Fields of Opportunities

STATE OF IOWA

CHESTER J. CULVER, GOVERNOR
PATTY JUDGE, LT. GOVERNOR

DEPARTMENT OF HUMAN SERVICES
CHARLES KROGMEIER, DIRECTOR

December 21, 2009

The Honorable Chester J. Culver
Governor
State Capitol
LOCAL

Dear Governor Culver:

Enclosed please find a copy of a report to the General Assembly relative to HF811 section 39 directing the Iowa Department of Human Services to participate in the lean government exchange through consultation with the Department of Management, Office of Lean Enterprise.

This report was prepared pursuant to directive contained in HF811 section 39.

The attached report summarizes the Department of Human Services involvement with Lean and Kaizen to date, preparations and plans to continue and expand the use of Lean tools and techniques to improve the speed and efficiency of departmental processes by eliminating waste, and Lean results and activities.

As noted within the report, Lean is simple, but it's not easy. The department has found our experience with Lean to be useful, and plan to use Lean to help cope with the challenges of meeting increased service needs of Iowa's most vulnerable citizens without adding additional resources.

Sincerely

Julie Fleming
Legislative Liaison

Enclosure

cc: Michael Marshall, Secretary Iowa Senate
Mark Brandsgard, Chief Clerk of the House

1305 E WALNUT STREET – DES MOINES, IA 50319-0114

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Michael Marshall
Secretary of Senate
State Capitol
LOCAL

Mark Brandsgard
Chief Clerk of the House
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cc: Governor Chet Culver
Legislative Service Agency
Kris Bell, Senate Majority Caucus
Peter Matthes, Senate Minority Caucus
Zeke Furlong, House Majority Caucus
Brad Trow, House Minority Caucus

1305 E WALNUT STREET – DES MOINES, IA 50319-0114

THE STATE OF IOWA

Iowa Department of Human Services

House File 811 - Legislative Report

On Lean Government

LEAN

State of Iowa
Continuous Improvement

December 16, 2009

Lean Government

Legislative Background

House File 811 section 39,

LEAN GOVERNMENT EXCHANGE. Beginning July 1, the department of human services shall participate in the lean government exchange through consultation with the department of management, office of lean enterprise, to improve the speed and efficiency of departmental and program processes by eliminating waste. The department shall initially apply this methodology to general administration. The department shall submit periodic progress reports regarding such implementation to the persons designated by this division of this Act for submission of reports.

Report Content:

- ✓ DHS Sponsored Kaizen Events to improve speed and efficiency
- ✓ Expanding use of Lean across DHS to support speed and efficiency of government
- ✓ Actual Lean results and activities (appendix)

DHS Kaizen Events

The Department of Human Services (DHS) had experience with Lean prior to passage of HF811 in 2009.

Early DHS experiences required hiring an outside consultant to lead and facilitate the Lean events. The first DHS Kaizen event occurred in 2005 and addressed Family Investment Program (FIP). In 2006 DHS held three events, 1- Organization Design of Polk County Office Procedures, 2 - Child Abuse Appeals Processes, and 3 – Interstate Compact for the Placement of Children. In 2007 DHS did not sponsor any events but staff did participate in events held by other state agencies. In 2008 DHS held a Policy Deployment event, and an event on Food Assistance Error Rate Reduction, which was the most ambitious project undertaken by DHS (see appendix #1). Implementation of many aspects coming out of this event has continued into SFY09 and SFY10. In 2009 DHS held a Kaizen event addressing the Food Assistance Employment and Training program. In 2010 DHS is already planning three other events, one related to child welfare to streamline and simplify the matching and placement of children needing temporary family foster care, and two separate events related to restructure how mental health providers are accredited for services provided under Chapter 24 to reduce duplication and changing from a focus on minimum compliance standards to one of continuous improvement.

Expanding use of Lean across DHS to support speed and efficiency of government

During the 81st General Assembly, legislation was passed that authorized the Department of Management to lead the expansion of Lean efforts in Iowa state government. The Office of

Lean Government

Lean was created within the Department of Management (DOM) to promote and facilitate continuous improvement through the use of a specific set of proven tools and methodologies collectively known as Lean. In March of 2007 the initiative was staffed with a full time Lean Facilitator in DOM to lead events in state agencies, and to support development of Lean skills for staff in various agencies. DHS took advantage of the access to a trained (and free) facilitator, and made a significant commitment of resources to take advantage of mentoring and development of DHS staff to develop internal capacity to expand the use of Lean throughout the agency.

