span of Control	DOC should initiate an annual program to increase supervisors' spans of control through attrition by eliminating positions with only 1-3 direct reports with a low-end target of 1:4 and a high-end target of 1:4.5 which is significantly below relevant benchmarks. To maintain the same force level, management positions eliminated should be transferred to new available staff level positions.	$217	$300	$375	$450	$500
Adult Corrections and Probation Total				$9,488	$16,233	$26,456	$26,531	$26,581

DEPARTMENT OF PUBLIC SAFETY

Agency	Rec #	Recommendation Name	Recommendation Description	Total Savings and Revenue Estimate ($000s) FY 2015	First Full Year FY 2016	FY 2017	FY 2018	FY 2019
Department of Public Safety	1	Centralize Louisiana State Police-Patrol Communications	A plan to consolidate the 9 Troop communication centers into 3 regional centers is being implemented. The recommendation is to complete the planned consolidation of 3 regional offices in FY 2015 and then consolidate the three into two in FY 2016 and acquire a Computer Aided Dispatch ("CAD").	$0	$46	$846	$846	$846
	2	Automate Louisiana State Police-Patrol Administration	Appoint a senior officer to champion and coordinate a plan to automate all principal Troop administrative processes and consolidate them into a HQ Support Division. Retain one administrative position at each Troop.	$0	($17)	($17)	$906	$1,406
	3	Consolidate Louisiana State Police-Patrol Command Position	The following recommendations address the Consolidation of the Louisiana State Police (LSP) Patrol Command and Troops consolidate two Command Major Positions in TESS and TESS W&S into one Major Position.	$118	$118	$118	$118	$118
	4	Reallocate Louisiana State Police - Gaming Troopers	Reallocate or redeploy 14 LSP Troopers in Gaming Investigations to vacant positions within the Patrol Division and replace with civilian investigators.	$295	$295	$295	$295	$295
	5	Expand Department of Public Safety Span of Control	Increase the span of control within the DPS by eliminating management and supervisory positions and increase its average span of control from the current 1:3.6 to a minimum of one manager/supervisory for every 4.5 to 5 staff positions.	$3,974	$7,701	$7,701	$7,701	$7,701
	6	Optimize Louisiana State Police-Patrol Shifts	The Louisiana State Police (and other law enforcement units of the LA DPS) that use 12-hour shifts should consider changing its current policy regarding the number and length of shifts per work period (14 days).	$743	$743	$743	$743	$743
Department of Public Safety Total				$5,130	$8,886	$9,686	$10,609	$11,109

OFFICE OF JUVENILE JUSTICE

Agency	Rec #	Recommendation Name	Recommendation Description	Total Savings and Revenue Estimate ($000s) FY 2015	First Full Year FY 2016	FY 2017	FY 2018	FY 2019
Office of Juvenile Justice	1	Adjust OJJ P&P Officers' Caseloads	The Office of Juvenile Justice (OJJ) should adjust the average caseload for probation and parole officers from 1:20 to 1:25. This recommendation would create cost savings by allowing OJJ to reduce the number of probation and parole officers it needs to supervise probationers and parolees, while maintaining a higher caseload ratio than other jurisdictions.	$996	$1,494	$1,867	$2,241	$2,490
	2	Relocate Youth from the Jetson Center Youth to Other OJJ Facilities	OJJ should close down the Jetson Center for Youth and move the juvenile offenders to other OJJ facilities. This recommendation would impact the overall organizational structure of OJJ by eliminating one of the agency's primary facilities and transferring youth and staff to other OJJ facilities. [Note: the facility has already been closed by the State.]	$4,550	$4,550	$4,550	$4,550	$4,550
	3	Increase Title IV E funds to OJJ	OJJ should increase the federal funds it claims from Title IV-E under the federal guidelines by claiming "candidate" costs.	$75	$373	$374	$374	$374
	4	Improvements to Monitoring Non-Secure Residential Contract Providers & Prevention and Diversion Program Contract Providers	Implementation of the recommendations in the Legislative Auditor's report and of the additional recommendations made by the A&M team in this report can be implemented with existing department resources. Therefore have no costs associated with them. Enhanced monitoring efforts could result in additional services being provided or paying less for services not delivered, though the fiscal impact of those events cannot be estimated.	$0	$819	$1,639	$3,243	$3,243
	5	OJJ Should Increase Span of Control	This recommendation would impact the overall organizational structure of OJJ by eliminating layers of management and increasing supervisors' span of control. The Office of Juvenile Justice should reduce layers of management and increase its span of control to a minimum of 1:5.5.	$209	$314	$392	$471	$523
Office of Juvenile Justice Total				$5,830	$7,550	$8,822	$10,879	$11,180

