

Accountability Report Transmittal Form

Agency Name Department of Health and Human Services

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I. EXECUTIVE SUMMARY

1. Mission & Values

The mission of the South Carolina Department of Health and Humans Services (DHHS) is to provide the best health care value for South Carolinians in need. Our goal is to create a health care delivery system, through the state's Medicaid program, that supports improved health outcomes for our clients through a focus on *value*. We work to achieve that goal through the use of evidence-based, market-driven approaches that benefit Medicaid recipients, providers and taxpayers.

South Carolina's Medicaid program provides health care services for approximately one million residents annually who are either very poor, elderly, or disabled through a network of approximately 30,000 healthcare professionals. DHHS processes about 46 million individual Medicaid claims each year with almost \$1.5 billion of those claims coming through other state agencies. Yet many of our recipients are in poor health and the state ranks 46th in terms of the overall health outcomes of its residents.

As stewards of a large proportion of state General Fund and federal matching dollars, DHHS officials must be ever mindful of how its resources are invested. We know that our job is to ensure the state gets a better return on its health care investment. The key is to identify and confront the fundamental inefficiencies that drive up cost and hold down quality. To do this, the agency is realigning its focus to become a coordinating influence that promotes innovation, responsibility, quality and efficiency. Since we represent about 25 percent of the state's health care customers, we must become the binding link to coordinate a fragmented delivery system around the patient and to move the system towards providing quality. Many of those recent efforts are highlighted in this document.

2. SFY 2006 Major Achievements

Citizenship Verification Beginning July 1, DHHS began verifying the citizenship status of all Medicaid recipients, as required under a new federal law. The agency also partnered with the Department of Motor Vehicles and the Department of Health and Environmental Control to create a computerized citizenship and identity match system. The system is reducing the bureaucracy and time needed to verify information, benefiting both the agency and the Medicaid recipients.

Chronic Kidney Disease DHHS, in partnership with the National Kidney Foundation, launched its Chronic Kidney Disease (CKD) awareness campaign in Kershaw, Lexington and Richland counties. The program is designed to inform physicians and the public about CKD, which affects about 1 in 8 people in South Carolina. The long-term goal is to reduce the number of residents who develop CKD, which costs Medicaid an estimated \$40 million a year.

Colonoscopy Screening Enhancement Colorectal cancer screenings will now be available to all Medicaid recipients age 50 to 64, and high-risk individuals age 40 to 64. The policy will change means more 50,000 South Carolinians on Medicaid will be newly eligible for colorectal cancer screenings. CRC accounts for about 12 percent of all cancer cases diagnosed in South Carolina each year. About 900 residents a year die from the disease, making it the second deadliest cancer in the state behind lung cancer.

Eligibility Reform: The agency continued statewide audits of eligibility workers' case files to verify accuracy and identify potential fraud, abuse, or errors. DHHS also began targeting wealthy Medicaid recipients who became eligible through loopholes in the eligibility system. DHHS expanded the category of recipients subject to resource testing, which includes limits on bank accounts, stocks and equity in vehicles. The aim is to stop individuals who could otherwise afford private health care coverage from taking resources from those who cannot.

Emotionally Disturbed Children DHHS has submitted a concept paper to the federal Centers for Medicare and Medicaid Services (CMS) outlining its plan to better deliver intervention services for emotionally disturbed children. The proposal would set up a pilot program utilizing best practices to achieve higher levels of care for recipients while holding down Medicaid costs. Early intervention will ultimately curb the need for children to be placed in institutional care.

Fiscal Stability The agency's growth rate, excluding disproportionate share (DSH), was held to about 3 percent in SFY 2006 (see chart 7.3-4). This figure is about half of the national average. The agency credits the trend to internal reform efforts like its Preferred Drug List and eligibility controls.

GAPS DHHS began administering GAPS (Gap Assistance Pharmacy Program for Seniors). The program is replaces the SILVERxCARD assistance program and helps qualifying seniors with drug expenditures between \$2,250 and \$5,100. Under the new Medicare Part D benefits, seniors would otherwise be fully responsible for drug costs within the range of the so-called "the doughnut hole". SC GAPS helps fill this gap by covering 95 percent of those drug costs.

Health Award DHHS was awarded the Award of Excellence from the State Health Plan's Prevention Partners program. This is the second year in a row that DHHS got the top honor for an agency from Prevention Partners. The Award for Excellence recognizes outstanding worksite health programs and initiatives.

Healthy Connections Medicaid Transformation Plan The agency moved ahead with several tenants of its Medicaid reform plan, including offering enrollment choices to Medicaid recipients in Marion and Orangeburg counties. The options include managed care plans that offer expanded benefits and care coordination. The agency plans to expand the choice concept to other counties in the state in coming months. Details of the comprehensive plan can be found at www.scdhhs.gov.

Medstat System DHHS partnered with health technology company Thomson Medstat to develop a new computer system, called the "decision support system." Medstat is a powerful data mining system which collects and analyzes claims information and will assist the agency in two ways: 1) **Efficiency.** Medstat can identify policies and payment rates that deviate from industry standards, making it possible to implement best practices. It also will give agency a clearer picture of its resource allocations and how they can be maximized. 2) **Fraud and Abuse Detection.** Medstat can identify irregularities in billing patterns, allowing the agency to recoup millions of dollars more in inappropriate claims. DHHS recouped \$17 million in improper claims in the past year, the highest amount the agency has recorded. It expects an even higher rate of savings through the use of Medstat.

Physicians Services Rate Increase DHHS provided a rate increase for physicians treating Medicaid patients. The increase better reflects market rates and helps ensure accessibility to Medicaid patients by incentivizing their treatment.

Preferred Drug List DHHS saved a significant amount of money through the implementation of its Preferred Drug List (PDL). The system allows the agency to leverage its buying power into better pharmacy rebates on certain brands of prescription drugs. The agency has saved an estimated \$36.6 million in prescription drug costs

in SFY2006, and \$62.9 million since its implementation in May 2004.

Prevention Partnership Grants DHHS awarded \$1 million in grants to seven prevention programs that target prevalent diseases in South Carolina. It will award an additional \$1 million in awards in November 2006.

Recurring Funding Strengthened A substantial portion of non-recurring revenue was appropriated with recurring funds, ensuring availability of and providing stability for the state's Medicaid services.

3. Key Strategic Goals

DHHS has established the following key strategic goals:

- To provide benefit plans that maximizes the state's return on its investment.
- To provide a credible and continually improving eligibility process that is accurate and efficient.
- To provide administrative support at the best possible value to ensure programs operate effectively.

Pursuing these goals with an attitude of servant leadership is a priority for DHHS. Therefore, DHHS strives to maintain a responsive service and the highest possible value.

4. Opportunities and Barriers

Opportunities

- DHHS is operating with a solid budget in SFY 2007 and projects to have adequate resources to achieve its key goals.
- DHHS is implementing a plan to encourage improved health outcomes, consumer choice and competition within the Medicaid program through systematic Medicaid reform, called *South Carolina Healthy Connections*.
- The Medstat decision support system will allow the agency to operate more efficiently and recoup more in erroneous billings
- The Medicare Modernization Act has provided an advantageous cost-sharing system with the federal government for senior pharmacy needs.
- The agency will pilot an Electronic Personal Health Record (EPHR) program that has the potential improve outcomes for many Medicaid recipients.

Barriers

- Despite slower than expected growth in SFY 2006, projected long-term Medicaid costs will put pressure on the systems ability to continue to offer current benefits and maintain recipient levels.
- Legislative restrictions on pharmaceutical dispensing fees and the use of prior authorizations curtail administrative flexibility and potential cost-reducing efforts.
- DHHS' lack of control over other state agencies' use of Medicaid hinders managerial oversight.
- While overall enrollment growth is relatively flat, increases in certain mandatory eligibility categories (i.e. pregnant women) is reason for further study.

5. Use of Accountability Report to Improve Organizational Performance

Executive Staff contribute to and review all elements of this report, committing to the goals and performance measures relevant to their areas. Periodic review of this report throughout the year helps DHHS prioritize work in relation to the mission and provide a check on progress toward the agency goals.

II. ORGANIZATIONAL PROFILE

DHHS administers Medicaid, Title XIX of the federal Social Security Act (SSA). The state's Medicaid program encompasses a host of programs, including the Early Periodic Screening, Diagnostic and Treatment Program, and the Community Long Term Care System. In addition, the agency administers Title XXI of the SSA, the state's Children's Health Insurance Program (CHIP), and the Optional State Supplement program. DHHS also manages the Gap Assistance Pharmacy Program for Seniors program (GAPS), which provides prescription drug assistance to some low-income seniors in combination with the new Medicare Part D drug coverage.

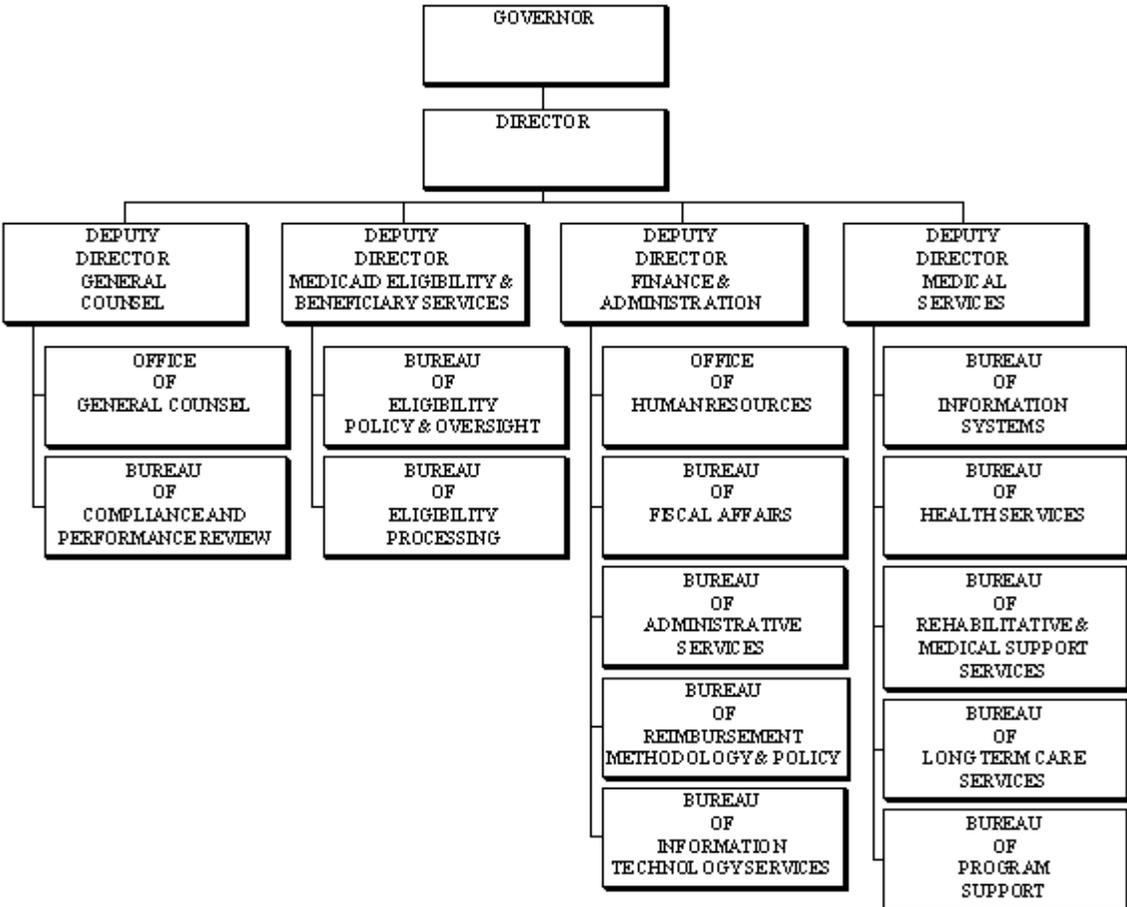
Working with the Governor and the General Assembly, DHHS leadership continues to streamline the organization and design programs that meet the needs of qualified South Carolinians. Adhering to its mission to provide value to the state's Medicaid program, DHHS is applying a progressive, market-based approach to providing quality health care coverage to low-income families and the state's aged, blind, and disabled.

