



City of Houston Citywide ARC Project

Budget & Fiscal Affairs Committee

May 1, 2012

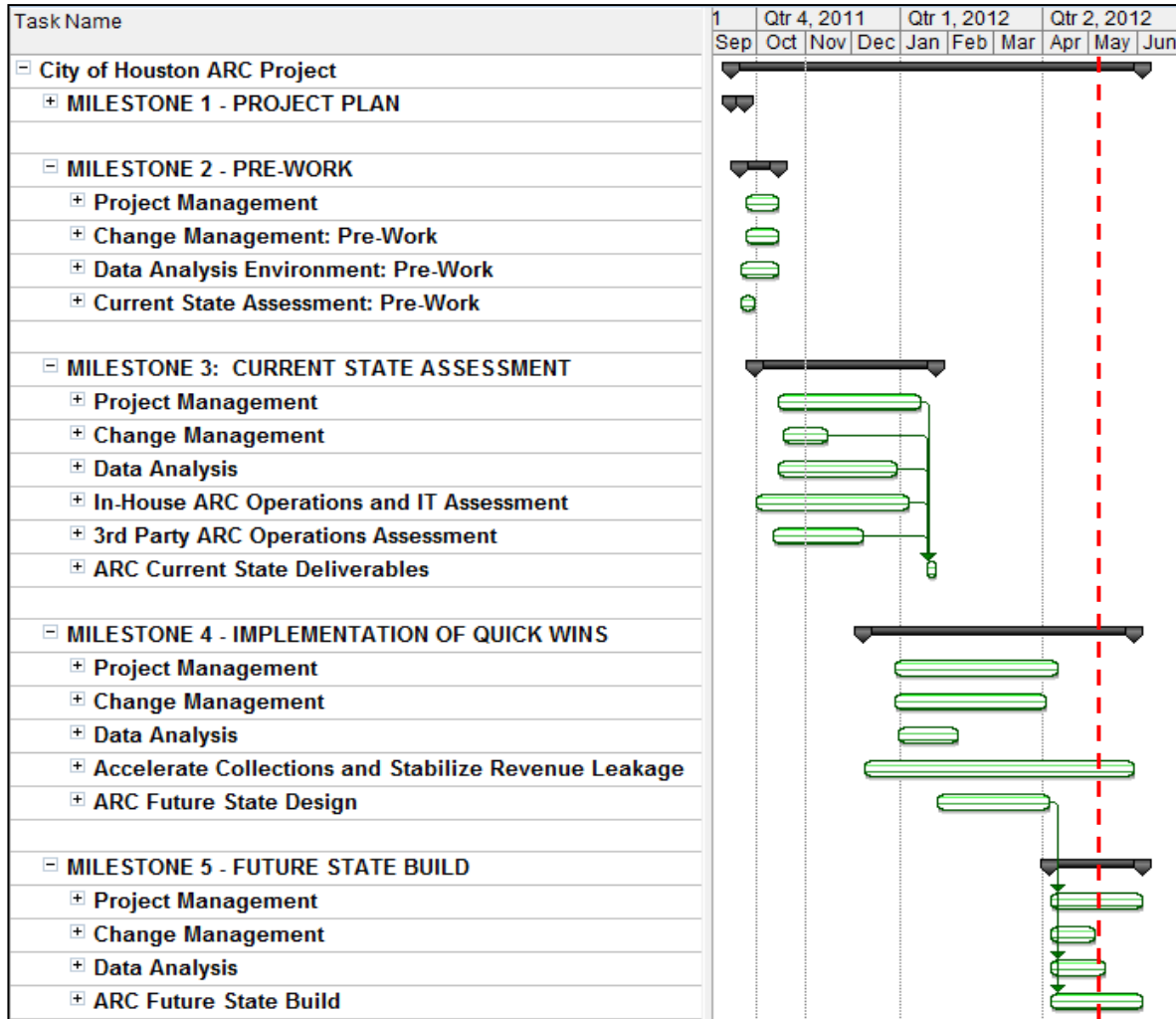
Finance Department

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Project Timeline

We are in the implementation phase, executing quick wins and designing long-term infrastructure and processes



▲ Milestones 4 & 5

- Implement Quick Wins
- Execute Future State Design
 - Business Permitting
 - EMS Billing and Collections Improvement
 - EMS Mileage Fee Reinstatement
 - Vendor Management
 - Data Measurement and Skip Tracing



