



**THE
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Government Cost Savings Commission

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Famous & Relevant Quotations





‘Insanity: doing the same thing over and over again
and expecting different results.’

- Albert Einstein

‘ In God we trust, all others bring data.’

- W. Edward Deming

Private v. Public Sector

- Private Sector
 - Profit 
 - Competition 
 - Continuous Improvement Programs (TQM, Six Sigma etc.)
- Government
 - Periodic economic cycles 
 - Budget shortfalls 
 - (surpluses too!)
 - Efficiency spasms
 - (inefficiency spasms too!)
- Everything doesn't translate completely
- But there are analogs – being Data Driven is key

Drowning in data but starving for information.



"Looks like you've got all the data – what's the holdup?"

CWoPA Government Efficiency

- Pennsylvania General Fund Expenditures 1980 – 2009
 - Grew from \$6.8B to \$28.2B
 - PA Gov't spending outpaced inflation by 2.33X
 - PA Executive Branch State employment shrank from 90,000 To 80,000*
 - Spending per employee went from \$76,000 to \$325,000
 - Is this the way to measure efficiency in government?
 - Or is it spending per resident?
 - \$576 in 1980 v. \$2,256 in 2009
 - But what is the value delivered for the \$28.2B?
- *Total employment in all branches is nearly unchanged, GAWFR

Core Ideas

- An organization must determine its core mission, its 'raison d'être' and its skills (and stick to that arena) - Jim Collins
- An organization must become fact based and data driven – Davenport and Harris (Collins Chapter 4 as well)
- A government organization must close the performance loop by linking funding to performance as measured in outcomes - Cokins

The Solution

- Government must begin to work the problem at both ends of the spectrum. Strategic processes must be put in place for the long term and tactical efforts made to close the gap in the meantime.
 - Strategic Processes would be Continuous Improvement, Activity Based Management and Performance Based Budgeting
 - The CIP process needs to be outside the political cycle
 - Tactical efforts would be an Enterprise Analytics Competency Center (EACC) focused on applying analytics to all agency and program activity.
 - An example would be Fraud and Evasion analysis in DOR, DPW and L&I

Analytics Answers Questions

- Strategic Questions
 - Are we doing the right things?
 - Are we doing the right things well?
 - What does it cost to deliver this service?

- Tactical Questions
 - Where is there fraud or evasion?
 - How much revenue is lost due to evasion?
 - How much can we improve case worker efficiencies through better audit selection?

Strategic Efforts

- Continuous Improvement
 - Outside the political cycle
 - Performance Measurement/Management
 - Performance Based Budgeting
 - Activity Based Cost Management
- Advanced Analytics and Predictive Modeling

Strategic Methods

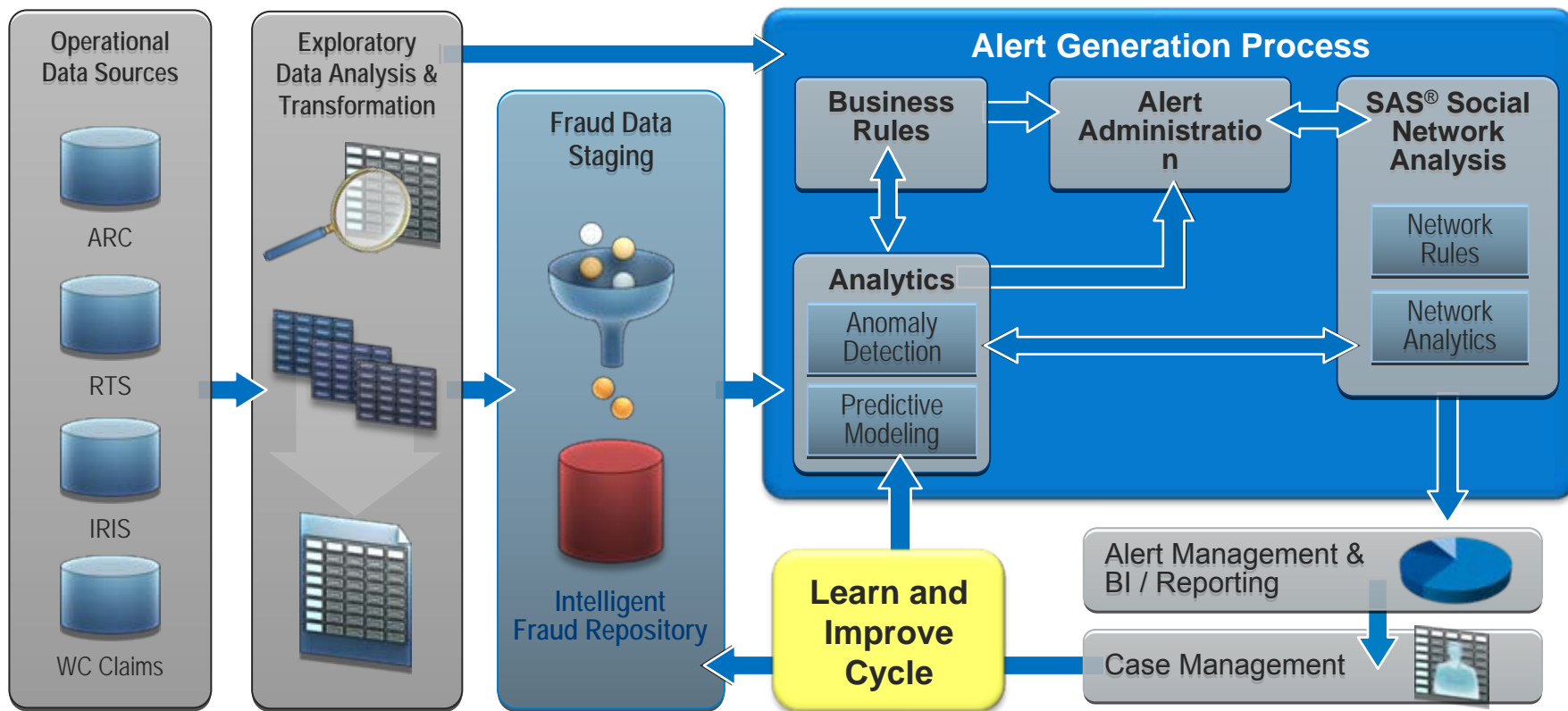
- Activity Based Cost/Management (ABC/M)
 - Determining actual 'cost to serve' of program
 - Merging and diverging agencies
 - Bottom up Zero Based Budgeting
- Balanced Scorecards & Performance Management
 - Determine true program performance against KPIs
 - Link Strategy to programs
- Performance Based Budgeting
 - Closes the loop between performance and funding
 - Perhaps limited with respect to mandatory spending