South Carolina Medicaid Snapshot

- Provides for more than 20% of the state's population
- Pays for more than 60% of all births
- Covers more than 40% of all children
- Covers 33% of all seniors
- Pays for 75% of all nursing home beds
- Total budget of more than \$5 billion
- Accounts for 20% of General Fund budget
- More than 46 million annual claims

The Department of Health and Human Services' Office of Human Resources supports over 1,131 full-time equivalent employees, 230 temporary grant employees, and 20 state temporary employees. The agency conforms to the following organizational structure: (see chart on following page)

DEPARTMENT OF HEALTH AND HUMAN SERVICES



Base Budget Expenditures and Appropriations

Base Budget Expenditures and Appropriation

	04-05 Actual Expenditures		05-06 Actual Expenditures		06-07 Appropriations Act	
Major Budget Categories	Total Funds	General Funds	Total Funds	General Funds	Total Funds	General Funds
Personal Service	\$38,413,555	\$14,095,802	\$38,877,155	\$14,606,984	\$41,136,142	\$14,352,784
Other Operating	\$102,015,355	\$16,271,034	\$96,111,771	\$15,636,769	\$155,945,116	\$18,743,355
Special Items						
Permanent Improvements						
Case Services	\$4,303,425,597	\$687,211,502	\$3,968,306,976	\$751,827,738	\$4,768,519,381	\$887,142,745
Distributions to Subdivisions						
Fringe Benefits	\$10,905,961	\$3,958,550	\$11,353,543	\$4,218,670	\$13,359,328	\$4,372,293
Non-recurring	\$105,142,238		\$30,989,635		\$26,212,320	
Total	\$4,559,902,706	\$721,536,888	\$4,145,639,080	\$786,290,161	\$5,005,172,287	\$924,611,177

*Please note: actual expenditures reflect reductions attributed to the Medicare Modernize Act and timing of disproportionate share (DSH) payments. See chart 7.3-4.

Other State Agencies Medicaid Assistance

	<u>2003</u>	<u>2004</u>		<u>2005</u>		<u>2006</u>	
Department of Mental Health	\$195,109,098	\$171,365,310	-12.2%	\$155,403,328	-9.3%	\$150,481,601	-3.2%
Department of Disabilities & Special Needs	\$412,816,446	\$412,987,890	0.0%	\$430,634,503	4.3%	\$433,129,611	0.6%
Department of Health & Environmental Control	\$38,725,914	\$37,298,961	-3.7%	\$37,575,748	0.7%	\$17,805,850	-52.6%
Medical University of South Carolina	\$27,829,341	\$41,939,631	50.7%	\$48,496,689	15.6%	\$44,836,789	-7.5%
University of South Carolina	\$5,612,272	\$5,690,602	1.4%	\$7,982,304	40.3%	\$6,401,332	-19.8%
Department of Alcohol & Other Drug Abuse Services	\$11,839,390	\$13,879,179	17.2%	\$13,087,351	-5.7%	\$14,408,349	10.1%
Continuum of Care	\$10,328,196	\$8,898,251	-13.8%	\$8,606,575	-3.3%	\$9,316,237	8.2%
School for the Deaf & Blind	\$2,048,508	\$3,437,980	67.8%	\$3,559,479	3.5%	\$3,941,212	10.7%
Department of Social Services	\$52,182,875	\$50,324,531	-3.6%	\$49,360,351	-1.9%	\$50,070,688	1.4%
Department of Juvenile Justice	\$23,598,126	\$20,449,250	-13.3%	\$27,540,540	34.7%	\$20,353,749	-26.1%
Department of Education	\$69,965,732	\$68,705,945	-1.8%	\$73,504,294	7.0%	\$54,435,108	-25.9%
Commission for the Blind	\$25,449	\$8,876	-65.1%	\$6,666	-24.9%	\$6,875	3.1%
Department of Corrections	\$0	\$0	0.0%	\$11,058	0.0%	\$1,397,614	12538.9%
John De La Howe	\$0	\$0	0.0%	\$0	0.0%	\$72,565	100.0%
State Housing Authority	\$0	\$0	0.0%	\$0	0.0%	\$66,307	100.0%
Wil Lou Gray Opportunity School	\$0	\$0	0.0%	\$9,322	0.0%	\$26,258	181.7%
Total Other Agency Medicaid Assistance	\$850,081,347	\$834,986,406	-1.8%	\$855,778,208	2.5%	\$806,750,145	-5.7%

Products and Services

The major product provided by DHHS is health care coverage. This includes coverage for low-income families, qualifying pregnant women and infants, children, as well as disabled and the elderly recipients. DHHS also provides educational and prevention programs and supports a range of treatment, intervention and support programs through other state agencies.

Key Customer Segments

DHHS Key Customer Segments are the nearly 1 million South Carolinians who rely on Medicaid for health care coverage and the providers that service them. Providers include physicians, hospitals, care facilities, pharmacies and other state agencies that assist with the state's health care initiatives. By implementing policies to best serve these core customers, DHHS provides a fiscally sound management framework to the Medicaid program.

Other Key Stakeholders

Due to the reach of the agency, and the amount of public money involved, the work of DHHS is subject to input from many constituents beyond its core customers. Stakeholders include taxpayers and political leaders. Groups that advocate on the behalf of recipients and the various entities that support the Medicaid system also play an important role in aligning the agencies priorities. As a state agency with a \$5 billion budget, our policy decisions reverberate far beyond any individual recipient and their doctor.

Key Suppliers and Partners

The suppliers that support the design and implementation of Medicaid-sponsored care include research entities, health care associations and brokerage companies, universities, administrative support firms, and many other businesses and organizations that assist the agency in fulfilling its mission, such as transportation services and computer support. Advocacy groups and advisory groups, such as the agency's Medical Care Advisory Committee (MCAC) are important partners in crafting policy.

Operation Locations

DHHS is headquartered at 1801 Main Street, Columbia SC. The agency maintains at least one local eligibility office in all 46 counties of the state.

Employees

The Department of Health and Human Services' Office of Human Resources supports over 1,131 full-time equivalent employees, 230 temporary grant employees, and 20 state temporary employees.

Regulatory Environment

By federal statute, DHHS is regulated by the Centers for Medicare and Medicaid Services (CMS). CMS has the authority to set certain the guidelines under which states much administer their Medicaid programs. Since the federal government provides most of the money DHHS uses to reimburse for medical services, CMS is granted far-reaching regulatory powers over the fiscal and policy affairs of DHHS.

In addition, DHHS is subject to the rules and regulations all other state agencies must abide by as part of South Carolina government. These rules extend to issues regarding procurement, human

resources and freedom of information issues. The agency also is subject to certain provisions dictated by the legislative, executive and judicial branches of state government.

Key Strategic Challenges

Like many private insurance companies, DHHS must provide quality health care coverage under clearly defined financial constraints. As mentioned, this task is becoming increasingly difficult given the rise in cost of health care and the state's uniquely unhealthy citizenry. DHHS also is subject to many frequently shifting federal guidelines that dictate how states must govern the Medicaid program and limit their flexibility in terms of innovation. The ongoing challenge the agency faces is striking the right balance between coverage, cost and the population of eligible recipients it serves.

Performance Improvement System

DHHS maintains a rigorous system of performance evaluation. Managers are held accountable for clearly defined goals under the agency's "GO" (Goal Outline) system that tracks progress of tasks. The agency's newly adopted decision support system will add a new dimension of improvement by allowing the agency to quickly analyze and adapt to an array of data measures.

Organizational Structure

Under the agency director, DHHS is organized into four major areas: eligibility, medical services, legal/regulatory, and finance. Various divisions, or bureaus, are organized under each of those major program areas. See "Organization Chart" on page 5.

Expenditures/Appropriations

See "Base Expenditures/Appropriations" chart on page 6.

Major Program Areas

See "Major Program Areas" chart on page 40

III. MALCOLM BALDRIGE CRITERIA

Category 1 – Leadership

1.1 How do senior leaders set, deploy and ensure two-way communication for: a) short and long term direction and organizational priorities, b) performance expectations, c) organizational values, d) empowerment and innovation, e) organizational and employee learning, and f) ethical behavior?

a) short and long-term direction and priorities

The executive staff works in conjunction with senior managers of the various bureaus within the agency to set the overall direction of the agency. Regular face-to-face meetings allow senior managers, deputy directors, and the director to address critical needs of the agency.

During these meetings, senior managers present recommendations for various projects that should be pursued to promote the mission of the agency. A uniform format, called the “GO” (Goal Outline) sheet, has been developed to provide the following: background information of projects, purpose, work plan and time frames, fiscal impact, stakeholders impacted, and team members.

The feedback received from participants is used to prioritize initiatives. Follow-up meetings between the deputy directors and their respective senior managers are scheduled to monitor the status of implementation of various projects. Senior managers schedule subsequent staff meetings to ensure that all staff is aware of the short and long term goals and objectives adopted by the agency.

b) performance expectations

The status of implementation of projects pursued by the agency is monitored on a regular basis. Status reports are provided to senior managers on a regular basis. Additionally, individual performance expectations are communicated via the Employee Performance Management System (EPMS) planning stage and evaluation documents. Feedback is provided to employees by direct supervisory staff.

c) organizational values

The following organizational values serve as the cornerstone of DHHS’s administration: Service, Excellence, Responsive, Value, and Everyone. These organizational values, SERVE, are communicated to new employees during an orientation session and are constantly reinforced. The SERVE credo is prominently displayed throughout the agency.

d) empowerment and innovation

Involving bureau staff in developing and continuously monitoring GO system projects works to ensure that each employee feels ownership in the agency’s mission and is empowered to suggest modifications.

The GO sheet system is designed to give employees a sense of ownership by putting evaluation tools in the hands of those on the front lines of the agency's functions.

Additionally, recognizing project accomplishments in periodic bureau chief meetings encourages accomplishments and innovative suggestions. A recognition program has been implemented to reward individuals or teams for outstanding customer service or for creative suggestions that result in significant process improvement or cost savings. Employees are recognized and presented with an award during senior management meetings or other agency functions.

e) organizational and employee learning

The agency strongly promotes training and development for employees. The agency is proud to have employees that have completed the Certified Public Manager Program and the Executive Institute, two state-sponsored training programs. Additionally, the agency has developed a mandatory training package for supervisors and customized training to address topics such as customer service, HIPAA (Health Insurance Portability and Accountability Act), and effective communication skills. The agency also offers an array of voluntary classes, including courses about time management and the latest computer programs. Several areas within the organization have developed mentor positions to connect new employees with seasoned staff member who respond to questions and provide training.

f) ethical behavior

Executive and senior management staffs strive to model ethical behavior in conducting the day-to-day operations of the agency. Integrity is an inherent value of an effective organization and must be beyond reproach. Ethical behavior is expressed primarily through the value the agency leadership places on teamwork and integrity. Every employee is involved in the agency's success, and as a team employees encourage and hold each other accountable for their actions.

To encourage accountability, the agency took steps to strengthen supervisory oversight in areas that could be more open to fraud and abuse. For example, statewide eligibility office management conducts increased supervisory audits. Also, eligibility rules were changed to prevent workers from handling cases involving family members. These types of efforts reflect the agency's increased awareness of potential unethical behavior and the need for proactive measures to reinforce a climate of integrity.

1.2 How do senior leaders establish and promote a focus on customers and other stakeholders?

Customer service is a key organizational value adopted by the agency. Standards are in place for responsiveness to customer inquiries and concerns. In conjunction with senior managers, the agency developed specialized customer service training for staff. DHHS worked with human service personnel from the Budget and Control Board to design and deliver this training, which focused on the skills necessary to support employees in their public service.

