



Iowa Department of Human
Services

BUSINESS PROCESS (BPK) KAIZEN EVENT

FIP Diversion

March 14 – 18, 2005

**Please hold
ALL questions
until end of
presentation.**

THANK YOU!

Team

| | Name | Company | Function |
|------------------|--------------------------|-------------|---|
| Team Leader | Michelle Wilson | IDNR | Recreation/Education Outreach |
| Sub-Team Leader: | Siri Granberg | DHS | PP 3 Diversion program manager |
| Team Member | Anita Bekish | DHS | IM supervisor 1, Woodbury County |
| Team Member | Brad Berg | DAS | PSE 4, I3 system |
| Team Member | Barb Caruso | DHS | IM supervisor 1, Des Moines Service area |
| Team Member | Brian Fegley | DHS | IM supervisor II, Waterloo Service area |
| Team Member | Laura Gassman | DHS | IM II Worker, Dubuque County |
| Team Member | Cindy Isaacson | DHS | IM supervisor 1, Pottawattamie County |
| Team Member | Bob Krebs | DHS | EO2, Kaizen project manager |
| Team Member | Jennifer McKinzie | DHS | IM II Worker, Scott County |

Team

| | Name | Company | Function |
|-------------|--------------------------|------------|------------------------------------|
| Team Member | Kate Sampson | DHS | MA 3, Contracting Review |
| Team Member | Rosemarie Sherer | DHS | IMW 6 FIP program manager |
| Team Member | Valerie Smithberg | DHS | IM II Worker, Monroe County |
| Team Member | Dan Walsted | DHS | ITS 3, Diversion System |
| Team Member | Jeanette Wiig | DHS | Fiscal Management PSE 3 |
| Sponsor | Ann Wiebers | DHS | Division Administrator |
| Consultant | Bob McElroy | TBM | Facilitator |

Project Scope

Scope:

This event will focus on the FIP Diversion process from the initial application receipt until payment is mailed to the vendor.

Kaizen Objectives:

1. Training for staff on the new FIP Diversion process
2. Getting payments out to the vendors as quickly as possible
3. Simplifying the eligibility determination process
4. Minimizing the loss of job opportunities and improve vendor relations
5. Increasing the number of people/counties participating in FIP Division
6. Maintaining full compliance with state and federal requirements

Goals

1. Lead Time

- Reduce lead time from the current baseline of 86 days to 33 days or less

2. Process

- Reduce, by 35-50% the number of
 - o Process steps
 - o Decision points
 - o Handoffs
 - o Non-value added activities
 - o Cycle-time
- Increase the number of value added process components
- Get the program back on track by spending up to 89.4% of the available budget
- Create a transition plan by April, 2005

Goals

3. Quality

- Provide training to field staff by August, 2005
- Increase participation to all eight service areas
- Keep appeals to a minimum
- Meet all state and federal rules and regulations
- Reduce the customers reliance on the FIP program

Process Flow Map – Current State

Please refer to chart on wall

Kaizen Improvements

Sample of 42 original process improvement ideas:

| # | Process Improvement (PI) Idea | Business Impact | Ease of Implementation |
|----|---|-----------------|------------------------|
| 1 | Allow Faxed Invoices | 7 | 10 |
| 2 | Ask for Be Granted waivers on Contracting Issues | | |
| 3 | Allow (authorize) PM to make entries directly into I-3 | 8 | 3 |
| 4 | Train workers on policy & Procedures | 10 | 3 |
| 5 | Implement Diversion System (intranet & web based) | 10 | 5 |
| 6 | Master checklist of all info.; Req'd (to be forwarded to client prior to the interview) | 7 | 2 |
| 7 | Client self-declaration of eligibility. | AD/Rules | |
| 8 | Give eligibility responsibilities back local offices, (tracking, etc.); ID every step that would be transferred | 4 | 7 |
| 9 | Have fiscal agents @ the local level – Possible contracts Area | Parking Lot | |
| 10 | Set Up appt. with customer by phone | | |
| | | 6 | 1 |

Kaizen Improvements

Sample of 42 original process improvement ideas:

| # | Process Improvement (PI) Idea | Business Impact | Ease of Implementation |
|----|--|-----------------|------------------------|
| 31 | Reduce paper IM processes to reduce “Stores”. | 2 | 5 |
| 32 | On-line application process. | 7 | 10 |
| 33 | Replace Siri’s reports/tracking with I3 reports. | 10 | 1 |
| 34 | IM access to I3 view only | 10 | 1 |
| 35 | Change warrant writing process to end up in the mailroom. | 1 | 10 |
| 36 | Establish service area contingency fund and have LO maintain invoices until additional funds are needed. | | |
| 37 | Eliminate FIP diversion. | 10 | 1 |
| 38 | Eliminate 1 or more reviews (Program Mgr., claims processor & pre-audit) | See # 3 | |