ARC Debt Collectability & Financial Impact

Implementation of quick wins is already leading to incremental revenues being captured

| Revenue Category | Total Debt Outstanding (as of November 2011) | Debt Collectability | | | FY12-13 ARC Projected Incremental Revenue* | FY12-13 ARC Actual Revenue To Date |
|--------------------------------------|---|----------------------|----------------------|-------------------------|--|------------------------------------|
| | | Unrecoverable | Highly Unlikely | Potentially Collectable | | |
| ARA - Burglar Alarm Penalties | \$2,765,352 | \$0 | \$742,248 | \$2,023,104 | \$300,000 | \$86,939 |
| ARA - EMS Transport Fees | \$295,498,224 | \$146,203,107 | \$149,295,116 | \$1,835,879 | \$4,300,000 | \$38,791 |
| ARA - Parking Citations | \$67,540,683 | \$28,787,000 | \$26,630,018 | \$12,123,665 | \$1,000,000 | \$559,123 |
| FIN - Ad Valorem Property Tax | \$127,236,732 | \$26,009,024 | \$26,946,110 | \$74,281,598 | \$0 | \$0 |
| HFD - Fire Alarm Penalties | \$3,433,728 | \$1,463,178 | \$493,548 | \$1,477,002 | \$50,000 | \$11,300 |
| HHS - Health Clinic | \$4,703,578 | \$4,349,354 | | \$354,224 | \$0 | \$0 |
| HPD - Red Light Cameras | \$27,206,010 | \$410,584 | \$18,572,834 | \$8,222,593 | \$0 | \$95,285 |
| HPL - Library Fines | \$13,565,946 | \$3,551,805 | \$6,759,284 | \$3,254,857 | \$75,000 | \$6,850 |
| MCD - Municipal Courts (adjudicated) | \$36,202,507 | \$4,586,257 | \$20,174,260 | \$11,441,990 | \$500,000 | \$139,881 |
| PWE - Water Bill Customers | \$168,968,405 | \$77,865,822 | \$10,959,019 | \$80,143,564 | \$0 | \$0 |
| Business Permitting Project | | | | | \$2,185,463 | \$103,500 |
| Total | \$747,121,165 | \$293,226,131 | \$260,572,437 | \$195,158,476 | \$8,410,463* | \$1,041,669 |

* Projected Incremental revenues to all funds – General Fund incremental revenue of \$6.2 MM

• FY12-13 ARC Actual Revenue to Date reported to BFA on 4/3/2012 was \$684,657 (increase of \$349,712 since April)

• Definitions of debt collectability in the appendix, generally:

- The older the debt, the ability to collect significantly decreases, and as debt ages, the cost to collect significantly increases
- 90% of all payments are within the first year, and 98% of all payments are within the first two years of collection activity

ARC Project Activities

Working across all revenue streams to increase collections; total incremental revenue received to date is over \$1,000,000

| Revenue Category | FY12-13 ARC Projected Incremental Revenue | ARC Project Actual Revenues | Key Accomplishments |
|-------------------------------|---|-----------------------------|---|
| ARA - Burglar Alarm Penalties | \$300,000 | \$86,939 | <ul style="list-style-type: none"> Formalizing focused effort on collecting against multi-location businesses Conducted second monthly vendor management meeting (PMAM & COH) Completed new permit calls & letters for all active ADT customers without permits |
| ARA – EMS Transport Fees | \$4,300,000 | \$38,791 | <ul style="list-style-type: none"> Pursuing reinstatement of EMS Mileage Fee in order to collect \$2.7M and to resolve \$1.6M State Medicaid dispute Executing City/ACS Lean Six Sigma project focused on improving EMS billing and collections |
| ARA - Parking Citations | \$1,000,000 | \$504,179 \$54,944 | <ul style="list-style-type: none"> Implemented credit bureau reporting for “boot-eligible” debtors (\$147,092 received from accounts > 3 years old) Legal notices sent to 1,805 vehicle owners resulting in \$54,944 in revenue (in 2011) Developing legal action approach for top 20 commercial delinquent accounts (>\$5K delinquent) Implementing sticker process for delinquent vehicles with two citations |
| FIN - Ad Valorem Property Tax | \$0 | \$0 | <ul style="list-style-type: none"> Developing vendor performance metrics Linebarger performing verification of businesses for delinquent BPP accounts in April/May. Verification covers 5,277 accounts active in 2011; current results show 10.4% of accounts have no specific address and 9.4% are already out of business |
| HFD - Fire Alarm Penalties | \$50,000 | \$11,300 | <ul style="list-style-type: none"> Investigating opportunity to pull better false fire alarm data from Firehouse application Provided list of delinquent False Fire Alarm accounts to Fire Inspectors; certain debtors have agreed to pay and we are awaiting full results |
| HHS - Health Clinic | \$0 | \$0 | <ul style="list-style-type: none"> Transitioned Clinic billing process redesign responsibilities to the HHS Performance Management team and assessed new Clinic Management Information System HHS Performance Management Team currently assessing the billing and payment posting process and preparing to perform a process audit |



