



STATE OF WASHINGTON
OFFICE OF FINANCIAL MANAGEMENT

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June 10, 2011

The Honorable Brian Sonntag
Washington State Auditor
P.O. Box 40021
Olympia, WA 98504-0021

Dear Auditor Sonntag:

Thank you for the opportunity to provide this official management response on behalf of the Department of Labor & Industries, the Department of Social & Health Services, and the Department of Commerce to the performance audit of Crime Victims' Programs.

Due to legislation passed both this year and last, the Crime Victims' Compensation Program at the Department of Labor & Industries (L&I) is financially stable. The audit validates legislation (Substitute Senate Bill 5691) requested by the Department and signed into law this session to improve the Program's financial stability. Additionally, L&I staff have already taken action to further improve the Program's efficiency.

Governor Gregoire, who has initiated multiple consolidation efforts during the past few years, supports consolidation of similar functions to achieve efficiencies. However, previous attempts to consolidate crime victims' programs into a single agency have not passed the Legislature. Nevertheless, the departments are working together to explore options for improving current processes for service providers.

Sincerely,


Marty Brown
Director

Attachment

cc: Jay Manning, Chief of Staff, Office of the Governor
Jill Satran, Deputy Chief of Staff, Office of the Governor
Judy Schurke, Director, Department of Labor & Industries
Susan Dreyfus, Secretary, Department of Social and Health Services
Rogers Weed, Director, Department of Commerce
Wendy Korthuis-Smith, Director, Accountability & Performance, Office of the Governor
Kimberly Cregeur, Governor's Liaison on Performance Audits, Accountability & Performance,
Office of the Governor



OFFICIAL STATE CABINET AGENCY RESPONSE TO THE PERFORMANCE AUDIT ON CRIME VICTIMS' PROGRAMS

JUNE 2011

This coordinated management response is provided by the Departments of Labor & Industries (L&I), Social & Health Services (DSHS), and Commerce (Commerce), and the Office of Financial Management (OFM) for the audit report received on May 25, 2011.

ISSUE 1: Projections indicate the state will need to substantially increase funding in fiscal year 2014 to counteract decreased federal funding and again in fiscal year 2016 if benefit reductions expire.

RESPONSE: In the fall of 2010, L&I invited representatives from the crime victim advocacy community to discuss the potential need to further reduce benefits in the Crime Victims' Compensation (CVC) program due to the state's economic conditions. Pursuant to these discussions and ongoing state revenue reductions, L&I proposed legislation for the 2011 session to help ensure the financial stability of the CVC program. Substitute Senate Bill 5691 includes the following components, many of which are also noted in the audit recommendations:

- Removes the benefit for permanent partial disability for victims of criminal acts.
- Removes the benefit for payments for home and vehicle modifications.
- Limits cash benefits to \$40,000.
- Simplifies the methods used to determine the amount of claim payments for total permanent disability, financial support, and fatality benefits.
- Uncouples the program from laws related to industrial insurance.

The Legislature passed Substitute Senate Bill 5691 and the Governor signed it into law with a partial veto on May 12, 2011. The benefit changes and administrative savings in this legislation will improve the long-term viability of the CVC program.

L&I will work with the Legislature to provide additional information regarding other audit recommendations around program financial stability and efficiency.

Action Steps and Time Frame

- No recommendations made to state agencies.

ISSUE 2: Practices in other states and other Washington state programs suggest several ways to improve the CVC program's long-term financial stability.

RESPONSE: We appreciate the auditors' research into related practices to improve the CVC program's long-term financial stability. L&I had already taken many steps that align with the audit's recommendations.

Passage of Substitute Senate Bill 5691 gives L&I flexibility to streamline and create efficiencies in the CVC program, including the ability to adopt a new method for calculating benefits.

Development of electronic medical billing is under way. Although this change will improve service and reduce the costs to medical providers for paper billing, there will likely not be a cost savings because the workload will shift to maintaining and managing the new bill payment system. L&I is testing the system and expects to have it implemented this fall.

