



STATE OF DELAWARE
EXECUTIVE DEPARTMENT
OFFICE OF MANAGEMENT AND BUDGET

MEMORANDUM

Office of Management and Budget Legacy During the Markell Administration

The mission of the Office of Management and Budget is as follows:

“The Office of Management and Budget provides leadership, partnerships, policy development, planning and objective analysis to maximize the value of state assets, including people, facilities, land and financial resources.”

Over the past eight years, the Office of Management and Budget has strived to fulfill its mission and advance the people and financial assets of the State of Delaware. These are highlights from the progress we’ve made during the Markell Administration:

Fiscal Stewardship

➤ **Governing Responsibly**

Through attrition alone, we have reduced the size of state government by eliminating over 1,100 full time positions from state agency budgets, and reduced state employee headcount for executive branch agencies by 818 employees (5.8%) since March 2009. That reduction has made possible a reallocation of resources to fund increases in core state services and to invest in priority areas.

- **How lives have been improved:** Delawareans, especially the most vulnerable, continue to have access to essential state services during a period of economic and revenue downturn when the demand for services actually increases.
- **Data:**
 - Adjusted for inflation and population growth, average annual budget growth during this administration is lower than that for the previous four Governors. (See attachment 1).
 - In 2016, 72% of public works jobs went to Delaware firms (74 awarded, 53 of which were Delaware firms).

- **Independent Validation:** Delaware has maintained a Triple-A rating from all three major credit rating agencies.

➤ **Driving Savings in Employee Benefit Programs**

Through legislation and other action, we have addressed rising costs of employee health and pension benefits and responsibly funded our commitments. However, we recognize that more must be done in the future to continue to contain costs and find efficiencies.

- **How lives have been improved:** We have strengthened the pension fund, thus maintaining financial security for over 25,800 state retirees and over 37,000 active employees. We have also supporting employees in improving their health and well-being by introducing common-sense cost-control measures that introduce efficiency and maintain or improve quality in health services. We have also empowered employees to take more control and be more accountable for their healthcare.
- **Data:**
 - House Bill 81, enacted in 2011, was estimated to save the State more than \$450 million over a 15-year period, protecting the pensions of our current employees, reducing the long term liability of our pension fund, and addressing the rising cost of health care.
 - The State has consistently funded 100% of the annual required contribution for the pension plan.
 - The State has reduced the assumed rate of return for the pension plan to a level of 7.2%. The plan also completed an actuarial experience study as of June 30, 2016 and adjusted the actuarial assumptions including mortality tables.
 - Delaware has established a dedicated trust fund to address the OPEB liability, with a fund balance of \$310 million as of June 30, 2016.
 - OMB chaired the State Employees Health Plan Task Force in the fall of 2015 producing a report for the Joint Finance Committee and General Assembly in January 2016 citing their findings and recommendations for cost savings and efficiencies within employee healthcare.
 - The State is saving an estimated \$12 million per year by changing the prescription program for Medicare eligible retirees to an Employee Group Waiver Plan (EGWP).
 - The Statewide Benefits Office (SBO) implemented a Consumer Driven Health Plan option to allow state employees more control over their healthcare costs.
 - In January 2016, a Request for Proposal was released for a vendor to conduct a review of program integrity of our health and prescription vendors for FY 2014 and FY 2015. The initiative was awarded to CTI for medical with their subcontractor Tricast conducting the prescription portion, and the final report was available as of October 2016.
 - Wise Health Care Consumerism:
 - SBO implemented telemedicine services effective January 1, 2016 that give members access to doctors virtually (online) for acute care for minor

