Streamline Commission
Legislative Fiscal Office Analysis Update

Rec. #	Recommendation	GEN. FUND	TOTAL	Original Impact (2009)	Updated Impact (September 2011)
9	Transition Medicaid to integrated delivery system with care coordination.	DECREASE	DECREASE	The original fiscal note projected a decrease in overall Medicaid claim payment expenditures by an unknown amount. This estimate was based on a 2009 Lewin Group study. This study analyzed 24 different Medicaid managed care studies in other states, which reflects various states' experiences with Medicaid Managed Care. States experienced savings as a result of one or a combination of the following: a decrease in average (per member per month costs), a decrease in inpatient utilization, or a reduction in pharmacy program expenditures.	The FY 12 Medicaid budget includes both administrative funding ($2,476,250) and premium payments/lag payments ($361,187,145) for the full implementation of Medicaid Managed Care (approximately 866,000 covered lives) beginning in January 2012 and phased in through the end of FY 12. Eligible recipients are projected to be evenly enrolled in either a full risk bearing prepaid system of care (CCN-P), or a fee for service enhanced primary care case management shared risk model (CCN-S). Of the $361 M in payments in FY 12, approximately $99 M (lag payments) represents new/enhancement funding as $261 M in Medicaid base funding is utilized for premium payments in FY 12. Lag payments represent payments from prior claims in Medicaid Fee-for-Service while simultaneously making up front per member per month (PMPM) payments, and are not projected to be required in FY 13. According to Mercer (DHH consultant), the coordinated care network is projected to result in a $135 M savings (reduction in payments) for FY 13. Savings are anticipated to be the result of a decrease in utilization resulting from management of care.
20	DSS should implement on average a 1:8 supervisor-employee report ratio.	DECREASE	DECREASE	The original recommendation projected savings over a five-year period through structural reorganization.	This recommendation was implemented in FY 11 when the Department of Children & Family Services (DCFS) (formerly DSS) received Civil Service approval of the new departmental organizational plan. The department has accomplished an average 1 to 8 supervisory to subordinate ratio. The remaining supervisory positions oversee more subordinates than the previous organizational structure. The Child Welfare Division is the only exception to the 1 to 8 supervisor to employee ratio. In the Child Welfare Division, the average supervisory to subordinate ratio is 1 to 6. With the re-organization, the department has reduced the number of supervisory positions by 146. Also, as part of their re-organization, the department has reduced a total of 197 T.O. positions (includes the 146 eliminated supervisory positions) and realized approximately $10 M in savings.
25	The governor and legislature authorize and direct the LSU Health System to adopt the recommendations of Alvarez and Marsal (A&M) for the operation of the interim Charity Hospital in New Orleans and contract for similar assessments in the other 9 charity hospitals.	DECREASE	DECREASE	State expenditures were anticipated to decrease by $31 M from all funding sources by the end of FY 11, due to recommendations by A&M for the interim Charity Hospital in New Orleans. Projected savings included $11 M from eliminated personnel, $7 M from restructuring professional service contracts, $5.5 M from non-labor costs savings, and about $7.5 M from reductions in travel, supplies, limited overtime, etc. The cost of A&M's assessment for the interim Charity Hospital in New Orleans was $296,000. If implemented, the cost of utilizing A&M for the other 9 hospitals would be approximately $3.6 M.	Most A&M recommendations have been adopted at ILH in New Orleans. LSU estimates $64.3 M in savings realized through FY 12 ($17 M in FY 10, $13.6 M in FY 11 and $33.7 M projected for FY 12). These savings are due to implementation of the recommendations associated with reducing overall salaries and benefits, privatization & restructuring professional service contracts, and closing obstetrics. A total of 434 FTE have been reduced since implementation began in 2009. A&M's recommendations regarding process improvement within the emergency department (ED) and graduate medical education (GME) programs were not adopted. Though HCSD opened an urgent care clinic to reduce the costs of non-emergent visits, visits to the ED have continued to increase regardless of the clinic. According to HCSD, it cannot reduce its GME program slots because there is a physician shortage in LA and the hospital supports 2 medical schools. Since hiring A&M to assess the other 9 charity hospitals was considered too costly ($3.6 M), as an alternative, HCSD continues utilizing its membership in the University Health System Consortium (UHC) to further assess all LSU charity hospitals down to the departmental level compared to other similarly situated hospitals nationwide (UHC is a member driven alliance consisting of over 90% of the nonprofit academic medical centers in the U.S.). HCSD is using these reports rather than A&M assessments to evaluate savings at each hospital.