L&I is currently paying medical provider rates used by the state's Medical Purchasing Administration (MPA). On July 1, 2011, the CVC program will implement a fee schedule that pays medical providers 37 percent of the L&I medical provider fees. This percentage rate is, on average, equal to the MPA rates we are currently paying. While this change streamlines the process, it will not significantly reduce the staff time required to manually update the schedules. Some manual updating will still be required to ensure L&I does not pay below MPA rates. However, this change offers the following benefits to providers:

- Providers will know how much they will be paid for services.
- Errors in payment calculations will be reduced.
- The payment process will take less time.

In addition, L&I is coordinating with OFM to implement Electronic Funds Transfer (EFT). EFT generates faster payments and reduces the cost of printing warrants and remittance advices.

L&I is already working with DSHS on a data sharing agreement. Access to the data will enable us to determine whether victims are receiving or are eligible for DSHS services. This will eliminate duplication of services to victims.

L&I staff have prepared proposals to develop a cost-efficient and compliant Integrated Document Management (IDM) solution that will reduce the need to retain and store paper copies within multiple business areas including the CVC program. The proposals are being evaluated by L&I's Enterprise Architecture Office. When the final solution is selected and funding is secured, implementation will begin. An imaging system is estimated to cost \$550,000.

Action Steps and Time Frame

- Develop and adopt rules for setting new caps and fee schedule. L&I. In progress. Statutory change effective July 1, 2011.
- Complete programming of new bill payment system. L&I. In progress. By July 2011.
- Implement new bill payment system. L&I. In progress. By October 2011.
- Implement fee schedule update. L&I. In progress. By July 2011.
- Implement Electronic Funds Transfer payments. L&I. In progress. By December 2011.
- Complete Memorandum of Understanding and data sharing agreement. L&I and DSHS. In progress. By July 2011.
- Following technology programming by DSHS, implement data sharing agreement. L&I and DSHS. In progress. By October 2011.
- Select technology solution to replace current paper file storage. L&I. In progress. By Fall 2011.

ISSUE 3: Multiple agencies and programs provide services to crime victims in Washington State, resulting in duplication and fragmentation.

ISSUE 4: We identified numerous benefits from consolidating the three grant programs of crimes and domestic violence into a single grant program within DSHS.

RESPONSE: We agree that consolidation of similar functions can lead to greater efficiencies. As stated in the report, the Governor and Legislature considered several options for combining victim services programs in recent years. However, legislation to consolidate the programs was not approved by the Legislature or did not include the recommendation included in the report.

It is unclear when consolidation or reorganization might occur. In the meantime, DSHS and Commerce will continue their efforts to achieve benefits of a consolidated program. For example, both agencies currently consult on issues affecting shared contractors, share copies of corrective action plans from monitoring visits, and participate on each other's committees and procurement evaluation panels. DSHS and Commerce also co-designed and developed a database known as InfoNet for use by all shared contractors, thus eliminating the number of paper reports that contractors had to submit to the two agencies.

Staff from both agencies will evaluate the feasibility and cost/benefit of the audit recommendations, including developing a single grant application. Certain factors – such as different funding streams and federal grant spending periods – could make it more difficult to commingle the programs than the audit report anticipates.

To lessen the administrative burden on shared contractors, DSHS and Commerce will coordinate the release and due dates for grant/contract renewal applications. This coordination ensures that shared contractors do not have to complete and submit multiple funding applications at the same time. Additionally, the agencies will review their on-site contract monitoring schedules to minimize the number of site visits to the same program in a short time period.

Action Steps and Time Frame

- Coordinate the release and due dates for both DSHS and Commerce grant/contract renewal applications. DSHS and Commerce. By Spring 2012.
- Review on-site contract monitoring schedules to minimize multiple site visits to the same program. DSHS and Commerce. By September 2011.
- Evaluate feasibility and cost/benefit of developing a single application and common steps for contractors to use. DSHS and Commerce. By Spring 2012.
- Explore options for coordinating grant monitoring. DSHS and Commerce. By Spring 2012.

ISSUE 5: Several factors suggest it would be cost-prohibitive to merge L&I's Crime Victims' Compensation program with the three programs at DSHS.

RESPONSE: Legislation proposed by L&I to uncouple the Crime Victims' Compensation program from the Workers' Compensation program was recently signed into law. We agree it is not cost effective at this time to merge the CVC program staff and/or integrate the benefit payment system with DSHS.

Action Steps and Time Frame

- No recommendations made.