Lean is about more than individual improvement "projects", it's about a culture change in the way work is done. DHS initially used Lean to address ad-hoc Kaizen events and specific problems, and more recently focused Lean resources toward developing internal skills and capacity in the use of Lean tools and techniques. Within the Iowa Lean Initiative, we collectively refer to this set of activities as the first of three phases of the Lean journey, see brief descriptions the three phases immediately below.

Phase 1 of the Lean journey – IMPROVING

- Staff begin learning to use Lean tools
- Address "ad hoc" projects focused on addressing hot spots (problem areas) to eliminate waste and reduce variation of results
- Result: Identify and eliminate waste and process variation

Phase 2 of the Lean journey – OPTIMIZING:

- Management strategically leads Lean process improvement
- Agency is developing the internal capacity to support Lean efforts
- Projects are selected based on assessment of business opportunities
- Opportunity-focused clusters
- Staff continue to use Lean tools working to gain mastery
- Managers understand and are applying the Lean methodology
- Result: Financial benefits & better strategy execution

Phase 3 of the Lean journey - TRANSFORMATION

- Improvement is driven by strategy and performance data
- Continuous improvement is everyone's job
- Lean is "the way we work"
- Result: Value delivered to taxpayers & customers

Lean is a set of concepts and tools used to create rapid process improvement. In the past, process improvement efforts were often done over long periods of time using a series of "committee meetings"; these efforts resulted in varying degrees of success, though even the most successful generally resulted in very slow progress. Lean strategies involve a highly structured and focused approach within a very compressed time period, and result in improvements some of which are implemented before the event is even concluded.

Lean Government

Lean is simple, but it's not easy. Working with the Lean model can produce great results (see appendix #1 Food Assistance example), but to be effective it requires a facilitator who has developed skills through real life experiential learning in all phases of Lean work in order to apply the tools to complex systems and real life problems. Developing staff to lead Lean events requires staff have intensive and extended experiential learning, working alongside qualified mentors, progressively building skills and assuming greater leadership of all aspects and phases of Kaizen/Lean events. To fully reap the benefits of Lean efforts, the concepts need to be woven into the fabric of the entire agency.

The first step (within phase one) for DHS is to develop internal capacity to lead and teach Lean throughout the agency (see appendix #2 for listing of Lean activities DHS Quality Improvement staff were involved in to gain skills in preparation to lead Lean events within DHS). DHS began this phase in 2005 and will continue in phase one for some time. DHS works with DOM to address Lean training needs for those staff currently developing Lean skills, and in preparation for the second round which will begin to expand the use of Lean further and involve additional staff.

While DHS still has one foot firmly in Phase one, we will push another forward into Phase two of the Lean journey in 2010 with the re-organization of DHS, when the department will take initial steps beginning to incorporate Quality Improvement and Lean into strategic planning, setting prioritized agency improvement goals and using Lean tools to help to create efficient effective and quick strategies for targeted improvement. This phase normally would be expected to continue for approximately ten or more years.

Phase three will represent the cultural change where projects are not targeted at hot spots, but that all agency work is aligned with the tenets of Lean and efficiency effectiveness and customer focus in the way all work is done.

Lean Government

Food Assistance Kaizen Example:

As an illustration of the use of Lean tools, following is some detail of one event – the DHS Food Assistance event designed to reduce the error rate.

- Planning the event involved coordinating and scheduling a planning meeting about a month prior to the event with 25 individuals selected to be part of the event, each are involved in the program from every business role related to Food Assistance, and from all geographic areas of the state.
- Facilitating the planning group includes teaching some basic concepts of Lean as foundation, then helping the group to agree on the scope, goals, and objectives to be achieved.
- Scheduling the weeklong event for 25 individuals, and arranging coverage so that each are able to devote the week to the important contribution of the perspective they represent.
- Day One – orientation of what will occur throughout the rest of the week, and detailed training of the Lean tools which will be used at each phase.
- Day Two - helping the entire group agree how the current system works to the detail of who does what and in what order, using process mapping and visual management techniques to achieve agreement from the intentionally diverse group.
- Day Three – analysis of the current system to identify what works well and adds value, and to identify delays, wasteful steps not adding value, defects caused by lack of clear standards, re-work necessary to correct defects, and complications caused by excessive handoff between staff and repeated evaluation and re-evaluation of the same material. Then, based on the analysis, solutions are brainstormed, analyzed and prioritized, and the team agrees on the desirable attributes selected for a new and improved process.
- Day Four – the new process is mapped to document specific steps and responsibilities agreed upon by the entire group which avoid the waste previously identified and maximizes the design opportunities and efficiencies identified.
- Day Five – Report out to the business sponsor and other staff of the event results. For Food Assistance there was a 62% reduction in the steps to determine eligibility, a 58% reduction in the number of handoffs between staff, and a 60% reduction of delays.
- Some of the design solutions intended to reduce the error rate were effective immediately after the event, others required additional efforts to modify policy and forms, information systems, and to develop and roll out training for new processes.