To ensure a high level of customer service is achieved, DHHS conducts a sample of customer surveys on a regular basis to gauge how performance is perceived. The agency maintains a log system to track and resolve complaints from beneficiaries, providers, and legislators. Through representation on various committees, provider associations, and focus groups, senior managers are able to obtain feedback about customer needs. Feedback is then used to enhance services as needed. The agency also makes special efforts to recognize and rewards employees for exceptional customer service.

1.3 How does the organization address the current and potential impact on the public of its products, programs, services, facilities and operations, including associated risks?

Prior to implementation of policy changes, the potential impact of on internal and external stakeholders are identified and evaluated by program staff through the GO system. The agency also presents changes requiring a Medicaid State Plan amendment to the Medical Care Advisory Committee—a collection of health care professionals and advocates—for consideration. Policy changes are communicated to beneficiaries and providers prior to implementation. Public notices and hearings precede most important policy changes, giving staff critical feedback on potential changes. Medicaid Bulletins are issued to providers regarding Medicaid policy changes or to provide policy clarification as needed. A newsletter is periodically sent to beneficiaries to alert them about any changes regarding eligibility and benefits. Additionally, verbal and written reports are provided to legislative committees and the Governor outlining the implications for policy changes.

1.4 How do senior leaders maintain fiscal, legal, and regulatory accountability?

The agency has placed both the General Counsel and the head of its finance division as deputy director-level positions, highlighting the importance of these functions within the agency. Senior leaders require all proposed changes to programming or reimbursements to conform to state and federal guidelines before implementation. Proposals must identify which legal steps must occur before any change is pursued. In addition, the Medical Care Advisory Committee advises the agency on Medicaid issues and the potential impact of changes. All proposals also go through a rigorous fiscal analysis to determining the short and long-term costs associated with the potential change. Of course, the agency is proactive in working with legislators and the Governor's office on all issues involving fiscal, legal, or regulatory considerations.

1.5 What key performance measures are regularly reviewed by your senior leaders?

Executive staff continuously reviews the GO sheets, which identify the major agency projects and their respective status. Budgetary impact of the projects is included in the review. The agency's fiscal affairs staff also regularly reports to senior leaders to keep them apprised of the financial performance of various areas of the organization. These reports include the following:

- *Operational Performance* - utilization rates/trends, accuracy measures, eligibility accuracy reports, program integrity audits;
- *Customer Performance* - customer response/efficiency reports, claims data, provider reimbursements information, eligibility efficiency reports;
- *Financial Performance* - fiscal charts, budget-to-actual reports; and
- *Mission and Program* - strategic plan review, program specific outcome measures.

1.6 How do senior leaders use organizational performance review findings and employee feedback to improve their own leadership effectiveness and the effectiveness of management throughout the organization? How do their personal actions reflect a commitment to the organizational values?

Using the information provided from the measures in 1.5 above, agency leaders are apprised of the projects employees are managing, and what the corresponding challenges might be. If a project is behind schedule or over budget, senior leaders can work improve the productivity of staff or the scope of the project.

By regular interaction with employees, and by using input from bureau chiefs, executive staff members reinforce organizational values. Executive staff members have an “open door” policy to employees, and project an attitude of cooperation. The agency’s Employee Performance Management System also offers a formal tool for executive staff to assess management strengths and challenges.

1.7 How do senior leaders promote and personally participate in succession planning and the development of future organizational leaders?

Executive staff members promote a team approach to organizational structure by encouraging succession planning and cross training in specific divisions. Many departments have been reorganized into “team oriented” groups. The team approach is used extensively during division and department goal planning. This approach helps built a greater breadth of knowledge transfer from more experienced staff to newer staff members. The team structure has fostered mentor relationships that aid in succession and increased morale among team members.

Nearly 200 DHHS supervisors also have completed the Associate Public Manager Certification through the state Budget and Control Board. Four of the Department’s managers also completed the Certified Public Manager Program, a more comprehensive certification program designed to groom future organizational leaders. Leaders also are encouraged to identify specific employees that show strong competences and leadership potential so that additional training can be provided as needed.

1.8 How do senior leaders create and environment for performance improvement, accomplishment of strategic objectives, and innovation?

As mentioned in sections 1.1 and 1.5, senior leaders are intimately involved in developing key agency goals and objectives, monitoring the progress of tasks, and making adjustments when necessary. The organization is structured so that innovative ideas from team members are encouraged and incorporated into policy whenever possible. Senior leaders work to create an environment of employee empowerment by recognizing and rewarding new ideas that further agency goals.

1.9 How does senior leadership actively support and strengthen the communities in which your organization operates? Include how senior leaders and employees contribute to improving these communities.

Executive staff and the entire DHHS team are encouraged to participate in community organizations like the United Way, the Red Cross, the Public Health Association, and other important groups. The agency also has a CHAMPS (Community, Health, Activity, Morale, Program and Service) committee, which works with senior leaders to support a variety of public causes, such as healthy lifestyle initiatives.

Perhaps most importantly, as the state’s provider of health insurance to about 800,000 South Carolinians in need, DHHS believes it has obligation to encourage healthy communities and works to implement policies that reflect our values. For instance, through DHHS’s Prevention Partnership grants, the agency helps local community groups educate residents on the importance of proper diet and disease prevention. Through the agency’s *Healthy Connections* Medicaid reform plan, agency leaders hope to strengthen the overall quality of health care low-income recipients receive, thus improving long-term health outcomes.

Category 2 – Strategic Planning

2.1 What is your Strategic Planning process, including KEY participants, and how does it address:

- a. Organization’s strengths, weaknesses, opportunities and threats**
- b. Financial, regulatory, societal and other potential risks**
- c. Shifts in technology or the regulatory environment**
- d. Human resources capabilities and needs**
- e. Opportunities and barriers described in Executive Summary**
- f. Business continuity in emergencies**
- g. Ability to execute strategic goal**

The strategic planning process begins with feedback from employees and service partners like providers, legislators, and recipients. Combining such feedback with ideas from staff and agency leadership leads to the cultivation of new ideas. All stakeholders –families who receive Medicaid, providers, advocates and businesses that support the system—are considered key participants and encouraged to join the planning process.

a) organizations strengths, weaknesses, opportunities and threats. The agency constantly evaluates current and future challenges and opportunities and incorporates them into its short and long-term planning procedures. See “Opportunities and Barriers” in Executive Summary section and sections 1.1 and 1.3 for further detail.

b) financial, regulatory, societal and other potential risks. See sections 1.3 and 1.4 above

c) shifts in technology or the regulatory environment. The agency’s increased use of the internet, frequent contact with technology vendors, and the development of the decision support system exemplify DHHS’s efforts to utilize technology. For more information on regulatory issues, see “Regulatory Environment” in the Executive Summary and section 1.4.

d) human resource capabilities and needs. Generally, these are determined through the agency’s Office of Human Resource and are selected through a process that evaluates agency priorities and available resources.

e) opportunities and barriers. Opportunities and barriers listed in the Executive Summary serve as the basis for the agency’s strategic planning. Only after identifying broad areas for potential success and failure can the agency move forward with meaningful initiatives. *Healthy Connections*, for example, will serve as a planning document for many of the agency’s specific future projects. Similarly, the agency also must be aware of potential dangers, such as the inflation of health care costs, before it can prudently adopt new policy.

f) business continuity in emergencies. The agency is very aware of the necessity of its operation at all times, including during disasters. Therefore, the agency has developed a detailed emergency plan that proscribes actions and contingency plans for multiple emergency scenarios. This plan is currently up for review.

g) ability to execute strategic goal. As described in section 1.1, the GO sheet procedure is a mechanism that analyzes the agency's ability to execute strategic goals and objectives, measuring progress along the way. Clearly, strategic goals are useless unless they are predicated on one's ability to execute them.

2.2 What are your key strategic objectives?

See Strategic Planning Chart.

2.3 What are your key action plans/initiatives?

See Strategic Planning Chart

2.4 How do you develop and track action plans that address your key strategic objectives?

The GO sheet tracking system, as described in 1.1, is the agency's primary method for tracking and supporting strategic objectives.

2.5 How do you communicate and deploy your strategic objectives, action plans and related performance measures?

Again, the GO sheet project priority/tracking system, outlined in 1.1, is the key tool for communicating and deploying the agency's strategic objectives.

2.6 How do you measure progress on your action plans?

Progress is measured in several ways, but it is generally tracked through GO sheet tracking in terms of hitting benchmarks related to overall goals and financial considerations.

2.7 How do your strategic objectives address the strategic challenges you identified in your organizational profile?

As described in 2.1 (e), the agency always filters goals and objectives through the realities of current and future challenges. Some goals are put in place precisely to address future challenges, not just in spite of them. For example, the *Healthy Connections* plan was crafted partly out of the realization that current growth rate trends cannot be maintained in the long-term.

2.8 If the agency's strategic plan is available to the public through the agency's Internet homepage, please provide an address for that plan on the website.

N/A

Category 3 – Customer Focus

3.1 How do you determine who your customers are and what their key requirements are?

In developing DHHS customer service standards, we define “customer” as any individual or organization who interacts with DHHS. Thus, DHHS employees, Medicaid applicants and beneficiaries and their family members, Medicaid providers and DHHS partners (e.g. hospitals, other state agencies) are considered “customers.” Determining the requirements of customers is achieved through agency correspondence and surveys, focus group studies, review of letters/feedback to the agency, and constant communication with these customers.

For applicants and recipients, primary interaction is through eligibility offices, Medicaid recipient bulletins, the agency’s toll-free number, the beneficiary newsletter, and website. Toll free number operators answer tens of thousands of calls each month, and use each customer service call as an opportunity to gain insight of the needs Medicaid recipients have. In addition, workers in the agency's local county offices are in constant communication with managers in the central office, sharing the needs and concerns of recipients they come in contact with every day.

Provider representatives can meet regularly with DHHS leadership and give feedback through the Medical Care Advisory Committee (MCAC) and through interactions on task forces and in professional working groups like provider association meetings. In addition, a new physicians advisory group was created to guide the agency in healthcare-related business decisions.

3.2 How do you keep your listening and learning methods current with changing customer/business needs and expectations?

During SFY 2006, the Customer Service Initiative (CSI) Board, a team of DHHS management and direct service staff, developed customer service standards and created measures to be used as a benchmark system for Medicaid eligibility offices to measure progress. As a major component of the Customer Service Initiative, all eligibility staff receives training on *Customer Service – The HHS Way*. Participants are introduced to and challenged to adopt the five key practices necessary to achieve positive work outcomes at SCDHHS: *Be a Team Player, Practice Effective Communication, Show Respect/Be Courteous, Demonstrate Professionalism, and Protect Customer Privacy/Confidentiality*.

The internet also has been an area of change in regard to listening and learning from our customers. In addition to the website and e-mail interaction, the agency is doing more business and receiving more feedback through online billing and issue resolution tools. DHHS is learning more about recipients and providers through client management tools like its decision support system.

As mentioned, DHHS also monitors the incoming "traffic" on its into its phone bank. Tracking the customer feedback has become more sophisticated in recent years and the agency can glean useful information based on what customers are communicating. In addition, the customer support services available to specific provider groups (Durable Medical Equipment providers, specialty care providers,

etc.) use feedback they receive from phone and business transactions as a major means of learning what our customers need.

3.3 How do you use information from customers/stakeholders to keep services or programs relevant and provide for continuous improvement?

One of the CSI Board's specific objectives for SFY 2007 is to implement a continuous process of feedback and recognition through reports and regular meetings with agency staff. A benchmark system will be used to review the progress the agency is making in providing high quality customer service. The benchmark system will list goals with related operational measures and the results for the region. Performance data will be collected from secret shopper visits/calls and MEQA client interviews and shared with SCDHHS management staff and the local offices on a quarterly basis. For complaint investigations, once the review is completed, a report will be provided to SCDHHS management staff.

DHHS also tries to take a proactive approach in meeting customer demand for new services/programs. For example, the agency worked to create a "medical homes" local provider network in response to physicians' feedback on how to empower providers to manage Medicaid in their areas. The result in this case is a medical homes cooperative that will offer a structure that rewards local physicians for good health and fiscal outcomes.

