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Testimony on

State Health and Human Services Reorganization

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Organizational Strategies for Improving Human Services: Moving from Re-Structuring to Reform

As state policymakers work to improve the lives of vulnerable children, families, and other citizens, they often look for organizational strategies to provide assistance more effectively and to use public resources more efficiently. Reorganization is especially attractive during times of fiscal constraint when policymakers must find options for containing government costs. Since 2002, at least half the states have considered reorganization of their health and human services systems.

In the past few years, the trend has been to consolidate agencies or offices. However, after many attempts to find the ideal structure, a growing number of state policymakers believe that more fundamental reform is necessary. The deep-seated problems of state human services systems and the long-term consequences to vulnerable citizens and taxpayers cannot be solved by rearranging organizational structures alone. Reorganization requires careful consideration of the complex dynamics and factors at work in local and state human services systems. They also require the sustained leadership of policymakers and administrators working with many others to develop the unique set of solutions that will work in each state.

 State Human Services Reorganization	
Trends: Moving From Restructuring	To Reform
Restructuring state agencies Priority on structures	Re-thinking and Fundamental Reform Priority on better outcomes for citizens Structures play a supporting role.

The goal is not restructuring or service integration. These are means to an end. The goal is better outcomes for state residents.

Health and Human Services Reorganization in Vermont

In Vermont, the legislature has taken a lead role in the current reorganization of the Agency of Human Services (a consolidated cabinet of health and human services agencies). Legislators required the Agency to reorganize and provided principles and goals for the reorganization along with previously-codified, desired outcomes for the state's citizens.

Working in cross-system teams, the agency designed structural changes after intensive input from stakeholders throughout the state. The eight previous state health and human services departments are being restructured in five departments. The new configuration realigns similar services and programs into meaningful units.

Now almost two years into the process, a five-year plan guides implementation. One feature is consolidation of administrative functions, including overall health and human services planning, business operations and information systems. The agency's strategic plan also calls for a regional framework that provides field managers with responsibility and flexibility.

 Goal: Streamlining the System	
Trends	

<p>Top-Down State Agency Consolidation Fewer layers of bureaucracy Streamlined administration Clearer lines of authority</p>	<p>Top-Down and Bottom-Up Consolidation Service delivery coordination, integration Community-level integration, partnerships Shared authority among partners</p>
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Oregon’s Ambitious Health and Human Services Reorganization

In 2001, Oregon began reorganizing its Department of Human Services (DHS), a highly consolidated health and human services department. Possibly the most comprehensive reorganization yet of a state health and human services system, the effort focuses on several fundamental changes. The reorganization was intended to dramatically change the way the Department’s 10,000 employees work with vulnerable citizens and the allocation of its \$ 9.4 billion annual budget across 150 programs.

Unifying themes of the agency redesign are:

- results for clients through less fragmented services,
- greater accountability through less fragmented administrative structures,
- standardized business operations, and
- customized services for clients.

Restructuring converted the agency’s complex web, which required that clients use up to five networks of field offices, into a more streamlined structure. Four service “clusters” now operate through a single network of field offices. The clusters are:

1. Children, Adult and Family Services
2. Health Services
3. Seniors and People with Disabilities
4. Community Services.

Priorities for all clusters are coordination and relationship-building with each other, the private sector and local stakeholders. Centralized administrative services and a unit responsible for research, training and organizational development support new approaches to frontline work.

“No Wrong Door” is the new slogan of DHS and the Community Services Cluster, which is responsible for helping clients meet their needs through a range of coordinated, seamless, community-based supports. Regardless of the immediate problem that brings a person to the Department, the local field office will provide access to a broad range of assistance. The goal is to develop local, one-stop service centers that ease individual access to services and promote staff communication.

Service Teams provide a new approach to case planning and management. A client with a single, fairly straightforward problem is provided the service needed or referred to a community resource. Each of the large number of people with more complicated needs is assigned a lead service coordinator who acts as a personal system navigator. This staff person helps develop a single service plan, coordinates specialized services provided by partner programs, and monitors progress.

Integrated Intake and Assessment eliminates redundant applications, interviews and multiple assessments. Eligibility determination for multiple benefits and services is consolidated, so people seeking assistance know immediately what resources they are eligible to receive.