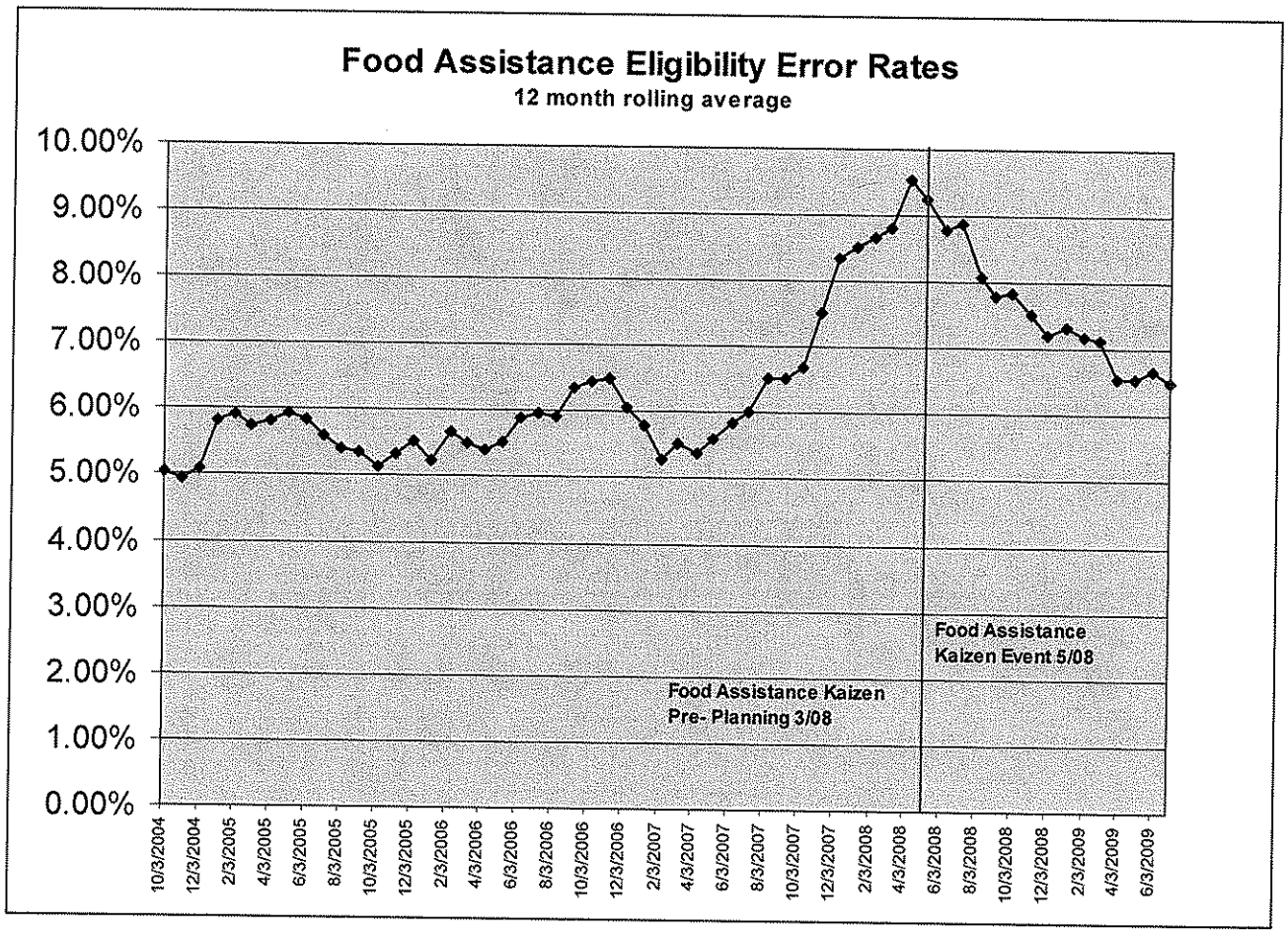
The Food Assistance Kaizen helped to establish a new mindset in the way the participants approach their daily work. It demonstrated that we can work together successfully not only for the week of the Kaizen but ongoing and that work processes can be both changed and improved. Staff who participated in this event have already applied the tools and strategies they learned to other work they perform beginning the cultural change Lean can stimulate.

Lean Government

Food Assistance benefits automatically flow to communities that face rising unemployment or poverty, providing a boost for local economies. USDA researchers have estimated that an additional $5 in Food Assistance benefits can generate $9.20 in total economic activity. In Iowa the annual FA issuance is approximately $360,414,012 and this equates to approximately $663,161,782 going into the economy each year.

