TESTIMONY

of

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to the

LITTLE HOOVER COMMISSION

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Good morning Chairman Hancock and Members of the Commission. I am pleased to be here today to discuss with you issues related to performance measurement, data use and information management technology in government agencies.

As a preface to my comments, I would note that it has been nearly 20 years since the last time I testified before this body, and it is somewhat ironic that this hearing is being held in the Cal-EPA building, since the finalization of the planning for Cal-EPA was one of the last things I worked on during my tenure as Director of the California Department of Health Services. As you know, many of Cal-EPA's programs dealing with hazardous materials, toxic waste dumps, and remediation of environmental contamination were formerly carried out by the state health department. These activities have been the subject of numerous reports by this Commission.

I am advised that one of the reasons I was asked to be here this morning was because you are interested in discussing the role of performance measurement in the transformation of the veterans healthcare system which I led during the latter half of the 1990s.

It is my understanding that the Commission has some familiarity with what occurred in the VA based on its prior discussion of the subject and reference to this radical re-engineering effort in Commission reports – e.g., the Commission's May 2007 report on transforming Medi-Cal. Because of this, and the limited time available for verbal comments this morning, I am not going to talk about the VA transformation per se.

For those who are interested in reading about the dramatic changes that occurred in veterans healthcare system, numerous articles about it have been published in magazines like Time, Fortune, BusinessWeek and U.S. News and World Report, to cite a few, as well as in many newspapers and books. The changes in VA's performance have been chronicled in many dozens of articles in the medical literature, as well as in the professional management and government literatures. VA's transformation is also taught as a case study at Harvard Business School; the Yale School of Management; USC's School of Policy, Planning and Development; and numerous other professional schools. These case study write-ups are readily available.

I will use my remaining time to comment on the three questions or issues that were raised in Mr. Drown's letter of May 23, 2008, inviting me to testify today. I will repeat the question or issue below and then briefly comment upon it.

(1) The criticality of using metrics to measure, track and improve government performance. Is this another good-government fad?

I believe that the basic management maxim that 'you cannot improve what you cannot measure' applies to the government as much as it does to other sectors. Performance measurement should not be,

and I do not believe that it is, just “another good-government fad”. Performance measurement, public reporting of performance, and quality improvement activities based on performance data should be an integral and essential part of all government activities.

In this regard, I should note that this is not a newly found belief for me. During my tenure as Director of the California Department of Health Services in the 1980s, I was the principal investigator on a multi-year federally funded project to develop model standards of performance for local health departments in California. At the conclusion of this project we found that when we used evidence-based strategies and best practices, tracked performance, and used formal quality management techniques, local government performance materially improved.

During the latter three years of my tenure at CDHS, we introduced into the management of the Department formal quality management methods espoused by Deming and used by Toyota and other organizations known for the high quality of their performance. Performance measurement and evidence-based management were central to these methods. We soon observed numerous major improvements in Departmental performance. We were so impressed with the results that we tried to institutionalize these practices by hiring a director of quality improvement (the first such position in California state government) and a small support staff. We began to view quality improvement as our core management strategy.

Despite many documented improvements in Departmental performance which resulted from these efforts, which were recognized in a number of cases by awards from external bodies, these programs were not embraced by the new management of the Department under a different governor and the staff positions and the associated

programs were subsequently eliminated in the name budget reductions.

(2) Your experience in developing metrics at the U.S. Department of Veterans Affairs. How and to whom did you report metrics? How were metrics developed and used to analyze and improve performance? What are the challenges, such as cultural and institutional barriers, to establishing and implementing such a measurement system? Can such a system work in California state government?

The metrics used in the VA were a combination of performance measures developed and used by other entities (e.g., some of the HEDIS measures developed by the National Committee for Quality Assurance or NCQA) and measures developed by VA staff.

The performance measurement data at VA were used first and foremost by me and my management staff to assess and improve our performance. However, the data were made available to anyone who wanted them, and were aggregated and formatted in a quarterly report that was sent to relevant Congressional committees and other interested parties.

Initially, there was considerable resistance from just about everyone in the agency to the idea of being measured. However, using real performance data to improve the system's quality was not negotiable in my mind. If staff did not feel the proposed performance measures were valid then they were invited to submit better ones. The exact measures used was often less important than the fact that performance was being objectively measured and tracked, and management was being held accountable for the results. The instrument used in the latter was an annual performance contract that I negotiated with each of my direct reports and each of the 22 network directors.

Today, performance measurement is integral to everything that is done in the veterans healthcare system.

Several additional points should be made here.

Developing good performance measures is hard work, and requires that one really knows what is important about the service being measured. Unfortunately, performance measures are often chosen because of the ready availability of data, because a measure already has been developed, or for some other reason, but the proposed measure does not actually measure what is truly important to know. This has to be guarded against.

I believe it is important to have a mix of both process and outcome measures. In healthcare, the majority of performance measures are now and will continue to be process-related because processes of care are what is done by caregivers, because process measures do not require risk adjustment, and because too often we simply do not understand what really determines the outcome in a disease state.

Performance measurement data has to be made available in a timely manner – i.e., in as close to real time as possible – if you want performance improvement to be timely. It does little good to provide only annual performance data to an organization unless you are willing to wait years for measurable improvement.

Performance measurement data has to be fed back to the front line – i.e., those on the sharp end of the organization that actually execute the organization's mission.

Finally, nothing makes performance measures better than using them. With use measures get refined and improved.

(3) Your thoughts on who or what agency should develop metrics and monitor their implementation for statewide use.

Each department should have its own Performance Measurement and Quality Improvement function or activity, whatever one chooses to name it. This should be part of the basic management structure and staffed according to the functions and size of the department.

There is no need to invent or re-invent measures when appropriate performance measures already exist.

In healthcare, the area that I know best, there exist over 200 national consensus standards for quality measurement, and dozens more in the pipeline. While I understand the sentiment that all states have about being different, the reality is that no one is so different that they cannot use the overwhelming majority of these already agreed upon measures. There may be a need to supplement existing measures with additional measures for conditions or situations that truly are unique to California, but these are going to be pretty few.

What is important to focus on is not whether the performance measure is perfect, but whether performance data are being used to track and improve performance.

I will stop here, and I will be happy to try to answer any questions that you may have.