Two Billion Dollars in Cost Savings
Using Technology to Save Taxpayer Money and Improve Government Services

Information technology has transformed the operations of companies and governments. Today, technology and innovations are growing exponentially. Often, government is slower to embrace change and realize cost savings, improvements and resource reallocations. More than ever, government needs to move quickly to adopt and develop immediate and long-term cost-saving measures.

Pennsylvania government expenditures are in excess of $90 billion per year in the aggregate. For example, the state's General Fund budget is $27 billion, K-12 education costs over $23 billion and the remainder of government – townships, towns, boroughs, counties, and authorities – spend over $40 billion. Oftentimes, cost-saving suggestions are focused only on the $27 billion state General Fund budget, when the bigger picture, and potential for greater savings, reside in other levels of government.

We believe a comprehensive review and benchmarking of all state government spending should be commenced immediately! These efforts should be focused on meaningful ideas to identify cost-saving opportunities. Then, saving opportunities that are identified should be prioritized. Priority savings projects should be undertaken by a dedicated team, the documented savings should be reported, and the actual earned savings should be reduced in budgets to record the actual savings to taxpayers.

Companies, large and small face severe pressure to improve services while reducing costs. They are forced to transform. Accordingly, most mid-size to large companies have an office dedicated to continuous improvement. Additionally, many use practices like "Balanced Scorecard" or "Lean Six Sigma" to strive to effect continuous improvement in operations and reduce time, resource utilization and costs.

Establish an Office for Continuous Improvement: We support the establishment of an independent, non-partisan, non-gubernatorial agency, with staggered appointment cycles to span gubernatorial administrations, charged with improving government operations, services and transparency. We suggest an Office for Continuous Improvement in Government Services. This office should (1) promote its activities, raise awareness of its mission, seek employee ideas and feedback, and communicate its goals and objectives, (2) benchmark government operations intra-state and externally against other governments , (3) identify and prioritize cost-saving opportunities identified by the foregoing, (4) deploy project teams to realize the identified savings, (5) document the savings independently and through offices like the Office of the Comptroller, (6) report the documented savings, and (7) ensure that documented and reported savings reduce budgets to actually achieve the cost savings to the benefit of taxpayers.

Based on our review of other states, such an office with a modest budget allocation can produce significant savings. Other states develop a framework to promote cost savings. Below is a framework for how it will work in Pennsylvania.

A. There are two kinds of budget impacts from cost savings
   1. Regular recurring, monthly and/or operational savings.
   2. Once and done savings.

B. There are four categories of conditions for implementing cost savings
   1. Savings that can be implemented immediately with no budget or legislative action required.

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2. Savings that require a budget allocation or funding stream in order to be achieved.
3. Savings that require legislation, legislative action, and/or governor authorization.
4. Savings that require both budget/funding and legislative action.

C. We further categorize these savings as to the time-frame of their budget impact:
1. Immediate in this year's state budget, FY 2010-2011.
2. FY 2011-FY-2012.
3. Greater than two years.

For example, our ad-hoc, volunteer group quickly identified more than $2 billion in immediate, recurring savings that can impact the immediate state budget, (A-1, B-1, C-1 savings) from published House and Senate reports.

A. $1.0 billion – Using technology to merge the hundreds of employment benefits trust funds in school districts and other government entities under the umbrella of the Pennsylvania Employee Benefit Trust Fund.
B. $550 million – Using technology to manage the two largest state pensions, PSERS and SERS via the index fund/passive management style of fund management popularized by the Pennsylvania-based Vanguard Group.
C. $500 million – Using technology to merge the thousands of local government pension funds under the umbrella of SERS.
D. $25 million – Using technology to better manage the state fleet of vehicles – Many states has outsourced this management with great savings to the state, each from the use of technology.

Our group also identified numerous other cost-saving opportunities that have been proposed by companies, industries or government reports, and/or from actions in other states.

A. $40-100 million – From enhanced Medicaid eligibility screening and benefit determination.
B. $25-50 million – From Medicaid waiver administrative service support.
C. $25-50 million – From home and community-based services, time and attendance.
D. $25-100 million – From enhanced automated pharmacy preauthorization.
E. $25-50 million – From enhanced tobacco and cigarette tracking.
F. $5-25 million – From healthcare dependent eligibility audits.
G. $5-25 million – From automating the review of wireless phone usage and cost savings.

