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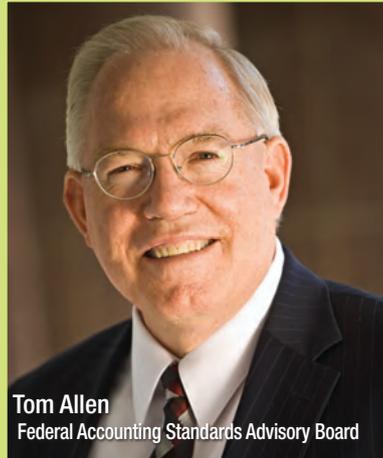
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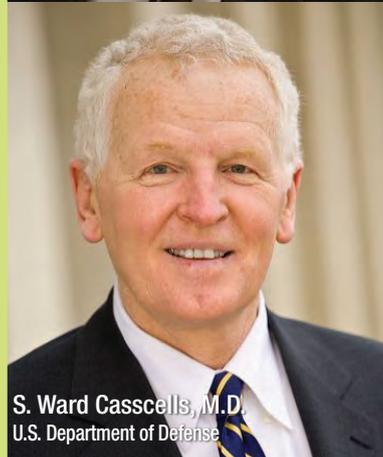
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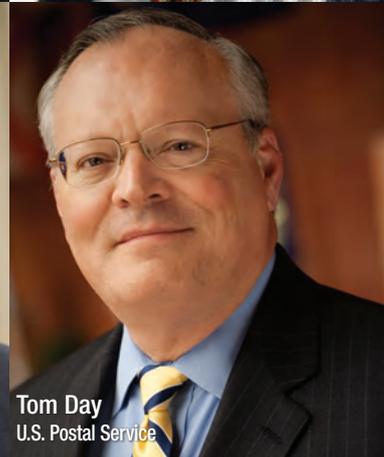
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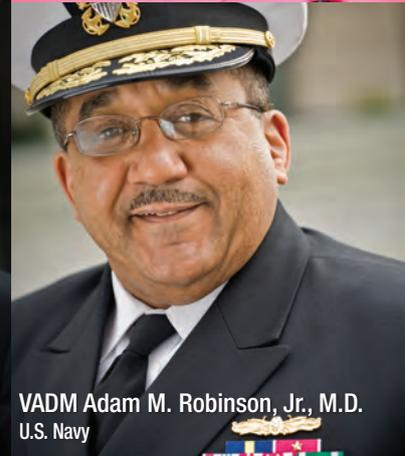
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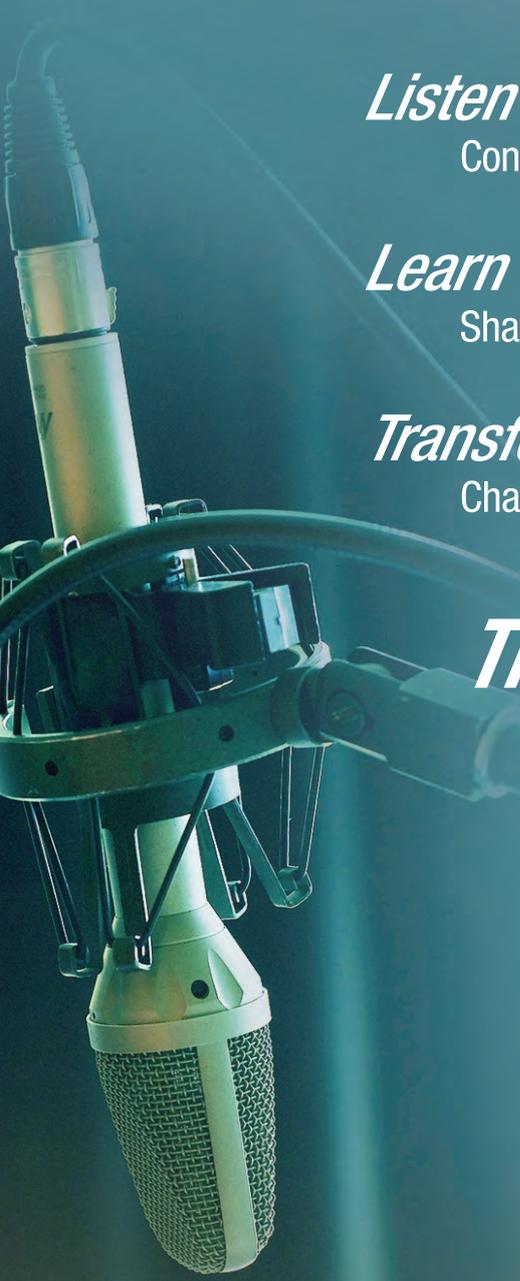


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The Business of Government

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IBM Center for
The Business of Government

By Albert Morales



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Smarter Governing in Challenging Times

President Barack Obama says the big problems we face offer new opportunities for doing things differently. He has put forth an audacious agenda for change that addresses both short-term as well as the longer-term challenges facing our country. In our observations 100 days into the new Obama administration, this seems to be the president's approach. Though there is yet a grand management scheme, there have been pragmatic approaches applied to specific problems—whether in improving food safety, implementing the Recovery Act, or tackling climate change. These approaches seem to be interconnected and largely network-based.

Professor Don Kettl, a keen observer of government, says the key issue today is to figure out how to match the government we need with the big problems we face. "We don't have a structure that matches our problems," he notes. "The challenge is how to make things work." Professor Kettl says the leadership approach in large, complex networks is to "manage the problem, not the organization." That is, we need to pragmatically match government's response to the problems that need to be solved.

The pragmatic approaches being tested by the Obama administration are being supplemented with some original thinking, which focuses on changing the way Washington has traditionally worked. The administration seems to recognize the central role of information: its importance in developing both insight and foresight for making informed decisions. So what are our observations of President Obama's first 100 days? We group them into three categories: near-term challenges, longer-term challenges, and changing the way Washington works.

Near-Term Challenges

President Obama inherited a set of immediate economic problems. The week of October 6, 2008, the stock market dropped 1,874 points. Since the election, more than 9 million people have become unemployed. The federal government has committed \$9 trillion to the recovery effort with the likelihood of more on the way. To address these short-term economic problems, the president increased support for financial stability of the banking, mortgage, and credit systems. He also worked with Congress to pass the Recovery Act, the fiscal year 2009 omnibus budget, and laid out his fiscal year 2010 budget plan. These efforts are laying the groundwork for what looks like a fundamental restructuring of our economy, leading to more public involvement in the private sector and greater citizen expectation that government will take on major risks facing the public, whether they be economic, security-related, environmental, or food safety-related. This will likely lead to an increase in government regulation, programs, and personnel—requiring smarter ways of governing.

Longer-Term Challenges

Along with these near-term challenges, we face long anticipated, longer-term challenges: baby-boomers are reaching retirement age and will start to draw Social Security, the government's healthcare commitments via Medicare are unsustainable, and global climate

change and energy demands are in conflict. To begin to address these long-term challenges, President Obama reiterated to Congress his commitment to energy, healthcare, and education. He convened a fiscal responsibility summit to address sustaining Social Security, healthcare, and tax reform. He convened a healthcare summit to begin to create a national consensus on how to reform our national healthcare system, not just the federal components. While he did not set forth detailed solutions in his first 100 days, he has made symbolic commitments to act.

Changing the Way Washington Works

While addressing short-term and long-term policy challenges, President Obama began acting on his campaign promise to “change the way Washington does business.” To this end, he articulated a set of principles of how he wants the government to do its business: more transparency in how government works, more citizen participation via the Internet, and more collaboration within and among agencies as well as across sectors. He has reinforced this effort with a series of specifics, such as:

- Stronger ethical standards for his appointees and greater transparency in interactions with lobbyists
- A heavy reliance on the use of web-based technologies, such as social media, to get work done and engage citizens in their government
- A willingness to use collaborative networks as cross-agency problem-solving mechanisms to address climate change, healthcare reform, and food safety
- An emphasis on reforming government contracting by requiring more competition, more fixed-price contracts, better contract management, and more accountability
- More accountability, oversight, and transparency around how funds are used and what results are achieved, starting with the implementation of the Recovery Act
- Fixing the budget process so it addresses rather than skirts hard decisions
- A call to national service, with an emphasis on public service and “making government cool again”

“The world is at a critical inflection point,” says IBM President Sam Palmisano. It’s not just the fiscal crisis, but also global climate change, the safety of supply chains for food and medicine, and issues such as the environmental and political issues surrounding energy. “We know we are all connected—economically, technically, and socially.” This connectedness—or sometimes the lack of it—is often reflected in how government approaches big problems.

Together, the changes proposed or underway after the first 100 days of the Obama administration will likely challenge our government’s institutions in ways that will be hard to predict. However, taken together, they imply more transparency and oversight, a greater reliance on the use of networks to manage large problems, and an increased use of interconnected approaches for both people and information. As the IBM Center’s executive director, Jonathan Breul, notes in his closing column in this magazine, we hope to engage scholars to help practitioners navigate these new ways of smarter governing in challenging times. ■



A Conversation with S. Ward Casscells, M.D. Assistant Secretary of Defense for Health Affairs U.S. Department of Defense

The provision of health services is a critical and significant mission within each branch of the U.S. military as well as an integral part of the U.S. Department of Defense's Military Health System (MHS). The MHS provides comprehensive medical capability for military operations, national disasters, and humanitarian crises, and ensures the delivery of health-care to all DoD service members. With highly skilled medical teams operating across combat theaters coupled with a first rate aeromedical evacuation capabilities, DoD provides its personnel a level of care unparalleled in the history of military medicine.

We spoke with Dr. Ward Casscells, Assistant Secretary of Defense for Health Affairs within U.S. Department of Defense, about the military health system, its many successes, and the various challenges it faces as it delivers vital healthcare services.

Editor's note: Since this conversation, and by the time of publication, Dr. Ward Casscells retired from public service. We at the Center thank him for his time and dedication, but most of all we wish him all the best.

On the Vision and Mission of the U.S. Military Health System

The military health system started right after World War II when the Department of Defense was started. They were trying to get the services to work better together and that's an ongoing effort.... DoD Health Affairs is a small office, just 40 people but we oversee all of the finances, policy, and effectiveness... for quite a large enterprise. We have 137,000 [medical personnel] in the enterprise spread out over some seven continents, 100 countries or so, almost 70 hospitals, some 900 clinics, and about [9.3 million beneficiaries]. We have these operations ashore and afloat: casualty collection sites in Iraq and Afghanistan, field hospitals, and places where we do our humanitarian missions in South America and Central America, Middle East and Asia.

The three services—Army, Navy and Air Force—all have separate medical departments. One of my biggest jobs is trying



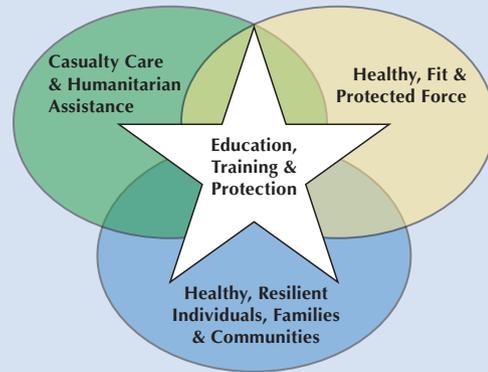
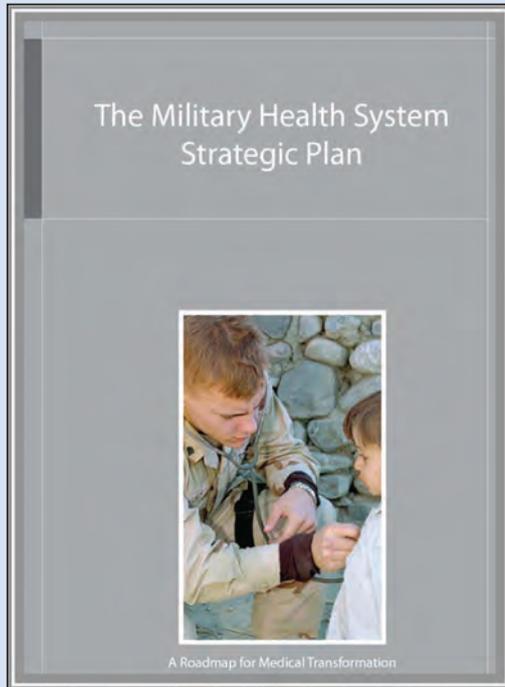
to bring them together.... This is a challenge. There are differences in traditions, [but] we'd rather that they grow up working together than meet in Afghanistan and suddenly have to learn [each others' lingo in combat].

[My job] was summarized to me in one sentence when I met with Bob Gates, Secretary of Defense who gave me this job. He said the military health system has challenges and has stumbled: "I want you to hold them accountable because I'm holding you accountable." That was the end of the charge to me, the end of the interview, and it's one that I remember every time I brush my teeth and think about going into the office.

On Transforming the Military Health System

Two years ago, we had a problem on our hands in that our care at Walter Reed Army Hospital was questioned in a series of articles in *The Washington Post*. If you read them carefully, the frustration was primarily with outpatients who were having long waits to get their disability evaluation. They were struggling to get appointments. Some had had

MHS: A Roadmap for Medical Transformation



With *A Roadmap for Medical Transformation*, MHS has taken bold steps to redefine how it performs its fundamental mission: to improve coordinated care for wounded warriors and all whom we have the honor to serve.

Military Health System (MHS) is prepared to respond anytime, anywhere with comprehensive medical capability to military operations, natural disasters and humanitarian crises around the globe, and to ensure delivery of world-class healthcare to all DoD service members, retirees, and their families.

The MHS promotes a fit, healthy and protected force by reducing non-combat losses, optimizing healthy behavior and physical performance, and providing casualty care.

head injuries or they were stressed. [Given such conditions] that makes it harder to navigate any kind of medical system, much less a complex bureaucratic one.

We needed to do better. Although there was no one questioning the quality of, say, the surgery or the choices of medications and so forth. Nevertheless, the doctors could have been [better] advocates for the patients and insisted on a simpler system and not acquiesced under the weight of the military bureaucracy. We were taken to task for that. The Secretary of Defense relieved several very prominent people of their duties. I was brought in and we faced a number of problems: how to improve care and make it better.

The big issue was how to make it simpler: how to make it easier on patients? Simplifying care is not so simple. Yet, that was one of our tasks: to maintain high quality but to try to make things simpler.

To do that, I asked for help. I knew one thing: it was that the answer was in the military, if we could just unlock the knowledge, the experiences of the enlisted personnel, the non-commissioned officers. I knew I didn't want to ask a big expensive consulting firm. I told them all that I didn't need

a consultant to borrow my watch, [and] tell me what time it was. What I need[ed] to do is to hear from the enlisted personnel, the NCOs, the junior officers. The junior officers were talking about quitting. I said, 'Wait guys, please hang in there. Let's fix this system. Let's dig deeper—examine what we could do better, be [better] advocates for our patients.' It's one of the proudest things we've ever done...

Almost everyone stayed. They did work harder. We also asked them to work smarter. We asked them to work [more] transparently. I tried to set the standard by starting to write a blog to take questions and to answer them that same day: Answering posts on the blog won [me] big points on transparency. It rebuilt some of the trust that we had lost—an innovation that paid dividends.

I've [also] emphasized patient choice. Giving patients the choice in every way we could. We've worked hard to empower our medics, giving the medics more sophisticated tools for medical care in the battlefield, teaching every soldier and marine combat lifesaver skills. Another thing was pay-for-performance. We began to reward our hospital commanders for hitting their targets on quality of care, cost-effectiveness, and patient satisfaction. We began to put

“We have to reduce the stigma that’s associated with asking for help.... The issue of stigma is important one. If you don’t have people willing to talk about the stress they’re under, then they will function poorly.”

— S. Ward Casscells, M.D., Assistant Secretary of Defense for Health Affairs

more money in their hands based on how they performed. Now we said: “Let’s actually make sure that funds are distributed based on documented needs, and then secondly, on performance.”

On Combat Casualty Care

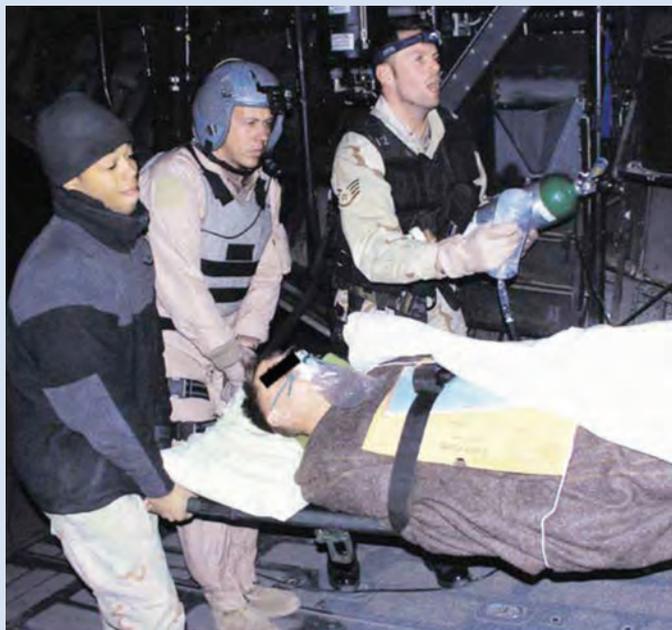
We have some unique challenges, for example in Afghanistan, the mountains are so high. The Hindu Kush, 15,000 feet. Getting an evacuation helicopter over those mountains is no simple task. We’re treating casualties [in a variety of climates and disruptive environments]—in the snow or in 120-degree heat somewhere in Iraq. These are really difficult factors. The next big issue is the evacuation. You have to have enough helicopters. You have to evacuate the casualty to the places best equipped to take [care of] them.

There are the Critical Care Air Transport Teams (CCCT). These include C-17 aircraft and C-5 aircraft of our Air Force—mobile intensive care units. They take patients from Balad Air Base in Iraq or Bagram Air Base in Afghanistan to Landstuhl Hospital in Germany, then home to Walter Reed, Bethesda, Brooke Army Medical Center, or Balboa. It is often done in as little as 48 hours, from being wounded to being stateside with their family at the bedside.

On Treating Traumatic Brain Injury (TBI) and Post-Traumatic Stress Syndrome (PTSD)

The traumatic brain injury is often called the signature injury afflicting our warriors [in Iraq and Afghanistan]. [Such injuries] result in part from having better helmets. We have fewer penetrating head injuries, but more shaking-type brain injuries. Even [after] studying what we’ve learned from professional football players and car crashes in the United States, we don’t know enough about traumatic brain injury. [It is] still a challenge to diagnose some, but if someone has headaches, dizziness, double vision after a blast, you know they sustained a concussion, particularly if they were knocked out. [Coupled with sustained] groggy thinking, [one may] have mild traumatic brain injury. It’s about as common as PTSD, but with PTSD, soldiers often have feelings of guilt [along with possible physical pain].

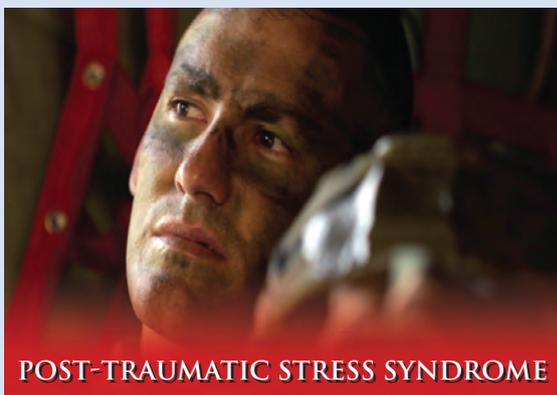
Many people come back significantly stressed by their tour of duty. One out of 10 is significantly shaken by their experience in combat. Of those who are injured, about half recovery pretty quickly. That leaves us with about one person in 20 who really struggles for some time, and they need our best care. We do think we can do a better job on the screening side and then on the monitoring, so that when someone struggles, we hear about it early so that we can pull them out of the line of duty, get them some rest, or let them get something off their chest that’s bothering them.... To do this we have to reduce the stigma that’s associated with asking for help.... The issue of stigma is important one. If you don’t have people willing to talk about the stress they’re under, then they will function poorly.”



From the Walter Reed Army Medical Center, Washington, DC George E. Peoples, M.D., James R. Jezior, M.D., and Craig D. Shriver, M.D.

CCAT team that transports patients from Iraq to the military hospital in Landstuhl, Germany, and from there to Walter Reed Army Medical Center (WRAMC) in Washington, DC.