DEPARTMENT OF CHILDREN AND FAMILY SERVICES

Agency	Rec #	Recommendation Name	Recommendation Description	Total Savings and Revenue Estimate ($000s) FY 2015	First Full Year FY 2016	FY 2017	FY 2018	FY 2019
Department of Children and Family Services	1	Continue to implement innovative strategies intended to reduce staff turnover and safely decrease the time children spend in state custody	By focusing on innovative strategies, such as assigning one caseworker to each family for the duration of the child's time in state custody and improving technological and data systems to reduce the time spent completing paperwork by caseworkers, the agency will continue to decrease the voluntary separation (turnover) rate among non-temporary classified child welfare employees.	$223	$445	$445	$445	$445
Department of Children and Family Services Total				$223	$445	$445	$445	$445

LOUISIANA ECONOMIC DEVELOPMENT

				Total Savings and Revenue Estimate [$000s]				
					First Full Year			
Agency	Rec #	Recommendation Name	Recommendation Description	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Louisiana Economic Development	1	Adjust Fees for Inflation	LED should adjust the existing fees by 5% this year and in future years to keep pace with inflation.	$65	$68	$71	$75	$78
	2	Assess the Statutory Construction of the Motion Picture Tax Credit Program and Enhance Review Process for Motion Picture Tax Credits	A&M queried LED regarding the administration of the Motion Picture Tax Credit Program. A&M recommends during the bi-annual Film Tax Credit report an operational section be included to assess the following potential statutory changes and to determine the fiscal impacts to the program:	$0	$0	$15,000	$15,000	$15,000
	3	Review of Enterprise Zone benefits and audit review process	A&M recommends LED re-examine the LED 2010 report and the 2012 legislative audit report to bring the Enterprise Zone (EZ) criteria back in line with the original legislative intent of the program, as well as tie the capital expenditure benefit to the number of jobs created by a participating business	$0	$0	$32,000	$32,000	$32,000
	4	Relocate and Consolidate LED FastStart® into Government owned Facility	LED and the DOA should immediately identify appropriate government-owned space that is suitable and adaptable for LED's mission and will facilitate the relocation and consolidation of all of its programs including Fast Start.	$256	$320	$320	$320	$320
Louisiana Economic Development Total				$321	$388	$47,391	$47,395	$47,398

REVENUE MAXIMIZATION

				Total Savings and Revenue Estimate [$000s]				
					First Full Year			
Agency	Rec #	Recommendation Name	Recommendation Description	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Revenue Opportunities	1	Create Federal Funds Office	Create a Federal Funds Office (FFO) to enable a coordinated, prioritized, and compliant approach to maximizing the amount and effective use of federal funds in the state's agency budgets and expenditures.	$3,029	$7,509	$7,509	$7,509	$7,509
	2	True Cost of Doing Business	Across state agencies, there are a number of fees and permits that are designed so that the applying entities cover the cost of the service. The fees help defray the costs of oversight, inspection, or enable commerce through licensing or permitting but many have not been regularly adjusted and are no longer adequate. Included in these recommendations are fees across agencies that are not meeting costs but require new authority to change.	$0	$33,238	$33,438	$33,648	$33,869
Revenue Opportunities Total				$3,029	$40,747	$40,947	$41,157	$41,378

HUMAN CAPITAL

Agency	Rec #	Recommendation Name	Recommendation Description	Total Savings and Revenue Estimate [$000s]				
					First Full Year			
				FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Human Capital	1	Create Agency Workforce and Succession Plans	Agencies that do not have written workforce plans (all except the Department of Public Safety) should create both workforce and succession plans in order to prepare for future staffing and ensure continuity of purpose.	($203)	$254	$356	$356	$356
	2	Redesign Job Families and Create Competency Model	Agencies should redesign the job title structure using job families to simplify the staff operating model and improve transparency for staff in promotion and career advancement.	$700	$2,561	$4,294	$4,294	$4,294
	3	Improve the Administration of Family and Medical Leave Across Agencies	The state should review current policies and processes for FMLA and workers compensation/disability approval and administration to reduce unnecessary employee absences and increase cost savings to the state.	$2,355	$5,213	$5,213	$5,213	$5,213
	4	Review Overtime Policies	Implement policies that limit the agencies' authority to grant cash payment to employees for overtime hours worked, other than payment that is required by the Federal Fair Labor Standards Act.	$681	$681	$681	$681	$681
	5	Increase Span of Control for Agency Supervisors	Span of control refers to the ratio of subordinates directly reporting to a supervisor. A supervisor is determined to be an employee who reviews the performance or approves the time of their direct report.	$1,990	$3,583	$4,479	$5,971	$5,971
Human Capital Total				$5,523	$12,292	$15,023	$16,515	$16,515