And as always, to be accessible to customers on issues of importance, DHHS has representation and/or communicates regularly with dozens of provider and advocacy-related organizations. Information gathered through such groups is used to continuously evaluate and improve program operation. For example, the agency also is working with other agencies, providers and advocates to revamp treatment for emotionally disturbed children based on feedback from stakeholders.

3.4 How do you measure customer/stakeholder satisfaction and dissatisfaction, and use this information to improve?

DHHS uses surveys, focus groups, consumer forums and service utilization analysis, in addition to public feedback, to evaluate the satisfaction of customers and stakeholders. By tracking calls to the agency's call center, for example, managers can get a timely read on how customers are reacting to various policies.

During SFY 2007, a three-pronged approach will be used to monitor the implementation of more advanced customer service standards, processes, and policies.

- *Secret Shopper visits/calls to all 46 counties and the Division of Central Eligibility Processing (CEP).* Secret shoppers will visit all counties to observe and determine fidelity to agency customer service standards. Calls will be made to a random sample of out-stationed workers and to the CEP to measure CS standards.

- *Customer Service Surveys with Clients Selected for MEQA Review.* USC MEQA staff will ask 4-5 customer service questions to clients selected for the MEQA review. Responses will indicate how satisfied they are with the customer service provided by Medicaid.

- *Complaint Follow-up.* When complaints have been made on specific employees, USC staff will assist DHHS in investigating the complaint and provide feedback to DHHS. The following will be done to collect information:

- A secret shopper will make a call to and/or visit the employee for observation.

- USC staff will attempt to determine whether the call is a complaint regarding poor customer service or dissatisfaction because eligibility has been denied or terminated
- A summary of findings will be provided to DHHS and recommendations will be made on how to handle the issue.
- Customer Service Initiative Board will propose establishing a centrally located Customer Service Resource Center. Employees will handle questions, complaints, and comments and track by region. They will feed information to the training component of DHHS.
- Calls will be made to a minimum of 5 clients that have interacted with the employee in the past month to gather their experiences working with the employee.

3.5 How do you build positive relationships with customers and stakeholders? Indicate any key distinctions between different customer groups.

The agency’s effort to build positive relationships is embodied in the SERVE value guidelines, as indicated in the Executive Summary.

As described in 3.1, the agency broadly defines customers as groups and entities that have direct contact with the Medicaid program—recipients, providers, etc. Stakeholders would include taxpayers, advocates, and policy makers. The agency believes maintaining a positive relationship with both groups is critical to its long-term success. The director and executive staff are committed to an open-door policy and meet regularly with both customers and stakeholders to discuss concerns and participate in various community meetings.

Since the open flow of information and productive communication are essential to any organization, the director has streamlined the agency’s procedures for responding to letters and e-mails, ensuring more timely responses to the public, legislators and the media. The agency also continues to send a beneficiary newsletter to recipients. Regular reporting to providers and beneficiaries through bulletins and notices also helps build positive relationships.

On key policy and budget issues, DHHS staff is accessible to both lawmakers and their staffs. To keep the general public informed, the agency maintains contact with media outlets throughout the state and uses outreach efforts through its press office to keep them informed of major Medicaid news.

With all these audiences, the agency website is increasingly becoming a vital communications tool. The agency revamped the website during SFY 2005. Now applicants can view income guidelines online, and find all forms necessary to apply for Medicaid. Providers can sign-up to participate in Medicaid, view fee schedules, and read bulletins and manuals online.

Category 4 – Measurement, Analysis, and Knowledge Management

4.1 How do you decide which operations, processes, and systems to measure for tracking financial and operational performance, including progress relative to strategic planning and action plans?

DHHS leadership measures the operations, processes, and systems that determine whether the agency is meeting goals and operating in an efficient and effective manner. Major initiatives are tracked as Outcome Measures as defined in the GO sheet system. Again, the GO sheet system ensures that functions relevant to strategic plans are monitored.

In addition, state/federal laws require that certain aspects of programs be evaluated and program data be reported, including outcomes and profiles of processes or populations. Other measurements may be assessed in response to special inquiries from the public, media, the Governor, General Assembly, federal oversight agencies, or other interested parties.

DHHS leadership regularly reviews the financial and operational data of program lines and assesses year-to-date status to identify potential issues and make adjustments as needed. One tool that will help with this effort is the decision support system. Vital management data will be available to executive staff to support value-based decisions. This system will provide key financial indicators, as well as information on service utilization dynamics and potential fraud and abuse cases.

4.2 How do you use data/information analysis to provide effective support for decision making throughout your organization?

Key managers continuously use data to drive policy decisions of the agency. Through use of cost reports and reimbursement data, managers can make cost-effective decisions on a range of topics. For example, the agency recently began offering colonoscopy screenings to any Medicaid beneficiary over the age of 50. This decision was partly based on the projected cost of increased screenings compared with data detailing the cost of colon cancer treatment. DHHS believes quality data will become an increasingly important tool in decision-making.

4.3 What are your key measures, how do you review them, and how do you keep them current with business needs and direction?

In addition to the measurements identified above, the agency's broader measures have been identified as those that will help it progress toward its overall goals.

For the first goal of providing a benefit plan that improves member health, is evidence based, and market driven, the key measures include:

- a baseline index of general health for Medicaid members relative to the general population;
- the number of consumer-driven, incentive-based medical homes; and
- Medicaid expenditure growth rate compared with the cost of healthcare costs nationally.

For the goal of providing a credible and continually improving eligibility process that is accurate and efficient, the key measures include:

- customer satisfaction survey baseline;

- average processing time – compliance with federal processing guidelines;
- percent of applications accurately processed within federal requirements; and
- average baseline cost per application.

For the goal of providing administrative support at the best possible value to ensure programs operate effectively, the key measures include:

- holding the percentage of administrative cost to program cost at less than 3 percent;
- establishing an internal customer satisfaction survey baseline;
- providing at least 10 examples of substantial savings and/or process improvements as a result of leveraging technology; and
- enhancing savings by 10 percent by expanding the number of fraud and abuse reviews, and audit compliance reviews.

4.4 How do you select and use key comparative data and information to support operational and strategic decision-making and innovation?

Quality data is the foundation of all decision-making at DHHS. The agency's Information Technology division provides access to a myriad of reports and statistics needed to facilitate decision-making processes. As mentioned, the new Medstat decision support system will give managers access to this data from their desktops, allowing them to quickly splice large amounts of data almost instantly. The tool will significantly aid managers in goal setting, decision making and forecasting of trends. Beyond standard agency reports, the availability of more specific demographic, fiscal, and programmatic reports is helping planners make more data-driven decisions. The decision support system will allow managers to “drill down” into provider/recipient behavior; ensuring data likely will be even a more integral part of agency decisions in the future.

The selection and use of comparative data is determined by the nature of a given situation. DHHS frequently uses regional and national data to compare South Carolina with other states, such as data provided by the state’s Office and Research and Statistics. DHHS also uses fiscal comparative data to identify utilization and expenditure trends for policy planning. The key is for the agency to always have a wide array of reliable data so managers can choose from a virtual palette of information to meet its information needs.

4.5 How do you ensure data integrity, timeliness, accuracy, security and availability for decision-making?

Due to the broad scope of services managed by DHHS and the number of people affiliated with the program, DHHS stands as a source of nearly limitless data measurement possibilities. The agency’s Information Technology and Fiscal Affairs departments both play a vital role in ensuring data integrity, timeliness, accuracy, security, and availability to support a range of consumers.

First, the agency’s aforementioned acquisition of a decision support system will further assist in providing timely and accurate information for policymakers. Such high-level data will guide the agency in identifying key trends and uncovering areas for improvement in the Medicaid program.

In addition, the Bureau of Compliance and Performance Review works to ensure the integrity and accuracy of the processes and services behind the data. Strategies to protect data quality and ensure

accessibility include reviews of comparative data and investigations of variances, access to providers to the data system via the internet, and both internal and external audits. It should also be noted that no data is typically made public until it has been checked through multiple channels, ensuring accuracy and consistency.

Regarding security, the agency is committed to keeping Medicaid information confidential, as required by law under HIPAA. DHHS has met all major HIPAA compliance deadlines and has conducted extensive outreach during the past year to help providers and other agencies meet HIPAA guidelines. Annual and ongoing HIPAA training for staff and new employees help ingrain a strong adherence to privacy laws as it applies to data.

4.6 How do you translate organizational performance review findings into priorities for continuing improvement?

Performance review findings help pinpoint which agency functions need improvement. Obviously, if reviews find deficiencies in key areas, those problems are given priority and changes, including resource allocation and/or staffing modifications, are implemented. Those changes will later be measured to see if the desired effect of improved performance was achieved. In addition, the Division of Audits conducts both internal and external audits for performance, compliance, and fiscal accountability, and makes recommendations for improvement to agency executive staff.

4.7 How do you collect, transfer and maintain organization and employee knowledge? How do you identify and share best practices?

The collection and transfer of accumulated employee knowledge is managed in several ways. First, at the program level workers are provided on-the-job training and share knowledge and ideas tied to agency tasks. The adoption of a team approach has helped make knowledge transfer a standard part of daily staff interactions. Secondly, program level knowledge is shared at the bureau chief and deputy director levels, where agency-wide projects and strategic planning may require cross-departmental cooperation. At this executive staff level, the transfer of ideas is vital to ensuring efficient operations, eliminating duplicative efforts, and setting the standard for future performance.

The agency's quarterly employee recognition program, and various department-level employee recognition efforts, is designed to identify best practices and share lessons that are learned among the DHHS team. Also, the agency began an award program in SFY 2005 that recognizes employees who develop innovative agency practices. The agency also utilizes newsletters and variety of training and policy manuals for all its employees.

Due to the geographic dispersion of our staff, DHHS also utilizes e-learning tools, such as web-based programs and interactive DVDs presentations as part of its training. These tools can offer timely, cost-effective alternatives to face-to-face training methods.

DHHS also utilizes state and federal training opportunities and conferences to share and gain knowledge about capturing best practices. By closely monitoring information from other agencies and other state Medicaid systems, DHHS strives to borrow innovative ideas from a variety of sources, in addition to its "home grown" advancements.

Category 5 - Human Resources

5.1 How do you organize and manage work: to enable employees to develop and utilize their full potential, aligned with the organization's objectives, strategies, and action plans; and to promote cooperation, initiative, empowerment, innovation and your desired organizational culture?

DHHS's Office of Human Resources has partnered with executive staff members to completely reorganize bureaus, divisions, and departments into team-oriented groups. These re-organizations have built a greater breadth of knowledge transfer from more experienced staff to the less tenured staff members. The team structure has increased employee morale through the use of mentor relationships and encourages individuals to think beyond narrow areas of responsibilities. The approach also helps identify potential future leaders and allows those with complementary skill sets to be more productive.

The Office of Human Resources coordinates a comprehensive agency-wide training effort, which senior leaders believe is crucial to maintaining a quality workforce. Personal development of employees is promoted by offering agency wide training curriculum related to computer software, time management, and customer services. Over 962 employees participated in approximately 76 classes during SFY 2006.

5.2 How do you evaluate and improve your organization's human resource related processes?

The Office of Human Resources monitors its various processes through formal and informal questionnaires, analysis of employee satisfaction, turnover rates and exit interviews. Like other functions of the agency, the Office Human Resources also establishes goals and success measurements through the GO system.

5.3 How do you identify and address key developmental and training needs, including job skills training, performance excellence training, diversity training, management/leadership development, new employee orientation and safety training? How do you evaluate the effectiveness of this education and training? How do you encourage on the job use of the new knowledge and skills?

As mentioned in 1.1 (e), 4.7 and 5.1, the agency uses development and training programs as a key tool to ensuring a knowledgeable workforce. Identifying training needs is an ongoing process at DHHS. Managers provide information to Human Resources regarding employee progress and potential deficiencies or opportunities for growth. This occurs formally as part of Employee Performance Management System (EPMS) and Human Resources works with the managers to target specific training avenues employees can pursue. Managers also recommend high-achieving employees for programs such as the Certified Public Managers' Program and the Executive Institute.