In December of 2007, the federal fiscal year to date active error rate for the state of Iowa was at 11.57%, and the 12 month rolling average (shown in the chart below) was at 8.34% and still rising. The federal government expects Iowa to recoup benefits that were inaccurately issued to Iowans based on that same active error rate. At 11.57% Iowa would be expected to recoup approximately $41,699,901. Currently, as a result of changes implemented through the FA Kaizen, Iowa's active error rate is now under 7% for the first time since the event. At this rate the federal government would expect Iowa to recoup approximately $26,093,974. The improvement from 11% to 7% already represents a cost avoidance of $15,600,000.

Following is a chart illustrating the building error rate which resulted in the decision to use a Kaizen to try to impact the problem of unacceptable growth in the error rate, as well as the subsequent error rate since the event. Two of the major strategies to leverage information technology are just now being prepared for implementation, and their impact will be seen over the next twelve months and are intended to reach the target goal of 4%.



Lean Government

Appendix #2

The DHS has targeted five staff initially to develop Lean skills, through experiential learning under the mentoring and guidance of experienced Lean staff, in order to develop capacity for DHS to implement Lean and develop Lean culture across the agency. Each staff assumes leadership responsibility in each stage of each event (preparation, the event, and implementation and follow up). Following is a list Lean activities those staff have participated in to develop skills in the effective use of Lean tools and techniques.

Year	DHS Staff	Executive Agency and Lean Event Topic
2006	Chad Dahm	DHS – Organizational Design Polk County
2008	Chad Dahm	DHS - Food Assistance Error Rate Event and all follow up
2009	Chad Dahm	DHS - Food Stamp Employment and Training Event and all follow up
2009	Chad Dahm	Iowa Lean Leader development meetings sponsored by DOM.
2009	Chad Dahm	IUB - Power Transmission Event and all follow up
2009	Chad Dahm	IVH – Purchasing Kaizen Event and all follow up
2009	Chad Dahm	National Lean Government Exchange sponsored by DOM
2010	Chad Dahm	DHS - Child Welfare Foster Family Recruitment and Retention Event
2006	Jeff Terrell	DHS - Appeals Event and all follow up
2008	Jeff Terrell	DHS - Food Assistance Error Rate Event and all follow up
2008	Jeff Terrell	DHS - Policy Deployment Event and all follow up
2008	Jeff Terrell	DOB - Professional Licensing Event and all follow up
2009	Jeff Terrell	DHS - Food Stamp Employment and Training Event and all follow up
2009	Jeff Terrell	National Lean Government Exchange sponsored by DOM
2010	Jeff Terrell	DHS - Child Welfare Foster Family Recruitment and Retention Event
2010	Jeff Terrell	DNR – Manual Revision Kaizen Event
2010	Jeff Terrell	DHS - Mental Health Provider Accreditation Event
2006	Lisa Michaelson	DHS - Appeals Event and all follow up
2007	Lisa Michaelson	IWD - Unemployment Insurance Web Application and follow up
2008	Lisa Michaelson	DHS - Food Assistance Error Rate Event and all follow up
2009	Lisa Michaelson	DAS – Accounts Payable Kaizen Event and all follow up
2009	Lisa Michaelson	DHS - Food Stamp Employment and Training Event and all follow up
2009	Lisa Michaelson	DNR – Accounts Receivable Event and all follow up
2009	Lisa Michaelson	Iowa Lean Leader development meetings sponsored by DOM.
2009	Lisa Michaelson	National Lean Government Exchange sponsored by DOM
2008	Marcia Tope	DPS – Reimbursement Event and all follow up
2009	Marcia Tope	DHS - Food Stamp Employment and Training Event and all follow up
2009	Marcia Tope	IDPH – Contracting Kaizen Event and all follow up
2009	Marcia Tope	Iowa Lean Leader development meetings sponsored by DOM.
2009	Marcia Tope	National Lean Government Exchange sponsored by DOM
2010	Marcia Tope	DHS - Mental Health Provider Accreditation Event
2006	Susan Godwin	DHS - Appeals Event and all follow up
2008	Susan Godwin	DHS - Food Assistance Error Rate Event and all follow up
2009	Susan Godwin	DAS - Bidding Event and all follow up
2009	Susan Godwin	DHS - Food Stamp Employment and Training Event and all follow up
2009	Susan Godwin	DOM - Empowerment Value Stream Event and follow up
2009	Susan Godwin	Iowa Lean Leader development meetings sponsored by DOM.
2009	Susan Godwin	National Lean Government Exchange sponsored by DOM
2010	Susan Godwin	DAS – Accounts Receivable Kaizen Event