Source: *The New England Journal of Medicine.*



Re-Experience the Event Over and Over Again

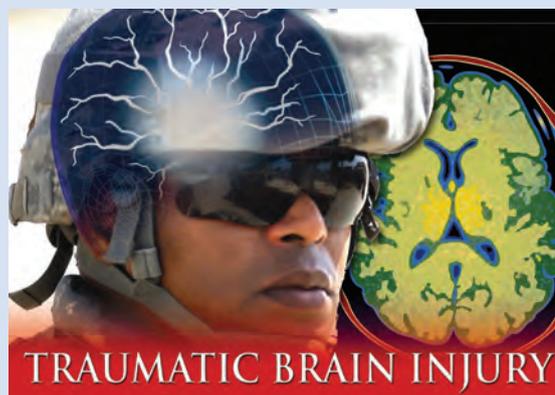
- You can't put it out of your mind no matter how hard you try
- You have repeated nightmares about the event
- You have vivid memories, almost like it was happening all over again
- You have a strong reaction when you encounter reminders, such as a car backfiring

Avoid People, Places, or Feelings that Remind You of the Event

- You work hard at putting it out of your mind
- You feel numb and detached so you don't have to feel anything
- You avoid people or places that remind you of the event

Feel "Keyed Up" or On-Edge All the Time

- You may startle easily
- You may be irritable or angry all the time for no apparent reason
- You are always looking around, hyper-vigilant of your surroundings
- You may have trouble relaxing or getting to sleep



Source: Photo by Matt Staley

Common Symptoms of Brain Injury

- Difficulty organizing daily tasks
- Blurred vision or eyes tire easily
- Headaches or ringing in the ears
- Feeling sad, anxious or listless
- Easily irritated or angered
- Feeling tired all the time
- Feeling light-headed or dizzy
- Trouble with memory, attention or concentration
- More sensitive to sounds, lights or distractions
- Impaired decision making or problem solving
- Difficulty inhibiting behavior – impulsive
- Slowed thinking, moving speaking or reading
- Easily confused, feeling easily overwhelmed
- Change in sexual interest or behavior

Secretary Gates, and the Chairman of the Joint Chiefs, Admiral Mullen, have both been highlighting this [issue].... I've talked about the fears I had before going to Iraq... try to point out that if you face these things and you overcome them, that marks you for leadership.

On the Evolution of the DoD's Electronic Health Record (AHLTA)

AHLTA, which stands for Armed Forces Health Longitudinal Technology Application was well intentioned—an overly complex effort to build a gargantuan system that would cover the battlefield and the hospital records here state-side. In trying to build this system, using the usual military contractors, we did not know enough about how to design electronic health records. The contracts were not as astutely

drawn up as they should have been and they weren't monitored with the rigor and accountability that was required. Mistakes were made, but moving ahead the question is what to do about it. It's a system that is not very popular. We require doctors and nurses to use it because we know that electronic records have the capability to improve the quality of care, reduce mistakes, and to reduce cost eventually. Right now, we're not there. We have a system which is hard to learn and not easy to use. We've decided to work and learn some lessons from our friends at the Veterans Administration. We're changing our system to use their graphical user interface, which is intuitive and doctor friendly. With the VA, we are developing interoperability engines. Our system and the VA system both are based on an old MUMPS format that needs to be updated. It needs

to be web based and java compatible. To get there, we are relying heavily on the services oriented architecture. Together with the personal health record, we will eventually empower our doctors to work smarter and more efficiently and also empower our patients to take more responsibility for their health. But Rome was not built in a day.

On DoD's Tradition in Training America's Doctors and Clinicians

There's no doubt that we have a tradition of excellence in trauma care and in infectious diseases. [Whether it is] Walter Reed himself, understanding the role of mosquitoes in Yellow Fever or Sternberg, all the great Army surgeons general have made tremendous advances in infectious diseases. Of the 11 adult vaccines that are used in the United States today, eight were developed by one army doctor, Maurice Hilleman, including the first vaccine against influenza. There's a long tradition in infectious diseases because we're deployed in tropical countries where these diseases are endemic. We played a big role in the past few years in monitoring and in readiness for pandemic influenza, and bird flu.

Trauma care is the other big area where the giants of American surgery, [such as] William Beaumont, Michael DeBakey, Denton Cooley, Don Trunkey, and Red Duke have been trained in the United States Army. We've had 18 Nobel Prize winners who began their work in the Army, Navy or Air Force. Some of them, like Gerry Adelman, Ed Krebs, and Joe

Murray are alive today. Each of them attribute their success in large part to the training and the inspiration of their military service. We're pleased with that and we try to get our young people to recognize DoD's [great tradition] and heritage.

There is a bond that comes from learning together just like there's a bond that grows between doctor and patient—a kind of intimacy that comes from that. We do want to do more teaching and we want to use whatever technologies that we need that appeal to young people. Whether it's Twitter or whatever it is that would help us get their attention.

On Medical Diplomacy and the Use of "Soft Power"

You [may have] heard Secretary of Defense Robert Gates and our Joint Chiefs Chairman, Admiral Mullen, say that we cannot kill our way to success in Iraq and Afghanistan. We really have to have the majority of the populations there believing that we are a force for good. There are other areas in the world where we hope we can intervene before a crisis becomes conflict and try to diffuse it.

There are types of soft power involved that are not necessarily medical. They may be helping to stand up, educate and establish a law-abiding police force. That's a critical element. Roads that work, markets that work, clean water, sanitation so you're not contaminating your water with human waste. These are critical for any society, but healthcare has a spe-



USNS Mercy (T-AH-19) is the lead ship of her class of hospital ships in the United States Navy. Her primary mission is to provide rapid, flexible, and mobile acute medical and surgical services to support Marine Corps Air/Ground Task Forces deployed ashore, Army and Air Force units deployed ashore, and naval amphibious task forces and battle forces afloat. Secondarily, she provides mobile surgical hospital service for use by appropriate U.S. Government agencies in disaster or humanitarian relief or limited humanitarian care incident to these missions or peacetime military operations.

U.S. Navy photo by Mass Communication Specialist 2nd Joseph Seavey



Source: DoD photo

S. Ward Casscells, Assistant Defense Secretary for Health Affairs, out in the field.



Photo by Mass Communication Specialist 1st Class (AW) R. Jason Brunson

Defense Secretary Robert Gates and Vice Chairman of the Joint Chiefs of Staff Gen. James Cartwright, along with Arnold and Kenneth Fisher from the Intrepid Fallen Heroes Fund and Fisher House Foundation broke ground for the National Intrepid Center of Excellence.

cial role. We're talking about places where typically the NGOs, the nongovernmental humanitarian organizations can't always go. They may be precluded from going there by logistical efforts. For example, in the Pakistan earthquake a few years ago, in the Indian Ocean tsunami, we had the lift capacity, the logistics capacity—helicopters that can get you to high altitudes or over washed out road. When we do this it changes the population's attitudes about the U.S. This is why Admiral Mullen calls our fleet of hospital ships our most powerful in his navy, because they serve to win hearts and minds and prevent conflict.

On Looking Forward

I think we're getting a handle on the electronic health record, on the disability evaluation system, communication with the veteran's system, and even combat stress. All are works in progress, but I feel we turned the corner on [all of these issues]. The big challenge that looms is the challenge of cost—cost arising faster than inflation. We are also looking at a number of initiatives which are not really very different from those happening in the civilian sector. How do you make prevention work? How do you get a return on that investment? Can you pay people to lose weight, lower their blood pressure, lower their cholesterol, lower their sugar, get their immunizations and get their cancer screening? How does that pay off? How do you get that education done? How much of that can you motivate? How much of it can you just require? We call this pay for prevention.

We also have many customer service initiatives. The main thing is delivering great quality care with great conscientiousness, great caring, and great enthusiasm. We define it with a list of 10 Cs: competent care, conscientious, compassionate, comprehensive, convenient, computable, clean, courteous and cost effective. ■

To learn more about the U.S. Department of Defense's Health Affairs, go to www.health.mil



To hear *The Business of Government Hour's* interview with Dr. Ward Casscells, go to the Center's website at www.businessofgovernment.org.



To download the show as a podcast on your computer or MP3 player, from the Center's website at www.businessofgovernment.org, right click on an audio segment, select Save Target As, and save the file.



To read the full transcript of *The Business of Government Hour's* interview with Dr. Ward Casscells, visit the Center's website at www.businessofgovernment.org.



A Conversation with James Lockhart Director of the Federal Housing Finance Agency

Last year mortgage markets experienced a complete melt-down, triggering one of the most significant shifts in global financial markets since the early part of the 20th century. The housing sector weakened for the second year in a row with substantial declines in housing starts and sales of new homes. Uncertainty and instability in the mortgage markets have captured the attention of the nation while taking their toll on the global economy. Problems with foreclosures and credit availability have been especially troublesome and at the forefront of public discussion.

We spoke with James Lockhart, Director of the Federal Housing Finance Agency about his agency's critical efforts in helping to restore confidence and ensure ongoing liquidity in these markets.

On Creation of the Federal Housing Finance Agency (FHFA)

[The Housing and Economic Reform Act, signed into law on July 30th last year], created the Federal Housing Finance Agency. It basically combines the oversight for all of the housing government-sponsored enterprises [into one agency.] It combines the Office of Federal Housing Enterprise Oversight (OFHEO), which overlooked Fannie and Freddie.



Housing and Economic Recovery Act of 2008

| | |
|-----------------------------------|---|
| <p>Short-term measures</p> | <ul style="list-style-type: none"> • Temporary authority for the U.S. Treasury Department to serve as a backstop for Freddie Mac, Fannie Mae, and the Federal Home Loan Banks (FHLBs) • Authority for the FHLBs and the Federal Housing Administration (FHA) to use a portion of their funds to refinance mortgages for borrowers at risk of foreclosure and funding for emergency assistance and housing counseling |
| <p>Long-term measures</p> | <ul style="list-style-type: none"> • Creation of a new oversight agency—the Federal Housing Finance Agency (FHFA)—with broad supervisory and regulatory powers over Freddie Mac, Fannie Mae, and the FHLBs • Establishment of minimum standards for a nationwide mortgage licensing and registration system for mortgage originators • Establishment of enhanced mortgage disclosures to consumers, particularly regarding variable rate loans • Various tax-related provisions designed to reduce the existing stock of unoccupied housing and to aid persons seeking low-income housing |

[It also incorporates] the Federal Housing Finance Board that overlooked the 12 federal home loan banks. We also brought in a team from HUD as well. We have an agency of 400 people looking over \$6 trillion of assets.

Freddie and Fannie are the key to the secondary mortgage market in this country. They buy loans from banks, and then either keep them on their balance sheet or put them in mortgage-backed securities and sell them. We were and still are the regulator for those two companies. That means, we have examiners looking at all the issues in these companies. [Historically,] they've had some significant problems. When I took over about two and a half years ago, neither of them could actually put out quarterly statements. We spent a lot of time trying to remediate the two companies and working with them to make them safe and sound.

OFHEO is still a very important part of the new agency. [Prior to the creation of FHFA] OFHEO had relatively weak regulatory powers, much weaker than the [traditional] bank regulators. It was really amazing when I joined OFHEO two and a half years ago to see two of the premier financial institutions in this country—Freddie Mac and Fannie Mae—couldn't put out audit or financial statements.... Their internal controls were in shambles and they needed to be rebuilt. They became timely filers with the SEC last year. Believe it or not, Freddie Mac had never filed with the SEC in its whole career. It wasn't required to by law. They had made progress,

[but there is] still a ways to go. The new management teams are looking into this area, making sure that they continue to make improvements with systems, the internal controls, and the accounting. These are big complex companies. Mortgages are not simple things to handle. They're spending a lot of time looking at the systems areas, the controls areas and all those key management issues.

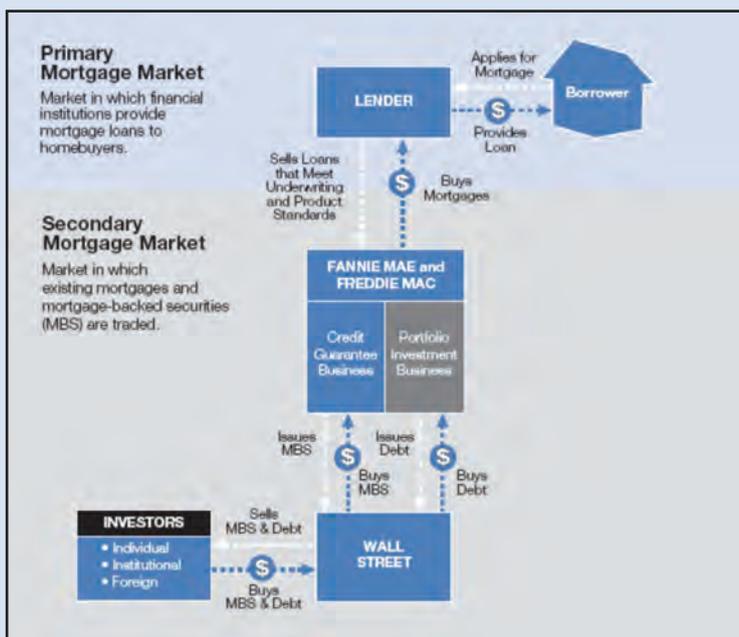
On Government-Sponsored Enterprises

Government-sponsored enterprises are sponsored, not owned by the government. In fact, they're owned by private sector shareholders. In the case of Fannie and Freddie, both [were] actually New York Stock Exchange listed. In the case of the Federal Home Loan Banks, each is owned by financial institutions, over 8,000 in total. Their sponsorship is that they have a mission—a government mission. In this case it is to keep liquidity, stability, and affordability in the housing markets.

On placing Freddie Mac and Fannie Mae into Conservatorship

It was a really tough decision to make. We worked very closely with the Treasury Department, [then] Secretary Paulson and the Federal Reserve Bank and Chairman Bernanke. Fannie and Freddie [are] the backbone of the mortgage market in this country. Unfortunately, when they were created, the law allowed them to have very thin capitalization. They could be leveraged up to 100 to 1 if you will—unbelievable leverage.

The Role of Fannie Mae and Freddie Mac in the Secondary Mortgage Market



The secondary market provides liquidity to the primary market and helps establish mortgage rates. In the primary mortgage market, financial institutions make mortgage loans directly to homebuyers. This process begins when the potential homeowner, or borrower, applies for a mortgage loan from a mortgage broker or lender. The lender can be a savings bank, credit union, mortgage banking company, commercial bank, savings and loan, state or local housing finance agency or community bank. Once the lender approves the application and the loan is processed, the mortgage lender provides the money to the borrower, who then applies the proceeds of the mortgage to the cost of the home. The lender in the primary market either holds the loans in its own portfolios or sells the home loans. Fannie Mae and Freddie Mac are the largest buyers of mortgages in the secondary market.

Source: FHFA 2008 Performance and Accountability Report

One of the key things we were trying to get through legislation was the right to set higher capital standards. Unfortunately, by then the mortgage market had already turned dramatically bad. What effectively happened was that they were being overwhelmed by delinquencies and foreclosures. We made the decision that to keep them going and to keep them fulfilling their mission of providing liquidity and the stability of the mortgage market—[then] we needed to put them into conservatorship.

Conservatorship is a mechanism where [our] agency as the conservator has taken over [Fannie and Freddie] and put in new management, new CEOs, and new board of directors. We're working with [each new management team] to work through these problems, so that as the housing market recovers they can come out of conservatorship and continue to fulfill their mission.

We actually had the ability to put them into a receivership or conservatorship. Receivership is really a total removal of the shareholders and a total government takeover. The idea of conservatorship is to conserve it. It's to work with the company and put it back in place. We looked at both approaches and felt that the better thing for the marketplace would be a conservatorship.

These two companies have over \$5 trillion of debt and mortgage-backed securities outstanding.... If investors lost confidence it would've had a detrimental impact on the mortgage market in this country. We wanted to do it in as safe a fashion as we could. We [chose] conservatorship with Treasury backing. The Treasury Department basically protects [Fannie's and Freddie's] net worth going forward and [backstops] both their debt- and mortgage-backed securities.

It's a whole new world and never have two financial institutions as large as these been put into conservatorship. So the last four months has been a learning experience, but I think a very successful one so far. We took a small team of our really top examiners and created a new conservatorship team to work very closely with the management. We are keeping a strong examination staff in place as well and that's important. We continue to regulate, but we also have staff working with the management on management decisions.

We're delegating a lot to the new management teams and their [newly constituted] boards of directors. We're now starting to see that mortgage rates are coming down. Some of the things we wanted to happen out of conservatorship are starting to move forward.

It's hard to predict [how long both will remain in conservatorship]. I think one of the key factors will be when the hous-



Director Lockhart working on FHFA's response efforts.

ing market starts to turn around. There's also the potential for restructuring these companies coming out of conservatorship. Changing the structure of Fannie and Freddie in the future is going to be decided by the new administration and Congress.... That's going to be a [major] political debate.

On the Tightening of Underwriting Standards

The pendulum did swing much too wide [toward easy credit]. There was a lot of liquidity out there, a lot of people looking for investments and underwriting standards really fell. Freddie and Fannie standards were significantly better than the mortgage market overall, but they also stretched, especially in '06 and '07. We put a lot of constraints on them during that period.... We're making sure [that as they] tighten underwriting standards that we don't cause havoc in the market place. We've tried to make sure that they're not overcharging for risk at this point—some financial institutions are doing that. We're trying to provide guidance to the market place on appropriate underwriting standards. At the same time, we don't want to cause the market to tighten too much. Fannie and Freddie have been trying to continue to price products, not overcompensate for risk. We basically told them, "You're losing money on that old book of business but we don't want you to try to make it up on this book of business. We want you to price your '09 mortgages based on the risk in '09."

On Foreclosure Prevention and Loss Mitigation Strategies

Foreclosure prevention is a critical thing for the overall economy, the housing market, and in particular for individuals and their communities. Fannie and Freddie own or guarantee over 31 million mortgages, so that's well over 50 percent of all the mortgages in this country—but only 20 percent of

“Fannie and Freddie are the backbone of the mortgage market in this country. Unfortunately, when they were created, the law allowed them to have very thin capitalization. They could be leveraged up to 100 to 1, if you will—unbelievable leverage.”

— James Lockhart, Director of the Federal Housing Finance Agency

seriously delinquent mortgage—that’s still a very big number. In reality, though, their mortgage books were actually of a much higher quality than the normal book.

We began a streamlined loan modification program (SMP) last November to mitigate foreclosures. We used as a model the work Sheila Bair and the FDIC did at Indy Mac. The idea: if a borrower has missed a payment(s) on his loan, and is unable to bring the account current, the servicer would have the ability to restructure the loan to cure the delinquency and reduce the payment, if necessary. The terms of the original loan are changed by lowering the interest rate, extending the term, or forbearing a portion of the principal. Forbearance allows a portion of the principle to be set aside—without amortization or interest charges—to be collected at payoff. The new Home Affordable Modification Program built on the SMP framework, but incorporated more liberal criteria to meet the needs of more homeowners. The goal: reduce housing expenses to 31 percent of gross income. It also provides more incentives to compensate servicers for the labor-intensive effort of re-structuring loans. In addition, a Home Affordable Refinance Program was created

to meet the needs of current borrowers who want to take advantage of lower interest rates, but have seen property values decline and have been limited by standard loan-to-value limits. [With the Home Affordable programs], we’re trying to help the housing market. One key thing is to prevent houses from being foreclosed and lowering the [housing] prices in neighborhoods [across the country.]

Another key component [of our efforts] is lowering interest rates, which is happening. The third component is to keep Freddie and Fannie strong enough to be able to provide help in this mortgage market. We’re moving on all three areas, but I’m [particularly pleased with the [loan] modification program.

On the Importance of Collaboration

Over the last, really, two years that the mortgage market problems have started to erupt, we’ve been working closely with a number of stakeholders, but one of the things that we have done is work very closely with the Treasury and the Fed in trying to encourage these companies [Fannie and Freddie] to raise capital in order to keep them in the market place.

Serious Delinquencies Rising Rapidly



Not surprisingly, as house prices have fallen, serious delinquencies of 90 days or more have risen across the board. For subprime mortgages, serious delinquencies are 23 percent, and subprime ARMs are 34 percent seriously delinquent. Serious delinquencies are far lower at Fannie Mae and Freddie Mac, about 2 percent, which is even lower than the prime market at 3.7 percent, or the whole market at 6.3 percent.

Source: “Meeting the Challenges of the Financial Crisis” Presentation by James B. Lockhart, March 18, 2009

Overview of the U.S. Financial Crisis

September 2008

- Fannie Mae and Freddie Mac seized by government
- Bank of America buys Merrill Lynch
- Lehman Brothers files bankruptcy
- Government gives AIG emergency loan
- Bush announces bailout plan
- Dow suffers largest ever one-day drop

October 2008

- Senate passes bailout
- Wells Fargo acquires Wachovia
- Dow drops below 10,000
- Economy shrinks in third quarter, signaling recession

November 2008

- Economy stumbles after election
- AIG gets bigger bailout
- Jobless claims soar
- Budget deficit reaches record \$237.2 billion
- Citigroup gets another bailout

December 2008– January 2009

- Mortgage rates drop to 37-year low
- GM, Chrysler to get \$17.4 billion in loans
- House approves stimulus plan
- Jobless claims hit all-time high

February– March 2009

- President caps pay for execs
- President signs stimulus package
- Dow closes at lowest level in six years
- Dow, S&P close at decade lows
- Dow dips below 7,000
- President announces Home Affordable Refinance and Modification Programs

They raised significant capital. Unfortunately, the market just really dried up by last summer before we put them in conservatorship and they couldn't raise capital again. That was one of the reasons we put them into conservatorship.