Kaizen Considered Options

The team focused their efforts throughout the week on reviewing and analyzing the following the Go-Forward plans for the 4 options listed below:

- A. Improved FIP Diversion Process
- B. Improved FIP Diversion Process using Fiscal Agents
- C. Improved FIP Diversion Process using client pay
- D. Eliminate FIP Diversion

Kaizen Considered Options

Based upon the results of the kaizen week, the team recommends taking the following actions:

- Priority # 1: Eliminate FIP Diversion
- Priority # 2: Improve FIP Diversion Process using Fiscal Agents

Priority # 1: Eliminate FIP Diversion

Considerations that led to elimination decision

FIP Diversion Statistics

Over the lifetime of the project --

- The department approved 1,233 cases and made 1,717 payments.
- The recidivism rate is 13% (87% have not come into the FIP program after their period of ineligibility.)

Since statewide implementation:

From March 2004 when the statewide program began, through March 2005:

- 17 counties have approved cases.
- Woodbury approved 68 (over 64%) payments with the remaining 39 coming from 16 counties – only about 2 per county.
- Workers have approved 95 cases resulting in 107 payments.
- The average number of days from application to payment issued is 86.
- Of the \$1.2 million FIP Diversion budget, expenditures in:
 - SFY 2004 is 3% (\$43K) of the total amount budgeted.
 - SFY 2005 is 10% (\$103K) of the total amount budget.

Potential Return on Investment

FIP Diversion Allotment For Fiscal 2005 = \$1,280,467

Maximum FIP diversion Payment per case = \$2,000

of cases statewide at max pay = 572

of cases per Service Area at max pay = 71

Current FY Payment per case = \$1,723

of cases statewide at Current FY pay = 664

of cases per SA at Current FY pay = 83

Barriers To Achieve Potential

If the FIP diversion program continues, considerations are:

| Fiscal Agent | Client-Pay | Updated Process |
|--|--|--|
| Maintaining and expanding the FIP diversion program could negatively impact processing times and error rates for other department programs | Maintaining and expanding the FIP diversion program could negatively impact processing times and error rates for other department programs | Maintaining and expanding the FIP diversion program could negatively impact processing times and error rates for other department programs |
| Time to process a FIP diversion application is 2.4 hours (from application to payment). | Process time is shorter | Process time is longer |
| There will be a backlog on case processing while IM staff are testing and training. | There will be backlog on case processing while IM staff are testing and training | There will be a backlog on case processing while IM staff are testing and training |
| Fiscal Agent fee is \$57,237 (5% of program dollars) | No additional fiscal costs | IM workers are not familiar with the contract rules, the development of competitive bids and contracts, and the waiver process. |

Barriers To Achieve Potential

The department must:

- Finalize the development and implementation of the FIP diversion system.
- Update rules, manual, and forms
- Refine baselines, outcomes, and performance measures for results-based accountability
- Develop and provide training to IM, Clerical, SPIRS and training academy
- Market FIP diversion and educate staff
- Provide outreach to vendors and other agencies.
- Add a FIP diversion module to InfoShare.

Competing Demands

Since Diversion began in 1998, IM caseloads have increased 62%, from 266 to 432.

- Successful outreach efforts (FA, Medicaid) and program policies (Simplified Reporting) continue to “grow” caseloads
- Turnover rate causes repetitive short-term increases in caseload size. (New workers need time to learn the programs they administer.)

In the near future, Medicare Part D is likely to add considerable numbers to IM workloads.

- During this time the complexity of IM work has increased.
- IM assumed responsibility for the Child Care Assistance Program
- Existing programs had tasks added to them (i.e. FIP hardship, FIA before FIP)
- These additional tasks require staff to learn and operate additional management information systems (i.e. PJ Case, Eligibility Tracking System)

Competing Demands

These increases have created some negative consequences relative to the quality of service provided to our customers. To illustrate:

Iowa's average FA processing time is longer than federal tolerance

- State Corrective Action Plan (re-work)
- Our customers don't get benefits as quickly as we want (poor customer service)

Iowa's completion of overpayment claims has dropped drastically

- State Corrective Action Plan (re-work)
- Revenue is not being generated (negative fiscal implications)

Iowa's FA Accuracy has flat-lined at the same time that the National average has achieved or exceeded Iowa's level

- Service Area Corrective Action Plans and Payment Accuracy Charters (re-work)
- Some customers are not receiving correct benefits (poor customer service, re-work)

