

Department of Administration Overview

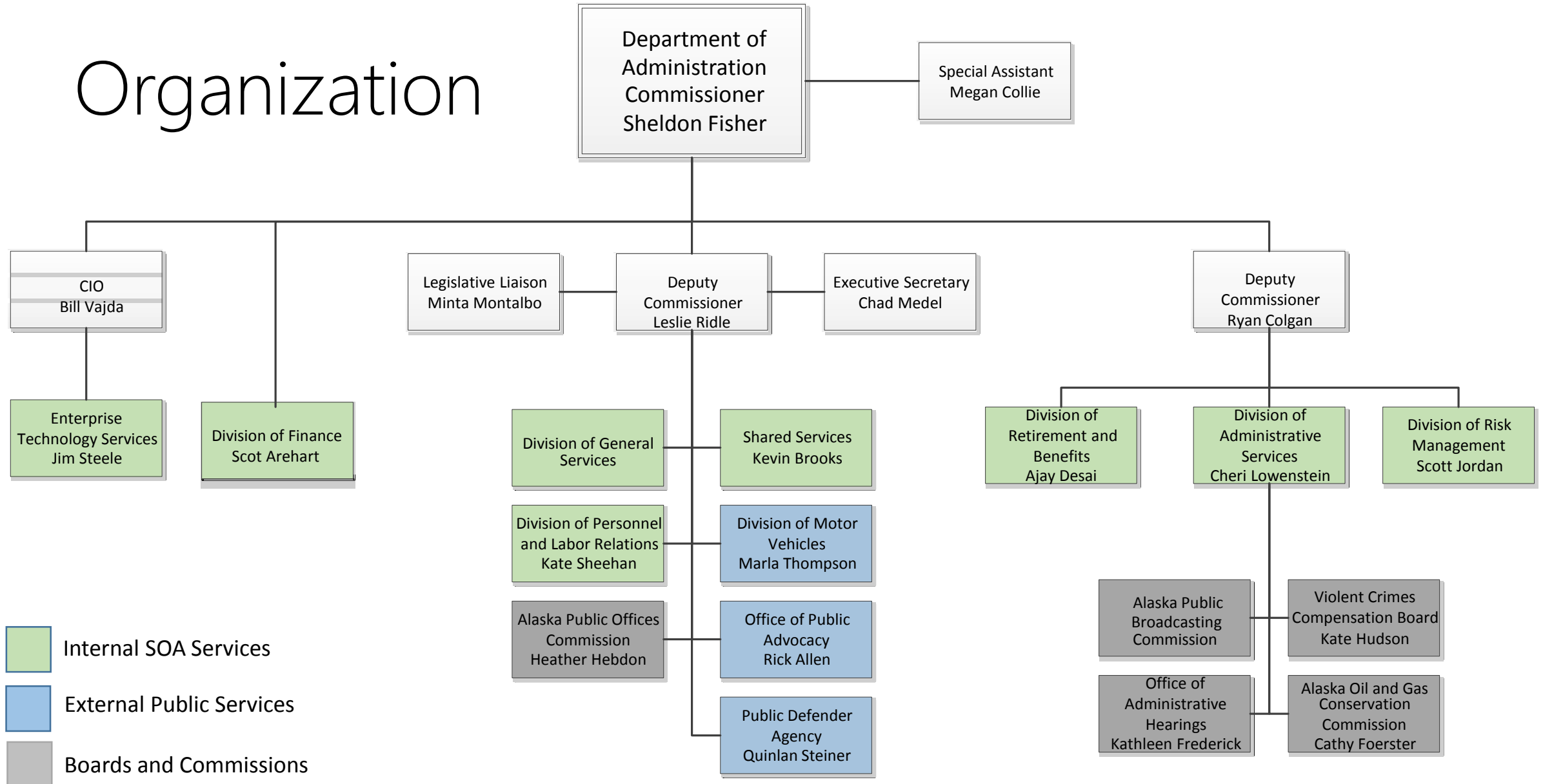


Presented by

Commissioner Sheldon Fisher

Administrative Services Director Cheri Lowenstein

Organization



DOA Budget - UGF

- \$47,620.8 OPA & PDA
- \$ 6,765.1 SATS & ALMR
- \$ 5,425.2 Finance Statewide Accounting & Payroll Systems
- \$ 3,496.1 Public TV & Radio
- \$ 2,553.2 Internal Rate Subsidies
- \$ 321.4 Personnel Payroll & Classifications
- \$ 481.4 Non-Public Building Fund Facilities
- \$ 2,372.9 Miscellaneous

