

EXECUTIVE OFFICE OF THE PRESIDENT
OF THE UNITED STATES

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PRESIDENT'S MANAGEMENT ADVISORY BOARD

+ + + + +

MEETING

+ + + + +

FRIDAY
SEPTEMBER 7, 2012

+ + + + +

The Board met telephonically at
12:30 p.m. Eastern Daylight Time, Jeff Zients,
Chair, presiding.

PRESIDENT'S MANAGEMENT ADVISORY BOARD MEMBERS

- JEFF ZIENTS, Chair
- GREG BROWN
- DEBRA LEE
- GAIL McGOVERN
- ENRIQUE SALEM
- LIZ SMITH
- RON WILLIAMS

ALSO PRESENT

- JOSEPH JORDAN, Administrator for the Office of
Federal Procurement Policy, OMB
- DAN TANGHERLINI, Administrator, OMB
- DANNY WERFEL, OMB Controller
- SCOTT WINSLOW, PMAB Director, Designated
Federal Official

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1 P-R-O-C-E-E-D-I-N-G-S

2 (12:38 p.m.)

3 OPERATOR: Good morning and thank you
4 all for standing by. All participants will be
5 on listen only throughout the duration of
6 today's conference call.

7 Today's call is being recorded. If
8 anyone has any objections, you may disconnect
9 at this time.

10 And now I'll turn the call over to
11 your first speaker for today, Mr. Scott Winslow.
12 Sir, you may begin.

13 MR. WINSLOW: Thank you very much.
14 All right, good afternoon and welcome to this
15 Board meeting of the President's Management
16 Advisory Board that's originating from
17 Washington, D.C.

18 I'm Scott Winslow, the Executive
19 Director and Designated Federal Officer of the
20 President's Management Advisory Board and I've
21 got just a couple of housekeeping items that
22 I want to take care of before we go ahead and

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1 get started.

2 First, as the operator said, this
3 is an open meeting, which means that members
4 of the public can join us and listen to the
5 proceedings of this call.

6 And when we finish, an audio file
7 of this will be loaded up to the President's
8 Management Advisory Board website, which is
9 hosted at whitehouse.gov.

10 Second, I'd like to go ahead and do
11 a quick roll call of the Board members and
12 actually I'll come to that in just a second.

13 And then the other point that I
14 wanted to make sure everyone was aware of is
15 that the materials for this meeting have been
16 posted to the PMAB website.

17 So members of the public can
18 download those and take a look at them. Those
19 will be the materials that we'll be talking
20 through during the course of this call. It's
21 about nine pages long.

22 All of the Board members should have

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1 received a document that is entitled President's
2 Management Advisory Board Meeting Materials.
3 As I said, it's about a nine-page document.

4 We're going to go ahead and turn to
5 the last item of housekeeping which is just to
6 make sure that we can both recognize and take
7 account of all the folks who are on the call.

8 Greg Brown, are you here?

9 MEMBER BROWN: I am here.

10 MR. WINSLOW: Fantastic. Enrique
11 Salem?

12 MEMBER SALEM: I am here.

13 MR. WINSLOW: Great. Liz Smith.
14 Liz, are you there?

15 OPERATOR: It looks like Liz's line
16 has disconnected.

17 MR. WINSLOW: Okay, she'll probably
18 join us in just a moment. Debra Lee.

19 MEMBER LEE: Yes, I'm on.

20 MR. WINSLOW: Great, thank you.
21 Gail McGovern.

22 MEMBER MCGOVERN: I'm here.

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1 MR. WINSLOW: Fantastic. And Ron
2 Williams.

3 MEMBER WILLIAMS: I am here.

4 MR. WINSLOW: Excellent. Jeff
5 Zients, who is the Chair of the Board, will be
6 with us in just a minute and I'll announce when
7 he joins us. He's just stepped out for a second.

8 What I'd like to do is to very
9 quickly orient you to how we're going to be
10 spending our time across the course of this call.

11 As I mentioned, the slide
12 presentation is available to everyone. It
13 lists all of the folks that I just listed.

14 And if you could turn to Page 3
15 inside of that presentation, I just wanted to
16 provide you with a sense of the purpose of this
17 meeting and, secondly, the agenda of how we'll
18 be spending our time.