DHHS supervisors and managers completed the second year of a training course designed to build leadership skills. For example, more than 216 supervisors also participated in a comprehensive course concerning diversity and anti-harassment practices. These efforts are continually evaluated for effectiveness by both Human Resource staff and participants. Aside from formal questionnaires, informal feedback is gathered from participants to see whether training needs modifications.

5.4 How does your employee performance management system, including feedback to and from employees, support high performance and contribute to the achievement of your action plans?

Our Employee Performance Management System (EPMS) engages both the employee and supervisor to actively define, refine, and rate job performance. The process is designed to keep channels of communication open and, by documenting optional objectives, allow for flexibility to adjust the report to accurately reflect actual work produced by employees. Managers are encouraged to re-write position descriptions when major changes are made to an employees job duties.

The EPMS is developed keeping daily job duties in focus, thereby giving the employee and supervisor goals which can be easily measured. As stressed at the agency-wide managerial training, DHHS is strongly encouraging all managers to ensure that the EPMS process is managed in a timely fashion.

5.5 How do you motivate your employees to develop and utilize their full potential?

Employees are motivated through a variety of methods designed to encourage teamwork, productivity and learning. As discussed, DHHS uses team building methods and a mentoring system to ensure employees are motivated both within their peer group and from supervisors. They also become involved in planning and goal setting through the GO process. Employees are also given incentives for outstanding performance. For example, The Office of Human Resources administered and presented special customer service and cost savings awards to four employees who received bonuses totaling \$2,600. Their cost savings suggestions saved the agency approximately \$6,000 annually and the other saved human services workers over an hour and a half in work time for every five hours worked.

Again, employees also are encouraged to seek a host of professional development opportunities offered through DHHS. Training curriculum included courses on computer software, time management, and customer services. During SFY 2006 alone, more than 960 employees participated in approximately 76 classes.

5.6 What formal and/or informal assessment methods and measures do you use to determine employee well being, satisfaction, and motivation? How do you use other measures such as employee retention and grievances? How do you determine priorities for improvement?

DHHS encourages open lines of communication among employees, supervisors and Executive Staff. Aside from formal processes such as EPMS, the Office of Human Resources tracks turnover rates in positions to identify potential trends. Through the agency's "open door" managerial policy, employees are encouraged to bring grievances and suggest opportunities for change, which contributes to overall satisfaction. Suggestions can also be made anonymously, and these are also tracked to help identify trends.

All agency units are encouraged to celebrate events together as means to build employee satisfaction. Much of this is organized agency-wide by the employee activity committee, called CHAMPS, which plans events like ice cream socials and holiday parties for all employees. Attendance at these events is measured to determine employee interest.

5.7 How do you maintain a safe, secure and healthy work environment? (Include your workplace preparedness for emergencies and disasters.)

The security division employs systems to ensure a safe work environment. DHHS security has made improvements such as magnetized card access, security cameras, and guard service at the main entrance to increase safety. Upon entering the agency, all guests must sign in and receive a guest badge. Guests are not free to move about the building unattended by DHHS staff. This policy ensures the protection of our staff and the sensitive data housed within our agency. All employees entering the building must wear assigned employee badges at all times.

The agency has paid particular attention to its role in the statewide network of responders and emergency personnel staff, and uses regular e-mail updates during times of natural disasters. As mentioned in 2.1 (f), The agency maintains a detailed emergency plan it can use in case of disasters and participates in periodic drills to ensure disaster readiness.

In terms of health, DHHS strongly believes its employees should set an example for fostering good health and wellness initiatives. DHHS's CHAMPS team brings various classes and screenings to the agency to encourage employees to monitor and promote healthy living. Activities like aerobics and yoga are available on-site during lunch hours. Many employees participate in other efforts, like the *Columbia Shrinkdown*, that promote good health. The agency has been given several awards for its employee wellness efforts (see executive summary), and the agency presents its own health awards to employees who maintain a healthy lifestyle.

Category 6 – Process Management

6.1 What are your key processes that produce, create or add value for your customers and your organization? How do you ensure that these processes are used?

Since DHHS pays providers to deliver services to eligible beneficiaries, the agency’s “processes” include mechanisms that support medical providers by managing the rates they are paid, and qualifying and supporting the people they serve. As detailed in the agency’s *Healthy Connections* plan, future processes will include a more robust system of care quality measures and incentives.

Key design and delivery processes include:

- MEDS (Medicaid Eligibility Determination System) – a program to ascertain eligibility of applicants;
- MMIS (Medicaid Management Information System) – the database of beneficiary demographics and usage information;
- Provider contracts and enrollment agreements – the arrangements that bring providers into the system;
- GAFRS – the system that manages payments to providers;
- The use of external actuaries to set managed-care reimbursement rates;
- Private Managed Care Organizations and Medical Home Networks – other options of care delivery for beneficiaries designed to organize all aspects of their care under one provider’s management (a “medical home”); and
- The toll free beneficiary call line and provider service lines. These services, in addition to an internal letter response system, ensure timely and accurate answers to the public, legislators, media, our provider partners, and the people who rely on Medicaid for their health care needs.

6.2 How do you incorporate organizational knowledge, new technology, changing customer and mission-related requirements, cost controls, and other efficiency and effectiveness factors such as cycle time into process design and delivery?

By filtering the agency’s projects through the GO sheet tracking system, which requires project managers to examine the benefits and outcomes of pursuing initiatives, the agency is supporting the consideration of factors like technology, customer requirements, cost controls, etc. into the planning and design of agency pursuits. By looking at factors like “potential savings,” “impact on beneficiaries,” and “positives/negatives/and other relevant information,” employees must draw upon updated organizational knowledge and consider cost controls, new technology or changing customer requirements in process design and delivery.

In regard to existing and on-going agency work, incorporating such knowledge in process design and delivery is ensured through constant assessment of workflow processes and outcomes. Such assessment is encouraged at the bureau chief level, where these leaders frequently examine their program areas’ outcomes and procedures. All employees are encouraged to utilize organizational knowledge, new

technology and cost control elements in their work. Changing customer and mission-related requirements are incorporated whenever such changes are identified.

6.3 How does your day-to-day operation of these processes ensure meeting key performance requirements?

The design/delivery processes are all monitored at various levels. Many key supervisory employees are assigned to areas that allow them to both set major initiatives *and* remain close to the day-to-day processes. Therefore, frequent meeting between staff, supervisors, the executive team ensure processes can be geared toward performance and adjustments can be made if needed. On an executive level, the staff meets regularly to review processes and related outcomes.

6.4 How do you systematically evaluate and improve your key product and service related processes?

Evaluation of key products is an ongoing function at DHHS. In addition to frequent meeting between supervisory staff and employees, DHHS closely monitors financial and eligibility data on a least a monthly basis to evaluate the impact of various policies. Our staffs located in county offices also interact with our Medicaid clients on a daily basis and report customer feedback.

6.5 What are your key support processes, and how do you improve and update these processes to achieve better performance?

Due to the complexity and scope of services provided by DHHS, there are a multitude of support processes. There are health service units that support providers, and customer service employees to support beneficiaries. There are processes designed to provide research support for new program development, existing program management, and state and federal legislative developments. Agency-wide, there are fiscal support services that plan and budget, reimbursement systems that ensure accurate payments, contracting and procurement divisions to support DHHS partnerships and purchasing. Other support processes include technology development and maintenance, legal counsel, internal audits and external fraud investigation, and public information activity.

The employees working in these areas use customer feedback as well as internal data to provide more effective or efficient service. Bureau chiefs and executive staff have the ability to realign processes to better serve agency goals and objectives. As mentioned, the improved use of technology and enhanced access to data are important tools in achieving efficient and effective processes.

Category 7 – Results

7.1 What are your performance levels and trends for the key measures of mission accomplishment and organizational effectiveness

As mentioned in 4.3, the agency's three goals have several success indicators that will define the progress the agency makes toward the goals. For many of these, the measurement tools are being refined to capture the information for the success indicators criteria.

Goal: Provide a benefit plan that improves member health, is evidence based, and is market driven.

Success Indicators: Establish a baseline index of general health for Medicaid members relative to the general population; increase the number of consumer-driven, incentive-based medical homes; maintain average Medicaid expenditures below the growth rate of healthcare costs nationally.

Trend: DHHS is making the concepts of managed care, disease management, and medical homes a reality for South Carolina's Medicaid program. A process of auto-enrolling beneficiaries into "medical homes" was launched in SFY 2006. In addition, by encouraging market-oriented mechanisms like incentive reimbursement and consumer-driven care, the agency is contributing to the trend of pursuing better health outcomes by implementing a value-based framework.

Goal: Provide a credible and continually improving eligibility process that is accurate and efficient.

Success Indicators: Establish a customer satisfaction survey baseline; average processing time-compliance with federal processing guidelines; percent accurately processed within federal requirements; establish average cost per application baseline.

Trend: The agency has instituted internal controls, managerial oversight, and investigative expansion to reduce and discourage inaccuracies, fraud and abuse within the eligibility determination system and ensure the integrity of the rolls. Also, by focusing on the structure and processes of the eligibility function, with particular attention to the worker and the applicant, the agency is streamlining the process of determining who is properly eligible for Medicaid coverage. The agency also added a new asset test in SFY 2006 that will close eligibility loopholes for wealthy residents.

Goal: Provide administrative support at the best possible value to ensure programs operate effectively.

Success Indicators: realign the workforce to maximize savings while maintaining the percentage of administrative cost to program cost at less than 3%; establish an internal customer satisfaction survey baseline; provide at least ten examples of substantial savings and/or process improvements as a result of leveraging technology; enhance savings by 10% by expanding the number of fraud and abuse reviews, audit and compliance reviews.

Trend: By encouraging accountability in delivering the Medicaid program, DHHS is strengthening a culture of efficiency among the employees and other partners who form the Medicaid infrastructure. Marked increases in fraud and abuse investigations and punitive actions/collections (more than \$17 million in SFY 2006) against those misusing the system has sent the signal that the agency, legislators, the Governor and the public are committed to an efficient and effective Medicaid program in South Carolina.

7.2 What are your performance levels and trends for the key measures of customer satisfaction?

Please refer to Section 3, "Customer Focus."

In terms of trends, tracking customer satisfaction and implementing related processes to support satisfaction is becoming easier and more effective with advancing technology. The agency predicts the trend to improve its' future products.

7.3 What are your performance levels for the key measures of financial performance?

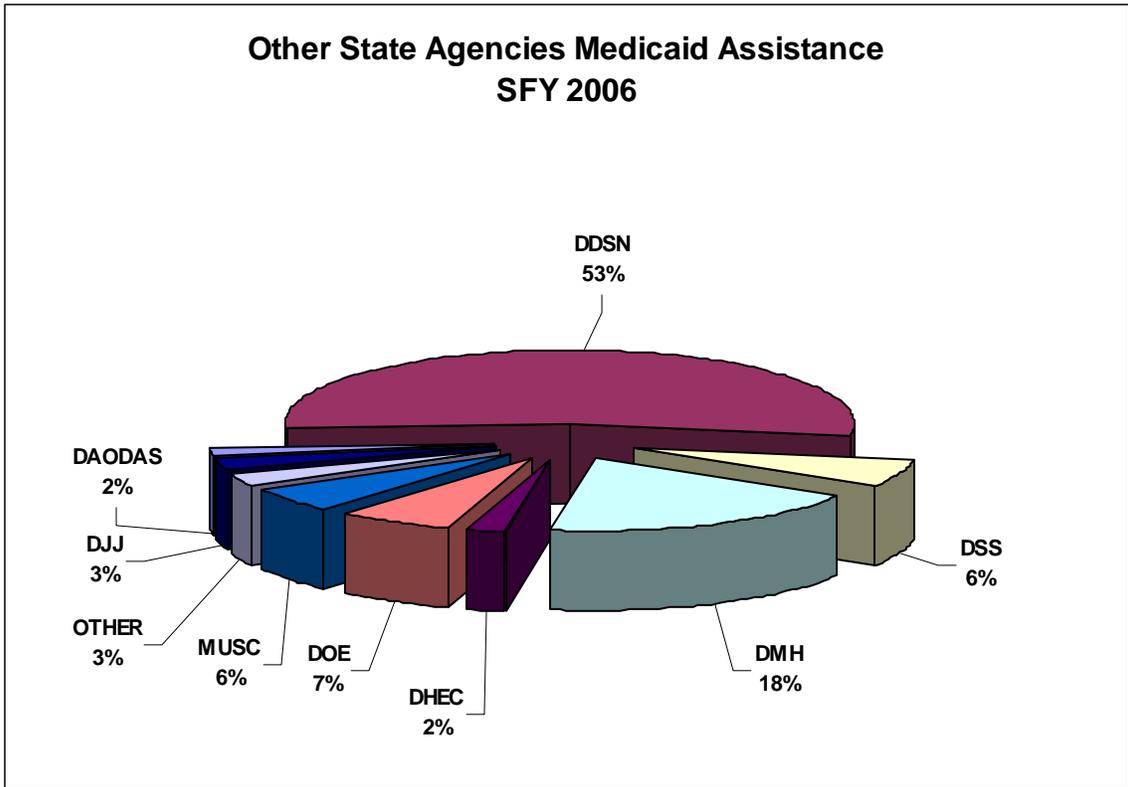
During the past fiscal year, DHHS, aggressively focused on cost containment and programmatic controls to keep Medicaid program growth in check, with no loss in services available to recipients. In SFY 2006, DHHS expenditure growth was about 4%, a better-than-average year and lower than the national average, which was nearly 8 percent.