FY2018 Governor	
UGF	\$69,036.1
DGF	\$30,462.3
FEDERAL	\$3,622.9
OTHER	\$233,332.3
TOTAL	\$336,453.6

Department Priorities

Cost Containment, Efficiency, Smarter Government



- **Shared Services:** streamline services and consolidate multiple back office functions by standing up a Shared Services Organization.
- **Statewide IT:** streamline and consolidate IT through a Shared Service model.
- **Retirement and Benefits:** drive efficiency in Division of Retirement and Benefits by modernizing IT and optimizing business functions.
- **Health Care Reform:** Stabilize employee health plan and address long-term health strategy.
 - Put the AlaskaCare employee plan on a solid financial footing
 - Complete the Health Care Authority feasibility study
 - Create roadmap to drive statewide health care reform
- **Statewide Leases:** optimize state's footprint and leverage volume to reduce costs.
- **Statewide Workforce:** Create and implement a model for improved employee effectiveness. Negotiate consistent, flexible contracts with statewide labor unions.

Shared Services: Government Efficiencies

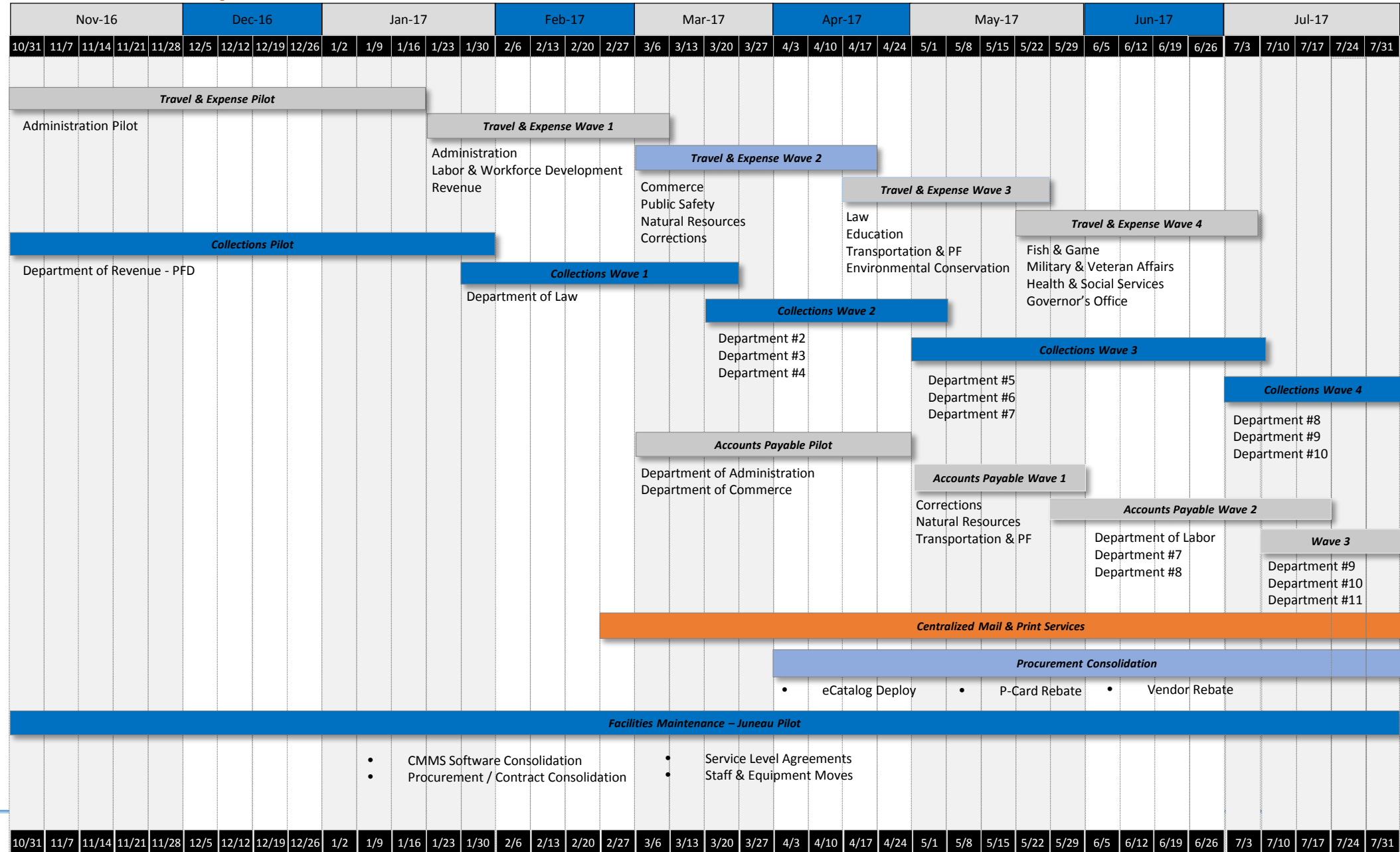
Streamline services and consolidating operations.