FIP Diversion Elimination Summary

1. Cost
2. Maximum # served
3. Refocus staff time on core programs
4. Re-direct funds

Alternative Use of Funds

- Transfer funds to FSSG
- Increase IWD and FaDSS funding
- Increase the FIP earned income deductions
- Pay for eliminating retrospective budgeting/monthly reporting and go with prospective budgeting for FIP
- System enhancements for TANF reauthorization data reporting requirements
- Process enhancements and system enhancements relative to eligibility determination

Priority # 2: Improve FIP Diversion Process using Fiscal Agents

Recommended Updates to Procedures

| Current | Proposed |
|--|---|
| Application Received | Application Received |
| Interview | Interview |
| Eligibility Determination | Eligibility Determination |
| Obtain W-9 from Vendor | Invoice to Fiscal Agent |
| Establish Vendor in I/3 | Fiscal Issue Payment to Vendor |
| Invoice to Program Manager for Review | DHS Reimburses Fiscal Agent Monthly |
| Claim Submitted to Payments & Receipts | Contract compliance oversight by central office |
| Claim Entered & Approved in I/3 | Monthly Reconciliation of FA Account |
| Claim Sent to DAS-SAE | |
| Warrant Issued to Vendor | |

Improved Process w/ Fiscal Agent Modifications

Please refer to chart on wall

Single Fiscal Agent Procurement

1. RFP Development – by May 2, 2005
2. Issue RFP – May 4, 2005
3. Contract Awarded – June 6, 2005
4. Contract Effective Date – July 1, 2005

Updates to Systems, Rules, and Manual

1. Review & update Chapter 47 of the Administrative Rules and the Policy Manual to reflect payments made by DHS to a fiscal agent who issues individual vendor payments in accordance with the terms of the contract.
2. Update diversion system to enhance worker ability to enter vendor identification information.
3. Back out system enhancements already initiated under current service request as not needed if fiscal agent process is implemented.

Training Updates

Review and update training material to include use of fiscal agent contract:

Training Development

- FIP Diversion Program Overview
- Policies & Procedures Overview
- FIP Eligibility – Financial & General
- FIP Diversion System
- Vendor Recruitment
- Program Marketing
- Appeal Process
- Protocols with Fiscal Agent
 - Authorization
 - Approval
 - Invoice submission
 - Reconciliations
 - Conflict resolution

Who is Trained & By When

- IM Staff - August 31, 2005
- Clerical Staff – August 31, 2005
- Program/Contract Mgr – July 1, 2005
- SPIRS – August 31, 2005
- Training Academy – August 31, 2005
- Fiscal Agent – July 15, 2005

Time Involved

Development: 6 Weeks

Delivery: 2-4 Hours/FTE

(estimated to be @ 600 Staff)

Advantages of Fiscal Agent

- Standard process for entire State
- Quicker payment to vendor benefits client
- Equal access of funds among all counties
- Reduces workload for field & central office staff

Impact of using a Fiscal Agent

- Fiscal Agent Administrative Fee could range from 4-10% of budget expended
- Contract Compliance Oversight by Central Office
- Monthly Reconciliation of FA Account

Pending Issues

- Clarification of whether competitive procurement of goods and requirements to contract for services are applicable to fiscal agent. If so, reconsider whether fiscal agent contract is a reasonable approach.
- Clarification of whether fiscal agent may issue payment from fax copy of invoice from vendor

Baseline vs. Future State Metrics

State of Iowa -- Department of Human Services

Business Process Kaizen (BPK)

FIP Diversion: Baseline vs. Future State Metrics

3/18/2005

| Metric | Before Kaizen | Kaizen Objective | Actual Achievement | Improvement | Imp. % |
|---|------------------|---------------------|-----------------------|-------------|--------|
| <u>Process Steps:</u> | | | | | |
| Value-Added (VA) Steps | 11 | | 3 | 8 | 72.7% |
| Non Value-Added (NVA) Steps | 33 | 35 - 50% | 4 | 29 | 87.9% |
| Necessary Non Value-Added (NNVA) Steps | 46 | | 18 | 28 | 60.9% |
| Total Steps | 90 | 35 - 50% | 25 | 65 | 72.2% |
| VA / Total % | 12.2% | | 12.0% | -0.2% | -- |
| VA / NVA % | 33.3% | | 75.0% | 41.7% | -- |
| Handoffs | 33 | 35 - 50% | 6 | 27 | 81.8% |
| Decision Points | 12 | 35 - 50% | 3 | 9 | 75.0% |
| Estimated Cycle Time (Days) per Diversion Case | n/a | 35 - 50% | 0.25 | -- | -- |
| # of Delays | 10 | | 5 | 5 | 50.0% |
| Estimated Delay Time (Days) | 57.0 | | 23.0 | 34.0 | 59.6% |
| Lead Time (Days) | 86.0 | -61.6% | 23.25 | 62.75 | 73.0% |

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- Closing Comments
 - Questions?