Closely tied to costs, the agency also focused on enforcing existing eligibility criteria and improving health outcomes. This was accomplished partly through increased reviews to ensure that Medicaid services are available only to South Carolinians meeting established criteria. The number of monthly South Carolinians eligible for Medicaid was relatively flat this year, as it was in SFY 2005.

It should be noted that despite these successes, the agency still faces significant challenges in the years to come in terms of containing costs and growth. These challenges are not solely based on economic or demographic factors in the state but increasingly from increased utilization of services, rising pharmaceutical costs and health related inflationary factors. DHHS will continue to apply market-based, innovative solutions to these challenges moving forward.

Graphs begin on next page.

**Other State Agencies Medicaid Assistance
SFY 2006**

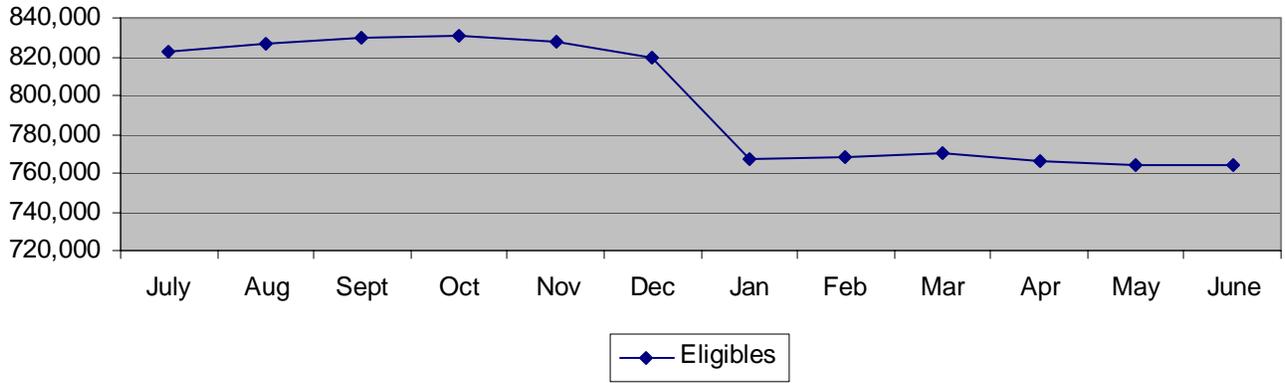


Graph 7.3-1

Other State Agencies Medicaid Assistance							
	<u>2003</u>	<u>2004</u>		<u>2005</u>		<u>2006</u>	
Department of Mental Health	\$195,109,098	\$171,365,310	-12.2%	\$155,403,328	-9.3%	\$150,481,601	-3.2%
Department of Disabilities & Special Needs	\$412,816,446	\$412,987,890	0.0%	\$430,634,503	4.3%	\$433,129,611	0.6%
Department of Health & Environmental Control	\$38,725,914	\$37,298,961	-3.7%	\$37,575,748	0.7%	\$17,805,850	-52.6%
Medical University of South Carolina	\$27,829,341	\$41,939,631	50.7%	\$48,496,689	15.6%	\$44,836,789	-7.5%
University of South Carolina	\$5,612,272	\$5,690,602	1.4%	\$7,982,304	40.3%	\$6,401,332	-19.8%
Department of Alcohol & Other Drug Abuse Services	\$11,839,390	\$13,879,179	17.2%	\$13,087,351	-5.7%	\$14,408,349	10.1%
Continuum of Care	\$10,328,196	\$8,898,251	-13.8%	\$8,606,575	-3.3%	\$9,316,237	8.2%
School for the Deaf & Blind	\$2,048,508	\$3,437,980	67.8%	\$3,559,479	3.5%	\$3,941,212	10.7%
Department of Social Services	\$52,182,875	\$50,324,531	-3.6%	\$49,360,351	-1.9%	\$50,070,688	1.4%
Department of Juvenile Justice	\$23,598,126	\$20,449,250	-13.3%	\$27,540,540	34.7%	\$20,353,749	-26.1%
Department of Education	\$69,965,732	\$68,705,945	-1.8%	\$73,504,294	7.0%	\$54,435,108	-25.9%
Commission for the Blind	\$25,449	\$8,876	-65.1%	\$6,666	-24.9%	\$6,875	3.1%
Department of Corrections	\$0	\$0	0.0%	\$11,058	0.0%	\$1,397,614	12538.9%
John De La Howe	\$0	\$0	0.0%	\$0	0.0%	\$72,565	100.0%
State Housing Authority	\$0	\$0	0.0%	\$0	0.0%	\$66,307	100.0%
Wil Lou Gray Opportunity School	\$0	\$0	0.0%	\$9,322	0.0%	\$26,258	181.7%
Total Other Agency Medicaid Assistance	\$850,081,347	\$834,986,406	-1.8%	\$855,778,208	2.5%	\$806,750,145	-5.7%

Graph 7.3-2

South Carolina's Medicaid Eligible Population July 2005 - June 2006

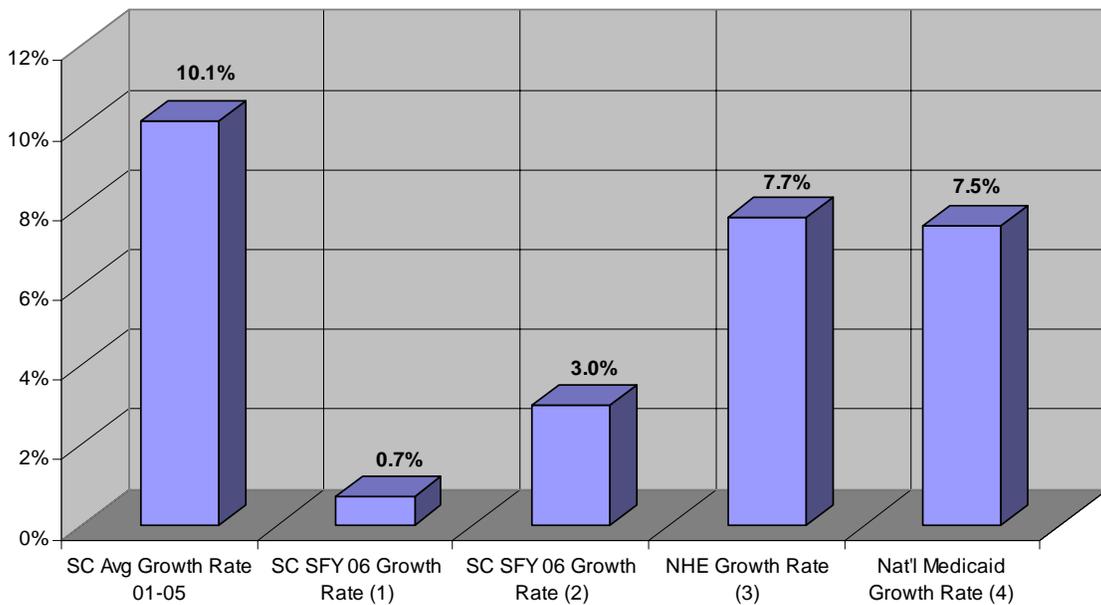


The reduction in Eligibles is due to the elimination of the SilverRxCard Program January 1, 2006. These eligibles are now receiving benefits through the state funded GAPS Program and are not reflected in totals above.

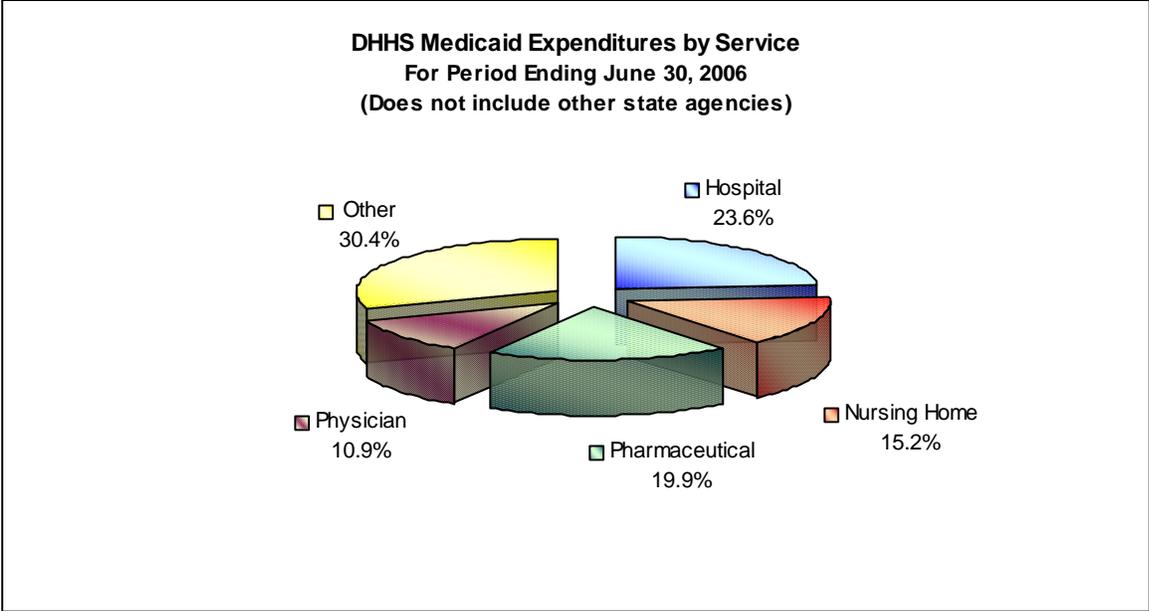
Graph 7.3-3

Graph 7.3-4

Comparison of Health Care Growth Rates State Fiscal Year 06



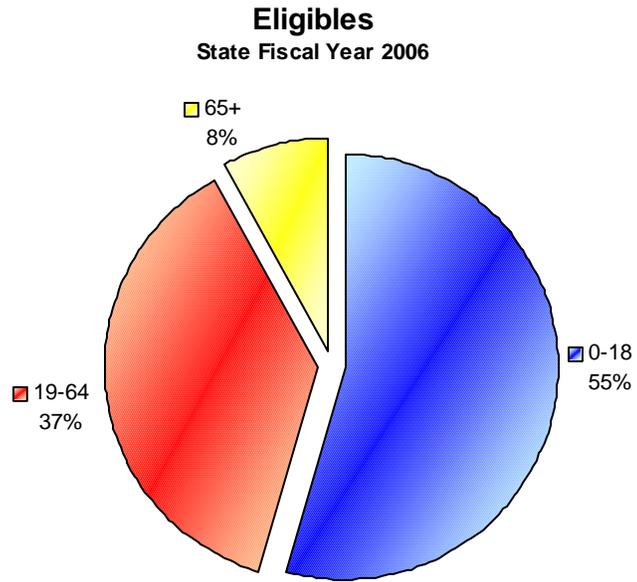
- (1) Growth Rate based on actual SFY 06 expenditures
 - (2) Trended Growth Rate without the affect of the MMA Phase Down Contribution
 - (3) Source: CMS 2005 Estimate of National Healthcare Expenditure (NHE)
 - (4) Source: Kaiser State Fiscal Conditions and Medicaid, Release November 2005
- * Does not include disproportionate share payments.