Footnotes from Other States (the information below is quoted from the referenced state, as applicable):

Minnesota - "Drive to Excellence."

* As a result of Lean, the Department of Health now processes requests for birth certificates - which are necessary for adoptions and passport applications - in just 7.5 hours, compared to the nearly six days it used to take. And the Department of Veterans Affairs is processing subsistence applications for the State Soldiers' Assistance Program in 3.7 days on average, compared to the previous 7.5 days.

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*   A 72 percent reduction in the time required to process quarterly reports for claiming federal funds on designated health care programs administered by the Department of Human Services, accomplished through automating a cumbersome and time-consuming manual process.

*   A 44 percent reduction in state employee workers' compensation claims processing in the Department of Administration by standardizing work processes. A 25 percent reduction in grants processing lead-time at the Department of Public Safety through the elimination of redundant tasks and duplication of effort, which is also resulting in re-tasking staff for program-specific work.

*   To date, the Drive team has already completed four of 13 initial projects, including consolidating building codes among all buildings in the state, streamlining the IT system across the agencies and creating a Web site dedicated to Minnesota's disability programs (www. mndisability.gov).

*   A standardized process for purchasing laptop and desktop computers has already saved the state $110 million. By buying in bulk, Badgerow's team negotiated discounts of as much as 44 percent over the prices previously paid by the state. State agencies saved upward of $50 million more through additional vendor negotiations. In fact, the Secretary of State's office achieved $1 million in savings on the purchase of disability-enabled voting machines alone.

*   K-12 public school districts are also taking advantage of the state's bulk-rate purchasing. Badgerow says the savings on computers and other school district purchases have been enough to retain teachers that might otherwise have been let go.

*   A Department of Transportation sought to reduce by 50 percent the time it takes to process design exceptions. Over the last seven years, DOT has received an average of 17 projects with design exceptions each year. With newly established response time guidelines, enhanced training and a streamlined review process, the new process will be 85 percent faster and rely on less paper.

Florida

*   Team reduced the time to obtain a permit for construction from 21 days to eight days.

*   Time required to hire a firefighter went from 66 days to 30 days.

*   Lot mowing time was reduced from 52 days to 19 days to mow the grass once and send a notice of violation to the property owner.

*   The cycle time for first reviews in Site Plan Development initially decreased to five days from 28 days. The time currently is eight days." (Reference)

Iowa

*   "Iowa Department of Natural Resources (DNR) reduced the average time to issue standard air quality construction permits from 62 days to 6 days (an 90 percent reduction), and they eliminated 70 percent of the process steps (from 23 to 7 steps). A backlog of nearly 600 permits was cut in half in the first three months after the process improvements were implemented."

*   "Iowa DNR streamlined the corrective action process activities in the Leaking Underground Storage Tank (LUST) program, reducing the number of decisions by 80 percent and the total number of process steps from 43 to 26 (a 40 percent reduction). This dropped the average decision-making timeframe in the program from 38 months to 3 months."

Vermont

*   Create more efficient administrative processes and oversight requirements at the State and provider level.
*   Eliminate duplicative business processes, program monitoring and fiscal and data reporting requirements and thus reduce implementation costs.
*   Improve student learning and growth (graduation rates) while spending less on administration.
*   Establish on-line mechanisms that encourage schools to purchase from statewide commodity contracts (paper, supplies, etc.).
*   Increase e-procurement for schools.
*   Pre-qualify vendors across the state.

South Carolina

*   State Fleet Management's vehicle acquisition bid process should be revised to ensure the lowest price – including rebates – is available throughout the entire year. Savings of $2,000,000 per year!
*   State Fleet Maintenance should pay all Commercial Vehicle Repair Program vendors through a credit card rather than process each invoice and pay by check. $120,000/yr
*   For certain therapeutic classes of prescription drugs, move participants from non-preferred drugs to clinically equivalent generic or preferred drugs. $16,400,000/yr

Other states are reviewing cost-saving opportunities as follows:

- Health Insurance for State Employees
- Developing and leveraging Shared services
- Reducing Corrections Systems Costs
- Purchasing and Strategic Sourcing
- Value stream mapping of permitting processes