

## Proposal

Section 9 of Public Act 09-02 creates the Commission on Enhancing Agency Outcomes and charges it to

identify functional overlaps and other redundancies among state agencies and promote efficiency and accountability in state government by identifying ways to eliminate such overlaps and redundancies and by making such other recommendations as the commission deems appropriate, with the goal of reducing costs to the state and enhancing the quality and accessibility of state services.

This document proposes, as a starting point, that the Commission undertake the following:

**1. To best “enhance agency outcomes,” there is first a need to determine what overarching priority outcomes the state wants to achieve, as David Osborne and Peter Hutchinson suggest in The Price of Government<sup>1</sup>. So the first task of this Commission is to identify, at least tentatively, what the State’s ten priority outcomes should be.**

Other states and public agencies have determined what such outcomes should be within their jurisdictions. We could use what they have done as benchmarks to guide our deliberations in Connecticut.

For example, the ten priority outcomes of the State of Washington included improvements in:

- Student achievement in elementary, middle, and high schools,
- The quality and productivity of the workforce,
- The value of a state college or university education,
- The health of Washington’s citizens,
- The security of Washington’s vulnerable children and adults,
- The vitality of businesses and individuals,
- Statewide mobility of people, goods, information, and energy,
- The safety of people and property,
- The quality of Washington’s priceless resources, and
- Cultural and recreational opportunities<sup>2</sup>.

Other jurisdictions, such as Oakland, California, Multnomah County, Oregon, Prince William County, Virginia, and the Broward County School District in Florida, could also serve as models in this process.<sup>3</sup>

**Because it is essential that the Chief Executive “own” the goals<sup>4</sup>, ask Governor Rell to participate in this process.**

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<sup>1</sup> (Please observe that where I have referred to ideas from Osborne and Hutchinson, I have frequently used their language directly – without any quotation marks. Those ideas are theirs, not mine.)

<sup>2</sup> The Price of Government, page 8.

<sup>3</sup> See The Price of Government, pages 67-70.

<sup>4</sup> See The Price of Government, page 71.

**2. Consider consolidating the “steering” function for (A) health care, (B) education and training , (C) integration of institutionalized persons back into society, (D) support for innovation and entrepreneurs, (E) housing, and (F) energy.**

(Start with these areas, and use successes to model extension of consolidation to other areas.)

Consideration of this agenda item may be guided by chapter 5 (“Consolidation”) of The Price of Government, by David Osborne and Peter Hutchinson, in which the authors recommend **consolidating the “steering” function, not merging whole agencies**. (As David Osborne noted in his discussion with legislators on February 2<sup>nd</sup>, merging forty-some agencies into the Department of Homeland Security was not exactly a success.) In their view, “steering” – setting policy and direction – focuses on doing the right thing.<sup>5</sup> “Rowing” – service delivery and compliance operations – focuses on doing things right. The best option, according to Osborne and Hutchinson, is to consolidate funding streams and steering authority, but not the organizations that do the actual rowing. Using consolidated funding streams, steering organizations can purchase results from any rowing organization (provider) they consider best equipped to provide them. The benefits: more effective steering and more competitive service delivery.

- It keeps policymakers from getting sucked into the minutiae of operations.
- It minimizes micromanagement
- It frees leaders from much of their political captivity to service providers.
- It makes accountability for performance real.
- It gives leaders more flexibility to meet customers’ very different needs.
- It can encourage “rowing” organizations to cooperate and “consolidate from below” in order to increase efficiency and effectiveness.

**3. Consider asking the Governor and the Commissioner of the Department of Children and Families to work with the court monitor to revamp departmental actions to improve outcomes for children.**

The goal would be to enhance community intervention programs that support and preserve families, keeping children at home when safe. Benefits: Outcomes for the well-being of individual children and families are enhanced, and cost savings result from reducing unnecessary removal from homes and reducing the need for residential facilities. Dollars would be invested in prevention and intervention, rather than subsequent reaction.

**4. Develop a mechanism to purchase goods and services competitively – avoiding “sole source” renewals. Especially move toward competitive contracting for human services, rather than simply renewing existing contracts when they expire. Extend the mandate for competitive contracting (or “managed competition”) to service providers internal to government, as well as external.**

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<sup>5</sup> The language in this paragraph and subsequent bullets is taken nearly verbatim from Osborne and Hutchinson, without using quotation marks.