19 This is a meeting of the President's
20 Management Advisory Board where we're
21 essentially taking recommendations from the two
22 subcommittees that have been working across the

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1 course of this year.

2 Those two subcommittees are working
3 on strategic sourcing, so improving the usage
4 of strategic sourcing inside the federal
5 government, and, secondly, improper payments,
6 that is finding ways to reduce the level of
7 improper payments inside the federal
8 government.

9 MEMBER SMITH: Scott, my apologies.
10 It's Liz Smith. We were cut off.

11 MR. WINSLOW: Not a problem, Liz.
12 I'm sorry if that was our fault.

13 MEMBER SMITH: No, it was ours.
14 Please continue.

15 MR. WINSLOW: Thanks, Liz. And
16 with that, the two subcommittees have been
17 working across the course of the year doing a
18 number of different things, having
19 conversations with folks inside the federal
20 government to understand the full range of the
21 challenges that we face in both of those areas.

22 We've had a few Board meetings which

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1 have taken place since we first picked these
2 topics.

3 And we are now convening to really
4 hear the recommendations that the subcommittees
5 have put together. We will discuss those and
6 then essentially adopt them going forward.

7 If you take a look at Page 4, that
8 sort of enumerates the activity that's taken
9 place across the course of the year. As I
10 mentioned, a Board meeting back in March when
11 we chose the two topics that we've been working
12 on.

13 We've had some independent meetings
14 of the subcommittees. We've also had
15 individual conversations with Board members.

16 We've also had the opportunity to
17 work with some subject matter experts that the
18 Board members have pointed us to.

19 And we have taken the opportunity
20 to provide as detailed as possible overview of
21 the challenges and the activity that's taking
22 place inside the government against both of

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1 these initiatives.

2 With all of that, we're coming
3 together today to hear from the two
4 subcommittees, as I mentioned.

5 One of those is the Strategic
6 Sourcing Subcommittee, which will go first, and
7 we'll be hearing from Ron Williams who will
8 essentially be taking us through that material.

9 After Ron has had the opportunity
10 to both present and discuss that, we'll then
11 move on to talk about the Improper Payments
12 Subcommittee's work, and Enrique Salem will be
13 taking us through that.

14 At the end of that, just some quick
15 next steps in advance of the next Board meeting,
16 which is scheduled for October 12 here in
17 Washington, and then we should be able to move
18 on to the rest of our days.

19 With that, let me welcome Jeff
20 Zients who is the Chairman of the President's
21 Management Advisory Board. Jeff, welcome.

22 CHAIR ZIENTS: Hi, everybody.

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1 MR. WINSLOW: We are just about to
2 go ahead and get started and I was just going
3 to turn the microphone over to our first speaker
4 on the Strategic Sourcing Subcommittee. Did
5 you have anything you wanted to add, Jeff, before
6 we went --

7 CHAIR ZIENTS: No, I think we're in
8 person on the 12th of October, is that right?

9 MR. WINSLOW: Correct.

10 CHAIR ZIENTS: And just making sure
11 that we, you know, have a robust next five weeks,
12 lock into the recommendations, so that we have
13 actionable items on the 12th, meeting our goal
14 of the last time we were together on the 11th
15 of July.

16 So my read is we're in good shape
17 but we've got a lot of work to do across the
18 next five weeks and making sure that we, you
19 know, adopt these recommendations in both areas
20 is today's goal.

21 I don't know how you set this up,
22 Scott, but my take would be to go through each

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1 section.

2 MR. WINSLOW: Correct.

3 CHAIR ZIENTS: Take any question or
4 feedback as we go in those sections and then
5 do the formal adoption of the recommendations
6 at the end of the two sessions. Does that make
7 sense?

8 MR. WINSLOW: That's exactly what
9 we were expecting to do.

10 CHAIR ZIENTS: Well, let me not slow
11 us down any more and I guess Ron is going to
12 kick us off on strategic sourcing?

