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ABSTRACT

This report offers constructive comments on several of the innovative management tools implemented by the Wisconsin Division of Vocational Rehabilitation. Issues addressed with respect to the agency's service resource allocation formula include (1) strengths of the formula; (2) whether the allocation formula is intended to create performance incentives of various kinds; (3) whether alternative performance outcome measures (other than the number of clients closed as rehabilitated--"26 closures") should be built into the formula, one of them being a cost-efficiency measure; and (4) how the VISICALC software package could be used on the agency's microcomputer to examine the potential effects of various changes in the resource allocation formula. Issues considered in the area of performance contracting include how the system can be made more comprehensive, suggestions for more clearly tying field office performance on contract targets to rewards within the Division of Vocational Rehabilitation system, ways to use the performance contract system as a diagnostic tool in connecting problems, and developing the management information system capacity to support performance contracting. (Author/YLB)

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CONSULTATION WITH THE WISCONSIN DIVISION OF VOCATIONAL REHABILITATION ON RESOURCE ALLOCATION AND PERFORMANCE CONTRACTING ISSUES

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ABSTRACT

CONSULTATION WITH THE WISCONSIN DIVISION OF VOCATIONAL REHABILITATION ON RESOURCE ALLOCATION AND PERFORMANCE CONTRACTING ISSUES

Report by Susan Shea, Berkeley Planning Associates, September 1982, 13 pp.

This report offers constructive comments on several of the innovative management tools implemented by the Wisconsin Division of Vocational Rehabilitation. Issues addressed with respect to the agency's case service resource allocation formula include: 1) whether the allocation formula is intended (and is perceived by staff) to create performance incentives of various kinds; 2) whether a cost-efficiency measure should be built into the formula; 3) whether alternative performance outcome measures (other than the number of "26 closures") should be built into the formula; and 4) how the VISICALC software package could be used on the agency's microcomputer to examine the potential effects of various changes in the resource allocation formula. Issues addressed in the area of performance contracting include: 1) how the system can be made more comprehensive; 2) suggestions for more clearly tying field office performance on contract targets to rewards within the DVR system; and 3) ways to use the performance contracting system as a diagnostic tool in connecting problems.

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PREFACE

The following text has been adapted from a memorandum prepared by the TA consultant for the Wisconsin Division of Vocational Rehabilitation. For the general reader, the following glossary may be useful:

WDVR = Wisconsin Division of Vocational Rehabilitation

SD = severely disabled

DPB = Wisconsin Division of Policy and Budget

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INTRODUCTION

The TA consultant was invited by the Wisconsin Division of Vocational Rehabilitation to view several key agency management and policy issues from an outside perspective, in order to provide, in WDVR's words, "an external lens on the agency's processes and formulae." The two issues addressed in this memorandum -- resource allocation and performance contracting -- are among the issues which have received WDVR attention as part of a recent reorganization of central office and field management responsibilities. The state has established performance contracts with each of its field offices, has incorporated some data on office performance in its resource allocation process, and is considering further decentralization of resource allocation decisions. The discussions and suggestions contained in this report are intended to offer Wisconsin DVR a fresh look at some of its more innovative management tools, as it proceeds to make decisions on these issues.

RESOURCE ALLOCATION ISSUES

The following discussion focuses on the case service allocation formula itself, rather than on trade-offs between facility versus case service resource allocation. Although some time was spent discussing the allocation of resources to facility contracts during the TA consultant's visit, WDVR staff indicated a priority interest in outside review specifically of the case service allocation formula. Moreover, with the recent implementation of an RFP process for facility resource allocation, several of the previous problems associated with facility contracts and resource allocation seem to have been resolved.

Strengths of the WDVR Case Service Allocation Formula

The formula offers a straightforward method of allocating case service dollars to field offices, with face validity and with ties to 1) need (population variable), 2) level of effort (caseload variable), 3) difficulty

of caseload (severely disabled (SD) variable), and 4) performance (26 closure variable). The formula is sufficiently direct and simple that it can be clearly understood by central office managers and field managers and staff alike in its potential consequences. Wisconsin is one of very few states incorporating elements of field office performance into its resource allocation method and, as such, has drawn the interest of RSA and others.

Evaluation of the Formula: Should the Formula Be Changed?