- illnesses and injuries. Telemedicine is an affordable, convenient alternative to urgent care and emergency room visits.
- In March 2016, the SBO launched a comprehensive campaign called “Being A Wise Health Care Consumer: What’s In It For Me?” to assist state employees and state health plan participants with understanding the power of their choices in making health care decisions to control spending and reduce costs for them as well as the State; and improve their health and well-being. The campaign focuses on transparency, consumerism and education.
 - Delaware’s General Assembly passed House Concurrent Resolution 81 on May 18, 2016 encouraging wise health care consumerism.
 - Effective July 1, 2016, SBO implemented a pilot for two plan design changes promoting wise consumerism: (1) Reduced copay for urgent care services; and (2) \$0 copay for hi-tech imaging services (e.g., CT scans, MRI, MRA) when done at a non-hospital affiliated freestanding facility. SBO is monitoring the effects of the plan design changes for one year by looking at utilization, costs and savings.
- The SEBC issued a bid for a third party medical claims administrator on August 15, 2016 seeking an administrator that can provide GHIP participants with improved care management and significant unit cost reduction and/or significant reductions in the total cost of care per member without sacrificing the quality of care delivered. The projected contract award will be effective July 1, 2017.
 - Insurance Coverage Office oversight of the Workers’ Compensation program has resulted in the following efficiencies:
 - As 61% of the paid benefits for the State Worker Compensation program are medical benefits, strong Preferred Provider Network penetration of 47% has led to favorable medical savings. Managed Care Savings from 2014 to 2016 have averaged 42.7%. In this timeframe our workers’ compensation vendor has been invoiced \$54,503,024 and we have saved \$23,283,934.
 - Prompt reporting has remained consistently good with the average median days to report claims remaining at 3 days from 2012 thru 2016. Electronic reporting has continued to show steady improvement wherein 97.3% of all claims are being reported electronically. Early reporting leads to management of the claims with a reduction in lost work days from 32,113 for the period of 7/1/10 – 7/1/2011 to 26,491 for the period of 7/1/15 – 7/1/16, resulting in an 18% reduction
- **Independent Validation:**
 - Delaware ranks in the top 10 for statewide pension funding levels at 92.3% (National Association of State Retirement Administrators).
 - State employee pension plan performance ranked in the top 10% for the 10-year period ending June 30, 2016 (Trust Universe Comparison Service).
 - The pension plan comprehensive annual financial report consistently wins the award for excellence in financial reporting from the Government Finance Officers Association.

- The state employees' pension plan received the Public Pension Standards award, from the Public Pension Coordinating Council, for meeting professional standards of plan funding and administration.

➤ **Energy Efficiency and Environmental Stewardship**

Through the implementation of Executive Order 18, state government is "Leading by Example" in energy efficiency and environmental stewardship.

- **How lives have been improved:** State government is promoting a cleaner, more energy efficient Delaware, by reducing emissions, using more clean energy alternatives, increasing recycling and engaging in environmentally-friendly procurement.
- **Data:**
 - State agencies reduced fleet miles driven by 23.3% since FY 2008. This exceeds the Executive Order 18 goal of a 15% reduction.
 - Since 2008, Delaware has decreased energy consumption by 23% across over 200 buildings and 8 million square feet. Energy savings have been achieved by implementing lighting and plumbing retrofits across many facilities, HVAC and building automation system upgrades in several others, and an energy awareness program focused on no-cost opportunities to reduce excess consumption.
 - Secured aggregated retail contracts for electricity with the inclusion of renewable power. The current contract contains 40% made up of 37% national Renewable Energy Credits (RECs), 2% Delaware RECs and 1% Delaware Solar RECs.
 - Reduced electric supply rates by over 10%, achieving cumulative savings of over \$34 million for the State and aggregation partners. Savings were achieved by aggregating load with aggregation partners, grouping accounts in most attractive tranches for suppliers, and using a competitive bid process to drive both lowest prices and highest percentage of renewables.
 - Reduced natural gas rates by more than 1/3 achieving cumulative savings of over six million dollars.
 - Government Support Services (GSS) implemented the first ever statewide recycling program, prior to implementation only office paper was recycled. The State is now diverting 29.6% of waste on a quarterly basis.
 - Promulgated the State Environmentally Sensitive Procurement Policy allowing agencies the ability to use environmentally preferable products and services.
 - A good example is the energy reduction of the Richardson and Robbins building.
- **Independent Validation:**
 - Delaware is ranked 56 on the EPA's Top 100 Green Power Partner list, a voluntary program encouraging organizations to use green power.
 - Delaware was ranked first in the top five list of greatest reductions in the State and local sector (Better Buildings 2016 Progress Report).
 - Fleet Services was the sole recipient of the 2014 National Conference of State Fleet Administrators Environmental Leadership Award.