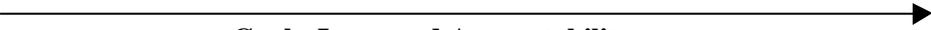
State-Community Partnerships allow and even nurture local variation, despite the statewide use of unified case planning and a lead service coordinator. For example, while many local areas will provide services through a consolidated local DHS field office, others access services through public schools. Other differences are prompted by local practice and the strengths and interests of the Department’s local partners.

Impact of the Budget Crisis. Despite a deepening state budget crisis, the reorganization remains on track. Although the Department originally expected to save the state several million dollars by consolidating administrative functions, revenue reductions are beginning to take a toll. Training, which is essential to ensure that staff have the knowledge and skill needed for their re-designed positions, has been reduced. Physical modifications to facilities that are necessary for co-location of programs have been delayed. However, a greater concern for the Department is staff reductions, which have increased caseloads and threaten the ability of staff to develop new integration strategies as well as provide ongoing services.

Consolidated State and Local Planning

Another strategy for streamlining bureaucracy that many states are using, with or without reorganization, is consolidation of multiple program plans. State agencies are being directed to consolidate individual program plans into broader agency or interagency plans. A few states are developing plans for achieving broad results that cross agency lines and require public-private and state-local strategies.

Increasingly, states are allowing counties or other local jurisdictions to consolidate the many plans they are required to develop in order to receive state and federal funds for human services. This eases the burden on local jurisdictions and, as organizations with a stake in improving results and in human services funding work together, promotes community partnerships.

 Goal: Improved Accountability	
Trends:	
Focus on System, Program Performance Individual agencies and programs Measuring compliance Clearer lines of responsibility	Focus on Results for Residents <u>and</u> System Performance Measuring conditions of citizens’ lives Sharing responsibility

Monitoring the Condition of Citizens’ Lives

A number of states (including Georgia, Iowa, Maryland, Minnesota, Oregon, Vermont, and West Virginia) have identified desired results for children, families and/or other residents. They monitor progress toward those results by tracking population-level data, routinely publicizing the information, reviewing changes, and considering data-based policy, organizational and practice strategies to improve progress.

Vermont publishes an annual report of social well-being indicators for the state as a whole and community profiles with indicators disaggregated for each individual school district. The data and accompanying analyses are posted on an internet website in a form that is easy for citizens to access. Communities are encouraged to use the information for local discussion and planning purposes, and state agencies rely on them to develop a range of strategies. A research partnership consisting of the Vermont Agency of Human Services, Department of Education, and University of Vermont collects, monitors and analyzes the data.

The Maryland General Assembly’s Joint Committee on Children, Youth and Families sponsored hearings on results, required state agencies to work together to develop comprehensive strategies for improving outcomes, and developed a budget analysis of total state expenditures for one result: children entering school ready to learn. The House and Senate budget committees held joint hearings on the analysis and required the executives of multiple agencies to present a collaborative plan for improvement.

Performance Management and Budgeting

In addition to use of population-level results, many states have developed performance management and budgeting approaches that focus on individual agencies and programs. For example, Florida and Texas require that state agencies develop strategic plans to improve performance measures and build their budget proposals around those plans.

	
Goal: Efficiency, Manageability	
Trends:	
<p>Centralized Decision-Making Consolidated cabinets, super-agencies Focus on upper management roles Focus on consolidated administration</p>	<p>Decentralized Decision-Making Flexibility for county/local decision-making Outcome-focused negotiation with local jurisdictions Focus on workforce improvements</p>

While the trend in reorganization is toward consolidation of state-level structures and administrative functions, many decision-making responsibilities and authority are being decentralized. One of the major challenges of highly consolidated agencies is the manageability of the huge structures. Devolving decisions to the local level is one way to contain the responsibilities of state agencies. In addition, best practice in many human services fields—including services for people with disabilities, education, child welfare, welfare-to-work, and others—is community-based services. A longstanding human services goal is decision-making and service delivery at the community level—close to individuals, families and their neighborhoods.

Many states are creating collaborative state-local partnerships that promote local planning for children, youth and families based on community assessments, joint public-private participation, and collaborative strategies for improving results.