The question of whether the formula, or any of its elements, should be revised has been posed by WDVR -- should other variables be added to the formula, should weights be altered? Evaluating the formula in this regard requires two things: 1) an understanding of the intended effect of the formula; and 2) a base of data for analysis of the use of alternative formulas.

At this time, there is a major lack of readily accessible data (by field offices) on previous allocations (prior to the formula) compared with current allocations (using the formula), or alternative allocations (using current field office caseload and performance data) based on variations of the current formula (different variables, weights). This lack of readily accessible data presents a significant barrier to outside evaluation of the formula as well as to internal WDVR management evaluation of the formula. WDVR's recognition of this gap led to their request that a priority focus of this technical assistance be on providing a simulation package for examining alternative formulas.

We recommend the use of an electronic spread sheet software package such as VISICALC or SUPERCALC for this purpose. Our discussions with WDVR staff indicate that WDVR already has this capability through its WANG and/or APPLE microcomputers in the central office. The use of a package such as VISICALC requires no programming knowledge, and thus no reliance on outside programmers, no computer time expense, and no inefficient waiting for access to state computing facilities when there is queuing based on other state agencies' priorities for computer use. The use of an electronic spread sheet is easily learned by central office evaluation, planning, and management staff, and is immediately accessible once learned. It is

our understanding that few, if any, of the staff have yet had the opportunity to actually learn and use an electronic spread sheet, but I can report from my own experience that the learning process is very short (one-half to one day) and, because it is a "learning by doing" approach, WDVR will be obtaining data and insights into the case service allocation issues even during the learning period. Use of VISICALC (or probably any micro-computer "package") will have much more stringent limitations on memory storage capacity than use of simulation programs using higher level languages on a main frame computer, but for the kind of "playing around" with alternative formulas envisioned by WDVR, this limitation should not outweigh the advantages of VISICALC or a similar package as a management tool. The last topic under resource allocation, below, presents some illustrative simulations using VISICALC, but before turning to the VISICALC simulations, we discuss the intended effects of the resource allocation formula, and the possibility of adding an efficiency measure to the formula.

Intended Effect of the Formula: Performance Incentive or Not?

Interviews with a variety of central office and field staff indicate some divergence of conceptions about the purpose of the formula. There appear to be differing conceptions even among central office staff as to whether the formula is intended to have an incentive effect in improving field office performance, increasing service to severely disabled clients, etc. Some say that this type of incentive effect is intended; others say that such an incentive effect would be a desirable outgrowth of basing resource allocation in part on performance and caseload, but that this was not the stated intention. Some say that an incentive effect is definitely not intended -- that this would be the province of performance contracting. Those who do not see performance incentives as a goal of the resource allocation formula see the purpose of the formula as simply providing a credible means of allocating dollars, with "face validity" in terms of performance; they see the idea as providing field offices some feeling of "control" over resources, since population (a "given," over which the field offices, of course, have no control) is now only controlling 50% of the allocation.

Although the discussions reported above indicated a wide variation in perception of the intended effect of the formula, key management actors do not currently appear to intend the resource allocation formula to serve as a performance incentive for field offices. However, we recommend that central office management staff clarify explicitly for themselves, and for field offices, whether an incentive is intended. If such an effect is intended, then it is important to analyze the effect of the current formula allocation process to determine whether intended incentive effects have occurred.

Currently, as discussed above, the data are not readily available to determine whether performance has changed in field offices as a result of the new method of case service allocation. Although it appears, on balance, that an incentive effect is not intended, some observations can be made about the potential of the current case service allocation formula for positively affecting field office performance, were such an effect intended. First, the current formula gives much greater weight to population than any other factor. If performance incentives are desired, or become desired at some future time, exploration of alternative weighting schemes would be desirable, since currently fully half the weight goes to the factor beyond field office control. VISICALC, or another electronic spread sheet, can be used for this purpose, as discussed below. Secondly, determining the level of field office awareness of the formula, its components and its effects, would be important. If field office supervisors and counselors do not accurately perceive the method by which case service dollars are allocated, the method cannot be expected to positively influence their behavior. Some central office staff believe that only field office supervisors are aware of the current formula. Some believe that they are aware but are unaffected by the knowledge. Some report that they are "calloused" and simply want to be given a "bottom line" figure. Our discussions with regional administrators and field office staff indicate that some field office staff are aware of the formula, but have incorrect perceptions of the specific components of it -- for example, some believe current unemployment levels in different areas are factored into the formula. Should an incentive effect be desired at this time, or at some future time, "public relations" activities with field offices would be important to ensure accurate perceptions of the formula and to educate field staff about their ability to influence the amount of resources available to them.