- Fleet Services was the sole recipient of the 2015 National Conference of State Fleet Administrators Fleet Excellence Award.
- Fleet Services was 12th in the 2015 Green Fleet Award for 2015, by 100 Best Fleets, an independent group which uses peer judges to rank public fleet operations.
- Fleet Services was ranked 64 in the Top 100 Fleet for 2016 ranking, the only state Fleet recognized in the Top 100.

➤ **Encouraging Efficient Use of Technology and Resources**

OMB has successfully implemented technology to increase transparency of state government, streamline operations and reduce costs.

• **How lives have been improved:**

- MyMarketPlace (MMP) Bids Directory provides Delaware businesses access to state procurement opportunities. Implemented in 2009, MMP has become the single repository for state agencies to post bids for competitive solicitation and/or to market and partner with awarded firms.
- Delawareans can see exactly how taxpayer funds are utilized through the Online Checkbook. The public can search, filter, and download detailed spending for agencies and school districts.

• **Data:**

- For the period FY 2014 through FY 2016, the MMP team posted 1,499 total bids, in addition to the 1,300+ bid addendums and documents published for the same time period. Savings in costs for classified advertising by using the MMP Directory are estimated to be over \$500,000 during this time period.
- Reduced overall fleet size by 13.2% for all state agencies and school districts.
- Facilities Management realized cumulative lease savings over the period FY 2009 through FY 2016 of \$4.97 million through lease renegotiations and reducing our footprint.
- Eliminated the issuance of 19,000 paychecks and advices and 39,000 W-2s by allowing employees and retirees the opportunity to view these documents online.

• **Testimonial**

- Fleet Services received the National Conference of State Fleet Administrators (NCSFA) 2015 Fleet Excellence Award. Fleet Services received this award for their efforts to improve the fleet in terms through measurable cost reductions, safety enhancements, and improved customer service.

• **Independent Valuation**

- In 2016, State of Delaware central contract operations were ranked 13 nationally by Governing Magazine, and placed third in Sourcing.

Improving How the State Does Business

➤ **Providing opportunity for diverse state vendors**

Minority, women, and veteran owned businesses, businesses owned by persons with disabilities, as well as small businesses of a unique size are better able to successfully compete for state procurement dollars through outreach, education, and practices designed to better inform them about upcoming opportunities.

• **How lives have been improved:**

- Increased contracting with businesses in the diverse and small business categories supports economic growth.
- Office of Supplier Diversity (OSD) certified vendors are now being contacted directly by agencies for under threshold opportunities.
- Enhancements to the online OSD “Directory of Certified Businesses” has increased utilization of this free directory by various businesses for B2B opportunities.
- Increased education at GSS, including workshops on “How to Do Business with the State of Delaware” and “School District Supply Chain”.
- OSD has created the “Diversity Difference in Delaware” award and has honored the following enterprises or individuals with this in recognition of their efforts:
 - Association of Builders and Contractors – Delaware, Diversity and Inclusion Committee: FY 2014, FY 2015, and FY 2016, led the 400+ member businesses in looking at their own business workforce and supplier diversity and inclusion activities, resulting in increased participation regarding diversity and inclusion in two ways – (1) number of companies participating, and (2) increase in activity and score within companies participating year-over-year.
 - Great Dames, Inc., owner Sharon Kelly Hake, FY 2016, led two years of “Remarkable Ideas” education and contest for Women Business Owners.

• **Data:**

- Increased expenditures with the entire diversity community by 209.5%, from \$44.9 million in FY 2009 to \$139.0 million in FY 2016.
- Increased expenditures with the certified Supplier Diversity community has increased by 85.0%, from \$44.9 million in FY 2009 to \$93.07 million in FY 2016.
- GSS has presented Vendor Day and School District Supply Chain events 30 times; engaging 854 total vendors, including 578 diverse businesses and 506 Delaware businesses through FY 2016.

• **Independent Validation:**

- OSD was recognized by Veteran Magazine for its work actively supporting Veterans and Service Disabled Workers.
- OSD was awarded:
 - "Small Business Champion" by Delaware Financial Literacy Institute, in FY 2015.
 - "Most Powerful and Influential . . ." by the National Diversity Council for PA, DE, and southern NJ in FY 2015.