46	Consolidate the state's data processing assets to move to a centralized data environment.	DECREASE	DECREASE	The proposed recommendation would consolidate the state's data processing assets to a centralized data environment. This would result in savings over a 3-year period of $10.8 M in FY 11, $21.7 M in FY 12 and $32.6 M in FY 13. These savings do not include the potential start-up and staffing costs which may be required in the DOA as a result of this consolidation. The DOA has yet to determine these costs.	IT centralization was originally proposed through SB 472 of 2010. While this legislation was not enacted, the CIO and his staff are working on such a plan to consolidate the IT infrastructure support of the larger cabinet departments. Although statewide consolidation has not occurred, the back office functions including IT for the Department of Public Safety, Office of Juvenile Justice and the Governor's Office of Homeland Security were consolidated in FY 12. Overall, consolidating the back office functions of the Office of Juvenile Justice and the Governor's Office of Homeland Security & Emergency Preparedness with the back office functions of the Department of Public Safety & Corrections, Public Safety Services could result in expenditure savings of approximately $1.2 M and the elimination of 16 positions of which 4 are IT positions.
108	School districts should work with OJJ to forward local MFP funds to OJJ for students transferred to state custody and are no longer in schools, eliminating the double payment.	DECREASE	DECREASE	Minimum Foundation Program (MFP) funds for students transferring to state custody will flow from the school system from which they were previously enrolled to the Office of Juvenile Justice (OJJ), and OJJ's budget could be reduced by a like amount.	OJJ has been included as a school district in the MFP. For FY 12, the average daily membership is being used to calculate the educational costs for students in secure care facilities. The state share is $2,592,469 and the local share is $1,225,986. The savings to the state is the local share ($1,414,809 for FY 11 and $1,225,986 for FY 12 for a total of $2,640,795). The district from which the student resides will pay the local share of educational services for the students residing in the secure care facilities.

Gordon Monk, Legislative Fiscal Officer

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159	Reduce state fleet by 10% in FY 10, FY 11, and FY 12.	DECREASE	DECREASE	Reducing the number of state-owned vehicles 10% in FY 10, FY 11, and FY 12 is anticipated to result in a maintenance expenditure reduction of approximately $1.6 M in FY 10, $1.5 M in FY 11 and $1.3 M in FY 12. The total fleet reduction is 1,241 vehicles in FY 10, 1,117 vehicles in FY 11, and 1,005 vehicles in FY 12. The state's fleet at the end of FY 09, which was utilized for these calculations, was approximately 12,411. According to LPAA, in calendar year 2008 the per vehicle maintenance expenditure (maintenance/insurance) was approximately $1,327/vehicle. Fuel expenditures will have no impact as fuel cost is contingent upon miles traveled and not the number of vehicles in need of maintenance. Annual vehicle purchases are typically one-time purchases that are non-recurred every year by the Division of Administration during the Executive Budget development process. Thus, the fiscal impact of not replacing a vehicle due to this recommendation is not considered because absent of this recommendation those specific vehicles are non-recurred every year during the normal Executive Budget Development process anyway. However, in its fiscal analysis of this recommendation, the Division of Administration (DOA) assumes that the per year savings generated by not replacing 13% of those vehicles reduced annually is $2.5 M in FY 10, $2.2 M in FY 11 and $2 M in FY 11. According to the DOA since 2004, approximately 13% of the state's vehicle fleet is replaced each year.	The DOA began the process of reducing the state's vehicle fleet in Sept. 2009. The total state fleet was 12,740 (includes passenger & heavy duty). As of June 30, 2011, the total state fleet is approximately 11,212, which is a total state fleet reduction of approximately 1,528 vehicles. Of the 1,528 vehicles reduced, 1,107 were reduced from September 2009 to September 2010 and 421 were reduced from September 2010 to 6/30/2011. Of the 1,528 surplused vehicles, 1,396 have been auctioned and have generated approximately $3 M in revenues (FY 10 - 842 surplused generated $1.7 M, FY 11 - 554 surplused generated $1.3 M). Since 9/2/2009, the state's vehicle fleet has been reduced by approximately 14.6%. The 2004 vehicle fleet level was 11,924. According to the LPAA, the per vehicle maintenance expenditure was approximately $1,327/vehicle. Thus, reducing the state's fleet from 12,740 to 11,212, could result in maintenance savings of approximately $2.0 million annually. In addition, the DOA has entered into a rental car contract with Enterprise, which will result in indeterminable savings to the state. For example, the current state gas reimbursement rate for personal employee vehicle usage is $0.51 per mile and the DOA has issued a statewide policy that only allows state employees reimbursement for up to 99 miles, which encourages rental car usage. Based upon rental car usage from January 2010 to June 2011, the total cost per mile traveled in a rental car is approximately $0.41 per mile, while the state reimbursement rate for employee owned vehicles is $0.51 per mile.