PROVIDER MANAGEMENT

Agency	Rec #	Recommendation Name	Recommendation Description	Total Savings and Revenue Estimate [$000s]				
					First Full Year			
				FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Provider Management	1	Maximize Utilization of the Public Safety Baton Rouge Maintenance and Repair Facility to Reduce the Cost of Maintaining and Repairing State-owned Vehicles	The state should increase utilization of the State Police vehicle maintenance and repair facility by adding a second daily shift devoted to maintaining and repairing state-owned vehicles.	($6)	$234	$296	$345	$395
	2	Review Agency Toll-Free Telephone Numbers, Eliminate Redundant and Unnecessary Service, Consolidate Toll-Free Agency Access Among a Smaller Inventory of "800" Numbers	Consolidating agency toll-free telephone access among a smaller inventory of "800" numbers will improve customer service and reduce the number of call-minutes spent by the public attempting to reach the correct agency or person. Reducing toll-free call minutes will reduce the state spend for telecommunication services.	$184	$184	$184	$184	$184
Provider Management Total				$178	$418	$480	$529	$579
Grand Total				**$302,551**	**$574,624**	**$621,302**	**$614,055**	**$619,138**

APPENDIX K: GLOSSARY OF ACRONYMS

Acronym	Acronym Definition
A&M	Alvarez & Marsal
AAC	Actual Acquisition Costs
ACA	Affordable Care Act
ACA	American Correctional Association (DOC specific)
ADA	American with Disabilities Act
AFDC	Aid to Families with Dependent Children
AFS	Advantage Financial System
APPA	American Probation and Parole Association
ARHQ	Agency for Healthcare Quality
ASR	Annual Synar Report
BCBS of LA	Blue Cross Blue Shield of Louisiana
BGC	Bureau of General Counsel
BOR	Broker of Record
CAD	Computer Aided Dispatch
CAFE	Common Access Front End
CCC	Crescent City Connection (DOTD specific)
CDHP	Consumer Driven Health Plan
CEO	Chief Executive Officer
CFSR	Children and Family Services Review
CIFT	Corporate Income/Franchise Tax
CIO	Chief Information Officer
CLI	Claims Level Indicator
CLOC	Cash Lines of Credit
CMS	Centers for Medicare and Medicaid Services
CNM	Certified Nurse Midwives
COBRA	Consolidated Omnibus Budget Reconciliation Act
COO	Chief Operating Officer
COSAG	Committee on State Audit Groups
CPA	Certified Public Accountants
CPI	Consumer Price Index
CPO	Chief Procurement Officer
CPU	Central Processing Unit
CSOC	Coordinated System of Care
CTRP	Certified Treatment and Rehabilitation Programs
DCFS	Department of Children and Family Services

DD	Developmental Disabilities
DHH	Department of Health and Hospitals
DME	Durable Medical Equipment
DNR	Department of Natural Resources
DOA	Division of Administration
DOC	Department of Corrections
DOTD	Department of Transportation and Development
DPS	Department of Public Safety
DSC	Direct Service Claiming
DWI	Driving While Intoxicated
EBP	Evidence Based Practices
EEPC	Energy Efficiency Performance Contracts
EMS	Emergency Medical Services
EQ	Economic Quarterly
ERP	Enterprise Resource Planning
ETSS	Electronic Trip Scheduling Service
eVA	Electronic Virginia (procurement system)
EVV	Electronic Visit Verification
EZ	Enterprise Zone
FARA	F. A. Richard & Associates
FCA	Facility Condition Assessment
FEMA	Federal Emergency Management Agency
FFO	Federal Funds Office
FICA	Federal Insurance Contributions Act
FLMA	Family Medical Leave Act
FLSA	Fair Labor Standards Act
FMAP	Federal Medical Assistance Percentages
FMS	Financial Management Services
FP&C	Facility Planning and Control
FSA	Farm Service Agency
FTE	Full Time Equivalent
FY	Fiscal Year
GAO	Government Accountability Office
GED	General Educational Development
GEMS	Government Efficiency Management Services
GOHSEP	Governor's Office of Homeland Security and Emergency Preparedness
GPS	Global Positioning Satellite
GSP	Gross State Product
HCBS	Home and Community-Based Services
HEDIS	Healthcare Effectiveness Date Information Sets
HIF	Highway Improvement Fund
HIPAA	Health Insurance Portability and Accountability Act
HMO	Health Maintenance Organization
HPP	Highway Priority Program