We work on the TARP Oversight Board.... There's a series of ongoing meetings we have with regulators and others. The whole idea is to try to have a coordinated approach to solving the mortgage market problem. It's been a very close and collaborative relationship. We've also worked closely with the White House and the National Economic Council (NEC).

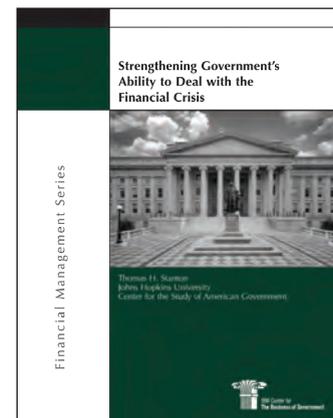
On What to Do Going Forward

I think there are too many regulators. One of the good things about our legislation is we actually took three different regulatory groups and put them into one agency. I think that's sort of a blueprint going forward.... We need to get better coordinated. I'm hopeful that the new administration will work on pulling together the regulatory groups in a more coordinated fashion. There is a group that we're not on that we should be on which is the bank regulators—an examination council. It was in our original legislation, it didn't happen. We should be on that. The key thing is the regulators have to work together. Mortgages are so pervasive in the banking system that all of these different groups need to work together to set standards: to make sure that underwriting is done in a safe and sound.

One of the biggest problems was people didn't understand the mortgages they were taking out in '06 and '07. They had these teaser rates. They didn't understand the rates were going to go up. They didn't understand all the details of the mortgages—this lack of education was a problem. We need to do a lot better... I'm very hopeful that the new administration will move that ball forward as well. ■

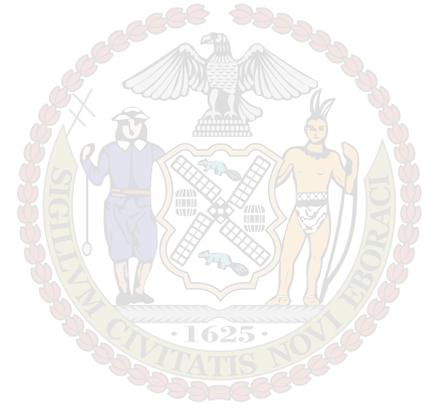
TO LEARN MORE

**Strengthening
Government's
Ability to Deal with the
Financial Crisis**
by Thomas H. Stanton



The report can be obtained:

- In .pdf (Acrobat) format at the Center website, www.businessofgovernment.org
- By e-mailing the Center at businessofgovernment@us.ibm.com
- By calling the Center at (202) 515-4504
- By faxing the Center at (202) 515-4375



A Conversation with Kamal Bherwani Chief Information Officer for New York City's Health and Human Services and Executive Director of HHS-Connect

Local and state governments are under tremendous pressure to do more for citizens and to do it better. Technology has enabled governments to do just that, and nowhere is this more evident than in the delivery of health and human services, which focuses on the constituents' most basic needs, promoting well-being and self-sufficiency.

To meet such noble ends government chief information officers (CIOs) have found it necessary to identify and implement technologies that make operations more responsive to the needs and expectations of its citizens. Over the last several years the city of New York has made a concerted effort to implement technology design to make it more accessible, transparent and accountable.

As we continue our effort to engage government executives who are changing the way government does business, we spoke with Kamal Bherwani, chief information officer for New York City's Health and Human Services and executive director of HHS-Connect.

On New York City Health and Human Services

Let me start by giving you an idea of how New York City is structured. There are different deputy mayors that oversee different things. In this case I report to Deputy Mayor Linda Gibbs, who is the deputy mayor for Health and Human Services.

Health and Human Services is not an agency like you might find in smaller counties where there's one entity. There are several entities that are fairly broad and diverse in their mission. These [health and human services agencies] are all linked back to the overall goal of self-sufficiency and well-being for our citizens.

In the domain of health and human services you can break it down to three sub-domains: 1) social services, 2) criminal justice, and 3) health. [Under] the three sub-domains you have nine organizations. Eight of which are mayoral agencies. One is a corporation—the Health and Hospital Corporation, which happens to be the largest municipal hospital network in the country.

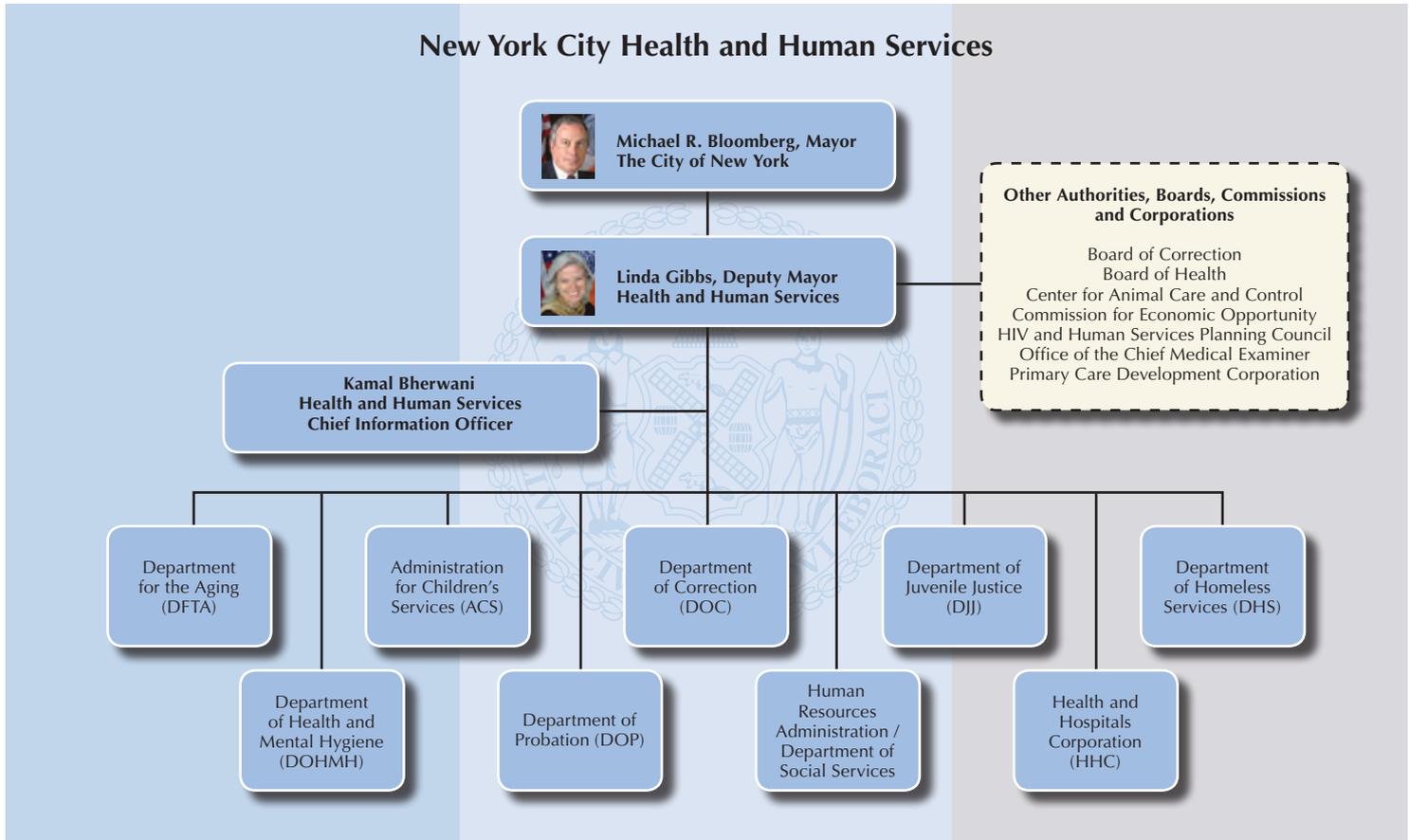


The New York City operational budget [is] the third largest non-federal government budget in the country. You'd start with California, New York State, and then you have New York City. The City's annual operating budget at the beginning of this fiscal year was projected to be \$59.1 billion.

I would estimate \$15 to \$20 billion of that is spent in Health and Human Services across those nine organizations. In terms of IT budget, the best estimate I can give you is going to be somewhere between half a billion to \$1 billion a year.

The number of employees in the health and human services domain is somewhere between 50,000-60,000 and the number of IT employees is a few thousand.

[This illustrates the] complexity of the number of agencies within the HHS domain. On a regular basis, we estimate that we serve north of 2 million New Yorkers across a broad range of needs.



On the CIO for NYC Health and Human Services

[Mayor Bloomberg] signed Executive Order No 114 that sets forth the HHS-Connect project as the anchor project in the newly created office of the CIO for Health and Human Services. We call that, internally, in the city, a domain CIO position, and that's a new position. It [sought] to allow the agencies to have independent CIOs, reporting up to their commissioners. At the same time, it allows for a central IT organization, which is the Department of Information Technology and Telecommunications (DoITT). [My position fills] the gap between the central and decentral—[the agencies' CIOs and City's CIO]—to bring alignment between the central core and decentralized agencies.

I oversee technology strategy and architecture within the HHS portfolio of agencies. My role is to align these interests: the technology interests and the technology standards. [It rests on] trying to get people to focus on an outcome together rather than doing the same thing in different ways. When we do things in different ways not only does it cost the city and taxpayers more money but we also won't get the result that we wanted.

On Understanding HHS-Connect

HHS-Connect is an innovative technology initiative that looks to break down the barriers... that have existed and [have become] stronger over time [among HHS] agencies. It is really the anchor project for [our office]. It seeks to use technology to breakdown barriers... in order to have more effectiveness and efficiency in our case-management practices. It's an interesting story of how we got the name HHS-Connect. It's Health and Human Services which is HHS and the word 'connect' is to connect the dots. It's really [about] integrating the data in the different systems, and breaking down the silos.

We started with two founding ideas or principles. One was how do we give the client that we serve a centralized view into city services. It could mean enabling new channels of access to government. Whether it's kiosk, whether it's the ability to call 311 and having more functionality than you had before, or whether it's to go online and apply for something that you had to stand in line for before. The idea is to [have] a centralized account—an online account—where you can login and see your interactions across city government: to be able to do things, communicate, and interact with city government.

“Using technology [in an innovative manner], I think we have the best of both worlds. We serve the clients better. They’re happy with us. We save them time and money, and as they interact with us [more effectively] we save [the City] time and money.”

— *Kamal Bherwani, Chief Information Officer for New York City’s Health and Human Services and Executive Director of HHS-Connect*

The second founding principle is how do we give government a centralized view of the citizen or the client. That is giving agencies access to [information] they could legally see from other agencies, so all can understand the client’s needs better. Both principles are actually linked to an outcome model for Health and Human Services—things like improve nutritional health, improve family well-being and stability—which are a further breakdown or decomposition of the self-sufficiency vision.... You need to really have a rich sharing of data in order for the agencies to efficiently and effectively get to that goal.

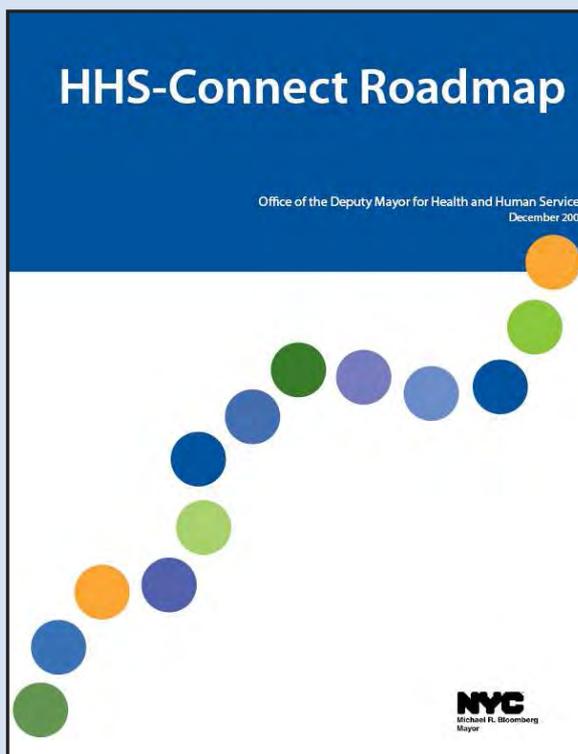
I think the intersection of being able to make it easier for [citizens] to access city services as well as being able to analyze the data, so that we [the city agencies serving citizens] can understand how to refine policies. [This will enable agencies to] meet [their] missions, which is to serve the clients better.... Using technology [in an innovative

manner], I think we have the best of both worlds. We serve the clients better. They’re happy with us. We save them time and money, and as they interact with us [more effectively] we save [the City] time and money.

On How HHS-Connect Builds on the success of ACCESS NYC

ACCESS NYC is now a part of HHS-Connect. Prior to the launch of HHS-Connect, ACCESS NYC was the world’s largest, deepest, and broadest pre-screening eligibility portal for social services or human service programs. We took 35 programs and created this portal where people can go put their information in—type in their demographic and household composition—press the submit button, and the system comes back and tells them which [programs] they might be eligible for.

We save our clients from having to run around to agencies or do a lot of research on the web trying to figure out



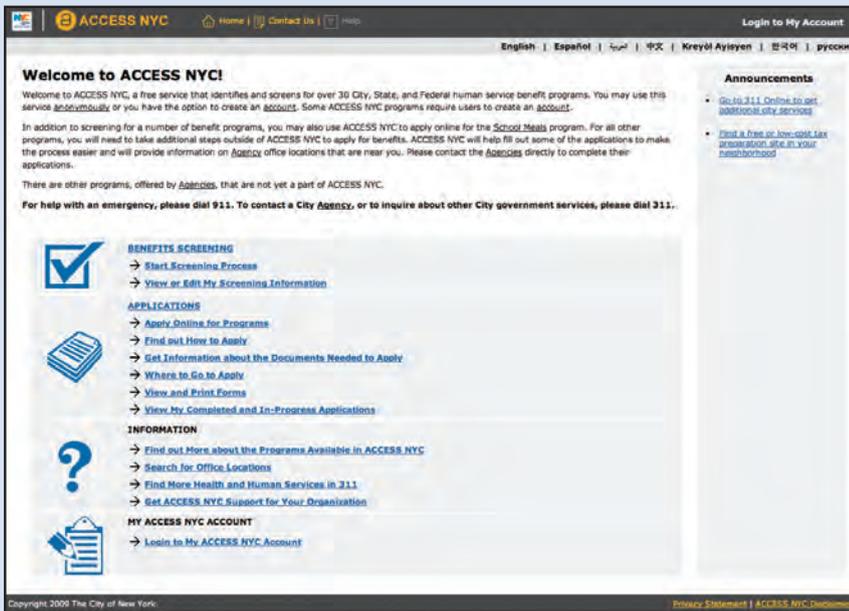
Vision

To break information silos through the use of modernized technology and coordinated agency practices to more efficiently and effectively provide Health and Human Services to New Yorkers.

Guiding Principles

- Establish a Client-Centric Approach
- Increase and Manage Accessibility of Information
- Improve Accountability
- Utilize Modern and Flexible Technology

ACCESS NYC (www.nyc.gov/accessnyc)



ACCESS NYC (www.nyc.gov/accessnyc) is a free, online service that efficiently pre-screens its users and determines their potential eligibility for 35 human service programs in any of seven languages. ACCESS NYC has a very easy to use interface, even for those with only the most basic computer knowledge.

what [program(s)] they may be eligible for. Whether it's food stamps, medicaid, public assistance, children's health programs, you name it... we did it in wide variety of languages, for a wide variety of programs, and a wide variety of levels of government.

We started with the citizen first. We didn't start with internal government restructuring first. We said let's start with the citizen. Let's start with the client who needs services. Just like we did with 311.... This creates the demand for the next step, which is to reorganize government to help serve the citizen—the client—better.

On the IT Strategy and Architecture of HHS-Connect

We started with the outcome model first, which is not a technology focus.... How are we going to work together to achieve specific outcomes—improving the client experience, improving the worker's experience, and improving operational efficiency...? We took a very pragmatic approach and said let's leverage what we have and let's link to it. That's the data integration platform we're building, which is part of our architecture. Let's go into the agencies that don't have good systems, or are all ready to throw them out, or don't have any system at all, and let's build systems: to re-platform and

reengineer how they do case management. We are now in the process of building those systems. We chose different sets of products that we thought would fit together nicely. We did it on an open and interoperable platform.

I'm not building a brand new data center. I'm leveraging the assets the city already has. We envision as our end goal what we call multi-channel integration. As an example, someone can go online, find out that they might be eligible for—let's say Medicaid—and in the future be able to submit that application online, and have that application go into NYC Human Resources Administration (HRA). The idea is to take out the operations that are spread around the agencies in what we would call vertical silos and make horizontal, strong, platform services. The channel integration actually decreases the operational costs of the city [while servicing] clients. The most expensive thing is when someone shows up personally to wait in line. The next most expensive is when people mail things to us. Then, the next best thing is to have [citizens call] 311. Pick up a phone and deal with the situation with a telephone operator... and then, online is the cheapest, fastest, and most efficient.... This is not about technology. It's about helping human service outcomes: How can technology make everyone's life easier and better?

On Sharing Information across HHS Agencies

We have high-level involvement, at the commissioner level, including the executive steering committee which [includes] all the commissioners in HHS, the CIO for the city as well as representatives from OMB.... Underneath that are the privacy and legal sub-committee and the security sub-committee.... The policy and legal sub-committee tries to look for what we can share and the security sub-committee tries to figure out how we can share [it].... It is [balancing] societal benefit and individual privacy.... Our data sharing strategy [is] broken into four [parts] of a pyramid. You can conceptualize it as: What data we are authorized to share by statute? What data can be shared with client consent? What data can be shared with third party consent? What data can we likely never share? The broad one is the one we are attacking first,

because I think [there's] lot of value in the sharing of data that is not very sensitive. [Managing] this balance between what benefits society versus individual rights is going to be a continued theme.

On the Importance of Openness, Transparency, and Accountability

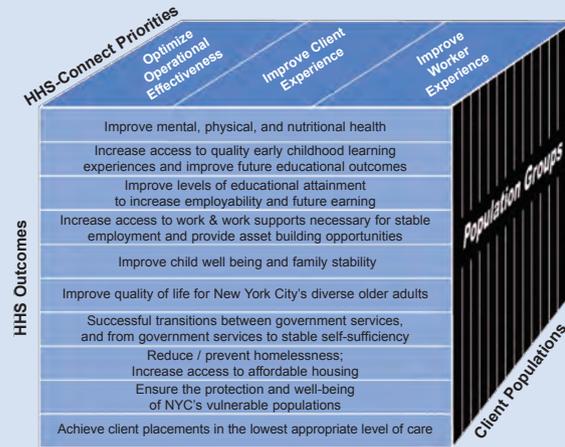
The very idea of opening new doors to government [for] the convenience of the client, so that they can communicate with us in the way they prefer is the very definition of openness and accessibility. Underlying those two themes of openness and accessibility is really transparency and accountability—because [it is better] when you can actually understand what's going on across the government that serves you. ■

Characteristics of the Future State



Multiple access channels

Clients can access information about different programs and services for which they may be eligible by calling 311, easily navigating the Internet, speaking in person with an agency representative, emailing their case worker, sending fax or mail, or using an online kiosk located in an accessible community location. As a result, clients will have a variety of options to choose from in their interactions with City agencies—those more comfortable with technology options will have more selfservice avenues, while those that prefer direct contact with service providers, or those who may have certain mandates or legal obligations, will continue to do so. Multiple access channels will significantly reduce the need for clients to make several rounds visiting agencies in order to obtain multiple services.



HHS-Connect Outcome Model

This model provides a common framework and language for the planning, prioritization, and measurement of HHS-Connect program initiatives. The model defines the top mission based outcomes of the HHS domain and the populations impacted by those outcomes. The model also identifies the operational priorities that the HHS-Connect program is intended to help advance.

The City uses this model within its Enterprise Architecture processes to help: 1) identify potential initiatives that align to our outcomes and goals; 2) evaluate and prioritize initiatives by how well they advance the outcomes in the model; 3) guide the design and build of new technologies; 4) measure the ongoing value created by the HHS-Connect program.