ARC Project Activities, Continued

Working across all revenue streams to increase collections; total incremental revenue received to date is over \$1,000,000

| Revenue Category | FY12-13 ARC Projected Incremental Revenue | ARC Project Actual Revenues | Key Accomplishments |
|--------------------------------------|---|-----------------------------|--|
| HPD - Red Light Cameras | \$0 | \$95,285 | <ul style="list-style-type: none"> To date 100,238 red light payment notices have been mailed out of over 280,000 Collection efforts are administered internally by the Finance Department, with collaboration between the Legal, Municipal Courts, Administration & Regulatory Affairs 311 Operations, and Automated Traffic Solutions Collection notifications began at end of March with a 200% increase in revenues bi-weekly; remaining notices are estimated to be sent out by May. |
| HPL - Library Fines | \$75,000 | \$6,850 | <ul style="list-style-type: none"> Reduced invoice due date from 45 to 30 days Changed vendor collection strategy to make phone calls earlier in the collection cycle Increased skip tracing hit rate on new accounts by 5-7% due to DL and DOB information UMS piloting a program to identify and credit report parent/guardians responsible for juvenile accounts New reminder notices, invoice and juvenile application designs in place May 2012 |
| MCD - Municipal Courts (adjudicated) | \$500,000 | \$139,881 | <ul style="list-style-type: none"> MCD implemented contract terms where COH collects 30% fee from day 61 – 90 (Collected \$40,620 in March for cumulative FY total of \$99,261) Evaluating MCD Collections RFP Pilot program to redirect collection notices to defendant's actual address to start May 2012 |
| PWE - Utility Customers | \$0 | \$0 | <ul style="list-style-type: none"> Assisting with RFP evaluation |
| Business Permitting Project | \$2,185,463 | \$90,000 \$13,500 | <ul style="list-style-type: none"> HHS Swimming Pool Project Pilot Project collecting on non-permitted businesses with HHS, HFD, HPD and ARA Prepared 100 non-compliant notices for each department Distributed informational FAQ packet for City Staff |
| Total | \$8,410,463 | \$1,041,669 | |



ARC Business Permitting

Long term vision is for customer focused business permitting with improved processes and interdepartmental collaboration

| Dept | Permit Category | FY12 Current Budget | Revenue Leakage (One-Time) | ARC Actual Revenue To Date |
|---------------|------------------------------|----------------------|----------------------------|----------------------------|
| ▲ ARA | ▲ Burglar Alarm Permits | \$ 6,000,000 | \$ 480,467 | |
| | ▲ Commercial Permits | \$ 4,220,776 | \$ 415,700 | |
| | ▲ Alcohol | | \$ 300,000 | \$850 |
| | ▲ Transportation | | \$41,000 | |
| | ▲ Other | | \$74,700 | Pilot |
| | ▲ Solid Waste Franchise Fees | <u>\$ 5,568,000</u> | <u>TBD</u> | |
| | | \$15,788,776 | \$896,167 | |
| ▲ HFD | ▲ Fire Alarm Permits | \$ 288,205 | \$ 750,000 | \$4,400 |
| | ▲ Special Fire Permits | <u>\$ 5,000,000</u> | <u>101,000</u> | <u>Pilot</u> |
| | | \$ 5,288,205 | \$851,000 | \$4,400 |
| ▲ HHS | ▲ Ambulance Permits | \$ 316,950 | \$ 36,000 | Pilot |
| | ▲ Fats/Oils/Grease Permits | \$ 1,616,788 | \$ 103,776 | |
| | ▲ Food Service Permits | \$ 5,225,200 | \$ TBD | |
| | ▲ Source Registration | \$ 1,156,200 | \$117,500 | \$8,250 |
| | ▲ Swimming Pool Permits | <u>\$ 789,000</u> | <u>TBD</u> | <u>\$90,000</u> |
| | | \$9,104,138 | \$257,276 | \$98,250 |
| ▲ HPD | ▲ Auto Dealers Permits | \$ 3,119,975 | \$ 181,020 | Pilot |
| ▲ PWE | ▲ Building Code Permits | \$ 32,366,100 | TBD | |
| | ▲ Occupancy Fees | \$ 4,157,400 | | |
| | ▲ Sign Permits | <u>\$ 1,711,700</u> | | |
| | | \$ 38,235,200 | | |
| ▲ SWM | ▲ Dumpster Permits | \$ 2,600,000 | TBD | |
| Total: | | \$ 74,136,294 | \$2,185,463 | \$103,500 |