Shared Services Overview

Current organizational structure is decentralized; increased budget and staff requirements with reduced focus on mission critical topics. Future structure represents a reduced demand on budget and staff while increasing agency focus on mission critical topics.

Decentralized	Shared Services	Benefits
 <p>The diagram shows a central dark hexagon labeled 'Agency'. Surrounding it are six light gray hexagons: 'Procurement' (top), 'Facilities Maintenance' (top-right), 'Operations & Technology' (bottom-right), 'Major Lines of Business' (bottom), 'Human Resources' (bottom-left), and 'Finance' (top-left). A curved arrow points from the 'Major Lines of Business' hexagon towards the 'Agency' hexagon, labeled 'Agency Focus'.</p>	 <p>The diagram shows a central dark hexagon labeled 'Shared Services'. Surrounding it are six light gray hexagons: 'Continuous Improvement' (top), 'Facilities Maintenance' (top-right), 'Operations & Technology' (bottom-right), 'Procurement' (bottom), 'Human Resources' (bottom-left), and 'Finance' (top-left). A straight arrow points from the 'Shared Services' hexagon down to a dark hexagon labeled 'Agency', which is positioned above a light gray hexagon labeled 'Major Lines of Business'.</p>	<ul style="list-style-type: none">• Savings 10% in FY18 and 30% in FY19. 50% long term reductions.• Increased quality and service delivery.• Increased speed delivery.• Increased client satisfaction.

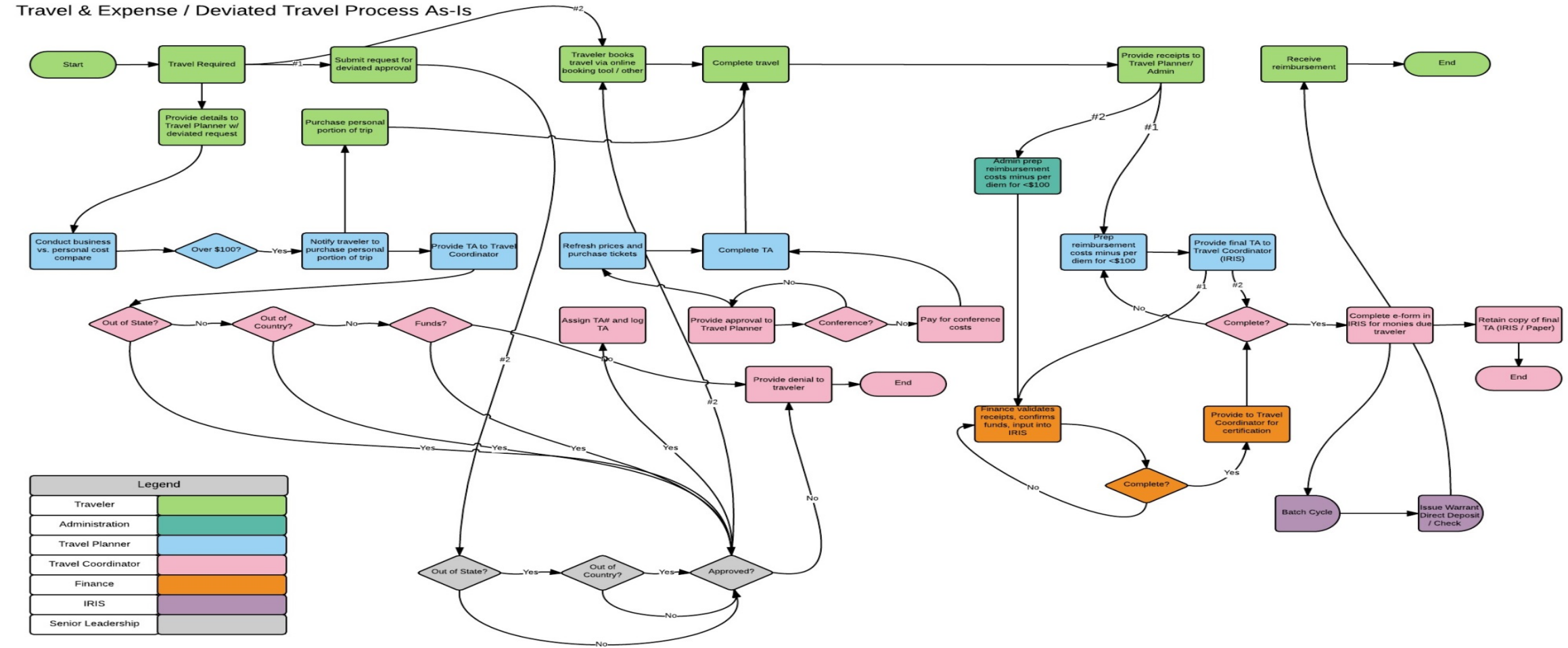
SSOA Roadmap – Pilots and initial waves are definitive