Note: Hospital expenditures do not include disproportionate share payments. Pharmacy expenditures include SILVERXCARD.

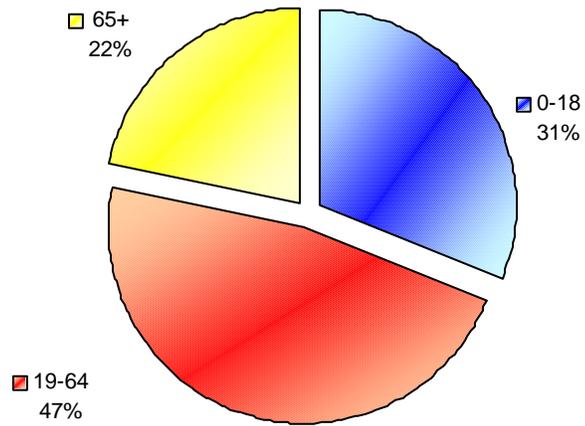
Graph 7.3-5

Eligibles to Gross Paid Claims by Age



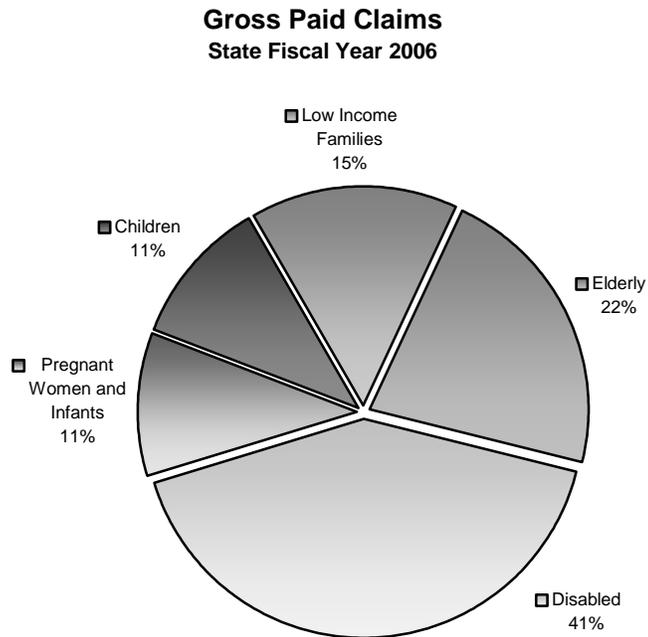
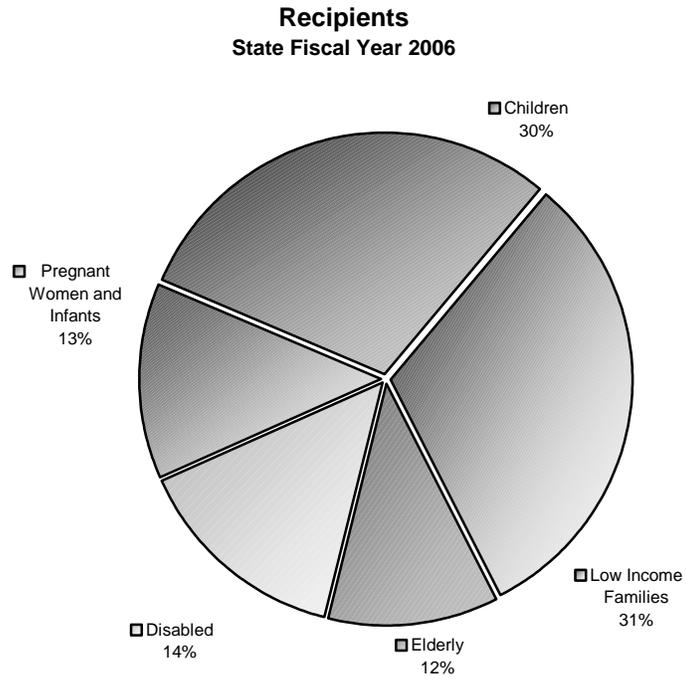
Gross Paid Claims

State Fiscal Year 2006

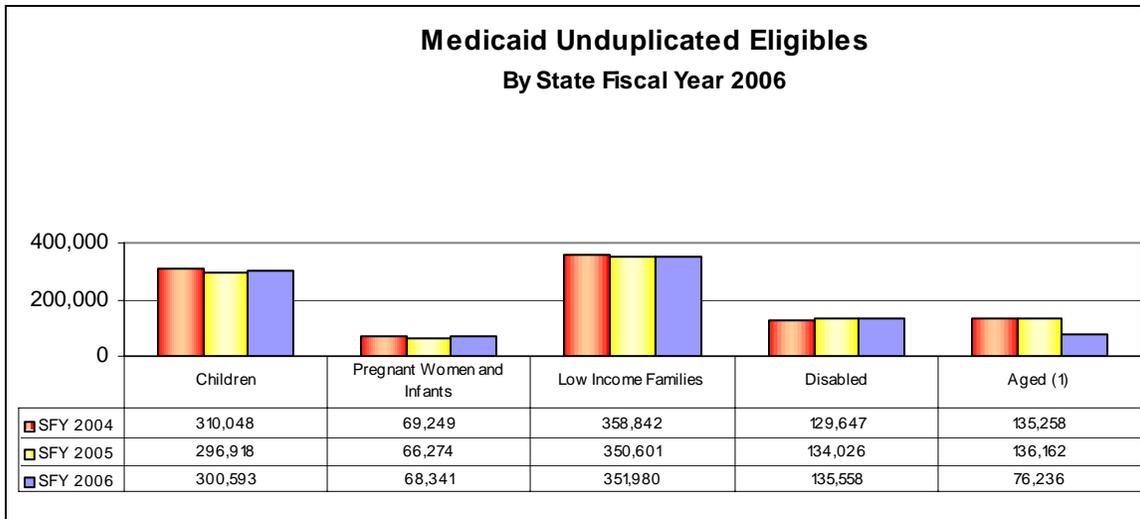


Graph 7.3-6

Recipients to Gross Paid Claims by Major Category

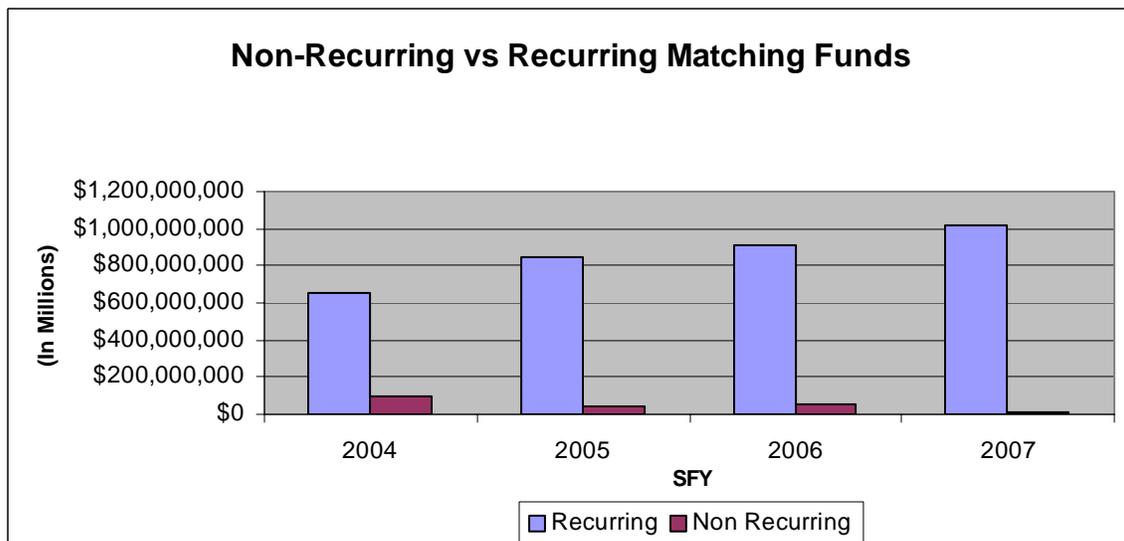


Graph 7.3-7

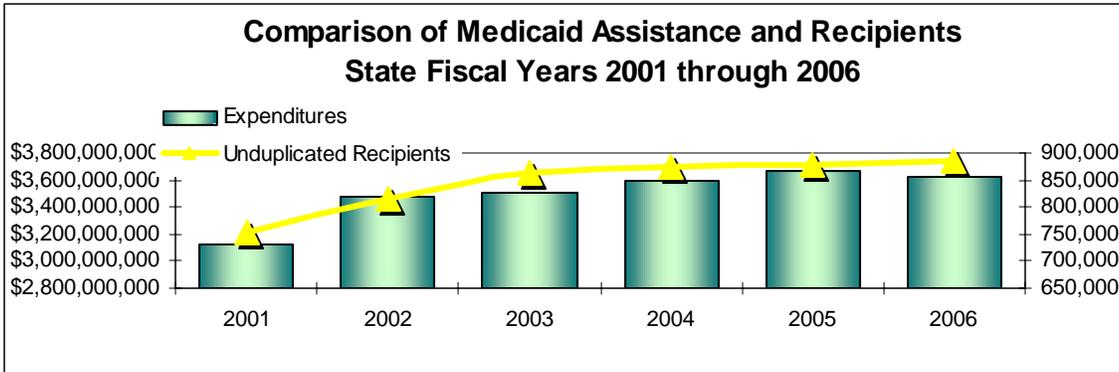


(1) The reduction in Unduplicated Eligibles is due to the elimination of the SilverRxCard Program January 1, 2006. These eligibles are now receiving benefits through the state funded GAPS Program and are not reflected in totals above.