Tom Allen

Chairman

Federal Accounting Standards Advisory Board

By Michael J. Keegan

Improving Federal Financial Reporting

Annually, some \$2.7 trillion of taxpayer money flows through the accounts of the U.S. federal government. Article 1 Section 9 of the U.S. Constitution requires that, “a regular statement and account of the receipts and expenditures of all public money shall be published from time to time.” Managing these funds requires more than just keeping the books and ensuring they are spent properly. Subsequent laws have mandated additional accounting and reporting requirements for public officials with the responsibilities for U.S. federal financial management.

In 1990, the U.S. Congress passed the Chief Financial Officer’s Act requiring certain federal agencies to produce audited financial statements. “There were no recognized generally accepted accounting standards for the federal government,” explains Tom Allen, Chairman, Federal Accounting Standards Advisory Board (FASAB). That very same year, recognizing this gap in standards prompted three federal agencies (i.e., Office of Management and Budget, Government Accountability Office, and the U.S. Department of the Treasury), to establish FASAB. “If you’re required,” admits Allen, “to have prepared audited financial statements... then what standards do you follow?” FASAB’s mission: fill this void and promulgate federal accounting standards, considering the financial and budgetary information needs of federal financial information users.

FASAB has evolved, but its mission remains constant. “There were three outside [non-federal] members on the initial board, but that has evolved over time. The chairman and five other members of the now ten member board must come from outside the federal government. The other four members are from the federal government, including the three sponsoring agencies,” describes Allen. During its initial years of operation, FASAB developed a core set of accounting standards

CAREER HIGHLIGHTS

- Chair, Governmental Accounting Standards Board (1995-2004)
- Member, Governmental Accounting Standards Board (1994-1995)
- State Auditor, State of Utah (1984-1994)

and concepts statements. In 2000, the American Institute of Certified Public Accountants (AICPA) designated FASAB as the body that establishes generally accepted accounting principles (GAAP) for federal entities. Allen explains: “GAAP standards are recognized standards that should be followed by particular organizations in order to receive clean audit opinions on financial statements. All federal agencies are required to follow FASAB standards with a few exceptions.”

The board provides advice on financial reporting and management issues. Financial reporting is a critical oversight tool for most organizations. “All organizations—for-profit, not-for-profit, and government—have a balance sheet or a statement of position, and they have some kind of an operating statement.... In any organization [audited] financial statements represent the eyes of someone outside that organization assessing its financial viability,” explains Allen. Unlike the private sector, the federal government isn’t in the business of making profits, but delivering services. Federal financial reporting has a different purpose and end; it should assist in fulfilling the government’s duty to be publicly accountable for monies raised—through taxes and other means—and expenditures incurred from its operations. Federal accounting and financial reporting are shaped by and respond to the unique position of the federal government. “We try,” admits



"Accounting and financial reporting standards
are essential for public accountability."

“FASAB’s mission is to promulgate federal accounting standards after considering the financial and budgetary information needs of citizens, oversight groups, executive agencies, and other users of financial statements.”

Allen, “to look at where there are standards for [certain kinds] of transactions already addressed in the private sector or in state and local governments, and generally follow those standards, although there’ll be some modifications because of the unique nature of the federal government.”

For instance, while the federal government administers five social insurance programs—two programs, Social Security and Medicare—are most significant given the fiscal challenges related to each. There is much concern about how to best account for such programs. Fundamental questions about these programs can be derived from financial reporting: are these programs sustainable? Is the government’s financial condition improved or worsened by these programs? Can these programs provide benefits at current levels into the future? “This issue is about as old as the board itself,” admits Allen, “and we have addressed it several times along the way. Each time it has been controversial and neither of the two established positions has prevailed. Some members believe that the federal government ought to reflect a liability in its financial statements as a result of some event. Either by working, contributing social security taxes, or qualifying by hitting the 40 quarter plateau—there is some event that triggers a liability and an obligation. Others argue that the collection of Social Security and Medicare taxes is simply another form of [tax] revenue. Social Security and Medicare payments are independent of your contribution—a benefit you qualify for just like food stamps.”

He believes “the core question centers on: Are these programs more like a pension that you’re earning or simply just another federal program? The board continues to be deeply divided here.” Despite that, the board has compromised, proposing to enhance reporting on social insurance programs. This compromise does not reconcile the two positions on when the obligating event occurs, but it does call for the disclosure of additional financial information on key federal government programs. “When people talk about a \$10 trillion deficit that we now have, it leaves out the \$46 or 50 trillion—depending on how you calculate—of actual deficit we have looking forward to social insurance programs,” acknowledges Allen.

FASAB tackles many other challenging areas such as accounting for natural resources, stewardship investments, and fiscal sustainability. One of the most significant issues facing the U.S. federal government is whether the government can sustain public services and meet its obligations as they come due. Allen notes that federal financial reporting should provide information that helps the user better assess the potential future impact of current policies. The board has proposed standards for reporting comprehensive long-term projections for the federal government in its consolidated financial report (CFR). “There are some real challenges,” admonishes Allen, “to our fiscal sustainability.” Ultimately, the board hopes this effort enhances the public’s understanding of long-term fiscal issues facing this country.

For Allen, we need a comprehensive operating statement for the federal government. He believes such information would enable us to better assess the government’s financial position—asking has it deteriorated or improved. “We don’t really have something,” admits Allen, “that captures it comprehensively for the federal government.” For Allen, some form of generational accounting would be important: “in any generation you have good times and bad, but within that generation [you need to understand]: were resources used equivalent to the resources contributed? I think that would be a very important and valuable measure.” ■

To learn more about the Federal Accounting Standards Advisory Board go to www.fasab.gov



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Michael J. Astrue

Commissioner

U.S. Social Security Administration

By Michael J. Keegan

Building a Social Security Administration for the 21st Century

The U.S. Social Security Administration touches the lives of most Americans. Administering the nation's largest entitlement programs, SSA provides services to individuals at critical junctures in their lives—from the onset of a disability to the loss of a spouse or parent, or the inability to meet basic needs as a senior or retiree. In fact, its responsibilities continue to grow with the advent of the Medicare Part D Prescription Drug Plan, which SSA administers. Along with expanding services, the agency has undergone dynamic changes in mission-critical areas. From eliminating claims backlogs to modernizing its infrastructure, SSA continues to pursue a variety of initiatives to ensure it meets its mission while providing services timely, effectively, and efficiently.

"It's a staggeringly large agency," explains Michael Astrue, Commissioner, U.S. Social Security Administration, "because we are the face of the federal government for most of the American public. We have an administrative budget of just over \$10 billion. We have about 12,000 employees in the Baltimore area and about 50,000 employees in the field. We're organized into 10 regions with about 1,260 field offices, 140 hearing offices and other support operations. It adds up to some 1,500 facilities." In the mid-1990s, SSA became an independent agency, separating from the U.S. Department of Health and Human Services. The commissioner now reports directly to the President and serves a six year term. "I was confirmed [in 2007]," notes Astrue, "I have a term that goes to 2013. I'll be the first SSA commissioner that straddles two presidential administrations.... While most agency heads are leaving, I'm staying and looking forward to making a lot of progress over the next four years." Astrue also points out that by agreement issues related to solvency were moved to the U.S. Treasury. "My role is really more operational. We're focused primarily on three things," admits Astrue.

CAREER HIGHLIGHTS

- Chief Executive Officer, EPIX Pharmaceuticals, Inc.
- President and Chief Executive Officer, Transkaryotic Therapies, Inc.
- General Counsel, Deputy Commissioner for Programs, Social Security Administration

Astrue must act as the key advocate for the agency. "We've been seriously underfunded for most of the last 20 years. It didn't matter who controlled the Congress or the White House. It was a consistent pattern—that has really inflicted some wear and tear on the agency." Last year, this pattern was broken and SSA received a little more than its budget request. "That's been an enormous help this year, so we have been big advocates for the agency," exclaims Astrue. Programmatically, the agency's most important effort involves reducing its disability backlog. "We not only had an enormous number of people waiting for hearings," declares Astrue, "but some of those people had been waiting as long as four years. It's been difficult in a time of contracting resources to try to turn this runaway train around. We've making good progress."

To further this progress will require SSA to employ new and innovative strategies to increase its capacity to hear and decide cases. "We've made progress through reallocating resources," explains Astrue, "we're doing more video hearings and increasing the number of [administrative law] judges. We're investing in people and not so much in bricks and mortar." In fact, in 2008, SSA opened a new national hearing center with a cadre of judges in one location who will do nothing but video hearings. This also enables SSA to capitalize on new technology, such as electronic disability folders and video to direct resources to areas with heavy backlog.



“We’re going to have almost 80 million baby boomers retiring in the next two decades.”

“[My] term goes to 2013. I’ll be the first SSA commissioner that straddles two presidential administrations. I look forward to making a lot of progress over the next four years.”

SSA also plans on expanding two initiatives—the quick disability determination (QDD) and the compassionate allowances programs. Both programs fast track disability cases, employing technology to identify and facilitate decisions for cases that clearly meet SSA’s disability standards. “If we really attack this [situation] with new ideas, new systems, and with real passion, we can get it under control—though it’s still going to take many years before we get to where we want to be,” acknowledges Astrue.

As baby boomers retire, they are also entering disability prone years. “People sometimes forget,” says Astrue, “that as the boomers become 50, 55, 60, they’re much more likely to file for disability. We’re going to have almost 80 million baby boomers retiring in the next 2 decades. We’re going to take in about 2.6 million disability claims this year alone.” Over the next decade, SSA projects initial disability claims to increase by 10 percent. To handle the workload growth, SSA has plans to implement a simplified, user-friendly online process to make it easier and faster for individuals to file disability claims. Astrue points out that “when you file online you’re not only helping yourself, you’re helping those people who really do need to come in and have an actual conversation with a field representative. When you look at the upcoming workload increases and the new responsibilities that Congress keeps putting on us, in an era of declining resources, we couldn’t get out of that box continuing to do things the same way. We’re really embracing the National Academy of Sciences’ recommendation and are very committed to electronic services.”

For this to work, SSA needs to invest in its fraying IT infrastructure. “Our National Computer Center is a 1970s facility. It was built under very different assumptions than what we face now. With all the increasing workloads, it’s running close to its capacity. We have to start figuring out how to either extend the life of that facility for a short run while we figure out what we’re going to do over the longer run,” explains Astrue. SSA has plans to bring its aging IT infrastructure into the 21st century, transforming it from a largely disparate COBOL-based system to web-based systems archi-

ture. “We have almost 40 million lines of COBOL code. It works, but it is rigid, it is hard to modify. The cost of maintaining it increases well above inflation every year because it’s harder and harder to find people who are trained in COBOL—cost reasons and flexibility and adaptability we are trying to move,” says Astrue. Along with these other needs, SSA also manages the largest repository of medical records, storing about 250 million medical documents. “It’s very important for us to stay on top of healthcare IT. Incomplete medical records represent the biggest cause for error in disability determinations as well as causing major delays in determination,” underscores Astrue.

For the first time since the Great Depression, the personal savings rate in the U.S. has fallen below zero. “It’s a horrific thing for the retirement planning and it’s a very bad thing for the economy. We’re trying to promote the value of savings, to get them to understand the importance of compound interest, and to use our bully pulpit in a very cost-efficient way to try to influence behavior,” declares Astrue. To assist in this effort, SSA has enlisted celebrity spokesperson Patty Duke for public service announcements on retirement. “I think it will help get the word out that our online retirement services are good and quite easy to use—there’s a wealth of information out there and all can benefit from checking out our website [SSA.gov].” ■

To learn more about the U.S. Social Security Administration go to www.ssa.gov



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Tom Day

Senior Vice President

Intelligent Mail and Address Quality, U.S. Postal Service

By Michael J. Keegan

Leveraging Innovation to Transform the United States Postal Service

Today's mail is among the most effective channels of communication in a crowded marketplace. As technology, commerce, and society evolve, so, too, must government and corporate business models. This is as true for the U.S. Postal Service as for any other enterprise. "The Postal Service is really no different than any other entity in this economy. It is a challenging time. As our postmaster general has indicated, unfortunately for us it is somewhat the perfect storm" says Tom Day, Senior Vice President, Intelligent Mail and Address Quality within the U.S. Postal Service. Facing already declining mail volumes and competition from the Internet, the USPS continues to strengthen its core operations and services, balancing an immediate need to reduce costs with a continuing commitment to innovative strategies.

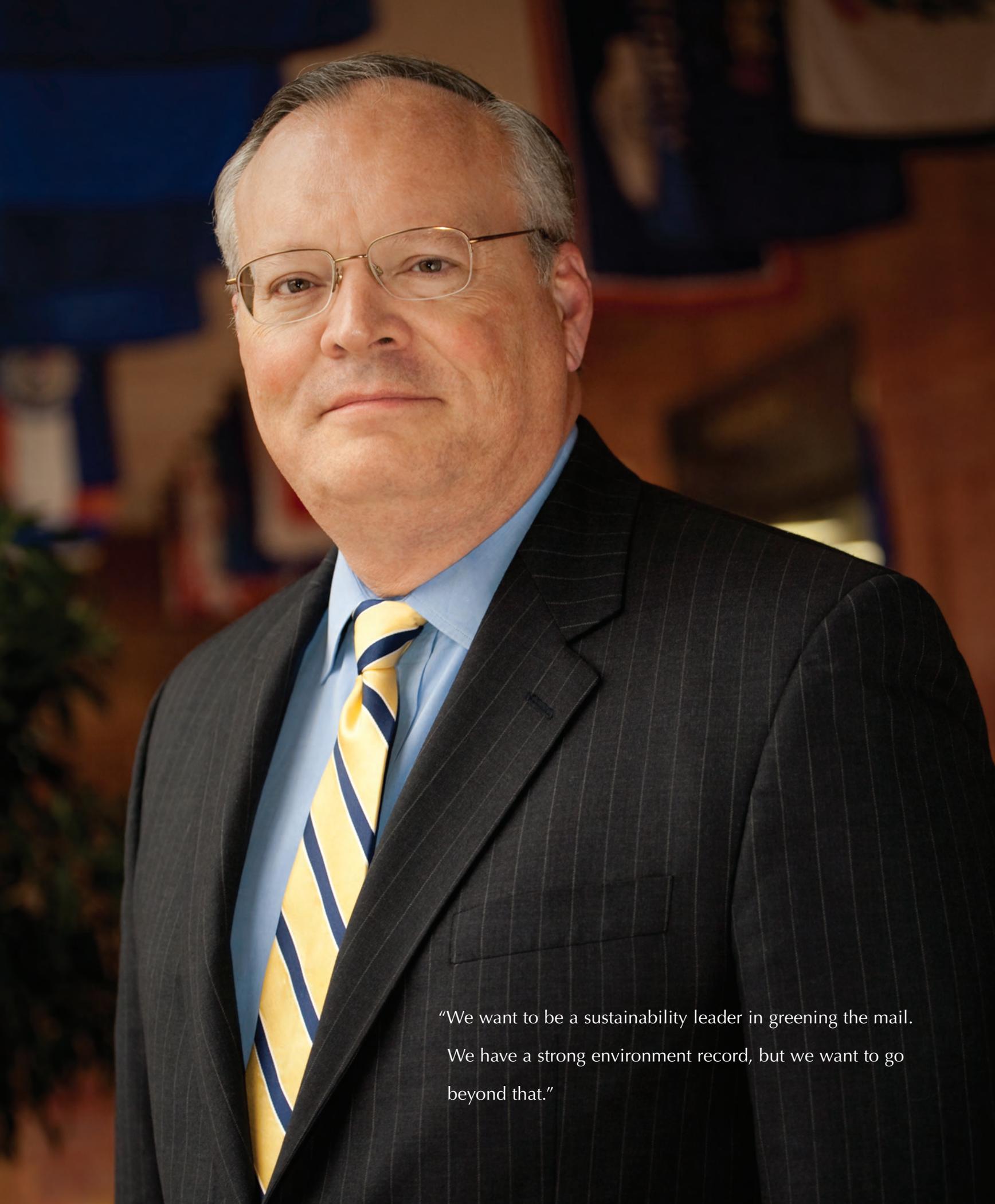
"In 2002," explains Day, "we had a fragmented approach to what we were doing with technology, particularly with information we were getting out of the mail." Day leads the Postal Service's Intelligent Mail® barcode initiative. "[It] is about adding value to the mail through information... We just had too many different formats [for] bar codes and information flows," admits Day. This initiative standardizes bar code formats, but it seeks to do much more. It develops more robust codes capable of encoding more information—encoding up to 31-digits of mailpiece data into 65 vertical bars. "What we're doing with Intelligent Mail," explains Day, "is rather than just having a bar code that represents a delivery address—simply a translation of an address into bar code format—we now give a unique identity to that individual mail piece." He underscores that this effort goes beyond just getting mail from Point A to Point B. It's about understanding where a piece of mail is at any given point in the mailstream. "What's interesting about this is [Intelligent Mail® barcode] gives visibility not only in the Postal Service, but visibility through the full supply chain," says Day.

CAREER HIGHLIGHTS

- Senior Vice President, Government Relations, United States Postal Service
- Vice President, Engineering, United States Postal Service
- District Manager, Southeast New England District, United States Postal Service

He points out that mail owners (e.g., those who use mail as a means to advertise) have better knowledge of when their mail is sent and received, creating opportunities to manage inventory, improve cash flow, and gauge staffing needs. The Postal Service can use the data derived from the newly enhanced barcode to better align its operations with actual mail flow. Day offers an example, "as things come back from the consumer to companies—say the return of a package—Intelligent Mail allows us to handle it in different ways; not every company wants all these items to come back.... Intelligent Mail provides a host of opportunities of how one [can handle] mail as it comes through the system." Along with this heightened visibility, the enhanced barcode capability enables more information on mail in a cleaner manner, improves customer knowledge and supply chain efficiencies, and offers a low cost proof of mailing. All of these benefits can be leveraged to create significant business value and competitive advantage for mailers.

The U.S. Postal Service also wants to ensure that the mail reaches the correct recipients at the right time. "I'm also responsible for [address quality] within the USPS. We have an address management system, which is one of our critical assets. It's how we get mail delivered to the right place.



“We want to be a sustainability leader in greening the mail. We have a strong environment record, but we want to go beyond that.”

“The Internet is competition for us, but it’s also a huge opportunity. The bottom line: it’s all about how we keep our products and services viable and valuable to the American public.”

It’s also a very dynamic asset. It’s something that’s constantly being updated and changed,” explains Day. There are some 145 million U.S. addresses in this database with approximately 41 million Americans moving annually. Given the size, scale, and dynamic nature of the system, poor address quality may lead to large quantities of undelivered mail. “If you think about it,” posits Day, “we’re in the business of getting hard copy correspondence and packages delivered to people and businesses. If you don’t know where they are and if you don’t have that address database up to date, it really can cause some significant problems.” According to Day, the U.S. Postal Service offers a whole suite of products offered to the mail industry to ensure that they have access to the same accurate address information. “Address quality is a very critical aspect of what we do—it’s fundamental,” declares Day.

The Postal Service also uses innovative strategies and technology as it adopts and promotes environmentally and fiscally responsible business practices. “We want to be a sustainability leader,” explains Day “in greening the mail. We’re really embracing it.... We have a strong environment record, but we want to go beyond that.” Its goal is to reduce energy use and its impact on the environment while advancing the use of renewable energy sources. “Some of what we do is to promote recycling and reuse,” says Day, “A significant volume of mail is already using recycled paper.... We want to recycle it again.” USPS has plans to expand its efforts helping customers “go green:” provide in-lobby recycling containers and initiate product mail-back programs. “We are the first package shipper that was able to go to market with a cradle-to-cradle certified package product,” explains Day. This is a very detailed, intricate process that ensures the development, design, and manufacturing of environmentally-friendly boxes, envelopes, and inks.

The USPS also has the largest civilian alternative fuel vehicle fleet in the nation. “We put about 220,000 vehicles on the road every day to get mail delivered. I believe that’s the biggest fleet in America. So how that fleet is powered, what fuels we use, how efficient they use fuels is all-important... In fact, we had the first hydrogen fuel cell vehicle that was used in

an active delivery fleet in America,” says Day. Recognizing it needed a much more organized environment program approach, it established a new position—vice president for sustainability. Yet, the USPS cannot do everything it wants to do in this area by itself. It will need to reach out to continue to collaborate with its customers, suppliers, and employees. “Collaboration is absolutely what it’s about,” declares Day.