Key Accomplishments

▲ Piloting Permit Non-compliance Audit

- Conducting pilot with ARA, HFD, HHS & HPD
- Mailed over 500 notices to non-compliant businesses
- Inspectors visited over 70 non-compliant businesses
- Monitoring results for actual revenue leakage and procedural gaps
- *Total revenue to date of \$102,650*

Next Steps

▲ Full Permit Non-Compliance Audit

- Launch non-compliant business audit citywide
- Develop plan for non-responsive businesses

▲ Continuing Project Due Diligence

- Documenting all permits and licenses
- Identifying non-compliant businesses



ARC EMS Billing & Collections Improvement

Joint effort between City of Houston and ACS to improve processes with a focus on improving cash collections

Objectives:

- Using contract contingency to conduct a joint process improvement effort with ACS & COH personnel to improve:
 - EMS cash collections
 - Citizen satisfaction
 - Faster cash collections
- Developing internal COH capabilities to utilize Lean Six Sigma techniques to drive process improvements

Key Accomplishments:

- Began improvement efforts on three main areas: standard processes, pre-billing, hospital patient matching interfaces
- Identified \$48 MM in additional accounts that needed more intentional collection & billing focus, began implementation of processes to address the accounts

| | Week Ending | | | | | | | | | | | | | |
|-----------------------------|-------------|------|------|-----|------|------|------|-----|------|------|------|-----|-----|------|
| Tasks | 3/16 | 3/23 | 3/30 | 4/6 | 4/13 | 4/20 | 4/27 | 5/4 | 5/11 | 5/18 | 5/25 | 6/1 | 6/8 | 6/15 |
| Lean Six Sigma Training | | | | | | | | | | | | | | |
| Voice of the Customer | | | | | | | | | | | | | | |
| In Depth Process Assessment | | | | | | | | | | | | | | |
| Standard Processes | | | | | | | | | | | | | | |
| Pre-Billing | | | | | | | | | | | | | | |
| Hospital & Patient Matching | | | | | | | | | | | | | | |
| Support and Ongoing | | | | | | | | | | | | | | |



EMS Mileage Fee Reinstatement

Removal of the mileage fee caused a \$1.6MM Medicaid dispute and a \$2.7MM loss in annual revenue

Background: On November 16, 2010, in an effort to bring EMS transport fees in line with the cost of service, council approved a revision to Section 4-13 that raised the base EMS transport to \$1,000. In addition to the base fee increase, the previous mileage fee was removed.

Based on the increase in base transport fee and elimination of the mileage fee, the City collects \$387K less than before on a per transport basis.

1. **State Traditional Medicaid Reimbursement Dispute:** The Medicaid program administered by the State of Texas was programmatically set-up to only accept transports with associated mileage fees. The City had \$1.6MM in annual Medicaid claim reimbursements.
 - The State has agreed to review, reprocess, and reimburse
 - The amount of past claims to be reimbursed based on this resolution is still unknown

2. **Mileage Fee Loss of Revenue:** All insurance programs, including Medicare and Medicaid, pay mileage as a separate line item to the transport fee. By not charging a mileage fee, the City forfeits its right to an easy, guaranteed source of \$2.7MM annually.

| Impact | Opportunity Costs |
|--|----------------------------|
| Annualized Medicaid amount that was withheld | \$ 1,600,000 |
| Annual Loss in Collections without Mileage Fee: | <u>\$ 2,700,000</u> |
| ▲ Medicaid | \$ 500,000 |
| ▲ Medicare | \$ 1,100,000 |
| ▲ Private Insurance | \$1,000,000 |
| ▲ Self Pays | \$ 100,000 |
| ▲ Total Impact (Annual) | \$ 4,300,000 |