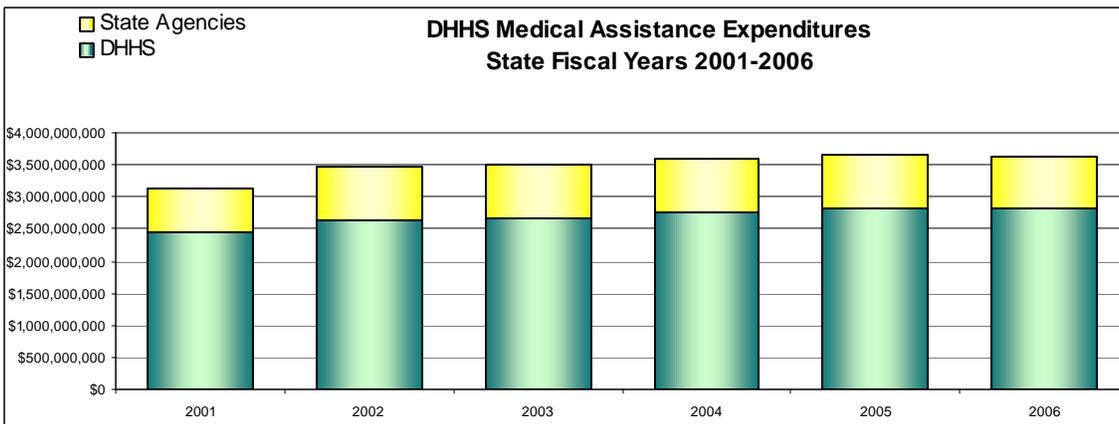
Graph 7.3-8



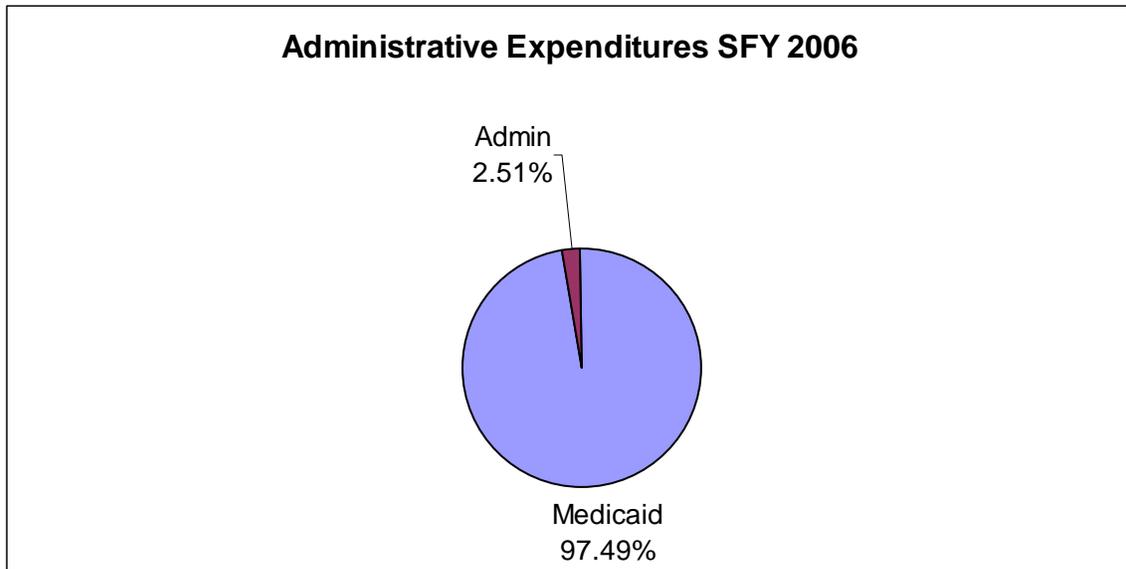
Graph 7.3-9



Graph 7.3-10



Graph 7.3-11



Graph 7.3-12

7.4 What are your performance levels and trends for the key measures of Human Resource Results (i.e work system performance, employee learning and development, employee well-being, employee satisfaction, diversity, and retention)

The following Human Resources initiatives are in place to help ensure employee satisfaction and provide a meaningful workplace within the Department of Health and Human Services:

- **Employee Morale** - The Community, Health, Activity, Morale, Program and Service (CHAMPS) is a Steering Committee spearheaded by the Office of Human Resources to promote the orderly and efficient planning and management of various agency activities. Annual employee activities include: Red Cross Blood Drives, Special Customer Service Awards, Employee Recognition and State Service Pin Awards Ceremony, holiday and social events, Prevention Partners, Wellness Screenings, Charity Walks, United Way Campaign, etc.
- **Open Communication** – The Office of Human Resources staff members are trained in mediation and conflict resolution and utilize the techniques during employee/employer disputes. The agency actively uses the Budget and Control Board’s Statewide Mediator Pool for non-grievable issues not resolved at a lower administrative level. In addition, all Human Resource personnel including benefits, employee relations and training & development, and recruitment maintain an open door policy for all employees and supervisors of the agency.
- **Training and Development** – The Office of Human Resources coordinates a comprehensive agency-wide training effort. Personal Development of employees is promoted by offering agency wide training curriculum related to computer software (custom and commercial), time management, and customer services:

- More than 960 employees participated in approximately 76 classes costing an average of \$119 per employee.
- More than 188 supervisors completed the Associate Public Manager Certification through the Budget and Control Board.
- More than 216 supervisors were trained in a comprehensive course on Managing Diversity and Anti-Harassment Practices.
- Implemented a two day strategic planning and leadership training session called the Resolutions Workshop. More than 85 deputy directors, bureau chiefs, and division directors attended.
- Reimbursed eligible employees approximately \$3,490 through the Tuition Assistance Program to enhance employees' productivity and knowledge and to develop a better-educated workforce.

• **Team Building** - Executive staff promotes a team approach to organizational structure by encouraging succession planning and cross-training in specific divisions; the team approach is being used during the interview and selection process as well as during division and department goal planning. The Office of Human Resources acted as a partner to foster team building during the reorganization of at least seven different Bureaus to the team concept. This included pay analyses, job analyses, and consultation. Further the team approach has been used consistently throughout the year when designed new approaches to the Department's work.

• **Employee Evaluation and Expectations** - Employee planning stage job functions and objectives are directly linked to the agency's mission and goals and communicated one on one, during staff meetings, through the agency wide newsletters, the agency intranet, and posted on the walls throughout the agency. The EPMS default rates are monitored monthly by Human Resources with the assistance of executive staff to ensure employees' performance is evaluated. In 2004-2005, the EPMS "meets by default" rate was reduced by an average of 14.58% since the beginning of the fiscal year. On average, the "meets by default" rate declined approximately 4% each quarter.

• **Recruiting for Diversity and Retention** - Began advertising positions through the Midlands Technical College website and the WIS television career link for televised presence of recruiting positions. The agency has served the following programs in providing internships for students: Masters in Public Health and Public Administration, from USC; Bachelor's programs in Health Services Management from Winthrop; Information Systems Technology from USC; Midlands Education Business Alliance; Midlands Technical College; Medical University of South Carolina; North Carolina Agricultural and Technical College; Experience Works – organization for aging population; and the Columbia Urban League.

All these efforts positions the agency for increased levels of performance, employee satisfaction and well-being creates a more meaningful workplace which attracts a better workforce, learning and development fosters retention through more loyal employees, and employee diversity that emphasizes teamwork facilitates a better quality product for the department.

7.5 What are your performance levels and trends for the key measures of regulatory/legal compliance and community support?

As mentioned, the Office of General Counsel represents the agency in state and federal courts and administrative hearings, and advises the director and staff on legal matters pertaining to the agency. DHHS is subject to state and federal laws and regulations in its operation of the Medicaid program. Currently, there are no federal deferrals or disallowances related to compliance issues. The number of legal challenges to the operation of the Program is expected to remain relatively low. Developments in the law, such as HIPAA privacy and standardization and security federal regulations, which could have precipitated such challenges, have been anticipated and actively met through the agency's history of engaging the affected stakeholders (sub-grantees and grant beneficiaries) and implementing whatever operating adjustments have been needed. DHHS continues its policy (supported by federal law) of keeping service providers and beneficiaries well informed of expected changes.

We continue to audit parties that contract with this agency to ensure contract compliance and adherence to state and federal laws and regulations as required by the contract. If the agency finds reason to suspect intentional fraud or abuse, cases are referred to the state Attorney General's Office.

Regarding community support, the success of the CHAMPS Team is evidence that employees appreciate an expanded role in the community and the agency will look for ways to foster that desire.

Major Program Areas					
Program Number and Title	Major Program Area Purpose (Brief)	FY 03-04 Budget Expenditures	FY 04-05 Budget Expenditures	FY 05-06 Budget Expenditures	Key Cross References for Financial Results*
30010501-30011507 Medicaid Health Services	Provides health insurance benefits for low-income families as well as the aged, blind and disabled.	State: 541,742,868.93 Federal: 3,029,574,370.52 Other: 647,516,954.09 Total: 4,218,834,193.54 % of Total Budget: 96.970%	State: 712,354,203.51 Federal: 3,146,363,322.04 Other: 669,080,249.15 Total: 4,527,797,774.34 % of Total Budget: 99.296%	State: 776,285,730.24 Federal: 2,816,184,846.90 Other: 527,294,327.16 Total: 4,119,764,904.30 % of Total Budget: 99.376%	7.3-7
30100000-30150007 Child Care and Social Services**	Provides financial assistance to critical services in area like child and adult protection, child-care and home-based alternatives to institutional care of children and adults.	State: 3,973,617.72 Federal: 70,593,465.50 Other: 6,648,781.00 Total: 81,215,864.22 % of Total Budget: 1.870%	State: 34,058.30 Federal: 8,436,891.15 Other: 0.00 Total: 8,470,949.45 % of Total Budget: 0.186%		N/A
30250000-30251500 Office of Aging***	Provides funding for services benefiting those over age 65 such as Meals on Wheels, transportation and personal care services, among others.	State: 2,594,605.71 Federal: 18,409,382.59 Other: 5,039,135.42 Total: 26,043,123.72 % of Total Budget: 0.600%			N/A
		State: Federal: Other: Total: % of Total Budget:	State: Federal: Other: Total: % of Total Budget:	State: Federal: Other: Total: % of Total Budget:	
		State: Federal: Other: Total: % of Total Budget:	State: Federal: Other: Total: % of Total Budget:	State: Federal: Other: Total: % of Total Budget:	

Total Agency 99.440% 99.482% 99.376%

Below: List any programs not included above and show the remainder of expenditures by source of funds.

01000000 - Agency Administration (Indirect), 95000000 Employer Contributions*, 30150500-30151005 HeadStart

Remainder of Expenditures:	State:	9,122,954.61	State:	9,148,626.58	State:	10,004,431.28
	Federal:	13,669,043.87	Federal:	12,758,796.26	Federal:	14,042,389.27
	Other:	1,597,078.26	Other:	1,726,558.95	Other:	1,827,355.50
	Total:	24,389,076.74	Total:	23,633,981.79	Total:	25,874,176.05
	% of Total Budget:	0.560%	% of Total Budget:	0.518%	% of Total Budget:	0.624%

* Agency Administration does not include direct program administration.

**Child Care Services transferred to DSS SFY 04. DHHS was required to draw prior year grant award balances.

***Office on Aging transferred to Lt. Governor's Office SFY 05

****HeadStart Program transferred to DSS in SFY 06.

Strategic Planning

Program Number and Title	Supported Agency Strategic Planning Goal/Objective	Related FY 05-06 Key Agency Action Plan/Initiative(s)	Key Cross References for Performance Measures*
030010000-03001500 Medicaid Health Services	Goal #1 - Provide a benefit plan that improves member health, is evidence based, and is market driven. Initiatives include encouraging consumer choice, establishing medical homes, employing market principles, and increasing access.	DHHS worked to expand consumer choice and pursue a Medicaid system that supports the managed care/medical homes models. The agency also expanded screenings for diseases.	Charts 7.3-5; 7.3-6; 7.3-7; 7.3-11
01000000 - Agency Administration	Goal #2 - Provide a credible and continually improving eligibility process that is accurate and efficient. Efforts include ensuring training, avoiding misuse, improving workflow, identifying potential for privatization, and the like.	In SFY 2006 DHHS increased eligibility oversight and managerial review, used internal and external study groups to improve processes, and contracted to eliminate backlogs, and began citizen/nationality verification for all eligibles. The agency instituted an asset test for program integrity purposes.	Charts 7.3-3; 7.3-8
01000000 - Agency Administration	Goal #3 - Maximize Savings/Streamline Admin. Efforts include increased pursuit of fraud/abuse, using the web to do business, streamlining delivery of services and restructuring support services when appropriate.	In SFY 2006, the agency strived to improve overall administrative accountability and productivity by implementing a new decision support systems, developing a new web-based claims system and creating personal electronic health records for beneficiaries.	Charts 7.3-4; 7.3-12
	Below are more examples of SFY 2006 initiatives that support each of the above goals. Most of these are being managed and tracked by the agency's GO system.		
030010000-03001500 Medicaid Health Services	Goal #1 - Provide a benefit plan that improves member health, is evidence based, and is market driven.	Efforts include: began enrolling recipients in two counties into choice of medical home; personal health record pilot; establishing an enrollment broker to help recipients select plans	See Executive Summary
01000000 - Agency Administration	Goal #2 - Provide a credible and continually improving eligibility process that is accurate and efficient.	Efforts include: establishing training program for employees; establishing an asset test for beneficiaries; decreasing processing time for applications and caseloads;	Available upon request
01000000 - Agency Administration	Goal #3 - To provide administrative support at the best possible value to ensure programs operate effectively.	Efforts include: Implementation of a Decision Support System; transition to a regional transportation broker system; use of Preferred Drug List.	See Executive Summary