What Other Variables Should Be Considered for the Formula?

As mentioned above, the strength of the formula is its consideration of several of the key conceptual areas that measure need for resources and effective use of resources, namely population, level of effort, caseload difficulty, and performance. One conceptual area is not currently represented, efficiency of use of resources. The Wisconsin Division of Policy and Budget (DPB) has suggested the incorporation of an efficiency measure in its papers reviewing cost variation and performance variation among field offices. Specifically, DPB has recommended the use of cost per rehabilitation as a variable measuring office efficiency. Should WDVR wish to consider adding an efficiency measure to the formula, BPA suggests consideration be given to the following measure of relative office efficiency:

$$\text{Efficiency} = \frac{\sum_{i=1}^{k} C_{i,o}}{\sum_{i=1}^{k} \bar{C}_i}$$

where $C_{i,o}$ = the cost of a rehabilitation for client type "i" in field office "o"

i = client type, defined by first digit disability code and SD/NSD status

k = total number of above client disability types

o = field office

$\bar{C}_i$ = average cost of a rehabilitation for client type "i" across all field offices in the state

Essentially, what may look like a complicated formula is simply the relative efficiency of each office in terms of cost per rehabilitation compared to average cost per rehabilitation across the state. However, rather than assume caseload composition is similar in every field office, allowance is made for variation in client types. Thus, cost per rehabilitation is "weighted" for the distribution of each client type in the field office and compared to what the weighted average for that distribution would be if average costs across the state were used.

A second area in which DPB might wish to consider adding or changing variables is in the area of performance. While the formula currently contains a measure of effective performance, "# 26's," this measure has been subjected to widely known criticisms in the VR field over the years, primarily centered on its tendency to lead to a "numbers game" emphasizing numbers of rehabilitations to the potential exclusion of rehabilitation quality. WDVR is clearly already aware of these issues and has incorporated other measures of effectiveness into its own performance contracting system (e.g., competitive employment closures). Consideration might be given to incorporating such a measure, or other performance outcome measures from the performance contracting system, into the formula.

Again, any serious consideration of altering the formula (adding these or any other variables, changing the weights or any other changes), should be based on an analysis ("simulation") of the effects of the alternative formula on resource allocation. VISICALC, as illustrated below, could be used for this. Once this analysis had been done, a decision could be made as to whether the benefits of altering the formula would be sufficient to warrant the change.

Suggested criteria to be considered in determining whether to add a variable to the formula include:

- Are data readily available, or can they be made readily available to measure the variable? For instance, data on cost per rehabilitation by client type for each district office (needed for the suggested efficiency measure) may not be readily available. If so, theoretical consideration of its value in the formula would be moot.
- How significant is the effect of adding the variable in changing resource allocation? If simulation of the alternative formula on VISICALC shows little redistribution of resources based on altering the formula, it may not be worth the trouble of revising the current method.
- Is the formula intended to affect the performance of field offices? If, as discussed above, no incentive effect is intended, it is not clear that there would be significant benefit from adding such efficiency and performance measures.

VISICALC Simulation of Alternative Formulas

To illustrate the use of VISICALC as a management tool in evaluating the current resource allocation formula, we have used the current formula:

(.50 x % of statewide estimated population) + (.30 x % of statewide 26s) + (.10 x % of statewide severely disabled cases on record) + (.10 x % of statewide active caseload) x (available case service $$)

The illustrations used in Exhibit A are hypothetical and assume $1,000,000 in case service funds to be allocated across ten hypothetical field offices. These simple numbers are used, again, for ease in presentation of VISICALC. The data used for each of the ten hypothetical field offices (i.e., data on population, caseload, etc.) are also hypothetical. Table 1 is a VISICALC table showing the hypothetical allocation of $1 million to the ten field offices using the current formula. Table 2 is a VISICALC table showing the hypothetical allocation of the same $1 million to the same ten offices using the same variables, but changing the weights. Table 3 is a VISICALC table showing the hypothetical allocation of the same $1 million to the same ten offices, but uses some different variables (i.e., % of statewide competitive employment closures, and % of statewide unemployed persons) and some different weights.