13 MR. WINSLOW: That's correct.
14 Ron, how are you?

15 MEMBER WILLIAMS: I'm doing great.
16 Good afternoon to everyone. And I would ask
17 everyone to turn to Page 5 and I won't read the
18 page but I will talk us through that to give
19 you a sense of what we've learned and some of
20 the work that the Committee has done.

21 Let me first thank my fellow
22 subcommittee members for their hard work in

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1 assisting us in this undertaking.

2 I think the starting point really
3 was the conversations that we had with the deputy
4 secretaries, many of the acquisition officers
5 and the staff involved in the different agencies
6 in terms of understanding what were the types
7 of challenges that they faced.

8 And that was important to understand
9 the differences between the solutions that work
10 in the private sector and some of the solutions
11 that may or may not work in the government
12 sector.

13 And I think it gave the committee
14 a solid grounding to identify some of the things
15 that the government's facing.

16 Some of those included a significant
17 deficit in data and information on which to base
18 the decisions.

19 I think the others centered around
20 the challenge of aligning incentives up and down
21 the system so that everyone who was asked to
22 engage in program activity had the right

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1 incentive that aligned with program goals.

2 And I think the other issue is really
3 the whole question of getting the right kind
4 of collaboration across the agencies in ways
5 that would further the investment.

6 I think the subcommittee as a result
7 of that looked at a lot of the leading practices
8 with an eye to addressing these types of
9 deficiencies.

10 So I think the things that we set
11 out to accomplish were really to make certain
12 that the government could issue and communicate
13 very clear policy guidance, that the
14 recommendations would result in a utilization
15 of some of the vehicles that might be put in
16 place and that a governance structure that was
17 appropriate to the setting could, in fact, be
18 implemented and that that governance structure
19 would have the right accountability mechanisms
20 as part of it.

21 I think one of the other things that
22 we viewed as an important objective was to look

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1 at the centralized knowledge management tools
2 and make certain that the tools that were
3 developed made sense, they provided the kind
4 of data that would support the implementation
5 and capture of the savings that we felt could
6 come forward from the program.

7 And I think the final thing that we
8 felt would be important to address in the
9 recommendations was how to create a playbook
10 that while being very specific about what to
11 do and how to do it and would share best
12 practices, would allow opportunity for
13 creativity and for appropriate targeting and
14 adaptation to the particular agencies involved.

15 So I would pause there before I shift
16 to the specific recommendations themselves and
17 give my committee members a chance to add
18 anything they might wish to add.

19 MEMBER LEE: That was a good report.

20 I don't have anything to add. This is Debby
21 Lee.

22 MR. WINSLOW: Thanks, Debby.

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1 Gail, did you have anything to add to what Ron
2 has walked us through?

3 MEMBER MCGOVERN: No, I think that
4 was well done, Ron. Thank you.

5 MR. WINSLOW: Fantastic. Thanks,
6 Ron. Or, sorry, thank you, Gail and Debby.
7 Ron, go ahead.

8 MEMBER WILLIAMS: Moving to the
9 recommendations that the committee has
10 developed, I would start with Page 6.

11 And I think the most important thing
12 is really developing the right government-wide
13 policy directives and the way we thought about
14 assuring that those were, in fact, relevant was
15 to look at the attributes.

16 For example, one of the policy
17 directive's key criteria was making certain that
18 the mandate to use government-wide strategic
19 sourcing where appropriate.

20 Now, when you have "where
21 appropriate" there's always a challenge as to:
22 is that the loophole through which everyone

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1 rushes?

2 And I think that's one of the things
3 I think that prompted us to look at, and where
4 some of the accountability will come in, is the
5 only way the government can really get the kind
6 of savings that we believe is possible is if
7 people really do adopt the strategic sourcing
8 as a fundamental programmatic initiative in
9 their agency.

10 One of the ways we thought was a
11 critical recommendation to do that was to set
12 ambitious government-wide goals for the
13 creation and adoption of these vehicles.

14 And those goals would reflect
15 savings in the different categories that would
16 be appropriate to each agency, but it really
17 is important that they be ambitious and that
18 they require creativity and creative thinking
19 to get there.