With its release of Vision 2013, the USPS has outlined a vision and strategy for successfully pursuing many of these initiatives. The plan identifies opportunities to build business and sustain a viable Postal Service for future generations. “Based upon a strong foundation,” describes Day, “we have a three-pillar approach: one is focusing on customers—that’s really the focus of this plan: what are our customer needs and making sure that what we come up with is fulfilling those needs. It is then leveraging our strength. We have a well-established network. We have a distribution and logistics network that is unparalleled. It’s a real strength, and so leveraging that established network. The last pillar is embracing change. The Internet is competition for us, but it’s also a huge opportunity. The bottom line: it’s all about how we keep our products and services viable and valuable to the American public.” ■

To learn more about the U.S. Postal Service go to www.USPS.com



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Kay T. Ely

Associate Director, Human Resources Products & Services Division
U.S. Office of Personnel Management

By Lauren Kronthal

Providing Human Capital Solutions to Federal Agencies

Teddy Roosevelt said, “Government jobs belong to the American people, not politicians, and shall be filled only with regard to public service.” Roosevelt’s enthusiasm for civil service led President Benjamin Harrison to appoint him the first commissioner of U.S. Civil Service Commission—a predecessor to the U.S. Office of Personnel Management (OPM). “Many people,” notes Kay Ely, associate director, Human Resources Products & Services Division at OPM, “still think of OPM as the Civil Service Commission. It actually became OPM in January 1979 with the passage of the Civil Service Reform Act.” OPM’s mission is to ensure the federal government has an effective civilian workforce. “It ensures,” says Ely, “federal agencies adopt strategies that produce a workforce capable of delivering the services that the American people want and deserve. OPM helps agencies train, manage and maintain the infrastructure needed to employ a federal workforce prepared to achieve the president’s strategic goals for the nation.”

A Roosevelt goal was the modernization, expansion, and reform of the federal government. The commission, under Roosevelt’s leadership, drafted and implemented the foundations of what was to become the modern federal employee merit system. It involved specific reform to the definitions for “just cause” for which a federal employee could be dismissed as well as stricter requirements on federal officials engaging in political activity.

Ely continues, “OPM serves as a single employer, implementing the central resource values uniformly across the federal agencies. We have to focus on values such as merit systems protection and principles and accountability and veteran’s preference.”

CAREER HIGHLIGHTS

- Head of Contracting Activity, U.S. Office of Personnel Management
- Senior Advisor for Competitive Sourcing, U.S. Office of Personnel Management
- Senior Principal, Private Acquisition Consulting Firm

With roughly 6,000 employees spread across the U.S., OPM’s 2008 operating budget was about \$244 million, and it was appropriated approximately \$42 billion for the payment of the federal annuitants’ insurance and retirement business. OPM is organized according to agency business lines supporting the implementation of policy with products and services while still adhering to merit system principles.

Ely is responsible for a large, diverse, nationwide program. “We have over 8 million people covered by the Federal Employees Health Benefits program. We’re responsible for approximately 2.5 million annuitants. And the trust fund we manage on behalf of our benefactors is over 800 billion,” she explains.

“Human Resources Products & Services is organized into three different centers: The Center for Retirement Insurance Services, responsible for the health plans and the annuitants; The Center for Talent Services—a \$300 million fee-for-service HR consulting and training operation; and the Center for Leadership and Capacity Services, which is responsible for the executive leadership and management development and succession planning, and custom solutions for products and services government-wide,” says Ely.



“[OPM] ensures that federal agencies adopt strategies to produce a workforce capable of delivering the services that the American people want and deserve.”

“We really are in the business of employee life cycle management. I think that’s the key lesson—employees are so important. Employee success is our success.”

Her division also operates USAJOBS.gov, the official jobs website of the federal government. “USAJOBS—a reimbursable program for OPM—is basically the gateway for a majority of federal jobs postings. And we also have an online training program that was one of the e-Gov initiatives, GoLearn, which delivers online training, learning systems, and management systems,” notes Ely.

Given the scope, size, and responsibilities of her portfolio, Ely outlines several challenges facing her division. “One of my greatest challenges has been learning several new business lines and their significance to the federal government. I’m trying to create an aligned and flexible service delivery model that’s tailored to meet clients’ needs.”

“Another challenge is building One HRPS (Human Resources Products and Services), which somewhat stove-piped with an overlay in business functions. We’re addressing that and I’m building staff capacity and partnerships within and outside of OPM to build that One HRPS. I think the other challenge is operating as a government business organization that must be fully cost recovering—that’s very, very different—a change in the way people think and how it’s addressed from a policy and operational perspective.”

Over the past few years, the federal HR community has been changing from a transaction-based environment to a more strategic and consultative role. OPM’s Center for Talent Services provides such a strategic and consultative role with HR issues within the federal government. “Center for Talent Services has two different service models. Their tagline is ‘Workforce solutions by government for government.’ And they have government project consultants that provide about \$400 million annually in human resource products and services,” explains Ely. “They also serve all cabinet departments, and most federal agencies, in five different business lines providing staffing, HR strategy, training, testing, and other services. I think that’s really the key. They provide workforce and succession planning, position classification, organizational design, organizational assessment, and performance management. They also provide training, mission

critical and core mission training, and customized leadership training and testing.”

When asked how a fee-basis environment influences the planning and approach to service delivery, Ely says, “About 50 percent of my organization is a reimbursable organization. And we have a business imperative to succeed. If our customers are not satisfied, they won’t come back, and we’ll be out of business. We focus on that constantly and realize we have to give them what they need in terms of quality, quantity, and timeliness. We also want to be efficient and effective—focused on the best value at a competitive cost. And we measure customer satisfaction regularly.”

“We think constantly in terms of market forces, our competitors, and what we need to do to be a step ahead of the competition. As I learned in the private sector, know your customers, what their needs are, and how you’re going to meet them.”

“In all my experiences I’ve learned that customer focus is essential. Without customers, you really have no business. But I’ve also learned that employees matter. They are everything. At OPM our focus is federal employees and retirees. We really are in the business of employee life cycle management. And I think that’s the key lesson, employees are so important. Employee success is our success.” ■

To learn more about the U.S. Office of Personnel Management (OPM) go to www.opm.gov



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Vice Admiral Robert B. Murrett

Director

National Geospatial-Intelligence Agency

By Michael J. Keegan

Advancing Geospatial Intelligence across the Intelligence Community

The end of the Cold War marked the dawn of a new era in global security. It brought with it a time of tumultuous change in the U.S. intelligence community. September 11th further prompted the U.S. to rethink national security and reevaluate its approach to the collection, analysis, and dissemination of intelligence. It led to calls for enhancing U.S. imagery and geospatial capabilities. The catalysts for such an effort began with a radical shift in the threat environment, the evolving nature of conflict, and the revolutionary technologies of the digital age. Led by Vice Admiral Robert Murrett, the National Geospatial-Intelligence Agency (NGA) continues to play an integral role in U.S. national security.

As both a combat support agency within the Department of Defense and a component of the national intelligence community, “our basic mission,” declares Murrett, “is geospatial intelligence.” Geospatial intelligence, or GEOINT, involves studying the Earth—natural or manmade activities and objects—that may have national security implications. More specifically, it means the analysis of imagery and geospatial information to describe, assess, and visually depict physical features and geographically referenced activities on the Earth. In practical terms, NGA develops imagery and map-based intelligence solutions for U.S. national defense, homeland security, and safety for navigation.

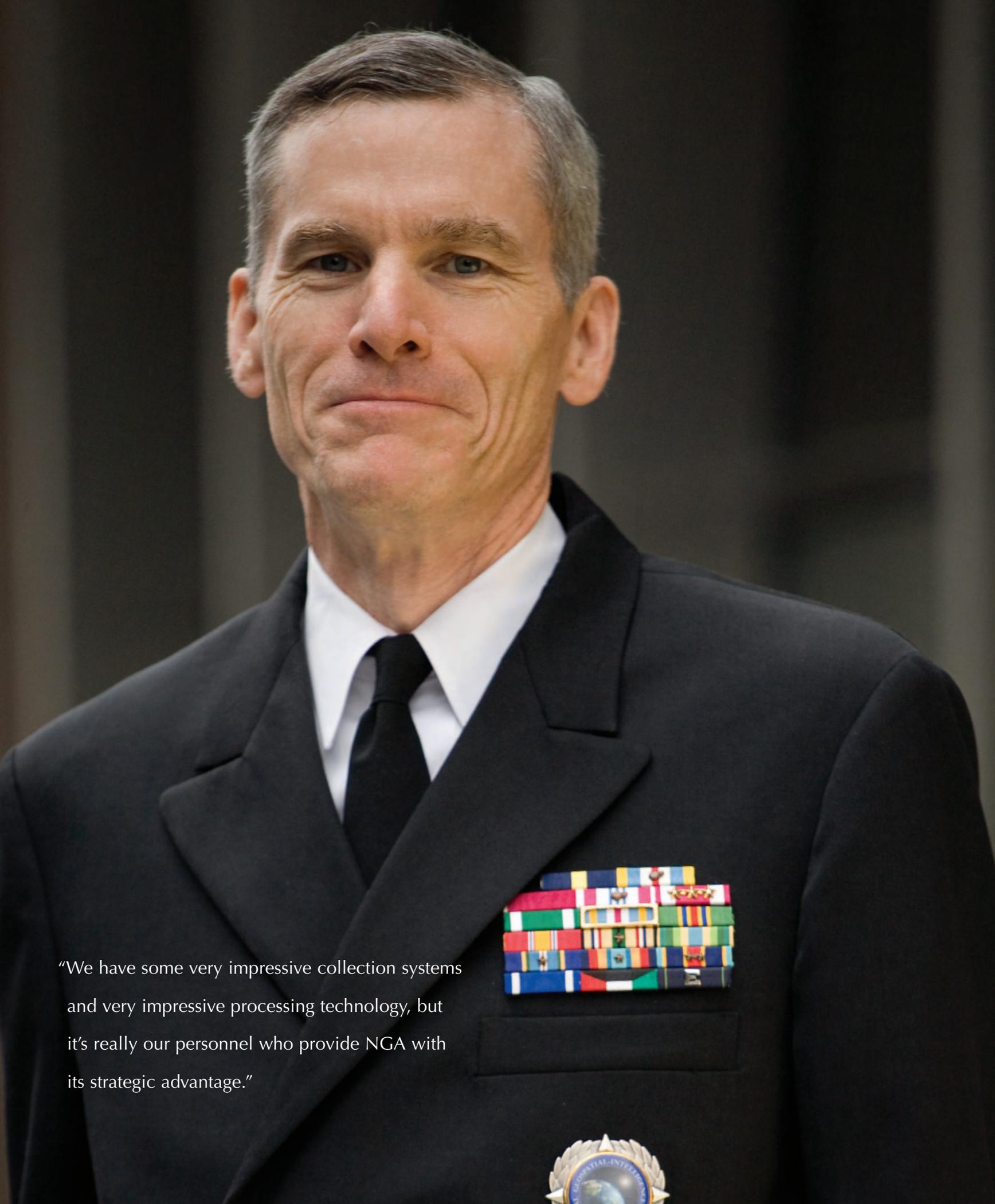
NGA pursues its important mission with a staff of about 16,000, roughly half of which are government employees. NGA organizes along five core functional lines: Source Operations and Management; Enterprise Operations Directorate; the Analysis & Production Directorate; the Acquisition Directorate; and the InnoVision Directorate. NGA also has presence in more than 150 locations around the world. “Those embedded NGA personnel,” says Murrett, “are our key strength—the aspect that we pay the most attention to

CAREER HIGHLIGHTS

- Director, Naval Intelligence, United States Department of the Navy
- Deputy Director, Directorate for Intelligence J2, United States Department of Defense
- Director for Intelligence, United States Forces Command, United States Department of Defense

in terms of making sure that our mission effectiveness is there for those who rely upon us the most.”

Vice Admiral Murrett’s role is as multifarious as NGA’s mission. “A major part of my responsibilities,” says Murrett “is working with oversight, complying with guidance provided from DoD and the Director of National Intelligence, setting NGA’s priorities, and working the governance processes in place to ensure proper mission execution.” Murrett reports to both the Secretary of Defense and the Director of National Intelligence. “At the same time, running the agency is only one of the two hats that I wear,” notes Murrett, “I am also the functional manager for geospatial intelligence. I have responsibility across the Intelligence Community with the National System for Geospatial-Intelligence (NSG).” NSG is a unified community of geospatial intelligence experts, producers and users organized around the goal of integrating technology, policies, capabilities and doctrine to produce GEOINT in a multi-intelligence environment. As functional manager for the NSG, he provides strategic thinking, guidance and direction to the intelligence community concerning all aspects of geospatial intelligence.



“We have some very impressive collection systems and very impressive processing technology, but it’s really our personnel who provide NGA with its strategic advantage.”

“NGA’s number one focus is to look outward and be the most collaborative partner with the intelligence community and the warfighter.”

In 2008, President Bush amended Executive Order 12333, clarifying specific responsibilities and job descriptions for many top-level officials in the intelligence community. It also established the three functional manager roles, including Murrett’s NSG geospatial intelligence role. “I think,” declares Murrett, “it was probably the most important guidance we’ve gotten at the national level since the passage of the Intelligence Reform and Terrorism and Prevention Act (IRPTA) nearly five years ago.” According to Murrett, “it established clearly the structure of the three functional managers in the U.S. intelligence community, and filled in some of the blanks that existed—continuing the progress and the evolution that has taken place in the intelligence community.” More importantly, the directive called for components to work more closely and effectively with each other. This mandate requires ongoing collaboration and information sharing.

“The things we’re doing,” notes Murrett, “to advance information sharing and integration across the intelligence community involve a couple of different areas. First, we have integrated teams at a variety of locations around the U.S. and overseas, which reflects collective efforts—it’s about the people and the way that we bring them together. Second, I think the systems architecture we are putting in place—integrated IT across the community—reflects the importance of being more closely [aligned technologically.]” We also see this collaborative atmosphere with the advent of Intellipedia: an online system for collaborative data sharing on some of the most difficult subjects facing the U.S. intelligence community. According to Murrett, Intellipedia is one of the key tools to fostering this collaboration. It also appeals to the younger elements of the intelligence community. “I think,” admits Murrett, “that the younger members of our workforce are moving consistent with our direction: to have an integrated approach to a whole variety of problems in ways that have great promise for the future.” Intellipedia helps move this along while also fulfilling the calls for better collaboration.

“Technology,” declares Murrett, “is moving forward so quickly that I think it’s more a sense of opportunity than it is anything else.” He sees this opportunity directly enhancing his agency’s capability. “Processing technology is moving forward by leaps

and bounds. We’re harnessing that as effectively as we can,” says Murrett. He also notes the generational advances in storage media, which invariably assists NGA whose major focus involves the storing and studying of geospatial visual and data information. “I was recently in Iraq,” describes Murrett, “I came across what I describe as the three terabyte toaster. It’s a storage media device that is able to retain three terabytes of geospatial data. It’s about the size of a two slice toaster; it is something a couple of years ago we could never imagine.... This illustrates the tremendous opportunity we have as technologies are developed and deployed.”

Murrett acknowledges that many others rely on the work performed by NGA. NGA’s number one focus is to “look outward and be the most collaborative partner with the intelligence community and the warfighter.” Experience has shown that embedding personnel with its mission partners is the most effective way to ensure GEOINT is accessed, understood, and absorbed. In an era of unprecedented advances in information technology, the idea of an intelligence agency deploying analysts to sit alongside customers seemed to defy conventional wisdom. “Yet it has proven to be extremely valuable as our analysts sit side-by-side with our partners experiencing and living their battle rhythm,” notes Murrett.

“We have some very impressive collection systems and very impressive processing technology, but it’s really our personnel, who provide NGA with its strategic advantage. I think we’re going to do great things into the future,” declares Murrett. ■

To learn more about the National Geospatial-Intelligence Agency go to www.nga.mil



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Vice Admiral Adam M. Robinson, Jr., M.D.

Surgeon General, U.S. Navy
and Chief, Bureau of Medicine and Surgery

By Michael J. Keegan

Leading Navy Medicine into the 21st Century

The U.S. Department of the Navy's Bureau of Medicine and Surgery has a long and cherished tradition of serving and safeguarding the health of U.S. Navy and Marine Corps personnel. The Bureau plays a central role in the most effective joint casualty care and management system in military history, saving thousands of lives that otherwise would have been lost on the battlefield. "The Bureau of Medicine and Surgery, affectionately known as BUMED," says Vice Admiral Adam Robinson, U.S. Navy surgeon general, "has existed since 1842." He describes its mission as force health protection, which includes a fit and ready force, deploying with the warfighters, supporting the warfighter no matter what, and then taking care of eligible family members and retirees. "We practice patient and family-centered care," proudly asserts Robinson, "because we recruit individuals, but we retain families." Navy Medicine is capable of supporting the full range of operations from combat support throughout the world to humanitarian assistance. As a result, it needs to maintain a ready and fit force.

"I am the 36th surgeon general of the Navy, but I'm the 40th chief of the Bureau of Medicine and Surgery," notes Robinson. As the surgeon general, he acts as the chief medical advisor to the Chief of Naval Operations. "I am also the person that vets the medical policies throughout Navy Medicine that encompasses operational forces, active forces, and also eligible family members" He does this while leading an organization with a budget of approximately \$3 billion a year, a footprint that stretches the entire world, and approximately 59,000 people to make it successful. "We are involved in every aspect of naval operations," declares Robinson, "as we say 'from the blue side,' which means from the Navy ships; and also the green side, which is the Marine side—so it is a worldwide operation."

CAREER HIGHLIGHTS

- Commander, National Naval Medical Center/Chief of the Navy Medical Corps
- Deputy Chief of BUMED for Medical Support Operations
- Commanding Officer, U.S. Naval Hospital Yokosuka
- Acting Deputy Assistant Secretary of Defense for Health Affairs, Clinical & Program Policy

Combat casualty care for U.S. forces includes treating casualties while providing lifesaving interventions in an increasingly hostile environment with a reduced footprint. Navy Medicine plays a critical role in the joint theater trauma system. "We always speak of the golden hour," explains Robinson, "from wounding to definitive care. It's essential that we have a system that enables us to do it." For Robinson, the Forward Resuscitative Surgical Units provide this capability, placing surgeons, anesthesiologists, corpsmen, and nurses with the forces. "When wounded," explains Robinson, "we can provide resuscitative surgical care." According to Robinson, this is trauma surgery to salvage life and limb, stabilize the wounded, and with en route care, deliver them from the battlefield in as little as 48 hours. "In our present operations in Iraq," reports Robinson, "using this approach, we have the lowest mortality rate and highest survivability rate than any conflict—it's truly lifesaving." These advances in battlefield medicine have improved survivability rates so much so that many of the wounded being cared for today would not have reached military medical facilities in the past. In fact, the wounded-in action in-theater survival rate has been 97 percent, compared with 75 percent in World War II and 81 percent in Vietnam.



“We practice patient and family-centered care because we recruit individuals, but we retain families”

“Winning the peace means that we need to project soft power and probably one of the best ways to do that is via humanitarian assistance.”

“This is in the face of some very devastating and very lethal weapons, such as the use of Improvised Explosive Devices (IEDs),” declares Robinson. Each conflict comes with its own unique circumstances. Today’s conflicts in Iraq and Afghanistan are no different—they present some trying situations that require tailored responses. For instance, IEDs are largely responsible for what some have called the signature injury of these conflicts—traumatic brain injury (TBI). “TBI is an insult to the brain which is usually caused by a blast and a pressure gradient difference between the outside of the head and the inside of the head,” describes Robinson. It is a complex injury with a broad spectrum of symptoms and disabilities. According to Robinson, it is a rampant disorder that needs to be dealt with—a disorder that can be very subtle and difficult to detect. “We thought that only people who were unconscious [sustain] TBI. We’re finding that the state of consciousness is not necessarily a determinant. Distance from the blast itself may not be a determinant. It may be a variety of different things we need to consider as we make the TBI diagnosis. It’s one of those insidious disorders that careful diagnosis.” Navy Medicine is developing, implementing, and collaborating with other Navy and Marine Corps agencies to provide a comprehensive integrated continuum of initiatives that address TBI and the psychological health of service members.

Along with its response to TBI, Navy Medicine has focused on the mental health of its service members. Its Combat and Operational Stress Control (COSC) program, seeks to prevent, identify, and manage adverse combat/operational stress reactions. According to Robinson, however, operational stress control is not just a medical initiative. “It’s absolutely a leadership initiative. Leadership is important in order to de-stigmatize the need for mental healthcare.” The key to improving mental healthcare is to reduce the stigma associated with seeking help. Delays in seeking mental health services increase the risks of developing mental illness. Navy Medicine seeks to reduce the stigma associated with asking for help. Robinson recognizes the need for more psychiatrists, psychologists, and social workers. He has made a concerted effort to hire the right kinds of clinical professionals. “We are now competing,” says Robinson, “with the VA, the Air Force, and civilians for these licensed professionals.” For

Robinson, “there’s no higher priority than taking care of the men and women who have been wounded.”