Again, Osborne and Hutchinson provide guidance: in chapter 7 (“Buying Services Competitively”).

As they put it, “Nobody who doesn’t own one thinks monopoly is good for business. Why should it be any different in the public sector?” Managed competition does not necessarily involve outsourcing; by establishing a benchmark or “mock bid,” a jurisdiction can require a department or a section to compete to match the value.<sup>6</sup> If the bid is competitive, then the best features of private contracting – competition and a performance contract with detailed goals, incentives for exceptional performance, and penalties for unsatisfactory work – can be combined with the best features of the public sector: retention of control over publicly funded services, accounting transparency, tax-exempt financing, and no conflict between the profit motive and the public good. Competition is demanding and time-consuming: those overseeing the process must have the expertise to define what they want done and the results they want to produce. Note that Osborne and Hutchinson believe that competition should not normally be used in policy and regulatory functions. And for functions involving state-sanctioned violence, those that must protect due process rights, those that handle sensitive security and privacy issues, and those that require absolutely fair and equal treatment, competition should be restricted to public agencies. But its potential is great in service and compliance functions.

#### Competition

- Provides more bang for the buck by avoiding the stultifying effects of monopoly
- Forces services to respond to the needs of their customers
- Rewards innovation
- Boosts morale (provided it is done in a way that is fair and shows respect for everyone – Osborne and Hutchinson recommend that there be a no-layoff policy, with a menu of options for employees whose jobs are eliminated)
- Helps boost public faith in government
- Improves quality

### **5. Explore contracting for standard information technology services.**

An anonymous source has provided a detailed analysis of the potential for savings if all state agencies migrated “to a specific set of serviced productivity software and leased technology platforms.”

The author of this analysis believes that as much as \$25 million annually could be saved by this approach. According to the author,

“Technology costs can be reduced by startling percentages, if the State of Connecticut would step out of its current technology model, and instead follow the lead of many other entities, both public and private: contracted services, where appropriate. Ten years ago, in order to make contracting

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<sup>6</sup> Again, the language in this paragraph and subsequent bullets is taken nearly verbatim from Osborne and Hutchinson, without using quotation marks.

cost effective, all technology functions had to be ruthlessly, and impractically, combined. With today's technologies, the concepts of software as a service and leased technology can be effectively leveraged across an enterprise both quickly and with cost savings as high as 98% in some platforms. This approach proposes that the Agencies, both Executive and in all branches of government, independently migrate to a specific set of serviced productivity software and leased technology platforms.

"It further proposes that the Executive branch integrated network be dissolved, in order to provide less costly networking and to provide redundant access points to critical technology. The DOIT network requires that no aligned Agency may have its own Internet connection, as well as no connection to other Agencies or third party collaborators except through its DOIT connection. Thus, if the connection to DOIT is lost, the Agency cannot perform any financial or administrative functions until the connection is restored. A little known fact of networking is that even establishing a second data path to DOIT will not provide redundant access, since any line between the same two points will travel over the same wire if provided by the same standard provider. Thus, Agencies that are trying to provide Disaster Recovery by establishing multiple lines into DOIT, are simply wasting the State's money. If the Statewide network is dissolved in favor of independent Agency networks with at least one Internet access, the larger Agencies in particular will be able to have multiple access paths to critical services for less money than the specific lines limited to DOIT access.

"Finally, this approach proposes the dissolution of the DOIT Agency, returning the Technology Managers to the Agencies that fund those positions, in order to encourage a greater care with their Agency's priorities and budgets. The DOIT executive structure costs the State almost half a million in PS dollars and benefits, which will not be required if this approach is adopted. The productivity software services such as Exchange, still require Agency administrators, in addition to supporting DOIT administrators. The network services require expensive, direct lines to DOIT, instead of less expensive, multiple access points onto the Internet. Again, the Agencies must still maintain Communications staff, network monitoring and security teams, while supporting a redundant management level at DOIT. The Information Technology management should be integrated into the Department of Administrative Services, under 1 new DAS Deputy Commissioner."