Local Governance in Maryland

Maryland’s efforts to decentralize decision-making for children and family services date back to the late 1980s. Local Management Boards (LMBs) are public-private, governance groups in each

local jurisdiction that are appointed by the county commissioners. The LMBs are charged with ensuring implementation of a local, interagency service delivery system for children, youth and families.

The state Subcabinet for Children, Youth and Families is composed of the executives of eight state agencies and chaired by the Governor’s Special Secretary for Children, Youth and Families. The Subcabinet administers the LMBs, negotiates results-based contracts with them and provides flexible funding to achieve their plans. Originally, LMBs were charged with providing family preservation and return/diversion services to prevent unnecessary placement of children out of home and out of state. The LMBs were provided pooled funds to develop home and community-based alternatives and were allowed to retain half of all savings for investment in other resources for children and families. The other half of the savings were invested in statewide prevention services. In recent years, LMBs have been able to support early intervention and prevention services beyond the requirements of their contracts with the state Subcabinet.

 Goal: Cost Containment	
Trends:	
Focus on Short-Term Gains Investment in restructuring Based on immediate economy, budget cycle	Focus on Longer-Term Gains Investment in capacity-building Based on avoiding the long-term costs of bad results

Budget Implications of Reorganization

Although identifying and tracking the costs is difficult, reorganization has not proven to be an effective way to reduce state expenditures. Instead, there are a variety of costs associated with the reorganization process: time and resources for planning, training staff to perform new functions, and infrastructure costs. In addition, the disruption of reorganization often takes a toll in staff productivity and in state-local operations.

The area that has the most potential for reducing costs—the low-hanging fruit—is consolidation of administrative functions. Oregon claims to have cut expenditures for administration by consolidating operations. For example, eight different travel forms were replaced by a single form and approval procedure. Standardized personnel criteria, policies and procedures made transferring staff, and thereby reallocating resources, feasible. By examining federal and state requirements, such as information systems and reporting rules, Department leaders were able to identify which operating procedures were mandatory and which were not. Instead of an expensive re-engineering of the entire information management system, the Oregon Department is developing front-end information management approaches that allow workers to draw data from multiple systems.

 The Planning Process for Reorganization	
Trends:	
Top-Down Planning Plans developed by governors, legislators and their teams	Inclusive Stakeholder Participation Service consumers, citizens Frontline staff and supervisors Community organizations Local jurisdictions

Ignoring Resistance Relying on leaders' strength Limited Legislative Involvement	Anticipating Resistance to Change Planning for cultural shifts Recognizing the role of mid-managers Ongoing Legislative Monitoring
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Culture Change

Traditionally, reorganization plans have been developed at the upper levels of government, subject to limited public debate, and assigned to top administrators for implementation. However, this approach has met with limited success; it is not adequate to change the organizational culture that is notoriously entrenched in state human services bureaucracies. Often, mid-level staff and other career staff give lip service to new approaches, but continue their usual activities.

Resistance also often comes from advocates and service consumers who champion individual programs to the detriment of the system as a whole. The present systems grew gradually as one highly categorical program after another was created to meet specific needs of targeted populations. Each program has developed its own constituency that will fight to preserve its own interests.

Oregon leaders report that resistance is both overt and covert and that culture change has been their greatest reorganization challenge. Reorganization processes often ignore or under-estimate the amount of resistance, its effect, and the difficulty of making personal changes.

Building Support for Change

To be successful--especially if reorganization involves more than moving organizational boxes--the support of stakeholders must be sought. Not only is the buy-in of those who have a stake in the human services system necessary, they are potential partners for achieving results. Service consumers, frontline staff and their supervisors, county agencies, and private providers know the system problems firsthand. They often have enormously valuable perspectives and ideas for improvement. Actively and honestly seeking their input helps to develop strategies that they can support and that will effectively meet their needs. One of the lessons of state reorganization is that broad involvement of stakeholders should be a primary part of the planning process—as early in the planning process as possible.