ARC Collections Vendor Management

A coordinated and consistent Collections Vendor Management Program provides visibility across departments, alignment towards shared goals as well as clear expectations from and benefits for the City

Key Accomplishments & Next Steps

- Vendor management process fully in place for Burglar Alarms
- In process of rolling vendor management process to Parking Management, Library, Ad Valorem
- Developing scorecards for Municipal Courts and False Fire Alarms to be used upon completion of RFP process
- RFP's in process: Public Works, Municipal Courts Collections, Parking Management, Secondary Collections

| Major Activity | 2012 | | | | | | | | | | | |
|--|------|---|---|---|---|---|---|---|---|---|---|--|
| | F | M | A | M | J | J | A | S | O | N | D | |
| Refine & Update Customer Treatment Strategies | | | | | | | | | | | | |
| Establish Baseline & Determine Metric Targets | | | | | | | | | | | | |
| Run RFP Process (Specific Depts) | | | | | | | | | | | | |
| Establish Performance Review Meetings & Supporting Tools | | | | | | | | | | | | |
| Establish Vendor Management Governance | | | | | | | | | | | | |
| Review Metrics and Vendor Management Processes (Update As Necessary) | | | | | | | | | | | | |



ARC Data Measurement Activities

Continuing to develop the framework for the infrastructure to support measurement & reporting

Key Accomplishments & Next Steps

- Identified standard monthly reports to track across all revenue streams (AR Aging, AR Month-End Outstanding Debt, Collection Rates, Billing vs. Payments, Payments Received by Month End, Collection Trends Over Time, Days Sales Outstanding, Days to Pay)
- Began obtaining consensus and approval with departments on reports and data fields to pull into data warehouse
- Obtained estimates for implementation cost and timing for software application options
- **System implementation go/no-go decision made with decision to implement the solution using in-house resources**

| Major Activity | 2012 | | | | | | | | | | | |
|--|------|---|---|---|---|---|---|---|---|---|---|--|
| | F | M | A | M | J | J | A | S | O | N | D | |
| Establish Baseline & Validate with Vendor | | | | | | | | | | | | |
| Develop & Implement Interim Tracking Tools & Process | | | | | | | | | | | | |
| Develop Measurement & Reporting Blueprint Document | | | | | | | | | | | | |
| Design & Implement Tracking Processes, Roles, Responsibilities | | | | | | | | | | | | |
| Decision on Measurement & Reporting Software Application | | | | | | | | | | | | |
| Implement Software Application (Phase 1 – two Revenue Streams) | | | | | | | | | | | | |
| Review & Revise Measurement & Reporting Policies & Procedures | | | | | | | | | | | | |
| Phase 2 – Extend Application to other Revenue Streams | | | | | | | | | | | | |





ARC Definitions

Debt Collectability: Internal City payment trends show that 90% of payments are received on debts less than one year in age and 98% are received on debts less than two years in age. A very small amount of payments are received on debts older than two years and payments are practically non-existent for debts older than five years. General private industry practice is to send debts to collections at 90-120 days in age, and write off debts at one year in age as they are considered unrecoverable at that point (assuming accounts were aggressively worked in the first year).

Unless otherwise specified for a revenue stream (e.g. FIN-Ad Valorem, HHS-Clinics, and EMS), the general definition of collectability applies:

- **Unrecoverable** – Debts over five years in age. It is **extremely** unlikely that the City will be able to collect on these debts. The cost to recover the debt would likely exceed the value collected. This is due to weaker enforcement tools, very poor customer contact information, aged systems technology, and unreliable data.
- **Highly Unlikely** - Debts between two and five years in age. It is highly unlikely that the City will be able to collect on these debts. The cost to recover the debt would likely exceed the value collected. This is due to weak enforcement tools, very poor customer contact information, aged systems technology, and unreliable data.
- **Potentially Collectable** - Debts under two years in age. These debts currently outstanding will be difficult to collect, but a portion is potentially collectable out to the second year (primarily because the debts are not aggressively worked in the first year versus private industry best practices). The cost to recover these debts is generally not greater than the value of the debt and the City should pursue collections.