Last June, Vice Admiral Robinson issued a new strategic plan, which outlined eight strategic goals. These goals serve as a framework for Navy Medicine, keeping its vision as a flexible, agile, capable force protector. It also ensures alignment with the 21st century Maritime Strategy, which calls for Navy Medicine to be globally engaged with allies, to support humanitarian missions, and respond to disasters. “The U.S. is beyond peer in terms of hard power. We also have to become good at winning the peace. Winning the peace means that we need to project soft power and probably one of the best ways to do that is via humanitarian assistance,” explains Robinson. The humanitarian assistance and disaster relief involve—a medical and engineering platform. “The Navy is particularly good at this as we have platforms with built in infrastructure. When the USNS Mercy or Comfort arrives, we have fresh water, we have electricity, and we have surgical capability.” As a result, some have said that Navy Medicine is at the heart of the U.S. Navy. “All medical care is local,” reflects Robinson, “It ends up being between a provider and a patient—it’s the nature of medicine.”

Vice Admiral Robinson has a passion for Navy Medicine and keeps its mission front and center. “I have the pleasure to serve with the greatest professionals: people who made my life and enriched it tremendously.” ■

To learn more about Navy Medicine and the Bureau of Medicine and Surgery go to navymedicine.med.navy.mil/



To hear *The Business of Government Hour's* interview with Vice Admiral Adam M. Robinson, Jr., go to the Center’s website at www.businessofgovernment.org.



To download the show as a podcast on your computer or MP3 player, from the Center’s website at www.businessofgovernment.org, right click on an audio segment, select Save Target As, and save the file.



To read the full transcript of *The Business of Government Hour's* interview with Vice Admiral Adam M. Robinson, Jr., visit the Center’s website at www.businessofgovernment.org.

“Against this backdrop, the current path appears unsustainable. For some, nothing but a fundamental transformation would have the necessary impact.”

Forum Introduction: Transforming Healthcare through Collaboration, Innovation, and Technology

Healthcare remains one of the most pressing issues facing us today. The U.S. healthcare system continues down what most experts have concluded to be an unsustainable path, mired by ever-increasing costs, inconsistent quality, and access pressures. The U.S. spends over \$2 trillion on medical care annually, which according to the Organisation for Economic Co-operation and Development (OECD), represents about 2.4 times the average of other OECD countries.¹ “Though Americans spend [more than] twice as much per person as citizens of other industrialized countries, their health status is no better and by many measures actually worse.”² In fact, some researchers estimate that as much as 30 percent of healthcare is not contributing materially to patient outcomes.³ As chronic illnesses such as diabetes, heart disease, and high blood pressure continue to grow, managing them places tremendous stress on an already overextended system. Over seventy-five percent of total healthcare dollars is spent on patients with one or more chronic conditions.⁴ This in the face of spending projected to double within the next decade, and some 47 million Americans currently without health insurance. Against this backdrop, the current path appears unsustainable. For some, nothing but a fundamental transformation would have the necessary impact.⁵

Today, calls for a more collaborative, innovative, and technologically focused healthcare system have found advocates. These calls recognize that any truly transformative dynamism must have specific goals—to improve patient outcomes, to improve access, to reduce cost, and to build a more efficacious paradigm of health and care. This way of thinking tries to be responsive to our current predicament, meeting the challenges faced today. To some, this requires a fundamental refocus: away from the traditional episodic, acute care model of healthcare towards a more patient-centered collaborative model of care delivery. “The limits of what can be measured and, above all, of what can be effected through human intervention reach deep into the realm of healthcare. Health is not something that can simply be made or produced.”⁶

Collaboration and innovation may lead us towards a more team-oriented, patient-centered model of care delivery. We see this today with the expanding use of Patient-Centered Medical Home (PCMH). The American Academy of Pediatrics (AAP) first introduced the medical home concept in 1967, having to do with a central location for archiving a child’s medical record. Today, the concept has evolved into an approach providing comprehensive primary care that is accessible, continuous, comprehensive, family-centered, and coordinated. This patient-centered care involves a substantive shift in the patient-physician relationship. “Doctors must be able to look beyond the ‘case’ they are treating and have regard for the human being as a whole in that person’s particular life situation.”⁷ Under this paradigm, patients also become more engaged in their personal health and care, working with their clinicians to manage chronic conditions and enhance well being. Doing this well requires the capability of managing, monitoring, and tracking care provided as well as the health outcomes of patients. This relies on the capability of monitoring and managing enrolled populations. Moreover, recent studies have shown the efficacy of coordinated chronic care management to improve outcomes and reduce costs.

The success of alternative care models such as Patient-Centered Medical Home rests on the widespread adoption of information technology for care management and quality improvement. Health information technology, or health IT, will play a significant role in the success of innovative care models. It is also a central component to building a healthcare system for the 21st century—in fact the backbone of a truly transformed healthcare system. Health IT incorporates a diverse set of technologies for transmitting and managing health information among various stakeholders. “It is,” says Dr. Robert Kolodner, former national coordinator for health information technology at HHS, “a necessary component in order to be able to reduce errors, improve quality, and produce greater value for healthcare expenditures.”⁸ Health IT has a number of core components. First, there is the electronic health record (EHR), which is a tool or a set of applications that providers can use to record clinical encounters, capture diagnoses, order meds or lab tests, and review lab results. There is the personal health record, which is an evolving concept and distinct from EHR. It captures a detailed history of a patient’s clinical and health encounters. The other components are standards (i.e., data, technical, and security) and a formal secure network for exchanging information. Arguably, it is this capability to exchange secure personal information over a network that represents the foundation of health IT. Though it holds great promise to improve quality, outcomes, and efficiency, health IT is no magic bullet.

Transforming healthcare will require much effort and a willingness to experiment with options. Active engagement, collaboration, and innovation will help to lead and shape this transformation. No single solution can solve such a complex problem, but the status quo seems untenable.

This forum highlights possibilities. It explores the progress between the U.S. Department of Veterans Affairs and the U.S. Department of Defense in sharing health information, advancing the use of electronic health records, and expanding the adoption of health IT nationally. It also examines the successful piloting of a Patient-Centered Medical Home initiative at the National Naval Medical Center. The forum closes with a discussion on the potential uses of wireless technologies in managing and monitoring chronic diseases while describing key barriers to expanding the use of wireless technologies to transform healthcare delivery.

Notes

¹ Organisation for Economic Co-operation and Development. 2006. *OECD health data 2006: Statistics and indicators for 30 countries (15th edition)*. Paris: OECD Publishing.

² Uwe E. Reinhardt, Peter S. Hussey, and Gerard F. Anderson, “U.S. Health Care Spending in an International Context,” *Health Affairs*, June 2004. <http://content.healthaffairs.org/cgi/content/abstract/23/3/10>

³ Elliott S. Fisher, David E. Wennberg, Therese A. Stukel, et al. “The Implications of Regional Variations in Medicare Spending. Part 1: The Content, Quality, and Accessibility of Care.” *Annals of Internal Medicine*, 138(4): 273–288, 2003. <http://www.annals.org/cgi/reprint/138/4/273.pdf>

⁴ Gerard Anderson, Robert Herbert, Timothy Zeffiro, and Nikia Johnson. *Chronic Conditions: Making the Case for Ongoing Care*, 2004. Partnership for Solutions (Johns Hopkins and Robert Wood Johnson Foundation).

⁵ Adams, Mounib, Pai, Stuart, Thomas, and Tomaszewicz. “Healthcare 2015: Win-win or lose-lose?” IBM Institute for Business Value. October 2006. <http://www.ibm.com/healthcare/hc2015>

⁶ Hans-Georg Gadamer, *The Enigma of Health*. Trans. Gaiger and Walker, Stanford University Press, Stanford, California 1996, p. vii.

⁷ Gadamer, p.43.

⁸ Michael J. Keegan, “Leading the National Health Information Technology Agenda,” *The Business of Government*, Spring 2008, pp.30-32. http://www.businessofgovernment.org/pdfs/BOG_Spring08.pdf

DoD and VA Partnership: Improving Healthcare through Shared Electronic Health Records

Today, electronic health records (EHR) and health IT offer promise for improving patient safety, reducing inefficiencies, and realizing healthcare cost savings. The U.S. federal government has been urged to take a leadership role to improve the quality and effectiveness of healthcare by promoting health records and health IT. Recently, the Obama administration dedicated about \$19.5 billion to expand the use of health IT. Though much remains to be done, we had an opportunity earlier this year to capture what has been done in this area thus far. We hosted a panel discussion for *The Business of Government Hour* with principals from the U.S. Department of Defense, U.S. Department of Veterans Affairs, and the U.S. Department of Health and Human Services to discuss progress in sharing health information and expanding the use of health IT.

The DoD and VA have come a long way in the areas of health IT, interoperability standards, and healthcare information shar-

ing. Both continue to work towards improving the exchange of medical information to best serve the country's active duty service members and veterans. They're also working with the National Coordinator for Health Information Technology in promoting the adoption of federal standards and broader use of electronic health records. This article is derived directly from the panel discussion transcript. All content is directly quoted and attributed to key participants. The article seeks to define key concepts, provide important information and background, and highlight progress to date. The information provided in this article is a snapshot in time.

[Editors Note: Key participants were Dr. Steven Jones, then-Principal Deputy Assistant Secretary for Health Affairs at the DoD; Dr. Gerald Cross, Principal Deputy Undersecretary for Health at the VA; and Dr. Robert Kolodner, then-National Coordinator for Health Information Technology at HHS.

Health IT and the Electronic Health Record

———— Dr. Kolodner ————

An electronic health record (EHR) is the component of health IT that's most well known. There are several other important pieces as well. When they're used together effectively, health IT enables us to manage the vast amount of health information in a more efficient and useful manner—increasing our ability to deliver patient-centered healthcare and improve population health.

The bottom line is that health IT is necessary to achieve not only healthcare reform, but our goals for real change: improving the health and well being of individuals and communities across the country. There are five categories that together make up health IT. The first three of these are applications: the electronic health records or EHR; the personal health records (PHR); and other applications that comprise population health systems and tools, including public health, biosurveillance, quality improvement, and research. Categories four and five

Special Edition of The Business of Government Hour
A Conversation on Health Information Sharing



that make up health IT are more technical in nature. The fourth category consists of a variety of data, technical and security standards and the fifth category is a robust interoperable, secure nationwide health information network.

———— Dr. Jones ————

Health IT enables the comprehensive management of medical information and provides a secure exchange between healthcare consumers and providers. We believe health IT will help, improve healthcare quality; prevent medical errors; reduce healthcare cost; increase administrative proficiencies; decrease paperwork; and expand access to affordable care.

DoD's Electronic Health Record—AHLTA

———— Dr. Jones ————

The American Health Information community defines EHR as an electronic record of health related information on an individual that can be created, managed, and consulted by authorized clinicians and staff across more than one healthcare organization. AHLTA is the military's electronic health record. Two major points: AHLTA is currently outpatient focused; and secondly, it also is very helpful in the area of health surveillance.

AHLTA generates, maintains, stores, and provides secure online access to comprehensive patient records, accessible

from military treatment facilities across the globe. With worldwide deployment beginning in January 2004, AHLTA has become a key enabler of military medical readiness. It supports uniform, high quality healthcare promotion and healthcare delivery to more than 9.2 million military health system beneficiaries. The use of AHLTA continues to grow at a significant pace.

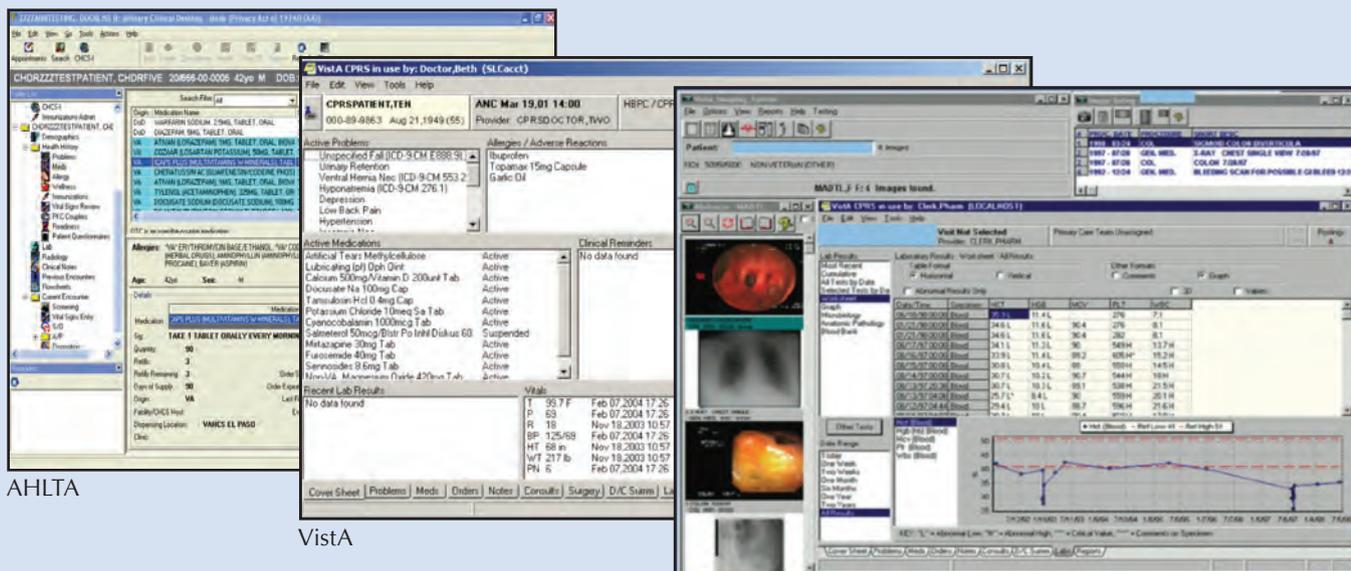
Today, AHLTA has processed over 96 million outpatient encounters, with an average of over 91,000 patient encounters per workday. It's being heavily used by providers in the battlefield. By facilitating the worldwide delivery of healthcare, AHLTA assists our physicians in making informed healthcare decisions and operational and resource allocation choices. In addition, AHLTA Theater supports forward deployment, mobile medical units and has the ability to synchronize patient's health information to their life-long electronic medical record.

VA's Electronic Health Record—Veterans Health Information Systems and Technology Architecture (VistA)

———— Dr. Cross ————

The VA's electronic health record—the Veterans Health Information Systems and Technology Architecture, known as VistA—is an integrated system, used throughout the VA at

Views of Electronic Health Records



approximately 1,400 sites. It [accommodates] both inpatient and outpatient [health information].... We don't have outpatient records and inpatient records. We have one record that incorporates [both types of data].

Developed in the 1970's, [VistA] is really an electronic health record designed for clinicians by clinicians, and that's why it has achieved high satisfaction among our staff. It also has a high satisfaction among the many thousands of students who train at the VHA each year. It plays a [vital] role in transforming veterans' medical care. We no longer have to waste time looking for lost records as [occurs] in a paper-based system. This promotes both quality of care and avoids the re-ordering of tests. Actual X-ray images can be viewed in VistA. Blood pressure results, rather than being presented as a series of numbers, can be seen as a graph showing changes over time. All of the patient's medications are listed. This allows us to provide higher quality care by giving the physician information that is far more usable. As an integrated system, if a veteran travels from one part of the country to another, wherever he or she goes a VA medical facility can open the veteran's VA medical record.

Comparing VA and DoD Electronic Health Record with National Efforts

———— Dr. Kolodner ————

VA and DoD, as well as Indian Health Service, are some of the earliest healthcare delivery systems in the U.S. to routinely use electronic health records. To be fair, there are a few notable healthcare facilities in the private sector that were early pioneers, but VA and DoD were among the very first to use it at hundreds of healthcare facilities, including inpatient, outpatient, and long-term care facilities. Even today, few other organizations in the world use EHR's as extensively and routinely as the providers at DoD and VA healthcare sites.

Benefits of a Fully Operational Electronic Health Record

———— Dr. Kolodner ————

I'd like to highlight five key benefits of a fully operational EHR. As clinicians, we're able to deliver better care because we are able to focus on prevention—not just respond to the onset of chronic illness, or to a particular acute complaint. Second, I think most of us have multiple clinicians. You [can seek care at] multiple sites that need to be coordinated. We can provide improved coordination of care because [EHRs] eliminate those barriers to coordination across multiple sites. Third, we're able to provide more convenient care for

Electronic Health Records: Transforming the Way Healthcare is Delivered



the patients by allowing widespread use of telecare and telemonitoring, so they don't have to come to the facility to get care. This is a way that we maintain a patient's health remotely. Fourth, patients are able to proactively participate in their care through the use of personal health records. Fifth, EHRs enable us to provide higher quality care consistent with the Institute of Medicine's six characteristics of quality care: that it is safe, timely, effective, efficient, equitable and patient-centric.

———— Dr. Jones ————

The EHR benefits both clinicians and patients by improving the coordination of care.... This has been very important as we have addressed aggressively over the last several years the coordination of care of wounded warriors—many being severely and critically ill. This has been a joint effort where DoD and VA have worked very closely together, trying to ensure that we're meeting those needs for continuity of care and quality care for [our wounded warriors].

———— Dr. Cross ————

I'll give you a couple of examples in which VA's electronic health record is being used very creatively to enhance the quality of care.... We have set up a radiology reading center in California. If a radiologist in one of our facilities across the country is on leave or vacation, [the reading center] can

[fill in] and keep up the pace. The images are transmitted immediately and the reading comes back just as fast as if it was read locally.... Our Bar Code Medication Administration (BCMA) project is a unique tool; it helps us eliminate medication errors. It eliminates the error at the point of administration.... On the other end of the process, our electronic ordering of medications by the doctors and other clinicians helps to [further] prevent errors—sometimes reading a doctor’s handwriting can be a bit difficult, but with our electronic system, you don’t have to worry about that.

Also in the aftermath of Hurricane Katrina, thousands of our patients were evacuated. Despite that, our patients’ records were fully accessible to VA providers throughout the nation. Patients relocated, temporarily or permanently, were able to receive proper healthcare and medication refills.

The Importance of Interoperability

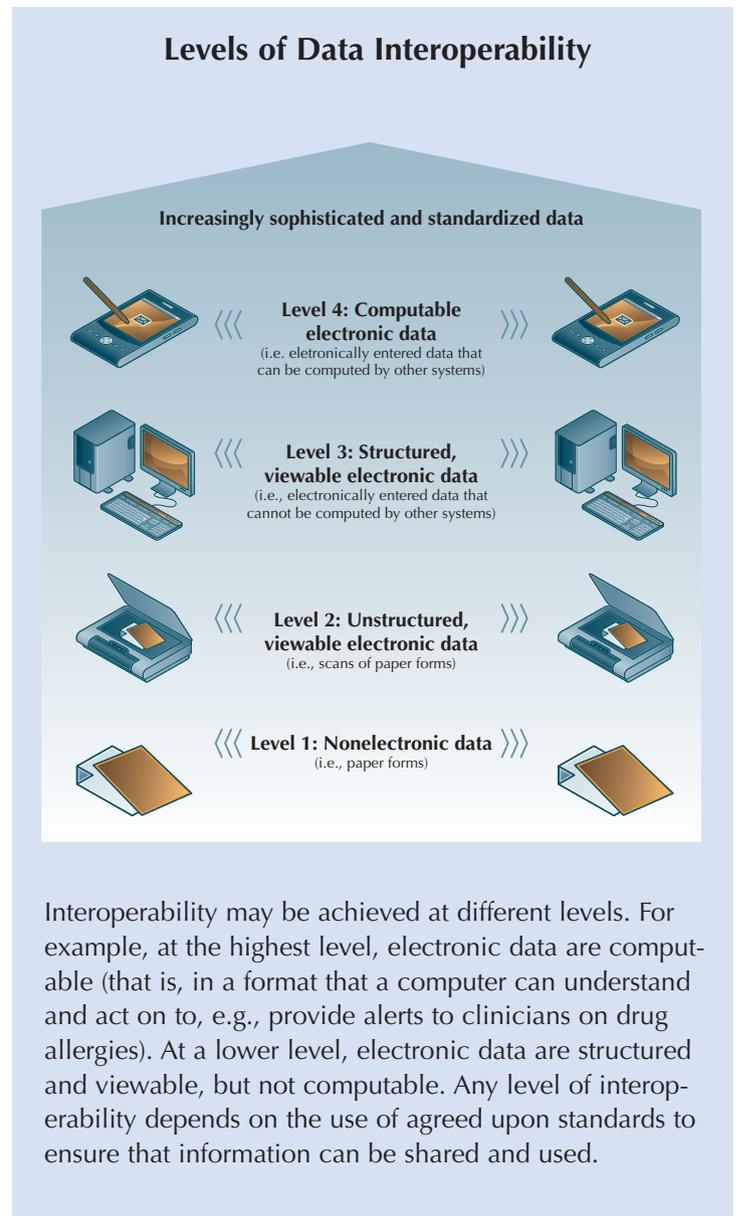
———— Dr. Kolodner ————

I want to emphasize the importance of having these health IT tools be interoperable. Interoperability is the ability of two or more systems or components to exchange information and to use the information that has been exchanged. Interoperability unlocks the power of health IT, enabling the potential benefits that this technology offers.