NB: Potential onboarding schedule will be confirmed with each department.

- Travel & Expense / Deviated Travel Process

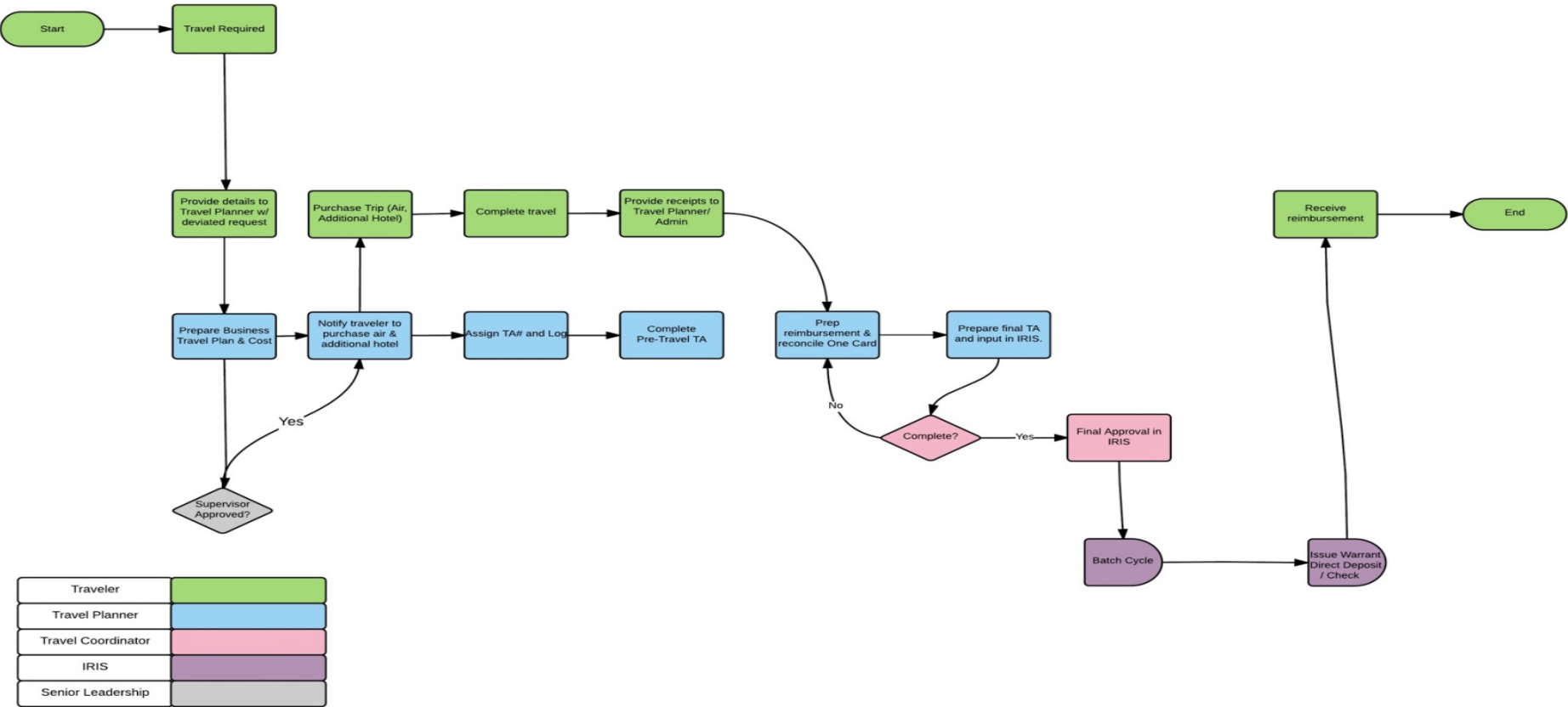
Travel & Expense / Deviated Travel Process As-Is #2