20 The final part of the policy
21 directive was really to make certain that the
22 policy required an accountable senior official

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1 within each agency who would both oversee the
2 program, and where there would be judgments made
3 about their contribution to the program as a
4 part of their overall performance management.

5 The second major category of
6 recommendations centered around data collection
7 and utilization in the decision-making process.

8 And it's extremely important that
9 the right level of data be obtained and that
10 there be an effective analysis of the data that
11 results in meaningful inclusions from which
12 action can be based.

13 So it's not how much data do you
14 collect. It's what do you actually do with the
15 data.

16 Other ways we thought this could be
17 enhanced would be to consider the use of requests
18 for information on cost data from the vendors
19 that the government actually works with.

20 And this could be done as a
21 prerequisite to government solicitations
22 because often the vendors actually have a better

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1 holistic view of all the government transactions
2 than the individual agencies do.

3 And finally, in terms of data
4 collection and utilization, we felt it was
5 important to develop standardized performance
6 tracking and reporting, and standardized can
7 be developed in a collaborative process with
8 the different agencies.

9 But it has to be certain that
10 everyone is being judged on the same basis
11 because otherwise you may get a special view
12 of the universe that shows that everyone is,
13 in fact, achieving their individual goals but
14 holistically we're not necessarily achieving
15 the goals that we set out to achieve.

16 Third major category, it really
17 centers around communication and it's really
18 about designing in effective communication
19 programs that make certain that the message and
20 the intent of the program is understood at all
21 levels of the organization.

22 And that means that it's necessary

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1 to syndicate not simply top-down messages but
2 bottom-up messages that are both written and
3 in some instances different media -- town hall
4 meetings, video conferences -- and that it's
5 important to validate through surveys and other
6 mechanisms that the fidelity of the message has
7 been delivered to the front line so that people
8 really understand the intent of the program and
9 the results and why it is important to the
10 government and to their agencies.

11 The other important part of
12 communication is really celebrating all the
13 successes, particularly the early successes,
14 and even some of the smaller successes, to show
15 people that, A, accountability is important and,
16 two, the program is being measured, monitored
17 and success is being recognized.

18 And finally, in terms of
19 communication, I think it's important that the
20 senior-most leaders highlight their progress
21 through the President's Management Council,
22 which is the senior-most operating council of

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1 the government, and that they hold each other
2 accountable for achieving the kind of progress
3 that has been planned for and committed to.

4 So I would pause there and again ask
5 my colleagues if there's anything they would
6 like to supplement.

7 MEMBER LEE: No, no comment.
8 Again, that is great. Thanks, Ron.

9 MEMBER MCGOVERN: Ron, the only
10 things that I would add, this is Gail, is that
11 on the subcommittee there were a number of
12 anecdotal pieces of evidence as well as hard
13 data of our colleagues that had done this and
14 have had remarkable results.

15 And so I think the way you laid this
16 out was extremely well put. And even though the
17 language is strong, like mandate the use of
18 government-wide strategic sourcing, the
19 experience from the subcommittee was that it's
20 essential to use that type of language and to
21 take those kinds of actions for the results to
22 take place. And the less you can make optional

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1 the stronger the results.

2 MEMBER WILLIAMS: Thanks.

3 MEMBER LEE: Yes, this is Debby
4 again. Just to add to what Gail said, there
5 was some anecdotal evidence that people that
6 have been through this were surprised to find
7 that everyone didn't have the same goals and
8 objectives.

9 So saving money from budgets, even
10 though it comes down from the top, may not be,
11 you know, what lower-level employees see, or
12 even some executives.

13 So that's why we thought the strong
14 language of mandating was critical to make sure
15 that people abided by the objectives and the
16 goals that were laid out by the top management.

17 MR. JORDAN: Ron, this is Joe from
18 OMB. I just want to say thank you for these
19 recommendations. They certainly resonate.

20 I think they're a very good
21 synthesis of what my team heard during our
22 interactions with the subcommittee, during our

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1 site visits and during that July 11 meeting.

2 I also want to just thank the entire
3 subcommittee, including Tim and Sam who couldn't
4 join this call but were integral to our efforts.