It is quite simple to see, for each office and for the distribution of offices as a whole, how each change in the formula affects the case service allocation. Generating such tables, after one has learned the basics of VISICALC, requires no more than an hour of management staff's time. VISICALC can easily be used to simulate a whole host of alternatives, beyond those shown in Tables 1 through 3. After a brief introduction to VISICALC, WDVR staff can perform simulations that replicate data but change elements of the formula, replicate the formula but change data on the field offices, or any combination.

Exhibit B describes the VISICALC variables used in Tables 1 through 3 and the VISICALC formulas used. This is all the information needed to begin the use of VISICALC for simulation of alternative case service allocation formulas.

Exhibit A

Resource Allocation Simulation of Alternatives

Table 1: Current Weights and Variables

ALLOCATE	%POP	%26's	%SD	%CASELD	AVAIL $
100000	.1	.1	.1	.1	1000000
104000	.1	.13	.05	.1	1000000
190000	.2	.18	.18	.18	1000000
84000	.09	.06	.12	.09	1000000
142000	.15	.14	.09	.16	1000000
125000	.1	.15	.18	.12	1000000
60000	.06	.06	.06	.06	1000000
126000	.12	.14	.12	.12	1000000
38000	.04	.03	.05	.04	1000000
31000	.04	.01	.05	.03	1000000
1000000					
Note:					
Weights	.5	.3	.1	.1	

Table 2: Current Variables, Equal Weights

ALLOCATE	%POP	%26's	%SD	%CASELD	AVAIL $
100000	.1	.1	.1	.1	1000000
95000	.1	.13	.05	.1	1000000
185000	.2	.18	.18	.18	1000000
90000	.09	.06	.12	.09	1000000
135000	.15	.14	.09	.16	1000000
137500	.1	.15	.18	.12	1000000
60000	.06	.06	.06	.06	1000000
125000	.12	.14	.12	.12	1000000
40000	.04	.03	.05	.04	1000000
32500	.04	.01	.05	.03	1000000
1000000					
Note:					
Weights	.25	.25	.25	.25	

Table 3: New Variables and Weights

ALLOCATE	%POP	%SD	%COMP	UNEMPL	AVAIL $
100000	.1	.1	.1	.1	1000000
85000	.1	.05	.09	.08	1000000
189000	.2	.18	.16	.25	1000000
98000	.09	.12	.1	.08	1000000
142000	.15	.09	.17	.13	1000000
113000	.1	.18	.09	.1	1000000
63000	.06	.06	.07	.06	1000000
124000	.12	.12	.14	.1	1000000
41000	.04	.05	.03	.06	1000000
45000	.04	.05	.05	.04	1000000
1000000					
Note:					
Weights	.4	.2	.3	.1	

Exhibit B

Variables and Formulas Used in VISICALC Tables

Variables Used in VISICALC

For Tables 1 and 2:

Mnemonic Label	Variable	Description	VISICALC Label and Location
% POP	% population	% of the state population in field office "n" catchment area (estimated)	B_r
ALLOCATE	Case service allocation	Case service dollars allocated to field office	A_n
% 26's	% 26 closures	% of total state 26 closures in field office "n"	C_n
% SD	% severely disabled	% of total state severely disabled cases on record in field office "n"	D_n
% CASELD	% active caseload	% of total state cases on record in field office "n"	E_n
AVAIL $	Available dollars	Total state case service funds available for allocation to field offices	F_n

For Table 3:

Mnemonic Label	Variable	Description	VISICALC Label and Location
ALLOCATE	See Table 1 & 2	See Table 1 & 2	See Table 1 & 2
% POP	See Table 1 & 2	See Table 1 & 2	See Table 1 & 2
% SD	See Table 1 & 2	See Table 1 & 2	C_n
% COMP	% competitive	% of total state 26 closures into competitive employment in field office "n"	D_n
UNEMPL	% unemployment	% of total state unemployed persons in catchment area of field office "n"	E_n
AVAIL $	See Table 1 & 2	See Table 1 & 2	See Table 1 & 2

-EXHIBIT CONTINUED ON NEXT PAGE-

Exhibit B (cont.)