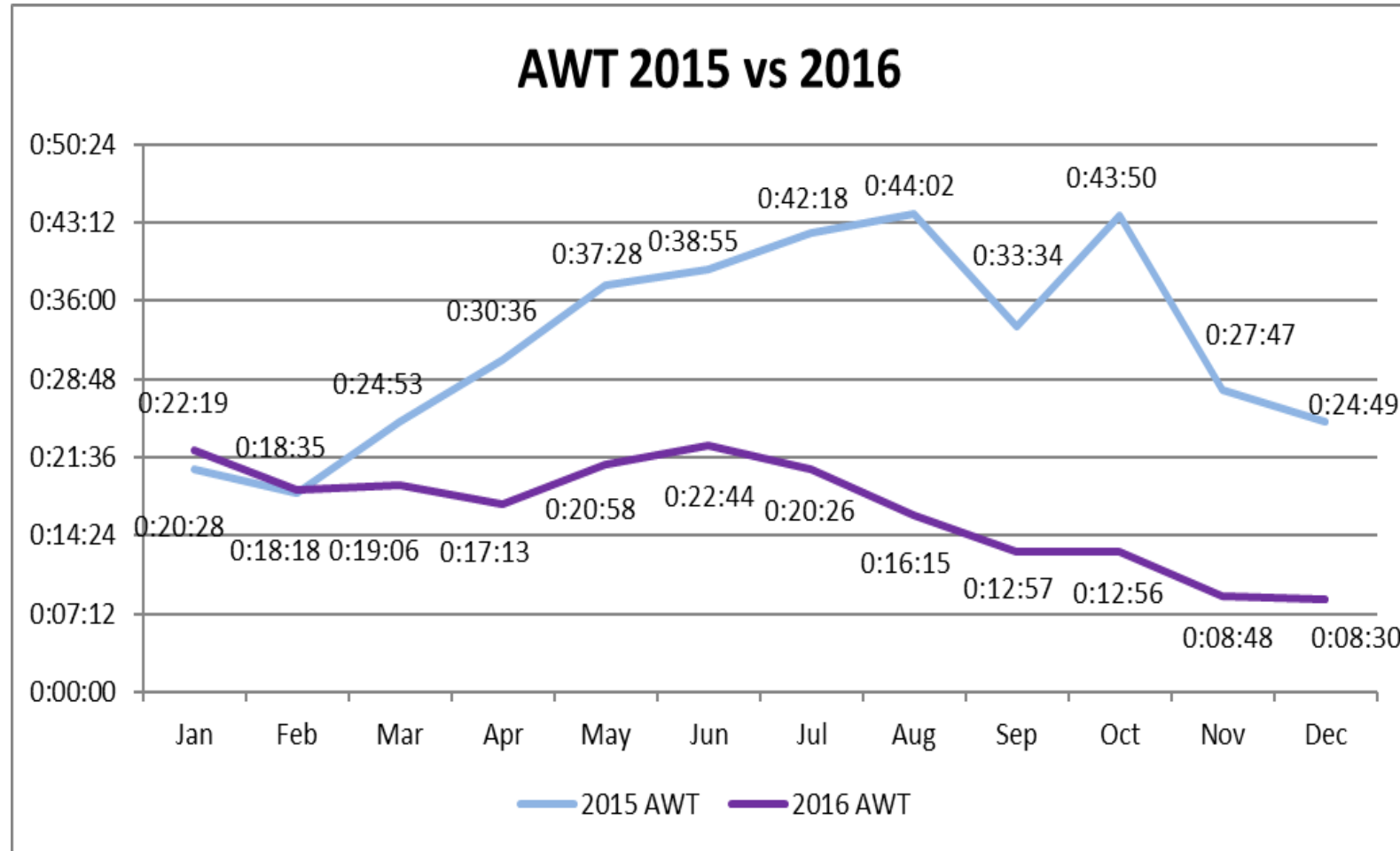
To-Be Process Mapping

•Travel & Expense / Deviated Travel Process

Travel & Expense / Deviated Travel Process Future State



Process Improvement: DMV – Average Wait Time



Walk in Traffic	1.6% Decrease
Total 2015 Traffic	511,965
Total 2016 Traffic	503,918

Shared Services: IT Transformation

Streamline services and consolidating operations.