5 Dan Tangherlini from GSA, who I know
6 is on the call, and I are really excited to
7 partner together on this. We think that we can
8 move pretty quickly and really achieve some
9 significant impact.

10 And I think that as I look through
11 these recommendations that the subcommittee is
12 proposing, they certainly make a lot of sense
13 and are things that we look forward to
14 implementing.

15 CHAIR ZIENTS: Yes, this is Jeff.

16 I think that the mandate is key here. I mean,
17 if we were talking about marginal areas where
18 you could argue both ways, then I'd be more
19 hesitant.

20 But given that we've got some areas
21 that are just so obvious we should be doing this
22 together, and we have a history of not doing

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1 it that way, I think the risk-reward is very
2 much tilted in the direction of let's do some
3 mandates and I think we can get the President's
4 Management Council on board for it.

5 MEMBER WILLIAMS: Great.

6 CHAIR ZIENTS: Then we've got to
7 execute and really nail it but I think without
8 it we're just going to be chasing this
9 opportunity rather than getting ahead of it or
10 catching up to it.

11 MEMBER WILLIAMS: Well, that's very
12 encouraging to hear and I would really echo
13 Gail's and Debby's comments that the businesses
14 that have done this have found very substantial
15 savings as a result of implementing strategic
16 sourcing.

17 And often the quality of the
18 services have been improved as well so I think
19 that's extremely important to keep in mind, that
20 we're not sacrificing quality to produce
21 savings.

22 And I think that the variability

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1 that was reported in some of the sessions of
2 some of the purchases that are occurring clearly
3 point out that there are very substantial
4 savings available.

5 MR. WINSLOW: Excellent. Ron,
6 thank you very much. And before I turn the
7 microphone over to Enrique to take us through
8 the improper payments recommendations, Greg,
9 Enrique, Liz, did you all have any comments or
10 questions?

11 MEMBER BROWN: No, I think it's well
12 done. I think some of the issues that Ron
13 mentioned, the team mentioned, are similar to
14 what we've found on the improper payment side,
15 that some of the things that we see in the private
16 sector and the way we can structure incentives
17 is a little bit more difficult in the public
18 sector, so we found similar things.

19 MEMBER SMITH: Yes, I just wanted
20 to double down on Ron's point, which I think
21 was an excellent one, that when you engage in
22 this process you find obviously real cost

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1 efficiencies but also coincident with that
2 quality improvements. That's been my
3 experience, is the two go hand in hand so, as
4 Ron said, it's a win-win.

5 MR. WINSLOW: Excellent. Enrique,
6 why don't you kick us off into the improper
7 payments recommendations?

8 MEMBER SALEM: Sure, absolutely.
9 So I'm on Slide 7. I'm going to touch on 7 and
10 probably spend most of my time on 8.

11 Our subcommittee was Jeff Kindler,
12 Liz Smith, Greg Brown and myself and we've had
13 a number of subcommittee meetings, really
14 focused on how do we get the right scope for
15 this improper payments area to make sure that
16 we can get some real tangible results?

17 If we start on the slide, obviously
18 a number of different interviews with deputy
19 secretaries and agency leaders and we found some
20 specific issues around what were their
21 challenges as they try to attack the improper
22 payments area?

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1 Just to recap, in fiscal year 2011
2 improper payments was \$115 billion. Now, we
3 should also comment that progress has been made
4 in this area.

5 There was a mandate that came out
6 to try and save about \$50 billion of this number.
7 We're about \$20 billion into it so far in work
8 that was done over the last several years.

9 Most of that \$20 billion has come
10 from the Medicaid and Medicare area and, by the
11 way, Medicare/Medicaid represents 55 percent
12 of the total improper payments area, the next
13 big area being unemployment insurance at about
14 13.7.

15 What we've done is as we've gone
16 through the various areas, some of the progress
17 has been good by things like creating a center
18 of excellence at the Department of Labor to start
19 focusing on this unemployment insurance area.

20 Also the Treasury Department has
21 created the Do Not Pay initiative which is a
22 very visible area where payments are being made

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1 that obviously shouldn't.