217	Direct OGB to write an RFP to consider consolidating and outsourcing state employee group medical benefits.	SEE IMPACT	SEE IMPACT	The fiscal impact of consolidating and outsourcing state employee group medical benefits under a single administrative provider is indeterminable. OGB currently places all of its members of its various plan offerings into one risk pool for actuarial analysis. Although the majority of the administrative costs for the HMO and EPO plans is contracted, there are some administrative functions that are provided by OGB employees. OGB also administers its own health plan called the PPO. Out of a total of 332 TO positions within OGB, the agency has 107 TO positions and $6.3 M personal services expenditures appropriated to process provider contracts, provide customer service and process claims for the PPO plan. To the extent the PPO plan is outsourced to a private organization like the HMO and EPO are currently, there could be expenditure savings associated with the potential reduction of a portion or all of the 107 TO positions within OGB for those specific positions who provide direct PPO service functions as discussed above.	On 2/4/2011, the Office of Group Benefits (OGB) issued a Request for Proposal (RFP) seeking bids from a financial services advisor. According to the RFP, the qualified financial adviser is to provide the following services: 1.) assess the market value of the tangible and/or intangible assets of OGB; and 2.) negotiate for and on behalf of OGB in accordance with OGB's statutory authority (R.S. 42:802). Morgan Keegan was the winning bidder for the financial services contract with a bid of $900,000. To date, this contract has not officially been signed. Based upon preliminary discussions with OGB, the state would sell the PPO and HMO book of business to the contractor for a negotiated rate for a length of time, i.e. 5 years or 10 years. The benefit to the contractor would be the potential "surplus" generated from year-to-year premium collections versus medical claims pay out. At this time, it is unknown if the state (self-insured) or the private company that buys the book of business (fully-insured) would assume all risk. The Division of Administration (DOA) has set a date of January 2013 for the private party to begin administering the programs.
237	Corrections to explore legislation and rule making to identify and administrative efficiencies and potential costs savings.	DECREASE	DECREASE	The Department of Corrections considered allowing offenders under parole supervision to earn "good time" and finish parole earlier. The impact could result in less offenders on parole and a reduced caseload for Probation & Parole Officers, who could work with parolees that are a high risk to recidivate. To the extent the high risk parolees do not recidivate, a cost savings occurs by not jailing the parolees.	The Department of Corrections eliminated 126 T.O. in FY 10 which resulted in a SGF savings of $6.04 M in FY 11 through the consolidation of administrative positions at facilities and headquarters, by closing the reception center at Wade Correctional Center, and through the use of perimeter fence cameras at Avoyelles and Angola. During the 2010 Regular Legislative Session, legislation was passed (Act 792) that increased the rate of good time an offender could earn, which is estimated to result in a SGF savings of $13.5 M in FY 12 due to 1,500 offenders no longer incarcerated. In FY 11, the department eliminated 18 additional administrative positions throughout headquarters and the facilities, and probation and parole. The 18 T.O. eliminated resulted in a total savings of $828,500, which was reflected in the FY 12 budget. Through legislation and administrative efficiencies the department has saved $26.4 M ($6.04 M in FY 11 + $6.04 M in FY 12 + $13.5 M early releases in FY 12 + $0.83 M in FY 12) since FY 10.