———— Dr. Jones ————

The VA and DoD are guided by standardization levels developed by the Center of Information Technology Leadership (CITL), which provides an analytical framework for defining interoperability. CITL defines four levels of [interoperability at which] healthcare information exchange can take place. [These levels] reflect the amount of human involvement, the sophistication of information technology, and the level of standardization. Level 1 is non-electronic data exchange which we all use everyday: mail and telephone; Level 2 is machine transportable, such as faxes and scanned documents.... Level 3 involves the transmission of structured messages containing non-standardized data. Level 4 is [structured messages and standardized content], an exchange of information and standardized data that uses the same structure and in vocabulary. [Though it may] sound fairly simple, when you talk about the thousands of pieces of information to be exchanged it becomes a very complicated process.

Interoperability is based on DoD’s and VA’s mutual understanding of shared information, and we use provider groups in both organizations to help us focus and prioritize what information we need to share electronically.



———— Dr. Cross ————

I think the first [reason interoperability] is so important is that our [VA] patients used to be their [DoD] patients. The second thing about interoperability is that our clinicians are making the decision about what’s most important, what to focus on, and what we really need [to exchange]. I think you could argue that not [all data] must be computable in our health record. We use a board called the Interagency Clinical Informatics Board (ICIB) [to identify specific data needs]. It has stated that not all of the information is to be shared at the highest level of interoperability. Often, just viewable text is very helpful in making decisions about medical care.

Clinical Information VA and DoD are Sharing

———— Dr. Jones ————

On separated service members, DoD is providing VA one-way historic information on a monthly basis, through what we call the Federal Health Information Exchange (FHIE). This is information VA needs as a veteran approaches VA for healthcare or for benefits. It's a long list of information, for example, such as lab results, radiology reports, outpatient information, and allergy information. As of November 2008, we [DoD] transmitted messages to the FHIE data repository on more than 4.6 million unique retired discharged service members.

As Dr. Cross said, we're treating the same individuals just at a different time.... For patients who are treated both by DoD and VA, we share real-time health information through the Bidirectional Health Information Exchange (BHIE). [It permits

VA and DoD clinicians to view electronic healthcare data from each system. BHIE is implemented at select DoD military facilities and at all VA medical facilities.] In most cases, when Congress thinks [about] interoperability this is what they're thinking [about]—real-time data sharing.

We are also sharing two-way enterprise computable data through DoD's clinical health data depository and VA's health data depository.... As of November 2008, we've exchanged computable pharmacy and medication allergy data on approximately 25,000 patients. DoD also electronically sends radiology images and scanned medical records for the severely wounded and injured service members transferring from one of DoD's three major trauma centers—Walter Reed, Bethesda and Brook Army Medical Center—to one of VA's four main polytrauma centers located in Tampa, Richmond, Minneapolis, and Palto Alto.

Challenges and Barriers to Interoperability

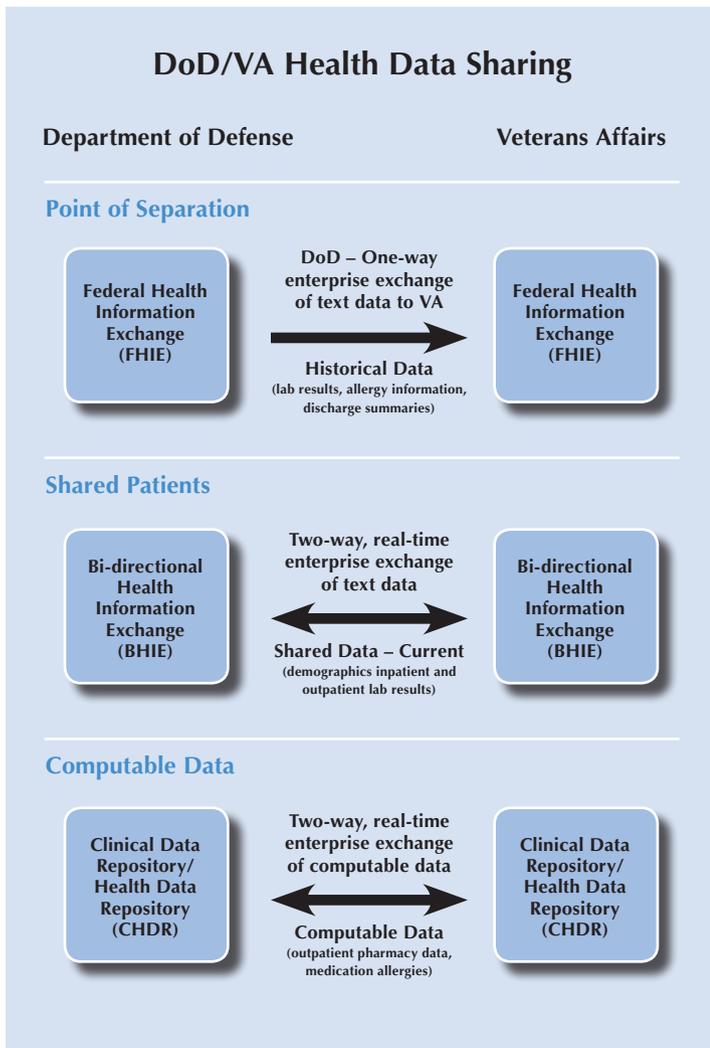
———— Dr. Kolodner ————

[Standards are essential to interoperability.] In some cases, [it is] the absence of standards. In some cases, [it is] the reverse of that—too many standards. We need to be able to use the same standards, and have the term mean the same thing in two different systems. In the private sector, there's a lack of incentive to share the information. I think this may be one of the areas that the new administration is looking at: how to incentivize health information sharing. As compared to VA and DoD, the use of electronic health records remains very low in the private sector. The final thing, again, more of a challenge in the private sector than the public sector, is the absence of a patient identifier on a nationwide basis.

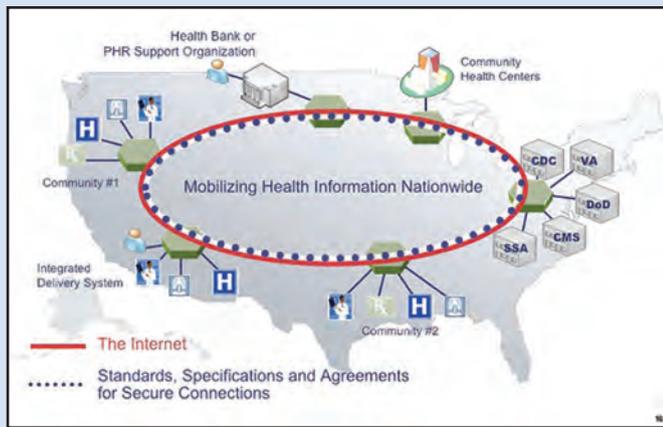
The National Health Information Network (NHIN)

———— Dr. Kolodner ————

The Nationwide Health Information Network (NHIN) is an ambitious and exciting initiative that will create a virtual health information highway. It seeks to provide a secure nationwide interoperable health information infrastructure, operating across the Internet. The information highway will link together individuals and organizations that support and advance health and healthcare. These include providers and consumers, pharmacies and laboratories, public health agencies, and researchers. NHIN is a key part of the National Health IT agenda. Its capabilities will enable health information to follow individuals, consumers, and make it more accessible for clinical decision support. It supports the appropriate use of health information—beyond direct



The Nationwide Health Information Network



patient care—to improve the health of individuals and communities. As participants in a cooperative with 16 private sector entities and several other federal agencies, VA and DoD have been among the most energetic and committed participants. Together with these other organizations, they are working to define and test the set of standards, specifications, and agreements necessary to create this nationwide health information network. In 2009, the NHIN comes online and begins to exchange live data among organizations that are ready, willing and able to exchange the health information using the NHIN specifications and standards. We fully expect that VA and DoD will be among those that will be using the NHIN.

Governance and Coordination

————— Dr. Cross —————

The Interagency Program Office (IPO) serves as a coordination and management oversight body, but is not charged with the execution of interoperability projects. It is chartered as a joint VA and DoD body responsible for the management and oversight of the health information technology projects. The activities related to the requirements, development, and acquisition remain with each department. IPO is also responsible for ensuring that the departments maintain the strategic direction. It seeks to ensure that interoperability is achieved: managing that strategic blueprint that identifies future initiatives. Many of which are not yet funded, but had been identified for the purpose of providing clear strategic direction.

Going Forward

————— Dr. Kolodner —————

This is really a unique time. There's a real alignment in our understanding that we have to succeed with health IT.... Most importantly, we need to make sure that we keep it front and center—that this is not about technology. It is about using technology to advance the health and the well-being of this nation.

I think it's right that the first groups that benefited from the pervasive use of health IT have been those who've put their lives on the line for the nation—service personnel and veterans. I think now is the time for us to leverage those investments to help spread the adoption of health IT/EHRs, so to benefit everyone in the nation.

————— Dr. Cross —————

Our veterans have earned their healthcare through their sacrifice. We are absolutely committed to providing the best healthcare that we can. The tools we've been talking about can be used very effectively to further our goals. We're absolutely committed to doing that while continuing to work with DoD to make sure that we provide the best healthcare we can [to service personnel and veterans].

————— Dr. Jones —————

I hope that our discussion has demonstrated our commitment to working together to ensure that we provide the highest quality of care for those who are most willing to serve our great nation. ■

Postscript

On April 9, 2009, President Obama announced a plan to create a Joint Virtual Lifetime Electronic Record for U.S. service personnel, saying, "The Department of Defense and the Department of Veterans Affairs have taken a first step towards creating one unified lifetime electronic health record for members of our armed services that will contain their administrative and medical information—from the day they first enlist to the day that they are laid to rest." Much of this effort will no doubt rest on what has thus far been accomplished, and outlined in this article.

Bringing Patient-Centered Medical Home to the U.S. Navy

In response to mounting healthcare challenges, fundamental changes are taking place in the way care is administered today. Patient-centric approaches are evolving and defining treatment and operational policies. These approaches are made possible by advances in technology, but are also driven by market forces and societal needs. The Patient-Centered Medical Home model is one of these key innovative approaches being pursued.

Earlier this year, we had the opportunity to discuss the use of the Patient-Centered Medical Home at the U.S. National Naval Medical Center with Lt. Commander Sunny Ramchandani, staff physician at the Medical Center.

National Naval Medical Center (NNMC)

The National Naval Medical Center, we affectionately call it NNMC, in Bethesda is truly one of the most remarkable places I've ever been to—it's a remarkable place to deliver healthcare. It was first founded in the late 1930s by President Franklin Delano Roosevelt. [President Roosevelt laid the cornerstone of the Tower on Armistice Day, November 11, 1940.] Since then, it has been providing care to sailors, Marines, and in recent years to airmen, to soldiers, and even Coast Guard personnel. [In the 1970s], there was a major expansion of the hospital into a larger in-patient facility. It now totals 500 in-patient beds.

In 2005, another big development happened with the Base Realignment and Closure initiative. Scheduled to open in 2011, the Walter Reed Army Medical Center will be integrated with the NNMC to become the Walter Reed National Military Medical Center.

I serve today as a staff physician in the Internal Medicine Department, under the leadership of Dr. Kevin Dorrance who's our department head. In that capacity, I also serve as the training officer for our Internal Medicine Residency Program. I am [also] the project manager for the Medical Home Project, which we're now implementing at the National Naval Medical Center.



Lt. Commander, Sunny Ramchandani, Staff Physician, NNMC

Patient-Centered Medical Home Model

I think to really understand the Medical Home model today, and specifically, its use [in NNMC], we should highlight about how healthcare was originally delivered. Back in 1709, a doctor in America used to pick up his bag and walk to see a patient. He would walk around with a few tools, not too many medications. In 1809, surgery became more prominent. Over the last 100 years, we have [delivered care based on an] acute care model. A patient came to the doctor for whatever condition it may be—diabetic complication, maybe a heart attack, maybe an orthopedic injury—and the doctor would treat the patient, simply put. [In our country], our reimbursement mechanism was built on this model.... In the last 100 years however, medicine has changed—no longer [solely] an acute care model. We started to create a disease-centric model.... In the last 20 or 30 years, we've said that's probably not the best way to deliver care either. Instead, we needed a wellness/chronic [care] model—it's no longer one

Patient-Centered Medical Home—Providing Continuous & Comprehensive Healthcare



doctor seeing one patient at a time. What you do is you have an entire team taking care of an entire population of patients. That's one of the biggest premises of the Medical Home model. It's the foundation of the Medical Home model, originally envisioned in the late 1960s by the American Academy of Pediatrics.

Seventy percent of our healthcare costs today are due to chronic healthcare needs—not acute care needs. Today, the Medical Home model takes a team of healthcare professionals and takes care of an entire population. The Medical Home tries to push us forward into the future and have us deal with the medical issues that we're facing today.

At NNMC we feel we can be a prototype. We're uniquely positioned: we're not reimbursed on that acute care model as our private [sector] colleagues.... Over the last year and a half, Dr. Kevin Dorrance, our department head and the visionary for this project, and I have developed a plan, received funding about \$1 million to 2 million, and formed Medical Home teams at NNMC. Creating a structure where

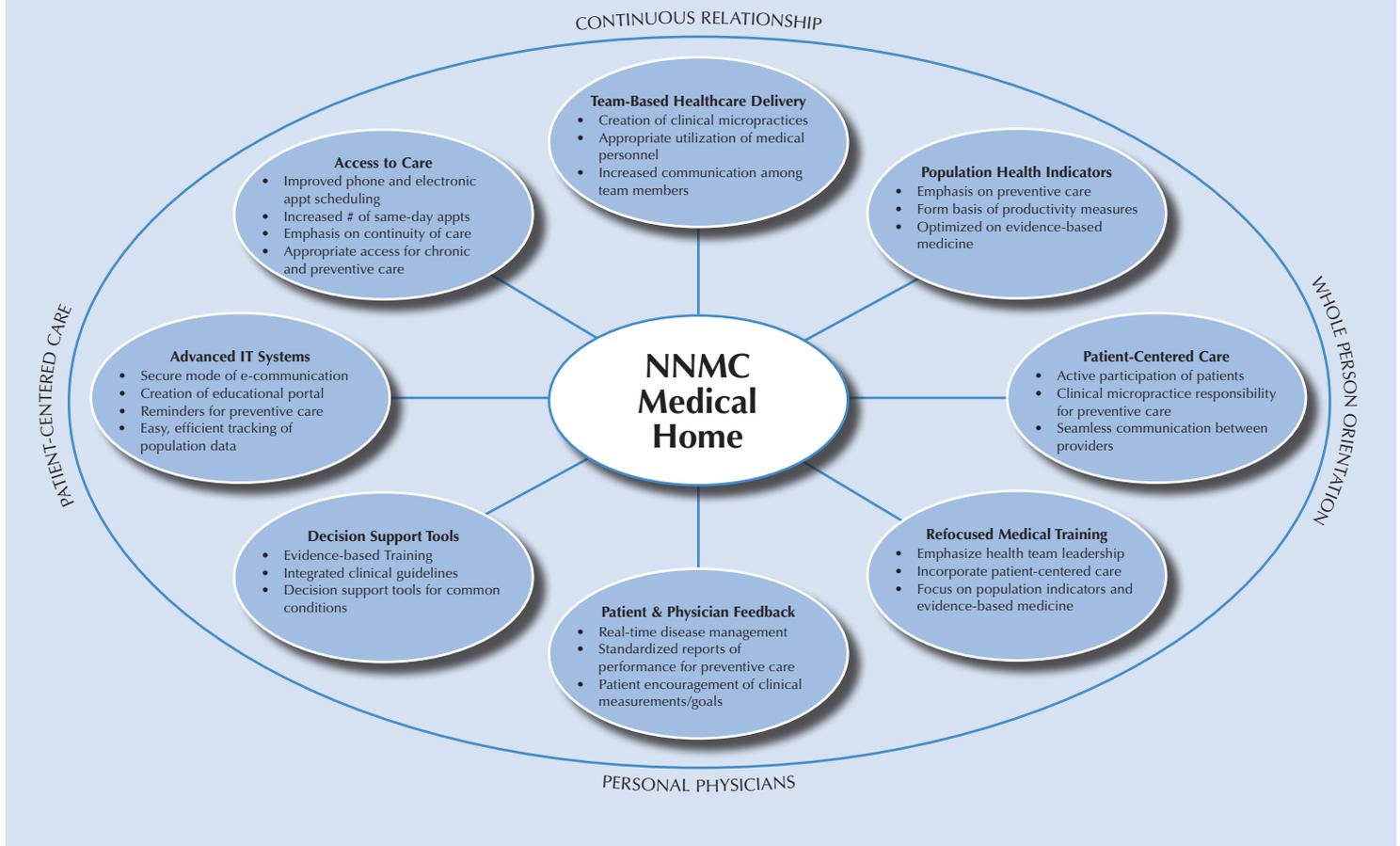
the team is responsible for its patient population. We've [also] started to use an integrated IT solution to start tracking our patient outcomes. Let's see how we're doing with our mammogram results, our colonoscopy results, and track that individually by provider—measuring our providers based on how well they're taking care of their population.

[Medical Home] will enable us to improve the health of our population, drive the down cost of healthcare, and importantly, improve access and satisfaction. It's what we hope to do with the Medical Home model over the next couple of years and into the future.

Shifting the Patient and Doctor Relationship

I'll just take myself as an example. Many primary care providers will probably be able to relate to this. Let's say I have 500 patients in my panel or 500 patients enrolled to me or assigned to me, however you'd like to define it, in the private or the public sectors. Who do I get to see as a physician? I

NNMC's Patient-Centered Medical Home Framework



see the people who come to see me. The people who don't see me, I don't even hear from them.

Of my 500 patients maybe I see about 200 patients. The other 300, I never see. Eventually, I will when they get really sick, but then it's too late. They're going to come in now much sicker and worse off. The costs are going to increase because my patient will need more care. It's just not good. This is not good for us ethically, morally, or for our population at large. The [Medical Home] model actually changes the way [we provide care]. It says, "Let's take care of a population as a whole and let's proactively manage that [population]." We can't do that episodically with just one physician. In the Medical Home model, the physician is a member of a team that [proactively cares for a population as a whole].

Unlike the traditional episodic care model, the Medical Home model [requires physicians to reach out] to their patients. We go out there and we take care of patients as a whole. We'd [actually] call up the other 300 patients in my panel and say, "Hey listen, you need to get your colonos-

copy, your cervical cancer screening, your mammogram. How's your diabetes doing?" We actually bring those patients back into the hospital if necessary. Depending on how their individual healthcare needs [can be] met.

In the Medical Home model, we stop being so concerned about patient encounters. Today's healthcare can be done on the phone, or even more into the future, over a personal health record, or a secure based messaging system. We don't have to have patients come in all the time. The Medical Home model tries to push to a future to where [we can] take care of chronic diseases better.

Benefits of the Medical Home Model

As a physician, the patient comes first. Under the Medical Home model, the benefits for the patient are improved access and better coordination. [Patients are] going to have improved access to their primary care provider. Tomorrow, if you or I get sick you're probably going to have to wait a couple of days. That's not what patients want. They want to be

able to see their doctor that day, that moment when they're really sick. One of the benefits of this team-based approach is improving access.

We're reimbursed on taking care of the population and improving satisfaction—not on the number of encounters. If a patient now needs to see a cardiologist, a pulmonologist, and a gastroenterologist, then who coordinates that? You will have that healthcare team, that Medical Home team able to communicate with the cardiologist, the gastroenterologist, or the pulmonologist to coordinate the care. We're improving the coordination, decreasing cost, and improving satisfaction for the patient.

A third benefit is improved health outcomes and self-disease management. We really need to involve patients in their care, and that is one of the fundamental aspects of the Patient-Centered Medical Home [model]. We need to educate them on the things that they need to do. We need to make sure that they're able to monitor themselves appropriately and educate them about their disease or condition. Partnering with [the patient], giving them some of these

management tools, giving them the staff members to help educate them is another huge benefit of the Patient-Centered Medical Home.

On the physician side, there's a huge benefit. It used to be a physician could actually spend the time with the patient and wasn't so rushed. We can actually talk to the patient and develop that physician-patient relationship. [The Medical Home] model allows that to happen once again. It allows for better patient outcomes. [We're] going to be able to see how patients get better over time. I think there's going to be an improved physician satisfaction with the system. Physicians will begin to be rewarded and reimbursed for providing good, coordinated care.