Formulas Used in VISICALC Notation

For Table 1:

$$A_n = ((.5*B_n) + (.3*C_n) + (.1*D_n) + (.1*E_n))* F_n$$

This formula uses current Wisconsin DVR variables and weights (excluding recently introduced per capita ratio)

For Table 2:

$$A_n = ((.25*B_n) + (.25*C_n) + (.1*D_n) + (.1*E_n))* F_n$$

This formula uses current Wisconsin DVR variables, but equal weights, to illustrate how simply VISICALC can be used to simulate alternative weights.

For Table 3:

$$A_n = ((.4*B_n) + (.2*C_n) + (.3*D_n) + (.1*E_n))* F_n$$

This formula uses different variables and different weights, to illustrate how simply VISICALC can be used to simulate alternative formulas.

PERFORMANCE CONTRACTING ISSUES

WDVR's interest in this topic was for an outside "fresh look" at its performance contracting with field offices. As one individual put it, "Is it the best it can be?" As with WDVR's use of performance measures in its case service allocation formula, the performance contracting concept is innovative and a very significant contribution to VR management practices. As with any innovative approach, it can always bear examination and fine-tuning, and the following are recommendations and supporting materials for that purpose.

Making the System More Comprehensive

The performance contract delineates performance responsibilities for both field and central offices, based on the revised national VR evaluation standards. As such, the system comprehensively covers the basic elements of performance and procedural compliance embodied in the standards. From the perspective of an outside critique, however, the degree of comprehensive coverage of these elements tends to decline as the performance contracting system becomes more specific. No performance expectations (Section III) are specified for field offices for several standards (e.g., 4, 6, 7). In many cases, this is due to lack of available data for measuring performance at the field office level on a routine basis. Remedying this situation can only be done over the long term, but BPA does recommend that, as the MIS capacity of WDVR grows, that fleshing out of the performance expectations for all standards become a priority activity.

Similarly, the Negotiated Performance Contract (Section IV) with each field office includes even fewer targets for field office performance than the performance expectations of Section III. One particular example is the lack of a target for Standard 5, Competitive Employment, in spite of the fact that a very specific performance expectation is established and the R-300 should provide sufficient data for measuring field office performance. Some WDVR staff indicated that the "Negotiated Performance Contract" represents only part of the performance contract, and that field offices are measured on other standards as part of the performance contracting system, but this does not seem to be a consensus

perception. At any rate, the system would be more clear if all performance expectations were incorporated into the signed Performance Contract.

Clarifying the Implications of the Performance Contract

A second area for possible fine-tuning, if the performance contracting system is to be an effective incentive tool, is that of ensuring that field office performance on contract targets is clearly tied to existing "reward systems" within DVR. Among both field and central office staff, there is currently a lack of clarity on how important performance on contract targets is in the current reward system. Other factors are perceived by many field and central office staff to be significantly more important in salary increases and advancement than the performance contract. Some see the "outstanding performance plaque" given to selected field offices as the only direct result of performance contracting, but field offices are not clear on how these plaques are awarded. Some point out that many offices achieved targets, but only three received awards. And, while the plaque is widely perceived to be based directly on outstanding achievement of performance contract targets, the formula by which performance was measured for the award is, in fact, different from (although related to) the performance contract target variables.

WDVR may, then, wish to tie reward systems for field offices and field office supervisors (I do not mention counselors here because of the constraints involved in the bargaining unit situation) more clearly and directly to the achievement of performance contract targets.

Using the Performance Contract Systems as a Diagnostic Tool

WDVR reports its long-range plan to use the performance contracting system as one element in "diagnostic" work with field offices. If performance is outside of expectations for a given office or offices, the ultimate goal is not to reward or sanction the office(s), but to determine where a problem lies and then to assist in corrective action. WDVR may be particularly interested, in this regard, in some work BPA has been doing in developing decision trees for just such diagnostic work on performance. The most recent materials on these decision trees are found in The Rehabilitation

Executive's Evaluation System (TREES), by Berkeley Planning Associates (1982).

Developing the MIS Capacity to Support Performance Contracting

As with resource allocation, one of the critical constraints in fine-tuning the system is the lack of readily available data, on a field office level, for measuring performance on the comprehensive range of variables of interest. Capacity development for MIS field-office level information is thus a priority need. The agency has already done significant developmental work in this regard toward the identification of a third or fourth generation MIS package, which will be user friendly at the input stage (e.g., permit easy addition or deletion of data items) and at the output stage (e.g., permit field office personnel to readily access data on office performance, cost, referrals, etc.).