2 And then lastly, how do we create
3 a better set of data that will allow us to reduce
4 improper payments and reduce operational
5 mistakes?

6 One other thing that the
7 subcommittee did that we found was very helpful
8 is the team went out and visited Aetna to try
9 and understand how do they think about using
10 data to better run their business?

11 And this is very important because
12 what the team really learned beyond having good
13 tools is just what was the tone inside of the
14 organization?

15 And at Aetna one of the things that
16 the team found was a lot of the data is used
17 to try and figure out how do we minimize
18 procedures from happening that are unnecessary?

19 And it's not necessarily the topic
20 that mattered. What really mattered was that
21 the organization understood that that was
22 important to the success of the business.

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1 And that's what we want to try to
2 get in what we do in improper payments, is that
3 everybody understands why this is really
4 important. What are the incentives that are
5 going to have a meaningful impact on reducing
6 improper payments?

7 And so, Ron, the visit to the team
8 at Aetna was very helpful and what was
9 interesting is just how clear everybody inside
10 the organization, at least that the team talked
11 to, said it wasn't about the data. It's about
12 the end goal, which is reducing the number of
13 procedures that are being done that shouldn't
14 be.

15 And I don't know, Ron, if you want
16 to comment at all on that but that was clearly
17 the message that the team took away.

18 MEMBER WILLIAMS: Yes, I think it
19 comes back to the quality question. This is
20 fundamentally about making certain that the
21 quality of care that people receive is the right
22 care and that clinicians make decisions about

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1 at what point does something become excessive
2 to the extent that it makes it dangerous in
3 addition to raising the cost of care, so quality
4 comes back to be a very central element of it
5 all.

6 MR. WERFEL: Yes, and this is Danny
7 from the OMB and I just, again, want to thank
8 the folks at Aetna for spending time with us
9 and giving us a deep dive into how they approach
10 data analytics.

11 And to echo what Enrique said, what
12 was very clear is that the tools themselves were
13 very impressive.

14 And we're going to learn a lot from
15 understanding how corporations are tapping into
16 those emerging technologies for how to look at
17 data, so that in and of itself was beneficial.

18 But what was even more striking than
19 that was how clear the business leaders within
20 the organization understood some of the
21 bottom-line metrics that have been established
22 by Aetna leadership, how they were held

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1 accountable for those bottom-line business
2 metrics, and that is what spawned the very
3 aggressive and sophisticated use of data.

4 It was very clear to us that it
5 wasn't that Aetna had spent a lot of time kind
6 of trying to cultivate within the organization
7 how do we do data, how do we get data integrated
8 into our work.

9 The reality was that you set clear
10 performance objectives for the overall business
11 and the data solutions emerge just because you
12 have talented people trying to meet those
13 metrics and help the company be successful.

14 And so we really went back and
15 thought a lot about incentives and the tone that
16 our organizations are setting within government
17 for expected results and how that can help us
18 in this area.

19 MEMBER SALEM: Exactly. So,
20 again, very helpful in setting up the context
21 of what we want to do.

22 And so now let's turn our attention

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1 to Page 8, which is really the specific
2 recommendations and what we think we should
3 focus on.

4 The two areas that we think we should
5 focus on and are focused on are, one, the
6 unemployment insurance area which makes up 13.7
7 percent of the improper payments and then, two,
8 the Do Not Pay program at the Treasury.

9 Starting on unemployment insurance,
10 what we found were that there's a whole range
11 of performance across the various states and
12 just to give you some numbers, and this is
13 publicly available data that the team has.

14 Nine states currently have the
15 lowest improper payment rates. It's in the four
16 to six percent range, states like Kansas,
17 Oklahoma, Kentucky, Vermont, New Hampshire,
18 Massachusetts, Connecticut, Rhode Island and
19 Hawaii.

20 And then there are 12 states that
21 have an improper payment rate of greater than
22 14 percent, Ohio, Indiana, Virginia, South

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1 Carolina, Nebraska, Colorado, New Mexico,
2 Arizona, Tennessee, Alabama, Mississippi and
3 Louisiana.