Examples of annual potential savings under this approach include:

- Contracted professional services for Microsoft Exchange: \$2.4 million
- Contracted file sharing services: \$6.3 million
- Contracted Oracle database applications: \$7.0 million
- Contracted SQL hosting: \$2.7 million
- Contracted Internet access for agencies: \$1.65 million
- Contracted forms automation and processing: \$10 million

Although some experienced state IT managers have expressed some concerns about this approach, noting that complex functions/processes still require complex, skilled management, and that an enterprise should only outsource what it completely understands and manages at a high level today. The key to outsourcing is the expertise to precisely define outcomes desired. Knowledgeable oversight of IT would still be required.

All of this means that the potential for savings in this area should be carefully explored.

**6. Explore use of the Internet to allow customers to determine the time and place of receiving services from state agencies, and to use the generated data to make services more responsive.**

This would leverage the suggestion, in #5 above, to automate forms development and processing.

Osborne and Hutchinson also provide suggestions for exploring the possibilities of this agenda item, in Chapter 9 (“Smarter Customer Service: Putting Customers in the Driver’s Seat”)

As they observe,<sup>7</sup> when public organizations let their customers choose among service providers or among different modes of service delivery, they achieve much greater public satisfaction at less cost. When public organizations respond to citizen input about problems, within a set time frame, they achieve greater public satisfaction with greater efficiency. 311 service in Chicago, New York and Baltimore uses data to generate information about patterns of activity to which government can respond. And when public organizations let customers choose the times at which they can access government services, through call centers, the Internet and user-friendly websites, and permits customers to provide self-service, citizen satisfaction is improved, and costs decreased.

**7. Explore devoting the full amount of the dollars (approximately \$158 million) in the Energy Efficiency Fund and the Clean Energy Fund (and/or perhaps capitalizing future income flows into the funds) to pay for capital improvements (including combined heat and power) that reduce energy usage in state facilities and vehicles and in the facilities and vehicles of every municipality and organization that receives grants from the state which are used in part to pay for building and vehicle energy costs. Portions of the state’s energy costs, and portions of grants from the state to other entities could then be cut for application to deficit reduction.**

This approach was used previously in 1990 during a deficit year when state buildings were relamped with efficient bulbs and fixtures to save \$4 million in the first year. (PA 90-221)

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<sup>7</sup> Again, the language in this paragraph is taken nearly verbatim from Osborne and Hutchinson, without using quotation marks.

Using this approach, greenhouse gases would be reduced, real and sustainable green collar jobs would be created, and energy secure distributed generation would be enhanced.

In addition, as opposed to using the securitization of the future income flows as a “one-shot” revenue source to balance the 2011 General Fund, the Energy Efficiency Fund and Clean Energy Fund income would be used for the purposes intended.

## **8. Explore the creation of a State Energy Authority, analogous to the New York State Power Authority.**

At least one author has suggested that such an independent agency, with the authority to build and own power plants, and to purchase wholesale electricity so that the low price sets the market price, could reduce electric rates 20% -- benefiting not just the state government budget, but the budgets of municipalities and business and residential consumers.

## **9. Review and suggest appropriate implementation of the recent recommendations of the Pew Center on the States to reduce incarceration and improve public safety by strengthening community corrections systems.<sup>8</sup>**

The idea is not just to improve the outcome re-integrating an incarcerated person into productive society, but to improve the safety and security of the public. As Colorado Governor Bill Ritter has said, “Every time we keep a released inmate from re-offending, we keep an innocent person from becoming a victim, and we save taxpayer dollars.”<sup>9</sup>

The strategy for improving community intervention is to focus, wisely, on preventing crime. The framework to secure less crime at a lower cost, suggested by the Pew Center, is to:

- Sort offenders by risk to public safety (manage risk, not eliminate it)
- Base intervention programs on science (use existing research)
- Harness technology (electronic monitoring)
- Impose swift and certain sanctions (quick punishment if rules are violated)
- Create incentives for success (provide carrots for following the rules)
- Measure progress (e.g., by applying NYC’s Compstat program)

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<sup>8</sup> See Pew Center on the States, One in 31: The Long Reach of American Corrections, March, 2009, at [http://www.pewcenteronthestates.org/uploadedFiles/PSPP\\_1in31\\_report\\_FINAL\\_WEB\\_2-27-09.pdf](http://www.pewcenteronthestates.org/uploadedFiles/PSPP_1in31_report_FINAL_WEB_2-27-09.pdf) See also “Corrections: More Safety for Less Money,” Hartford Courant editorial, March 8, 2009; “Rising Number in Nation’s Prisons,” Hartford Courant, March 2, 2009; “Report: One in 31 in Prison, On Parole or Probation,” Hartford Courant, March 3, 2009.

