



Lighthouse

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Transit Company Buckles Under Medicaid Mandates

In This Issue

Government mandates can either be a burden or an opportunity. One major metro area transit company learned that mandates can start small and cause transaction flow to grow rapidly.

The new volume may indicate an across-the-board redesign of the enterprise's mission, policies, organization, and workflow. The technology, skills and motivation to carry out the updated mission are often already onboard.

In this case, the application of the "hidden capability" saved a failing transit company, yielding much more time for the company's core mission of moving people from place to place, which created a business and government partnership success story.

A public transportation company serving a major metro area was struggling with Federal mandates to reimburse riders, who are Medicaid recipients. Medicaid benefits include reimbursement for the public transportation cost of round trips to medical appointments. The regulators can impose expensive fines for late reimbursement to eligible riders and for past due reporting to the Federal and state governments. The prospect of fines and penalties motivated top management to adopt an "all hands on deck" philosophy, which accepted an enormous cost of errors just to get the payments and reports completed on time. Chesapeake Bay Associates was brought in when the banks were no longer willing to lend more on the credit facility. Lenders did not believe the transit company could pay back.

Goal Analysis

The transit company had ten days each month to verify ridership, pay the reimbursements to more than 3500 Medicaid riders, and report the information to the Federal and state governments. The reporting deadline was the tenth working day of the month. We argued this was a critical responsibility of equal importance to the basic public transportation mission. Accordingly, top management incorporated the Medicaid rider program into a major revision to the transit company's mission. They also told us they wanted a streamlined cost of operations that did not include overtime and re-worked reports

to government agencies.

When we got there, the Medicaid rider reimbursement program consumed one-half of the transit company office work force around the clock for the first ten days of every month. Everyone working the reimbursement program booked at least one overtime shift per day. We uncovered a cumbersome eleven-step reimbursement process. The system was unable to prevent costly errors that included incorrectly modified records, lost invoices, and checks paid to the wrong party. Checks were often written with incorrect amounts. The computer system easily accepted incorrect data because there were no validity checks on data type, accuracy and completeness. The transit company staff disabled the validity checks, which made their jobs easier and faster because the system would accept anything from the keyboard. Workers often entered information into the system they knew was incorrect. The data entry errors corrupted most of the downstream process. The downstream process assumed that validity had been built into the data coming in from upstream, so errors were created early in the process and passed forward to check writing and reporting. The cost of the overtime payroll was hundreds of thousands of dollars, and it was growing along with the Medicaid ridership and the mounting problems.

Our interviews with the staff revealed a strong resistance to change. Not surprisingly, people were accustomed to the overtime pay and considered it part of their regular income. There were no controls or checks and

balances on the reimbursement process, either. Workers ignored records processing tasks they didn't like to do. The Medicaid rider reimbursement process constantly interfered with operations in the other departments. Frequent requests for information and resources were disruptive. Managers in the other departments had no authority to stop this.

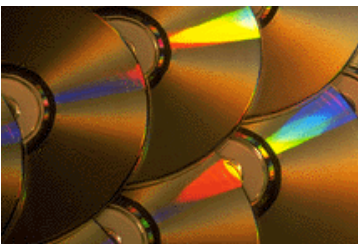
Reports to the government agencies were submitted more-or-less on time, but they were incomplete because they were prepared before verified ridership and payments processing information was available to the accounting department. Accounting manually researched the inputs and drafted the reports to meet the deadlines knowing that the reports would be updated later when all of the data was processed. This caused year-end reporting to be three months late. Year-end reports in January of the following year were not available until April.

Strategy

Company executives agreed to a reorganization that would enable management to accomplish the mission critical goals. The reorganization aligned the company's operations with the growing accounts payable workload of more than 3500 payments per month. We implemented divisional, departmental and individual job descriptions, performance standards, accountability and incentives. Top management also agreed to completely reengineer the mission-critical business processes, which streamlined the workload and increased productivity.

Solving The Real Problem

“... a new data driven system ... streamlined the Medicaid reimbursement work flow to three steps: 1) data entry, 2) print checks, and 3) create and mail reports. IT used the existing transit company computer network, which avoided the purchase of expensive new software and computers.”



Data Center operations were consolidated onto the existing in house networks.

Working with management, we updated the goals, aims, rules, and policies of the company. We worked with management to redesign the step-by-step processes for the company's updated mission. The divisional organization structure was re-aligned by function, which assigned discrete portions of the process workflow to functional units. Functional specifications with itemized inputs and outputs were created for all process segments. Lines of communication were reengineered. Responsibility for production goals was delegated to line managers and supervisors. Accountability for results flowed up the chain of command to top management.

We coached the IT department through the implementation of a new data driven system, which streamlined the Medicaid reimbursement work flow to three steps: 1) data entry, 2) print checks, and 3) create and mail reports.

IT used the existing transit company computer network, which avoided the purchase of expensive new software and computers. Data entry was done in a Windows environment, which included extensive data validity checks and suggestions for corrective action. We opened access to the data verification tools, checks and balances that had been disabled. Departmental accountability for accuracy and timeliness eliminated cost of errors. The accountability rules combined rewards for success with penalties for errors and late delivery.

Solutions

We created the following seven solutions:

1. Overtime was eliminated. Payroll declined by several hundred thousand dollars.
2. Two-thirds of the workload was eliminated. The number of

shifts was reduced to ten 8-hour shifts from thirty 8-hour shifts.

3. 86% of the Medicaid rider reimbursement manpower was eliminated. Staffing was reduced to three full time and three part time from thirty-four full time and ten part time.

4. The computer service company contract was cancelled after moving the new database system onto the existing internal computer network.

5. The cost of errors nearly vanished. Trouble-fee internal audits verified data integrity. Accurate Federal and state reports were submitted on time.

6. Our follow-up interviews revealed a dramatic turnaround in job satisfaction and cooperation.

7. The savings created by the elimination of overtime and the cancellation of the computer service bureau contract paid for the reorganization project in six months.