4 And so it's interesting because this
5 starts putting a light on some of the work that
6 we need to do going forward if we're going to
7 attack this problem and really solve or make
8 some meaningful progress.

9 So as we looked at our
10 recommendations, in general, the team would put
11 them in these buckets.

12 One, on Slide 8, Bullet 1 and 5
13 really talk about where is the opportunities
14 to drive the savings? Where can we really start
15 attacking the improper payment area?

16 Bullet number 2 is the tone at the
17 top. So is the workforce administrator and the
18 governor's office really focused on this
19 improper payments area?

20 Numbers 3 and 4 are really around
21 the incentives.

22 Number 6 is, again, how do we better

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1 use data to identify the profile of people who
2 are potentially repeat offenders or repeatedly
3 getting improper payments that we want to
4 curtail and potentially identify individuals?

5 And then Number 7 is make sure that
6 we're using this data effectively. Now, the
7 thing that's interesting here is, and this is
8 a bit of what Ron said, when you talk about the
9 incentive area the challenge is in the private
10 sector we know how to very effectively tie
11 performance to the rewards.

12 One of the things that happens
13 though that we learned through this process is
14 when the workforce administrator is looking at
15 all the work that they have to do if they drive
16 savings in improper payments, that actually is
17 not directly tied to the state budget.

18 That comes out of the employee
19 payroll tax services. And while it's obviously
20 a good thing to reduce what businesses are
21 paying, it's not directly tied to potentially
22 the incentives that that individual has.

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1 And the important point there is
2 they manage a number of different programs that
3 could really put us in a situation where they
4 could be doing overall a job that is acceptable
5 to the governor's office but may not be doing
6 a great job in this area.

7 And so what the team is really going
8 to think through is what are the appropriate
9 incentives that start driving a meaningful
10 change in behavior because there is, again, in
11 the order of \$14 billion that could be saved
12 here.

13 So our specific recommendations and
14 what we'd like to do is get a small number of
15 states, what we'll call the early adopters, and
16 pick from the list.

17 I listed some examples of folks who
18 are doing a better job than others and we're
19 working on who are those early adopters and the
20 mix of potentially folks who have real
21 opportunities for savings and folks who are
22 doing a good job.

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1 And what we want to do is make sure
2 that we work with them closely to figure out
3 how do we create the right incentive structure
4 to reduce improper payments and, two, how do
5 we make sure that we drive the right level of
6 accountability?

7 The third thing that we want to do
8 is we've got to get an ability to use data much
9 better. There's a wealth of data that's not
10 yet being fully exploited.

11 And some of the work that we saw in
12 the site visits is that there's a real
13 opportunity because if we can identify the
14 profile of individuals who are potentially
15 receiving improper payments, we can go a long
16 way to start to reduce those payments.

17 And then lastly, we're going to work
18 through how would we actually execute and
19 implement the best practice and the
20 recommendations that we learn from the various
21 states?

22 But what is very clear here is that

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1 there is a lot of opportunity in the unemployment
2 insurance frame to drive some real savings.

3 And we fundamentally believe that
4 it is going to be around the incentives, making
5 sure that we have the right tone at the top of
6 the state leadership, making sure we use data
7 more appropriately and then making sure that
8 these recommendations get adopted broadly
9 across the various unemployment insurance
10 groups inside the states.

11 So that's where we are right now from
12 a set of recommendations from our subcommittee.

13 Liz, Greg, any other thoughts?

14 MEMBER BROWN: No, I think that's
15 a great summary, Enrique. This is Greg.

16 I think at the end of the day as you
17 kind of sort through all this, you can think
18 about how we're proceeding in four categories
19 in terms of improper payments, avoiding, saving,
20 prioritizing and institutionalizing.

21 Enrique talked about the avoiding
22 of improper payments of \$50 billion by the end

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1 of 2012, the savings that we're embarking upon
2 coming from an all-time high of 5.4 percent in
3 2009 and working it to almost half that by the
4 end of 2014, the prioritization around the
5 states and the specific pilots around Treasury,
6 Do Not Pay, and Labor, unemployment insurance.