Vermont's Planning Process

Vermont's reorganization planning has included exhaustive discussions with citizens, clients, staff, contract providers, and policymakers throughout the state. Although the reorganization is on a fast track, an entire year was devoted to public inquiry, and the Legislature appropriated a small but useful amount of funding for planning. The core planning council consisted of 20 top staff of the health and human services departments and a few consultants. Regional and statewide advisory structures helped to inform the reorganization plan. Devices for communicating with stakeholders and the public at large included:

- Town hall meetings throughout the state attended by the Secretary or his top staff and large groups of citizens and service providers;
- Regional meetings of agency staff that concentrated on the participation of frontline staff, their supervisors and local administrators;

- Data analysis and reports that examined human services agencies' performance and results that citizens experience;
- Routine, frequent newsletters and updates;
- On-line opportunities to provide input, including anonymous e-mail; and
- An on-line "rumor mill" that provided factual responses to rumors as they developed.

A statewide stakeholders meeting distilled the information gained into ten themes for the reorganization. Planners developed structural options and again sought feedback and support from stakeholders. Details are continually being resolved as the plan is implemented.

Principles for the reorganization planning process include:

- Transparency—providing as much information as possible with no hidden agendas;
- Broad inclusion—actively seeking the participation and support of everyone with a stake in human services;
- Sensitivity to the state's diversity including the geographic differences, local priorities, and the concerns of various constituencies;
- Complete open-mindedness—starting with no fixed plan.

While Vermont's leaders acknowledge that their state's size has facilitated this type of planning, they suggest that larger states apply the same principles on a larger scale. For example, planning activities could be organized by county or community.

The Legislative Role

In both the Vermont and Oregon reorganizations, the legislature has had an active role. Vermont's reorganization was driven by concerned legislators who set clear principles and goals for reorganization and for the planning process. They created a 12-member, joint legislative oversight committee composed of members of each standing committee with jurisdiction over health and human services. The committee is empowered to act on behalf of the entire legislature. It can approve, modify or veto the periodic plans that the Agency is required to present. This arrangement avoids approval by multiple, separate committees and keeps the key legislators informed and engaged.

Beyond Restructuring: Other Issues to Address

The Human Services Workforce Crisis

Perhaps to a greater extent than other parts of government, the effectiveness of human services hinges on staff. Staffing accounts for the large majority of system costs, whether services are delivered by state staff, county employees or contract agencies. The interaction of frontline staff and vulnerable citizens is the heart of the system, and nothing can substitute for the quality of that relationship. If it is negative or fails to improve conditions, then the rest of the system – the organizational structures, policies, and administrative strategies -- fail as well.

States are experiencing a human services workforce crisis that began well before the recent economic downturn and is likely to worsen with changing demographics. As the population grows, becomes more diverse, and ages, there are greater demands on the human services workforce.

Another demographic effect is the aging of the workforce. In human services, workers are considerably older than in most fields; 40 percent of human services staff are over age 45. At the same time, many talented young people reject human services as a work option – especially in state or local government and nonprofits where people in administrative positions earn up to 86 percent less than similarly qualified workers in the federal government. In addition, our nation’s cultural diversity is woefully under-represented in the human services workforce. Workers who are culturally competent, sensitive to diverse customs, and multilingual are a growing need.

Turnover of human services staff is increasingly crippling and is common across many occupations. The U.S. General Accounting Office estimates that turnover of child welfare workers is between 30 and 40 percent annually nationwide with state turnover rates as high as 600 percent. The average turnover rate for teachers in child care centers is forty percent. In California nursing homes, the average turnover rate reportedly ranges from five percent to more than 300 percent; two-thirds of the nursing staff of freestanding nursing homes left their jobs in 2002..

Unwanted staff turnover often leads to:

- Loss of relationship and service continuity for people needing help,
- Disrupted connections and lack of coordination among service providers,
- Lost knowledge of the system and how it works,
- Low morale and burnout among remaining workers who must assume responsibilities of the departing staff,
- Long waiting lists for services, and.
- Financial costs required to recruit, hire and train replacement staff -- estimated by human resource analysts to equal one-third to one-half of the exiting employee’s annual salary.

Human services staff attribute job turnover to high and unmanageable caseloads, inadequate pay, lack of recognition for doing a good job, chronic job-related stress, paperwork demands, and poor supervision. Restructuring or reorganization alone cannot eliminate the human services workforce crisis. Without addressing these issues, reorganization and the system’s effectiveness will be undermined.

