

<h1 style="margin: 0;">County Of Sonoma</h1> <h2 style="margin: 0;">Agenda Item</h2> <h3 style="margin: 0;">Summary Report</h3>			Clerk of the Board Use Only Meeting Date Held Until / / / / Agenda Item No: Agenda Item No: _____ _____
			<input type="checkbox"/> 4/5 Vote Not Required
Department: Health Services			Deadline for Board Action: 9/15/2009
Contact: Rita Scardaci	Phone: (707) 565-4700	Board Date: 9/15/2009	
AGENDA SHORT TITLE: Business Process Analysis Update REQUESTED BOARD ACTION: Receive an update on the Department of Health Services' Business Process Analysis Project and accept the final report summary.			
CURRENT FISCAL YEAR FINANCIAL IMPACT - None.			
Explanation (if required): None.			
Prior Board Action: 4/14/09 – Authorized execution of contract with Kibel Green.			
Alternatives – Results of Non-Approval: Lost opportunity to receive an update on the Department's Business Process Analysis and plan for implementing operational improvements.			

Background:

During the last three years, the Department of Health Services (Department) has experienced an environment of decreasing revenues and increasing costs which has required the Department to implement various revenue enhancement cost reduction strategies. In May 2006, January 2007, May 2007, February 2008 and January 2009 the Department presented various cost reduction plans to the Board of Supervisors (Board). The February 2008 Realignment report put forth a plan to further analyze Realignment funded programs, as well as administrative expenses from these strategies. The Department has instituted several cost saving strategies in FY 08-09 and budgeted savings of \$350,000 in FY 09-10. In October 2008, the Department completed its analysis of administrative expenses and decided to further pursue a comprehensive analysis of administrative operations to identify opportunities to gain greater efficiencies. In October 2008, the Department released a Request for Proposals (RFP). The RFP was posted for public review on the Department's website. Additionally, the Department worked with other entities, such as the County Health Executives Association of California, to identify possible interested consultants. Two proposals were received and evaluated. Based on the review committee's evaluation, Kibel Green, Inc. was selected to provide an analysis of the Department's administrative functions. This analysis, referred to as Phase One, focused on Department fiscal operations including Accounts Payable, Accounts Receivable and General Accounting functions. Phase Two, included in the RFP and contingent on funding and the outcome of Phase One, will include an analysis of other administrative functions, such as Information Technology, Personnel/Payroll and Risk Management areas.

Business Process Analysis

Phase One of the Business Process Analysis was conducted from May 11 through June 8, 2009. A team of Kibel Green consultants reviewed and evaluated Department fiscal operations based on the following six goals:

- 1) Document workflow analysis and proposed redesign options.
- 2) Review organizational structure.
- 3) Assess current levels of productivity and efficiency.
- 4) Define resources needed to increase performance and efficiency.
- 5) Define appropriate staffing and work allocation; document best practices, standards, benchmarks and specific needs with specific goals and cost benefit analysis.
- 6) Provide recommendations on all findings in a final report.

Kibel Green conducted comprehensive workflow analyses and documented current operations, redundancies and inefficiencies in seven financial process categories:

- 1) Accounts Receivable
- 2) Accounts Payable
- 3) Medi-Cal Administrative Activities Billing (MAA)
- 4) Budget Accounting
- 5) General Accounting and Database Administration
- 6) Mental Health Billing
- 7) Other Billing

These seven categories were sub-divided into 36 sub-processes which were also analyzed for improvement opportunities.

Kibel Green Report and Implementation Plan

As part of the analysis goals, Kibel Green carefully studied the existing Department fiscal organizational structure. The Kibel Green report indicated that the Department has already implemented a Shared Service Center (SSC) operating model, which has been used successfully by industry-leading companies and should be continued. However, the SSC tactics are not in place to gain the full benefits of this strategy. SSCs reduce costs by consolidating back-office operations used by multiple divisions of the same organization into a shared operation. SSCs allow organizations to take advantage of economies of scale and standardization, delivering higher quality, while maintaining productivity with fewer resources.

A detailed analysis including documentation of fiscal workflows was conducted. This comprehensive study revealed some redundancies in work processes. Additionally, Department performance was measured against industry benchmarks for SSC models. This analysis was compromised by the fact that the Department model lacks tactics, such as standard procedures, metrics and measurements found in high performing SSC models. Although the analysis demonstrated the need for implementation of these industry best practices, it also demonstrated that Department staff already possess industry expertise and process experience that can be leveraged for change. The final report recommended a plan that included further analysis, use of continuous quality improvement techniques, and team involvement in the implementation process.

Specific recommendations in the implementation plan include:

- a. Creation of a virtual program management office to develop and manage the implementation plan.
- b. Development and implementation of metrics and measurements programs. These programs will include the assignment of specific time, cost and quality measurements of key functions such as individual transaction time, and overall deliverable turn-around-time. These measurements will allow benchmarking of current Department performance against industry standards and inform quality improvement processes.
- c. Implementation of continuous quality improvement procedures as a tool for revising existing processes to reduce the time required to complete tasks.
- d. Identification and pursuit of essential infrastructure cost reduction opportunities and reallocation of resources as indicated by workflow analysis.

The Department of Health Services has already implemented several report recommendations and other improvement initiatives including:

- a. Maximization of existing computer software systems and exploration of potential opportunities for greater use and integration.
- b. Re-allocation of resources to make better use of expertise and skill sets.
- c. Identification and pursuit of operational cost reduction opportunities.
- d. Ongoing monitoring to identify and reduce redundant processes whenever possible.

The implementation plan was initiated in the Department in August 2009. The plan includes the development of a program management office, selection of team members for each project, selection of processes for review, analysis of processes, development of recommendations for improvements, testing of improvement initiatives, verifying success of the improvements, full implementation of the improvements and monitoring. The first major project will include implementation of a Process Redesign Review and Metrics Development Program for the Accounts Receivable functions. This process will allow the Department to better position itself for the current and future fiscal environment.

Fiscal Impact: State budget reductions will have a major impact on the Department in the next several years. The reality of the funding challenges facing the Department will have a significant impact on all areas of the Department including administrative areas.

Attachments: Business Process Analysis Executive Summary.

On File With Clerk: None.

CLERK OF THE BOARD USE ONLY

Board Action (If other than "Requested")

Vote:

Background information is on file at:

County of Sonoma Board of Supervisors Office
575 Administration Drive, Room 100A
Santa Rosa, CA 95403

It can be viewed and/or copies requested during regular business hours, 8:00 a.m. to 5:00 p.m., Monday through Friday. Call (707) 565-2241 for more information.