7 And then institutionalizing is the
8 fourth around incentives, accountability and
9 leading ultimately, hopefully, toward some
10 centralized verification, centralized
11 database, centralized capacity so that the
12 deployment of a portal and data analytics over
13 time, over a few years, can unite all agencies.

14 So that's the path we're on and
15 Enrique's done a great job along with everyone
16 else on the subcommittee.

17 MEMBER SMITH: Well said.

18 MR. WINSLOW: Excellent. Danny.

19 MR. WERFEL: So I just want to
20 express my appreciation as kind of the
21 government lead on this area for the work that
22 was done and is going to continue to be done.

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1 The only additional substantive
2 point I'd make on the real opportunity we have
3 in working with the states is that, you know,
4 if you look at the improper payments portfolio,
5 we really have historically studied the data.

6 It has been more difficult for us
7 to gain traction and reduce our errors when we
8 have state-administered programs and the reason
9 is because we have 50 different operations to
10 work with and a variety of different complex
11 stakeholders.

12 And this UI pilot that we're
13 launching is going to be a very important first
14 step in beginning to tackle the challenges that
15 we have in working with states and getting some
16 central solutions among the states in this area.

17 And I'm very appreciative of the
18 emphasis on incentives and the action plan here
19 to really work closely, develop partnerships
20 with some key state stakeholders and start to
21 sort through what are the best approaches for
22 developing the right incentive structure.

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1 I think that's going to add value,
2 not just for UI but other state-administered
3 programs like Medicaid where there's improper
4 payments and a lot of opportunities for
5 improvement. So with that, just, again, thank
6 you for all the work.

7 MEMBER BROWN: One small but maybe
8 helpful thought here is having just seen
9 former-governor Warner yesterday I'm surprised
10 Virginia is an outlier in terms of a high rate.

11 In most areas, Virginia is setting
12 a standard for well managed. I don't know if
13 that's slipped since Warner was governor and
14 Kaine.

15 But it'd be interesting to get to
16 Warner because Warner is such a good management
17 person with the business background he has to
18 understand Virginia's issue and the
19 transferability of best practices and
20 incentives and all the rest so.

21 MEMBER SALEM: Yes, Jeff, one
22 comment. The data, just to punctuate that, we

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1 definitely obviously know Governor Warner and
2 he's done so many great things.

3 I would tell you the data goes to
4 June 2011 so, you know, obviously there's been
5 another almost year-plus since then and we just
6 don't have the most current data. But, again,
7 we will follow up with the governor.

8 MR. WINSLOW: Excellent. Any last
9 comments before I kind of turn this over to Jeff
10 and then we kind of close out the meeting? Jeff,
11 just in terms of recommendations --

12 CHAIR ZIENTS: So we can get a
13 formal --

14 MR. WINSLOW: Exactly, if you would
15 like to put forward for adoption of
16 recommendations from the subcommittees.

17 CHAIR ZIENTS: Okay, do I have a
18 second on that?

19 MEMBER SALEM: Second.

20 CHAIR ZIENTS: All in favor.

21 (Chorus of ayes.)

22 CHAIR ZIENTS: Anyone against?

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1 (No response.)

2 CHAIR ZIENTS: All right, sounds
3 like we formally have the recommendations, and
4 we are back together on October 12, which I guess
5 gives us about five or six weeks to ensure that
6 we continue this progress and have actionable
7 items for the 12th. I'm hoping everybody can
8 make it.

9 MR. WINSLOW: Exactly.

10 CHAIR ZIENTS: And thank you,
11 again, for all the hard work. I can't tell you
12 how big a difference it's making on these
13 terrains and as we continue to drive on the SES
14 and IT terrains.

15 MR. WINSLOW: The initiatives from
16 last year.

17 CHAIR ZIENTS: Yes, we have real
18 tangible progress that we'll highlight on those
19 terrains and I look forward to similar results
20 on both strategic sourcing and improper
21 payments.

22 So thank you, everybody. I know

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1 it's a lot of hard work and know that it has
2 a very high return.

3 MR. WINSLOW: Thank you very much.

4 CHAIR ZIENTS: Thanks.

5 (Whereupon, the meeting was
6 concluded at 1:15 p.m.)

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