<sup>9</sup> Quoted in One in 31, page 22.

A full, detailed, description of this framework is included in One in 31, pages 22-30.<sup>10</sup> Similar strategies have worked in the states of Georgia and Texas – not exactly bastions of liberalism when it comes to corrections.

Keeping a person in prison in Connecticut costs about \$89 a day.<sup>11</sup> On average, nationally, even intensive parole supervision costs less than \$25 per day, and the average daily cost of monitoring a person on probation and parole is about \$3.42 and \$7.47, respectively.<sup>12</sup> So moving a prison inmate into even intensive parole could save \$23,360 annually. Reducing the prison population by 1,000, making it possible to close at least one facility, could save \$23.36 million annually.

“Better performance in community corrections can cut crime and avert the need not only for new prisons but even for some we already have. And the accrued savings, if used to reinforce probation and parole, support early-intervention strategies, and shore up the high-stakes neighborhoods where prisoners come from and return to, can generate even further reductions in crime and incarceration.”<sup>13</sup>

Note that this item could also be tied closely to the provisions of Section 10 of P.A. 09-02, (asking the Commissioner of Corrections to examine earned credit and risk reduction programs in other states that grant sentence reduction credits based on good behavior and participation in work, educational, vocational, therapeutic or other programs while a person is incarcerated or being supervised in the community). More broadly, we should seek to secure recommendations from the Commissioner of Corrections to better use various programs, including supervised parole, earned-time incentives for early release, job training and drug treatment to enhance the re-entry of incarcerated persons who are completing their sentences, back into society.

#### **10. Analyze an alternative mechanism to construct a privately-owned and operated patient-care facility to serve the Medical School of the University of Connecticut.**

Authorize the creation of a private non-profit enterprise to own and operate a hospital that could be used as part of a collaborative among Hartford metro hospitals to provide clinical settings for doctors-in-training at the UConn School of Medicine.

The Board of Directors of this entity would be composed of representatives of the state, the University of Connecticut, and the various hospitals participating in a medical collaborative (such as Hartford Hospital, Bristol Hospital, St. Francis Hospital, and the Hospital of Central Connecticut). It could work with the UConn School of Medicine to provide opportunities for doctors-in-training. It could charge the Department of Corrections for providing inmate medical services. As a teaching hospital, it would likely be eligible for higher Medicaid rates than non-

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<sup>10</sup> And a detailed menu of policy options, including suggested language for legislation, executive orders or court rules is available at [www.pewcenteronthestates.org/publicsafety](http://www.pewcenteronthestates.org/publicsafety)

<sup>11</sup> See Editorial, “Corrections: More Safety for Less Money,” Hartford Courant, March 8, 2009.

<sup>12</sup> One in 31, pages 12-13.

<sup>13</sup> One in 31, page 31.

teaching hospitals. (And its collaborators in providing teaching opportunities might also be eligible for such higher rates.)

Like other non-profit hospitals in the State of Connecticut, this entity could borrow from investors, through the already-established procedures at CHEFA, to support the capital cost of constructing a new hospital. (Such borrowing would probably require a State Capital Reserve Fund (SCRF) to make the bonds saleable.) The bonds would be paid from patient revenues (just as revenues from student fees currently pay for bonds (also supported by a SCRF) issued by CHEFA for the Connecticut State University System to build student residence halls and other student support facilities – and just as revenues from patients currently pay for CHEFA bonds issued for other non-profit hospitals), so as not to burden state taxpayers with debt service costs.

After the existing contracts with employees of the UCHC expire, those employees if they chose could become employees of this new non-profit entity, with the same collective bargaining rights any employees of any organization possess.

**11. As a first step toward controlling health care costs – to benefit both the state’s Medicaid budget and the costs charged to individual consumers – recommend the creation of a statewide, interoperable electronic health records system.**

This is one recommendation in a series of items included in David Osborne’s “Memo to the New President: Reinventing Health Care – The Role of the States,” January 15, 2009.<sup>14</sup> Some incentives for accomplishing this objective are included in the recently passed federal stimulus bill.