Recommendations

1. Intelligent Integration

Central to the State's efforts to gain efficiency in the delivery of IT services in the most cost-effective manner, is the concept to distinguish between "Commodity Services" and "Line-of-Business Services."

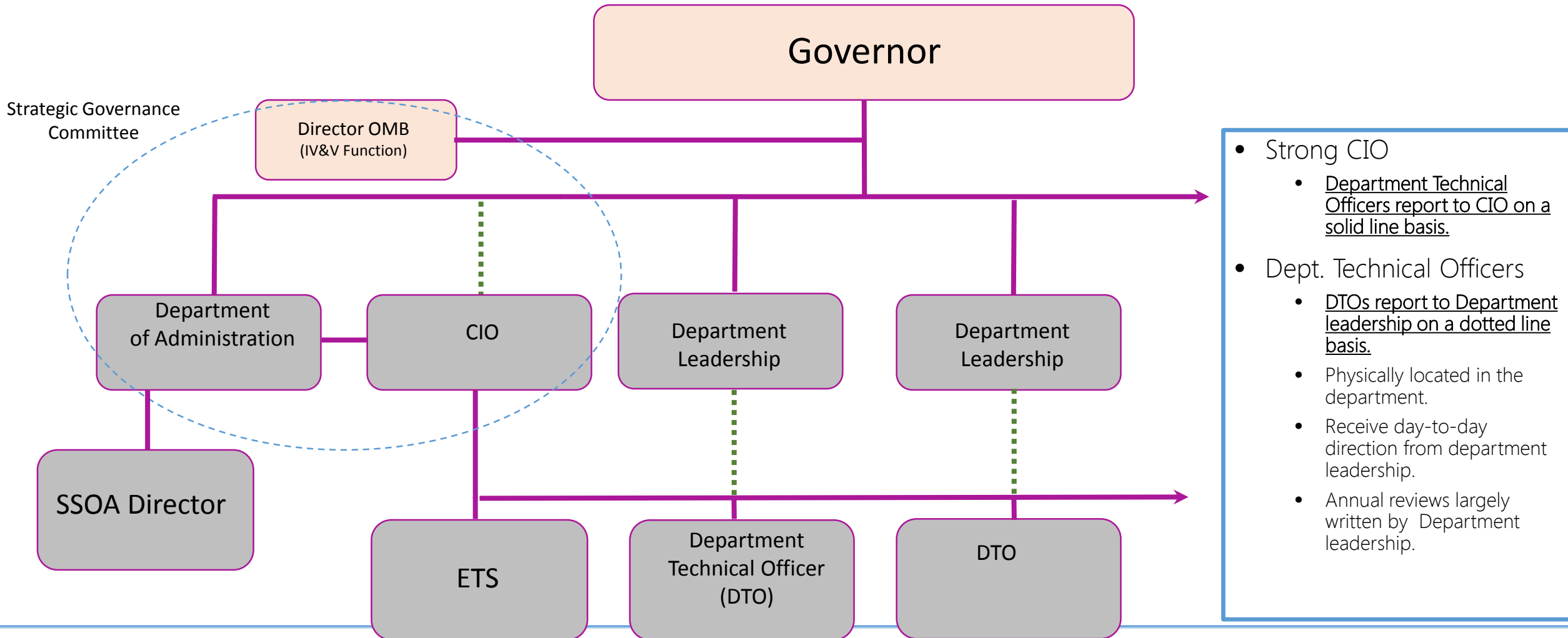
2. Organizational Structure

A trade-off central to the governance recommendation attempts to balance the efficiency benefits of "Integration" with the accountability advantages of allowing Department-centric decision-making. The guiding principle that frames the recommendation intends to balance these potentially competing requirements.

3. Governance: Strategic Guidance & Oversight

The Oversight function will be accountable to implement strategies for measuring the OIT's performance. This Oversight structure ensures that all stakeholders' interests are taken into account and that processes provide measurable results while achieving the goals of the enterprise.