HQ	Headquarters
HR	Human Resources
HRA	Health Reimbursement Accounts
HSA	Health Savings Account
HUD	Office of Housing and Urban Development (Federal)
ICF	Intermediate Care Facility
IDEA	Individuals with Disabilities Education Act
IFMA	International Facilities Management Association
IFS	Indianapolis Department of Fleet Services
IRS	Internal Revenue Service
ISIS	Integrated Statewide Information System
ITB	Invitation to Bid
IVR	Interactive Voice Response
JCAHO	Joint Commission on Accreditation Healthcare Organizations
K-Time	Overtime
LaCHIP	Louisiana Children's Health Insurance Program
LaGov	Louisiana Government (information system)
LaMOD	Louisiana Model for Secure Care
LBHP	Louisiana Behavioral Health Partnership
LDR	Louisiana Department of Revenue
LED	Louisiana Economic Development
LGCB	Louisiana Gaming Control Board
LGE	Local Governing EntitY
LHSC	Louisiana Highway Safety Commission
LOC	Level of Care
LOCET	Level of Care Eligibility Tool
LPAA	Louisiana Property Assistance Agency
LPGC	Liquefied Petroleum Gas Commission
LPN	Licensed Practical Nurse
LSCS	Louisiana State Civil Service
LSP	Louisiana State Police
LSS	Lean Six Sigma
LSU	Louisiana State University
LT	Lieutenant (DPS Specific)
LTC	Long Term Care
LTCO	Long Term Care Ombudsmen
LTSS	Long-Term Support and Services
MCH	Maternal and Children’s Health
MCO	Managed Care Organization
MDS	Minimum Data Set
MFP	Money Follows the Person
MMIS	Medicaid Management Information System
MOU	Memorandum of Understanding
NALA	National Association of Legal Assistants

NASA	National Aeronautics and Space Administration
NASPO	National Association of State Procurement Officers
NCPDP	National Council for Prescription Drug Programs
NCQA	National Committee for Quality Assurance
NEMT	Non-Emergency Medical Transportation
NIC	Notice of Intent
NMGH	Non-Medical Group Homes
OAAS	Office of Aging and Adult Services
OBH	Office of Behavioral Health
OCD	Office of Community Development
OCDD	Office of Citizens with Developmental Disabilities
OCR	Office of Contractual Review
OEID	Office of Entertainment Industry Development
OGB	Office of Group Benefits
OGC	Office of General Counsel
OGC	Occupational Group Codes (Human Capital Specific)
OIT	Office of Information of Technology
OJJ	Office of Juvenile Justice
OMB	Office of Management and Budget (Federal)
OMF	Office of Management and Finance
OMV	Office of Motor Vehicles
OPH	Office of Public Health
ORM	Office of Risk Management
OSB	Office of State Buildings
OSFM	Office of State Fire Marshall
OSL	Office of State Lands
OSP	Office of State Purchasing
OTM	Office of Technology Management (DOA Specific)
P&P	Probation & Parole
P2P	Procure to Pay
P-Card	Procurement Card
PCH	Primary Care Home
PCMH	Patient Centered Medical Home
PDHC	Pediatric Day Health Care
PDL	Pregnancy Disability Leave
PMM	Preventive Maintenance Program
PMO	Project Management Office
PMPY	Per Member Per Year
PMT	Project Management/Implementation Team
PPO	Preferred Provider Organization
PPP	Public Private Partnerships
PRTF	Psychiatric Residential Treatment Facilities
PSS	Public Safety Services
QA	Quality Assurance

QC	Quality Control
QCIP	Quality and Continuous Improvement Program
RAC	Recover Audit Contractor
REL	Real Estate Leasing
RFP	Request for Proposal
RMTS	Random Moment Time Studies
RN	Registered Nurse
ROI	Return on Investment
ROL	Rate on Line
RPT	Related Party Transactions
RSC	Regional Support Centers
SAVRY	Structured Assessment of Violence Risk Youth
SCHIP	State Children's Health Insurance Program
SEC	State Economic Competitiveness (LED Specific)
SF	Square Footage
SG&A	Selling, General & Administrative Expense
SMO	State Management Organization
SNF	Skilled Nursing Facilities
SP	Service Plan
SPA	State Plan Amendment
STI	Sexually Transmitted Infection
SUP	Standard Unit of Processing
TDO	Transportation Dispatch Office
TESS	Transportation Environmental Services
TGH	Therapeutic Group Homes
TIV	Totally Insured Value
TO	Table of Organization
TPA	Third Party Administrator
TRIP	Target Risk Improvement Program
TTF	Transportation Trust Fund
TWP	Transitional Work Program
TXDOT	Texas Department of Transportation
VRM	Vendor Relationship Management
W&S	Weights and Standards
WCRI	Worker's Compensation Research Institute
WIC	Women, Infants and Children
XO	Executive Officers