Scofflaw Program: Section 702.003 of the Texas Transportation Code provides that a county tax assessor-collector may refuse to register a motor vehicle, if the department receives under a contract, information from a municipality that the owner of the vehicle has an outstanding warrant from that municipality for failure to appear or failure to pay a fine on a complaint that involves the violation of a traffic law.

Skip tracing: The term "skip" refers to the person being searched for, and is derived from the idiomatic expression "to skip town", leaving minimal clues behind to "trace" the "skip" to a new location. Skip tracing tactics are employed to locate a subject whose contact information is not immediately known in order to collect on delinquent debts.

Revenue Leakage: Potential revenue owed to the City but not currently captured or reported. For permitting this represents businesses that are not currently identified in City systems as needing a permit that is required by their category of business.



Issue #2: EMS Mileage Fee Loss of Revenue

Eliminating the Mileage Fee has reduced total revenue collected per transport for Medicare and Medicaid, even in the context of the base transport fee increase

| | 2010* | | | 2011* | | |
|-------------------------|---------------|----------------------|-----------------------|---------------|----------------------|-----------------------|
| | Transports | Revenue | Revenue per Transport | Transports | Revenue | Revenue per Transport |
| Medicaid | 11,165 | \$ 3,497,452 | \$ 313 | 8,120 | \$ 2,303,945 | \$ 284 |
| Medicare | 17,934 | \$ 7,459,042 | \$ 416 | 17,371 | \$ 5,831,375 | \$ 336 |
| Private Insurance | 6,787 | \$ 3,180,211 | \$ 469 | 6,442 | \$ 5,541,340 | \$ 860 |
| Self Pay | 2,238 | \$ 959,723 | \$ 429 | 1,250 | \$ 971,096 | \$ 777 |
| No Payment | 27,391 | \$ - | \$ - | 31,424 | \$ - | \$ - |
| Total Transports | 65,515 | \$ 15,096,428 | \$ 230 | 64,607 | \$ 14,647,755 | \$ 227 |

Impact of Elimination of Mileage Fee on Revenue Recovered Per Transport:

- Significant reduction in revenue recovered per transport for Medicare and Medicaid due to elimination of Mileage Fee; similar loss in Private Insurance, but base transport increase hides loss in revenue

* 1/2010 – 6/2010 and 1/2011 – 6/2011 display an accurate comparison of both before and after since the mileage fee was eliminated at the end of 2010. We used data only through June to ensure that transports billed in 2011 had enough time to go through the full billing and collections cycle at ACS for the purpose of accurate revenue per transport data.



Issue #2: EMS Mileage Fee Loss of Revenue

Each of the public/private insurers has a different payment structure, and removal of the mileage fee eliminates a guaranteed source of revenue collection

- Mileage Fee Loss of Revenue:** All insurance programs, including Medicaid, Medicare and Private Insurance pay mileage as a separate item.

By not charging a mileage fee, the City is not collecting a guaranteed source of \$2.7M per year.

| Primary Payer | Transports | Average Miles | Allowed Rate | Total Mileage Fee Revenue |
|-------------------|------------|---------------|--------------|---------------------------|
| Medicare | 35,702 | 5.5 | \$5.50 | \$1,079,985 |
| Medicaid | 19,140 | 5.5 | \$5.01 | \$527,402 |
| Private Insurance | 13,494 | 5.5 | \$13.00 | \$964,821 |
| Self-Pay | 3,672 | 5.5 | \$13.00 | <u>\$157,528</u> |
| Total Transports | | | | \$2,729,737 |



Issue #2: EMS Mileage Fee Loss of Revenue

The distribution of payments shows that the majority of all payments come from public or private insurance; mechanisms are in place to forgive the debt of those unable to pay

| Distribution of Payments | | |
|---|----------------|-------------|
| Payer Type | Transports | % of Total |
| Medicare | 35,702 | 27% |
| Medicaid | 19,140 | 15% |
| Private Insurance | 13,494 | 10% |
| Self-Pay | 3,672 | 3% |
| No Payment (Uninsured and No Patient Information) | 59,129 | 45% |
| Total Transports | 131,137 | 100% |

Mechanisms in place for those unable to pay – Patients must fill out “Inability to Pay” form and provide proof of one of the following:

- Gold Card
- Lone Star Food Stamps
- TANF
- Supplemental Social Security
- Section 8 Housing
- Women with Infant Children (WIC)
- Have received charity from a hospital