State-Local Roles and Relationships

State-local organization has an enormous impact on service delivery, management, policy decisions, and allocation of authority, resources and responsibility. Many states are re-thinking state and local roles and relationships, and some are making this reassessment a major component of human services reorganization. For states with county-administered and state-supervised human services, such as California, counties are a critical part of the human service system. Counties are powerful political, financial and administrative forces that are critical to success. State and county roles are a major factor in the performance of the system.

In addition, research and experiences recognize the role of strong communities in helping residents thrive. Communities offer a rich array of formal and informal resources that can contribute to the well-being of residents, such as friends and helpful neighbors, faith-based organizations, businesses, schools, neighborhood associations, community-based organizations, clubs and service groups, political and professional organizations, buildings and other facilities. These resources represent a treasure trove of assets that formal human services systems often fail to leverage.

Nationwide, many state policymakers are interested in giving citizens and communities a stronger role in decision-making regarding human services and other systems. Likewise, as policymakers focus on measurable results, they encourage local jurisdictions to identify residents' shared priorities and to formulate strategies for protecting and serving vulnerable residents that make sense for the community. Instead of providing state-determined responses, many policymakers are interested in empowering communities to make more human services decisions.

Challenges of County-Administered Systems

States with strong counties and county-administered human services have an existing infrastructure for local decision-making. At the same time, these states have distinct challenges. In 2000, NCSL surveyed four of the 11 states with "county-based" child welfare systems (New York, North Carolina, Ohio, and Pennsylvania) to identify challenges of the state-county relationship.

Counties viewed the state agency as overly focused on enforcing county compliance with rules and regulations and expressed considerable resentment as a result. From the perspective of the counties, the most troublesome issues in the state-local relationship were:

- Un-funded mandates. State policies, rules and regulations were passed along to the counties without adequate resources to implement the requirements.
- Lack of state investment. The state did not contribute an adequate share of resources, especially in proportion to the control it exercises over counties.
- Lack of partnership. The state focused on oversight and compliance, rather than providing support and assistance. Most counties viewed the state as a supervisor, rather than a partner.
- Absence of shared accountability. Counties reported that they were held completely accountable for problems, over which they often had limited control.

From the state agency perspective, the most serious challenges were:

- Unclear state and county roles. Roles changed as governors, organizational structures and issues changed with much resulting confusion.
- County variation. Differences among counties greatly complicate the state's job. States with strong *regional or demographic differences* among counties reported that policies and activities appropriate for some counties were not appropriate for others. The *quality and availability of services* varied from one county to another depending on the levels of need, investment of resources and local commitment. Counties had different *approaches for administering services and for working with private agencies*, a factor that complicated the work of the state.
- Ensuring local accountability. The state agencies reported that one of their primary roles, ensuring local compliance with state and federal requirements, was challenging due to lack of data and other tools and absence of necessary incentives and clout.
- Diverse and potentially conflicting state responsibilities and roles. The state agency must wear many hats that encompass potentially conflicting roles, such as enforcer and technical assistance provider.

Two of the states surveyed had recently reorganized services for children and families. In both cases, state agencies and counties reported that the reorganizations had been disruptive and chaotic and had contributed to state-county misunderstanding.

State-county roles and relationships are essential factors that must be considered in reorganization. State-local devolution does not free the state of all duties or liabilities, and it does not mean that communities are solely accountable for improving results. Instead, states and communities are developing new types of partnerships and organizational strategies to help improve the lives of residents. Although states maintain a strong oversight role, they are shifting from compliance enforcers to results partners. At the same time, state agencies often lack capacity to provide technical assistance, data, and other supports that counties need to improve results. While they are skilled at monitoring compliance with regulations and rules, they often lack the skills to:

- negotiate with counties about results and performance expectations,
- help counties develop strategies that for improvement,
- monitor progress across programs, agencies and service systems toward better results for citizens.

In addition to causing disruption for counties, reorganization runs another risk. Unless state-county roles are considered and clarified, reorganization misses a critical opportunity to build more productive partnerships. Along with realigning its other responsibilities, the state's capacity to work in partnership with counties should be considered.