Organizational Vision:



Health Care Reform

Strengthening the financial stability of our state employee health plan.
Addressing the long-term health care needs in Alaska.

DOA & Health Care

The Department has several roles in the provision of health care:

1. Employer and employee premiums (union health trusts & AlaskaCare).
 - FY16 total contributions: \$296.1M⁺
 - Employer contributions: \$265.1M
 - Employee contributions: \$31.0M
2. Administering the self-insured AlaskaCare health plans
 - FY16 Employee plan expenditures approx. \$136.3M^{*}
 - FY16 Retiree DB health plan expenditures approx. \$547.8M^{*}
3. Leading the Health Care Authority Feasibility Study

⁺Source: Based on payroll data with the additional \$7.5M lump sum payment received in FY16.

^{*}Source: Dec. 22, 2016 Audited Financial Statements. Note: the health plans function on a calendar year basis so discrepancies may occur between the calendar year spend and the fiscal year spend.

AlaskaCare Employee Plan: Challenges & Solutions

Fiscal Challenges

- Employee plan costs are exceeding revenues
- This is due to a combination of factors:
 - A spike in utilization following layoff notices
 - Reduction of employees, reducing employer contributions
 - Emergence of double-digit pharmacy growth
 - Health care cost growing faster than anticipated
- Using reserves to cover the difference is not sustainable
- Health care cost increases are pressuring plans across the state and nation
- DOA is addressing these challenges through significant plan changes to AlaskaCare in 2017

Addressing Fiscal Challenges

Four tools available:

1. Increase employee contributions
 - Increased deductible & coinsurance
 - Increased employee premiums in FY17
 - Increasing employee premiums in FY18
2. Implement plan design changes
 - Three-tier pharmacy benefits
 - Facility steerage in Anchorage & outside of Alaska
 - Allow employees to opt-out of coverage
 - Eliminate Premium plan
3. Reduce cost of service
 - Renegotiate pharmacy contracts
 - Improve facility discounts
4. Increase employer contributions
 - Employer contribution rate increased to \$1,555

Health Care Authority Study

- Last session's SB 74 Medicare Reform directed DOA to conduct a study evaluating the feasibility of a Health Care Authority due by June, 2017.
- Study looks at public employees in all bargaining groups, school districts, political subdivisions, the University, and other public entities providing health care benefits.
- Goal is to see if there are opportunities to create savings through greater efficiencies.
- Study will be completed in phases:
 - Phase 1: evaluates opportunities for savings through consolidated purchasing strategies.
 - Phase 2: evaluates opportunities for savings through coordinated plan administration.
- Data collection process complete, surveys sent to all entities, in analysis phase.
- More information available at <https://alaskahcastudy.com/>

Vacant VPN Report—Statewide

FY18 Governor	Total PCNs			Vacant PCNs			Vacancy Percentage		
	PFT	PPT	NP	PFT	PPT	NP	PFT	PPT	NP
Administration	1,143	14	24	56	2	1	4.9%	14.3%	4.2%
Commerce	512	0	5	43	0	0	8.4%		0.0%
Corrections	1,899	0	0	32	0	0	1.7%		
Education	279	15	4	16	1	1	5.7%	6.7%	25.0%
Environmental Conservation	488	0	1	6	0	0	1.2%		0.0%
Fish & Game	837	641	23	33	62	1	3.9%	9.7%	4.3%
Governor	133	0	20	2	0	14	1.5%		70.0%
Health & Social Services	3,365	47	80	120	5	15	3.6%	10.6%	18.8%
Labor	710	58	7	38	10	0	5.4%	17.2%	0.0%
Law	503	0	0	16	0	0	3.2%		
Military & Veterans Affairs	269	2	1	6	0	0	2.2%	0.0%	0.0%
Natural Resources	628	213	64	21	10	43	3.3%	4.7%	67.2%
Public Safety	813	18	8	18	0	0	2.2%	0.0%	0.0%
Revenue	810	33	16	13	2	1	1.6%	6.1%	6.3%
Transportation	2,881	339	137	49	5	0	1.7%	1.5%	0.0%
Totals	15,270	1,380	390	469	97	76	3.1%	7.0%	19.5%

This chart represents positions that won't be filled because of lack of funding. The Administration is working to remove these from future budgets. Cutting these positions does not reduce the budget since they were never funded.

Questions?

For more information on Department of Administration services, priorities, or other issues, please contact:

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