According to Osborne, such an EHR system is used by the Veterans’ Health Administration.

“The system costs the VHA \$78 per patient per year: less than the cost of repeating a single lab test. It has saved billions of dollars while dramatically improving quality. Errors on prescriptions – which are bar coded, not handwritten – fell from the national average of 5 percent to a fraction of 1 percent. Study after study has concluded that the VHA’s quality of care is superior to private-sector care. Not surprisingly, customer satisfaction has soared: on surveys using the American Customer Satisfaction Index, the VHA outscores private health-care providers. EHR is not the only reform responsible for these improvements, but it has had a huge impact.”

“And believe it or not, the VHA’s software is available to anyone who wants it, free of charge.”<sup>15</sup>

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<sup>14</sup> Available at [www.psg.us](http://www.psg.us) Direct reference is: <http://www.ppionline.org/ndol/print.cfm?contentid=254877>

<sup>15</sup> See “Memo to the New President: Reinventing Health Care”, January 15, 2009, on page 12 of the printed version, available at the website of the Public Strategies Group, specifically at: <http://www.ppionline.org/ndol/print.cfm?contentid=254877>



Can't beat that price for cost-effectiveness.

## **12. Explore and recommend agency adoption of tools from industry to make work processes smarter.**

See Part IV of The Price of Government: “Smarter Management: Reforming How Government Works on the Inside to Improve its Performance on the Outside.”<sup>16</sup>

Osborne and Hutchinson say that the key to more effective management, in government as well as in business, is to let managers manage. Untie their hands. Give them clear missions and real authority, hold them accountable for results, but free them from the constraints of hidebound rules.

While preserving the norms of fairness, equity, lowest cost and decisions based on merit, Osborne and Hutchinson say, new modes of achieving these norms are necessary. When old systems demonstrably create greater costs than value, they should be changed so that they no longer make good management impossible.

For example, in budgeting, instead of “lapsing year-end savings” and forced lapses and rigid line-item budgets, permit agencies to share in savings to use to meet statewide priorities, and give them flexibility to move money within the funding stream to meet changing circumstances.

In purchasing, permit managers to purchase goods on their own, up to a set dollar limit, using purchase cards; substitute “best value” (measured by total cost of ownership over the life of a product) for “lowest cost” as a criterion for purchasing; simplify and automate the purchasing of commodities, and recognize the increasing number of goods so designated; enhance competition on price for commodities; create an e-commerce infrastructure, using electronic bidding, reverse auctions, and electronic funds transfer; and use RFPs to buy results, not just to meet specifications.

With respect to personnel, give managers the freedom to manage their people, by decentralizing and streamlining the decisions to hire, fire and promote, coupled with accountability for results, and using human resources agencies for advice and support; shift to broad job classifications, together with a broadband pay system; link compensation and promotion to objective performance evaluations; and invest in building the skills and capacities of employees.

In accounting, recognize that the core purpose of accounting should be to provide information for decision-making to achieve results, not to create a cumbersome process of multiple steps and checks.

And auditing should increasingly be performance auditing, to improve program operations, and facilitate decision-making to achieve desired results; to help managers figure out what to measure, and how to measure it, to achieve results; to enhance competitive procurement with integrity; to be a source of expertise on best

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<sup>16</sup> Again, the language in the subsequent paragraphs is taken nearly verbatim from Osborne and Hutchinson, without using quotation marks.

practices; and to manage risks, targeting the most significant areas of potential problems.

Finally, use productivity tools developed by corporate America to redesign the way work gets done: especially, empower small teams of employees to make continual improvements in their work processes.

**13. Encourage state employees, employee bargaining agents, business, and members of the general public to submit other ideas for recommendations to reduce costs to the state and enhance the quality and accessibility of state services.**

Finally, as the Commission begins its work, it should review “Crisis as Opportunity,” by David Osborne, Beverly Stein, and Jim Chrisinger, on the website of the Public Strategies Group, specifically at:  
<http://www.psg.us/resources/crisisasopportunity.html>

It provides an outline to answer a question that closely parallels the objective of this Commission: “What could you do to produce better results with less money?”