Tactical Efforts

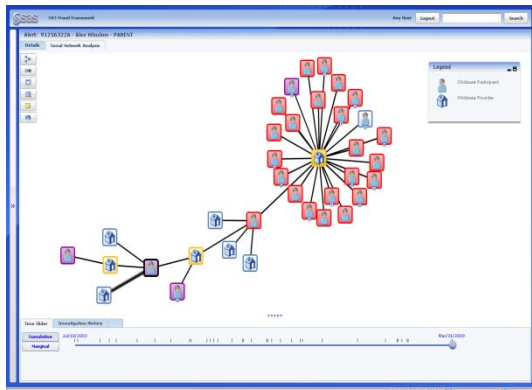
- Find and prioritize the biggest hard dollar targets
- Perform Advanced Analytics
 - Fraud and Evasion Analysis
 - Drives expenditure and revenue sides of the equation
 - Revenue examples would be under-reporting for Taxes, Unemployment Insurance, Worker's Comp
 - Expenditure examples would be fraudulent enrollment or participation in TANF or Medicaid or other benefit programs or provider fraud
 - Operational Analysis
 - Drives operating cost reductions
 - Example would be offender management or IT spend management
 - Audit selection for any audit process

SAS Fraud Framework

Process Flow



Case Study – County Department of Social Services



Business Problem

The Department of Social Services of a large US County was being hit by fraud, waste, and abuse across their **public assistance programs**. The County engaged SAS to pilot the **SAS Fraud Framework** to determine if the data analytics and visualization solution could assist in **proactively detecting both opportunistic and organized fraud** across providers and participants in the Childcare program.

SAS Approach

SAS subjected **6 years of historical data** to the predictive capabilities of the SAS Fraud Framework. Client investigators evaluated the solution results during a **3 week validation** period against 4 main categories: **Ease of analyst use, investigative efficiency, earlier fraud detection, and incremental fraud detection.**

Results

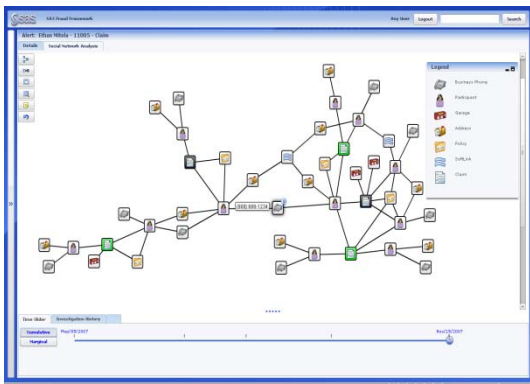
The pilot resulted in a business case and deployment roadmap for full implementation:

- **Investigative Efficiency: \$3.0M** (saved across 40 investigators)
- **Earlier Detection: \$1.6M** annually
- **Incremental Detection: \$26.5M** annually

Highlights

- 32 times increase in # fraud rings detected annually
- Incremental estimated save of \$31.1M annually
- 83% correct hit rate on provider fraud
- 40% correct hit rate on participant fraud
- 6 years of historical data from 5 data source systems

Case Study – Workers Compensation Insurer



Business Problem

A large US commercial insurer was incurring significant fraud losses across their lines of business. The insurer **engaged 3 vendors in a competitive pilot** to determine the solution that would provide the most lift over their current rules and models and enhance effectiveness of the triage and fraud investigation teams.

SAS Approach

SAS subjected **4 years of historical data** to the predictive capabilities of the SAS Fraud Framework. Client investigators evaluated the solution results during a **3 week validation** period to identify incremental fraud detection at the claim and network levels, reduction in false positives, and enhancements to investigative efficiency.

Results

The key client decisioning factors for vendor selection include:

- **Incremental Detection: \$10.9M annually** (for same number of investigations)
- **ADVANCED ANALYTICS**, allowing the appropriate **prioritization of investigator time** and **extraction of maximum value**. Using SAS advanced analytics, SAS performed **38% better** than all other vendors.
- **OPEN ARCHITECTURE**, allowing client to become self sufficient vs. other black box + services based approaches (self sufficiency can **result in significant annual savings on services costs.**)

Highlights

- Advanced analytics drove 38% better results than competition
 - 40% lift on claim referrals
 - 27% lift on network referrals
- Incremental estimated save of \$10.8M annually (for same # of annual investigations)
 - 61% lift over current process
 - 47% correct hit rate on claims
 - 67% correct hit rate on networks
- 100% of WC and GL claims processed (~\$16B claims)

Final Thought...

If you always do what you've always done, you will always get what you've always got.

- Anonymous (Breaking Down Barriers CWoPA IT Study)



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