- "Shining Star" by local chapter for PA, DE, and southern NJ of Women's Business Enterprise National Council (WBENC) in FY 2016.
- "Entrepreneurial Advocate of the Year" by New Castle County Chamber of Commerce in FY 2016.

➤ **Employment of people with disabilities**

As the State's largest employer, it is essential that our efforts to employ people with disabilities are successful. Since you launched this initiative, a commitment has been made to improve the State of Delaware's Selective Placement Program, develop pathways for people with disabilities to be hired into positions within state government and to develop education for hiring managers and employees so that barriers and misconceptions are broken down.

- **How lives have been improved:** Persons with disabilities hired by the State bring valuable skills to the workplace while achieving a measure of self-sufficiency.
- **Data:**
 - The number of candidates approved for the Selective Placement Hiring program has increased from 80 applicants to 95 applicants in the program. We hired an additional five individuals in FY 2016, making a total of 36, having been hired into state employment through this program. Four individuals have been hired into Casual Seasonal positions and three have completed internships.
 - Because identification is key to addressing the needs of those with disabilities, a mechanism was developed to allow employees to self-disclose disability status. As a result of this change, 199 employees in 2015 self-identified as having a disability. In 2016, 212 employees self-identified as having a disability.
 - Created and launched the "Focus on Ability" course in October 2014. Over 1,200 state employees have completed the training since it was launched and 38 state employees have been trained to provide the training in a classroom setting. A complimentary course for managers and supervisors, "Hiring and Retaining Employees with Disabilities", was created in March 2015.
 - Implemented the STARS high school community job exploration internship (18-21 year old students with disabilities) and placed four students from Kent County Community School at DNREC on a scanning project.
- **Testimonial:** Brett Reilly, an individual with Asperger's, hired by DVI to translate work books into braille
(<http://www.delawareonline.com/story/money/business/2016/08/19/putting-people-disabilities-work/88988530/>).

Encouraging a Healthier Workforce

➤ **Incentivizing Employees to Lead Healthy Lifestyles**

The DelaWELL program, administered through Statewide Benefits, has provided state employees the tools and resources to take charge of their health and wellbeing. In addition, since January 1, 2013, the Tobacco Free Workplace Policy has prohibited the use of tobacco products within the boundaries of all state workplaces including all buildings, facilities, indoor and outdoor spaces and the surrounding grounds owned by the State.

- **How lives have been improved:**
 - DelaWELL participants have experienced improvements in their lifestyle and medical risk factors.
 - State employees experience cleaner air in the workplace.

- **Data**
 - DelaWELL offered 336 free onsite screening events (included blood pressure, blood sugar and cholesterol testing and BMI) statewide with 22,281 screenings completed and 27,426 online health assessments completed.
 - The state group health plan realized estimated savings of \$15.7 million through the disease management program as measured by reduction in hospital admissions.
 - DelaWELL participants actively engaged with a nurse care manager in the disease management program experienced an 18% higher clinical adherence (i.e., medication usage and recommended screenings) rate.
 - From FY 2011 through FY 2015, interactions with members engaged in the chronic condition care program resulted in a 13.2% improvement in hospital utilization.
 - Over 80% of calls received by the 24 hour nurse line resulted in member "low-cost" post-call intentions to treat at home, make an office visit or go to urgent care, rather than visit the Emergency Room.
 - Over 50% of health coaching participants reported increased fruit/vegetable intake, physical activity or ability to deal with stress.
 - Tobacco Cessation:
 - Health Coaching: 38% of participants reported quitting, 43% of participants reported a reduction in the number of cigarettes smoked.
 - Online Self-Paced Healthy Living Program: 51% of participants reported quitting; 29% of participants reported a reduction in the number of cigarettes smoked.
 - In FY 2014, 36.7% of CareAlerts (messages sent to members and health care providers about drug interactions, dangerous side effects and gaps in care) generated action to correct the substance of the alert.
 - From FY 2013 through FY 2015, State of Delaware employees that participated in Weight Watchers lost a total of 18,304 lbs. State of Delaware at-work meeting members alone lost 7,599 lbs.
 - More than 2,000 state employees participated in the Governor's Cup 5K events.

Attachment 1