Defining Success for the Medical Home Model

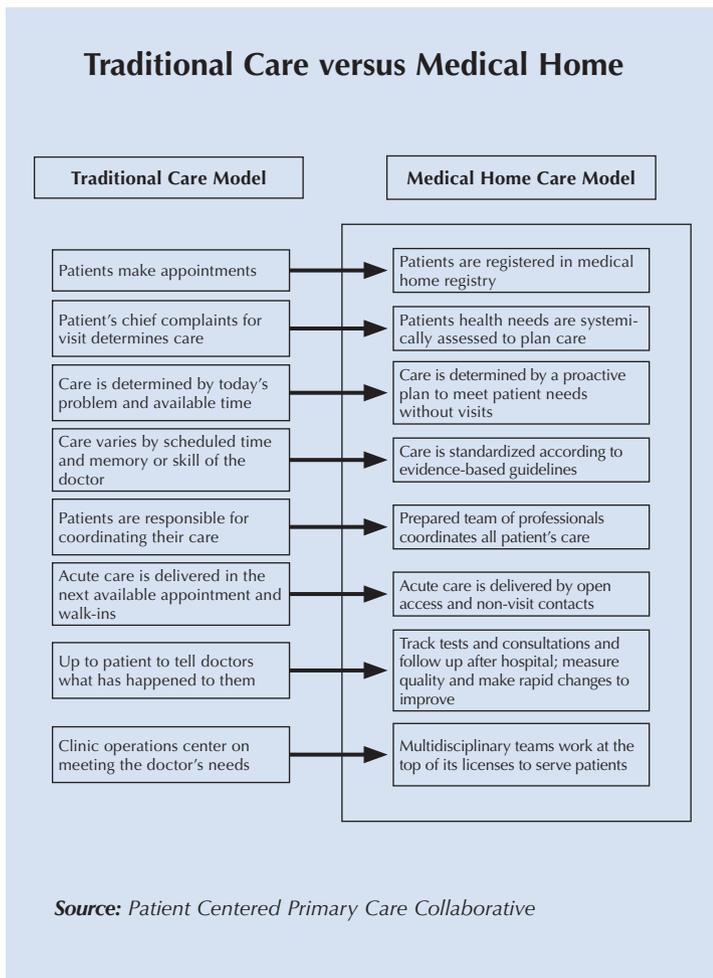
We're looking at three big factors. How do we improve the healthcare quality and measuring that by saying, "Have we gotten better on our preventive care? Have we gotten better on our chronic care disease markers? Have we gotten better in terms of preventing patients from going into the emergency room or preventing them from going to the primary care side?"

Another way that we're actually measuring our success is through cost, which is going to take us a couple of years. The Medical Home model requires an initial investment in terms of staff and IT solutions. We hope to see the return on that investment over the next five to 10 years as we actually improve our quality and drive down healthcare cost.

We're [also] measuring access/satisfaction. How often are patients able to see their primary care team as compared to the past? How satisfied are they with the model? We think that those two factors will increase significantly under a Patient-Centered Medical Home, while [we're also trying to] decrease cost and improve quality.

[To date] we have gotten tremendous feedback over the last eight to nine months. They love the ability to be able to see their primary care provider at the drop of a hat, if necessary. Paradoxically, we've actually had patients come in less often. They actually have better access to their physicians now by being able to talk to them over the phone. The number of patient encounters has actually gone down. They love the one-on-one relationship, which they had such a difficult time obtaining in the past.

We've seen a tremendous uptake in our preventive disease measurements. Colonoscopy screening rates and several cancer screening rates, mammograms, all of them have gone



up over the last eight to nine months because we've actually had the team to begin to make that happen. Our diabetes markers have all improved as well.

Medical Home and the Use of Health Information Technology

Health IT is absolutely critical to the optimal functioning of the Patient-Centered Medical Home. We need to make sure that we have an integrated IT solution that allows a free flow of information, in a very secure way. [It will allow] the patients to be much more involved in their care, allow physicians, and the medical team to better manage their patients. On the patient side, it is the importance of having an integrated personal health record where the patients can learn more about their disease states, can be actively engaged, and provide information back and forth. I think that health IT is critical for us to push the frontier of medicine to the 21st century—to decrease cost, increase satisfaction, and increase health quality.

Establishing the Medical Home Patient Advisory Council (PAC)

Truly integrating the views of patients in the delivery of their own healthcare has demonstrated improved health outcomes. At NNMCM, we've started what we call the Patient Advisory Council (PAC). We have a group of volunteer patients who have come in once a month to help develop enhanced processes in the way we deliver care. We actually need patients to actually tell us, "Well, I really want to see this, this, this on my disease state," or "I really want to be able to communicate with my doctor this way," or "I really want to be able to leave a message at 12:47 a.m." Whatever the request that patient wants, we actually need to take that into account as we develop our enhanced processes. Now, I'm not saying that whatever a patient demands, we're going to be able to provide. There are definitely limitations on what we can do, but [the patient's] viewpoint is critical in developing a better model for healthcare delivery. Time and time again, it has been shown that if we can get patients involved in their healthcare, they are the ones who'll drive improvements.

National Naval Medical Center Bethesda, MD



U.S. Navy photo by Chief Warrant Officer 4 Seth Rossman.

Looking Forward

We're always trying to find innovative ways to provide the best healthcare. The Patient-Centered Medical Home concept has been championed by a lot of innovative thinkers around the country, some of the folks at the Institute for Healthcare Improvement (IHI) as well as the Primary Care Collaborative have championed this idea. We don't need to measure how many times someone comes in and sees you. We actually just want to see how healthy people are, which should be the ultimate goal of measuring the healthcare system. The drive is to get your population to be healthier. ■

The Role and Use of Wireless Technology in the Management and Monitoring of Chronic Diseases

Insights outlined in this article are adapted from the Center report, “The Role and Use of Wireless Technology in the Management and Monitoring of Chronic Diseases” by Elie Geisler and Nilmini Wickramasinghe from the Illinois Institute of Technology (Washington, DC: IBM Center for The Business of Government, 2009).

Introduction

For over two decades, government agencies at all levels have been grappling with the challenges of the healthcare delivery system (Bush, 2004; Geisler and Heller, 1998; Geisler et al., 2003; Institute of Medicine, 2001). Issues of upward-spiraling costs and declines in quality, access, and availability to the citizenry have been constant and perplexing public problems.

The numbers and trends are alarming. Healthcare delivery costs are approaching 16 percent of the gross national product and they are climbing. Over 45 million Americans are uninsured or underinsured. Municipal, county, and state governments are increasingly overburdened by the onerous tasks of providing care for the underserved segments of their population and keeping up with the rising demands of providing affordable and available care to their populations (Centers for Medicare & Medicaid Services, 2007; Rachlis, 2006; Ramani et al., 2008).

In the twenty-first century, chronic diseases have replaced infectious diseases as the top global causes of deaths and morbidity (Centers for Disease Control and Prevention, 2006; Zimmet, 2000; Zuvekas and Cohen, 2007). Noncommunicable diseases—such as cardiovascular disorders and strokes, respiratory illnesses such as asthma, arthritis, and diabetes—now account for more deaths, and for a disproportionate burden on healthcare budgets of governments, than infectious diseases such as tuberculosis, HIV/AIDS, and malaria. This trend is magnified by the demographic realities of this century. The aging of the population and the increased longevity of major segments of the American population are key contributors to the emerging picture of a crisis in the delivery of health services. More patients afflicted by chronic diseases will continue to be

a burden on the embattled healthcare delivery system (Windrum, 2008; Wickramasinghe and Geisler, 2008).

In the wake of the search for short- and long-term solutions to the impending crisis in healthcare delivery, the utilization of technologies seems to be a promising and practical alternative. This is particularly viable in the application of information and communication technologies (ICT) to both the clinical and the administrative modes of healthcare delivery (Christensen and Remler, 2007). Known as “e-health,” “telemedicine,” or “telehealth,” this fast-growing aspect of care encompasses the use of telecommunication, wireless, and similar technologies in the management of healthcare—from diagnosis to treatment and follow-up—when providers and patients are located across distances.

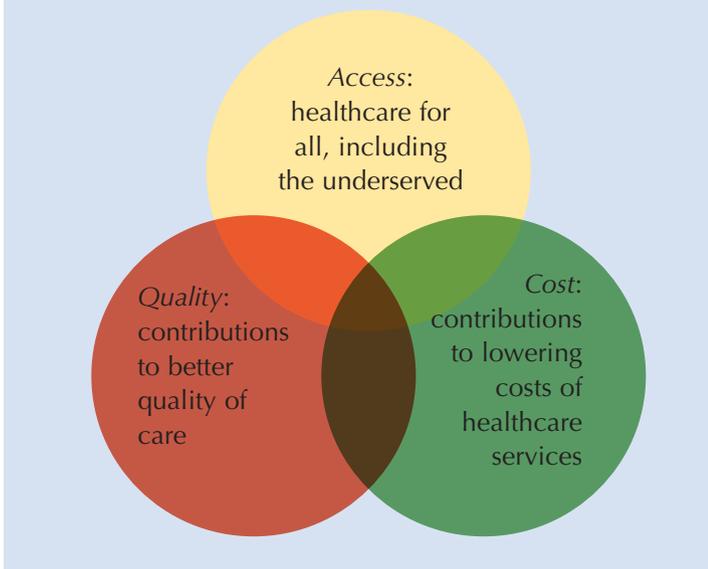
Scope of the Problem

Today, public health agencies at all levels of government are faced with the challenge of delivering healthcare services to a population that is becoming older and increasingly suffering from various chronic illnesses (Thrall, 2005; Wickramasinghe, Geisler et al., 2005). How can this challenge be addressed, and are there feasible solutions that would help providers and payors to serve the public?

Telemedicine and wireless technologies are partial solutions to this healthcare crisis (Caduano et al., 1995; Tan, 2008). A substantial literature already exists that describes the uses and potential benefits from these technologies for the delivery and outcomes of care in general, and chronic diseases in particular. The next section of this report reviews this literature. The issue is not whether agencies responsible for healthcare should implement such technologies, but how these agencies should best apply them (Blount et al., 2007; Saxena et al., 2003).

Telemedicine and wireless technologies have been shown to positively contribute to the betterment of healthcare delivery. Figure 1 describes the benefits in terms of improved access, cost, and quality—the three key issues of the crisis in healthcare services.

Figure 1: Contributions of Telemedicine and Wireless Technologies to Healthcare Delivery



The use of telemedicine has been extensive in diagnosis and treatment. Wainwright and Wooton (2003) estimate that about 45 percent of telemedicine applications occur in diabetes cases, 15 percent in hypertension cases, 11 percent in cardiac and pulmonary disease cases, and 3 percent in asthma cases. But the utilization of telemedicine in these chronic diseases lags behind its potential and promise. As shown in Figure 1, the application of telemedicine and wireless technologies can produce substantial benefits. The problems of utilization are anchored in concerns and barriers to its implementation (Chan et al., 2002; Kumar and Krupinski, 2008; Norris, 2002; Saxena et al., 2003). The barriers, described in the next section, can be classified into four main clusters: technical, behavioral, managerial, and financial.

Cost, access, and quality of care are pressing issues that alarmingly tax the resources of these agencies. With chronic diseases increasingly absorbing a growing portion of these resources, it is easy to see that the magnitude of the problem is such that the contributions of telemedicine and wireless technologies would be most welcome (Darkins and Cary, 2000; Lamprinos et al., 2006; Wooton et al., 2006).

Understanding the Application of Telemedicine

Key Issues

For over twenty years, there have been numerous applications of telemedicine in healthcare delivery. In diagnostics and therapeutics, wireless technology has incrementally extended its reach to various medical specialties such as

radiology, cardiology, home care, and chronic diseases (Dias-Buxo et al., 2003; Jennett and Watanabe, 2006).

Four key issues emerge in the relevant literature on telemedicine applications. The first is the set of challenges to implementation. This includes the rationales, processes, and methods of implementation of telemedicine and wireless technologies. Researchers have studied ways to better apply these technologies by asking how to match telemedicine technologies to clinical needs and how to overcome the barriers to successful application (Bierman et al., 2002; Kirsch et al., 2007; Moore and Wesson, 2002).

The second key issue is the cost-effectiveness of the application of telemedicine. Researchers explored the economic aspects of telemedicine to determine whether its implementation provides outcomes commensurate with the costs. For example, is the cost of installing telemedicine technologies throughout a hospital and in satellite facilities a viable expenditure? Is the cost of accessing clinical data anywhere worth the effort of installing, maintaining, and managing these technologies (Darkins and Cary, 2000)?

The third key issue in the literature is the technology itself. Although wireless and computer technologies have dramatically evolved in the past two decades, there are remaining issues of connectivity, technical sophistication of caregivers, and the integration of these technologies with traditional medical practices (Fraunholz and Unnithan, 2007).

The fourth issue discussed in the literature involves the ethical considerations of remote telemetry (Capuano et al., 1995): the invasive nature of wireless technologies in home care as well as the transmission of clinical personal data over such media as the Internet (Tan, 2008). Ethical and security issues are yet to be fully understood and resolved. Presently, the medical data transmitted over distances is as secure or insecure as the host medium itself. As telemedicine and the use of wireless technologies become routine, concerns about ethics and information security will certainly intensify in the near future (Wickramasinghe and Mills, 2001).

These key issues reflect not only the difficulties in implementing new technologies, but also the unique nature of telemedicine. Health services have traditionally been slower to adopt new technologies than other areas in the economy. Telemedicine and its use of wireless technologies have catapulted healthcare delivery to a level of global outreach unprecedented in traditional medical care. This means a giant leap into reliance on novel methods of communication and state-of-the-art technologies. But the literature also offers

Understanding Telemedicine— Key Lessons

- Chronic diseases consume three-quarters of over \$2 trillion of our nation's healthcare expenditures. Worldwide, over half of health-related deaths are from chronic diseases.
- The uninsured and underinsured are especially at risk from chronic diseases and the lack of adequate care of these diseases.
- Telemedicine and wireless technology are on a rapid growth trend—solving problems in the monitoring and management of home care, particularly in the case of chronic diseases and uninsured and underserved patients.
- Hospitals are receptive to promising technological solutions to the management of chronic diseases. Implementation of these technologies, such as wireless and telemedicine, require demonstrative benefits.
- Small and incremental solutions of wireless technologies can produce significant benefits in managing chronic diseases and home care for underserved patients.

solutions and hope that these issues can and will be resolved in time (Christensen and Remler, 2007; Dougherty et al., 1999; Hrejsa et al., 2006).

Barriers to Implementation

The literature identifies four different categories of barriers to the implementation of telemedicine and wireless technologies in healthcare delivery organizations. These barriers are a crucial element in understanding the difficulties involved with the application of government policies that favor and encourage implementation of telemedicine (Bush, 2004; Institute of Medicine, 2001; Parker, 2006).

The first category of barriers is the set of technical aspects of telemedicine. Although computer and wireless technologies are now well advanced, there are still challenges in utilization across organizations and professional groups in the healthcare industry. One example is the case of gastroenterology and colonoscopies as means of detecting tumors in the gastrointestinal tract. Innovative technologies such as the “pillcam,” or capsule endoscopy, are not yet replacing traditional invasive colonoscopies because they are not yet tech-

nologically efficient enough in accuracy and imagery to be implemented on a large scale (Dixon, 2007; Romano, 2006).

Another example of a technical barrier is the computerized or electronic medical record (Gates and Urquat, 2007). This area of healthcare technology has received much attention in the past two decades, including the attention of the federal government (Bush, 2004). Factors that have impeded the large-scale implementation of these technologies include issues of data security, ethical considerations, and ownership of the data warehouses (Ford et al., 2006). From the technological perspective, the puny rate of implementation is largely due to issues of connectivity and coordination with other processes, activities, and institutional correlations of clinical care and health administration.

The second category of barriers is the set of *behavioral* factors that tend to impede the successful implementation of telemedicine and wireless technologies (Deutscher et al., 2008). Clinicians tend to show aversion to changes in their mode of practice. Technical changes in particular are not readily accepted unless they can clearly demonstrate improved performance. When images are not as precise in the electronic mode, the technology may not be well received.

Threats and challenges to the traditional practice of medicine may also result in resistance to the implementation of telemedicine. In addition, different state laws and regulations may impede the practice of medicine across state lines and geographical distances. Although many of these issues have already been resolved, clinicians may still be hesitant regarding the applications of telemedicine (Darkins and Cary, 2000).

Economic and financial factors compose the third category of barriers. The cost of implementing telemedicine includes the equipment, software, and training of caregivers. Healthcare providers carefully assess the cost effectiveness of these technologies, but there are still difficulties in precise evaluations of outcomes and benefits from telemedicine (Krizner, 2008; Povich, 2008).

Finally, the fourth category of barriers is the set of *managerial and organizational* factors. These include the lack of support, or only lukewarm support, from senior management to the implementation of telemedicine. Partly because of their inability to clearly assess benefits and partly due to the lack of resources for investments in new technologies, senior managers in healthcare delivery organizations tend to delay or withhold support for the implementation of telemedicine (Paavola et al., 2006).

Critical Success Factors

Government health policy makers need to realistically assess the barriers to implementation for programs they support. Technical change in general, and telemedicine in particular, are attractive solutions to the growing healthcare crisis. But successful implementations of such initiatives often fail because policy makers do not recognize, or fail to consider, the powerful influence of barriers to implementation.

An important tool in the effort to evaluate the potential application of telemedicine is for government leaders to have a coherent list of the Critical Success Factors (CSFs) of telemedicine.

How do we *know* that telemedicine has been successful? Success factors are grouped into three categories.

The first is the accomplishment of goals. Has the implementation of telemedicine accomplished the goals set for this mode of care services (Nesbitt et al., 2006)? The goals are the same as those used in traditional care: clinical improvement of patients, fewer medical errors, improved quality of care, improved communication among caregivers, and improved access to and availability of care (Krizner, 2008).

The second category of critical success factors is the set of measurable benefits. Has telemedicine produced outcomes that are cost effective? In other words, was this investment worth it? Has the institution achieved the intended goals at a cost that made it all worthwhile?

The third category of critical success factors is the perceptions of stakeholders. Are the stakeholders (regulators, payors, patients, community groups) satisfied with the applications of telemedicine? Do they perceive this technology to have contributed to their desires and interests?

The Role of Government

As a major payor of healthcare delivery costs and the pay regulator of the sector, the government is deeply involved with the practice, funding, and changes in the sector. The support and actual involvement of government agencies make all the difference in the level of implementation of telemedicine and wireless technologies.

In the United States, there have been several initiatives by government organizations in the application of home care and telemedicine. For example, the Department of Veterans Affairs (VA) has a major telehealth program. In 2008, some 34,000 patients used telemedicine technologies, saving thousands of office visits (Joch, 2008). The VA also implemented

telemedicine programs in rural areas (Cross, 2007). These initiatives have produced measurable savings (Hayes, 2008). In addition, the Military Health System (MHS) has created the Telemedicine Advanced Technology Research Center (TATRC), conducting collaborative studies of telemedicine with industry and academic institutions (MHS, 2008).

The role of government in the implementation of these technologies seems to be threefold. Government agencies at the federal and state levels act as pioneers and initiators of programs to try innovative healthcare delivery technologies. Government organizations also act as enablers for the healthcare industry through cooperative endeavors and the funding of new applications. Third, government agencies act as regulators by providing oversight and guidance where new technologies are applied in areas with ethical and other public concerns.

Examples of the complex role of government in telemedicine include several demonstration programs spearheaded by the Department of Health and Human Services (HHS). Some are in the form of focused grants for licensure portability, congressionally mandated telehealth programs, telehealth resource centers, and telehealth network programs (HHS, 2008).

Why This Is Important and What Should Be Done About It

The literature has produced ample evidence that chronic disease care is rapidly expanding in cost and criticality to the healthcare delivery system in America. There is also evidence that telemedicine and wireless technologies have the potential to improve clinical care and contribute to reducing the cost of healthcare delivery.

The total burden of chronic diseases is in the hundreds of billions of dollars. (Diabetes alone is estimated to have an annual cost to society of over \$150 billion.) This is clearly a very crucial problem for our government leaders in both the healthcare arena and the overall arena of establishing and executing social and economic policies (Christensen and Remler, 2007). It is therefore abundantly clear that any contributions of information and telecommunication technologies to improving this problem and to reducing the social burden would be highly welcomed and embraced by policy makers and government leaders.

The private healthcare sector has been actively implementing such technology solutions but much more needs to be done. As the main player in the national healthcare scene, the government—at all levels—must be the driving force in forging ahead with an accelerated rate of adoption of telemedicine,

particularly targeted to the rural and underserved segments of the population (Groves et al., 2008; Hanratty et al., 2008).

Applications of Telemedicine and Wireless Technology to Underserved And Disadvantaged Populations

Scope of the Problem

Today there is a vast segment of the population which is uninsured or underinsured. Their number is estimated at 45 million people (Wickramasinghe and Geisler, 2008). This means that almost 15 percent of the population is underserved by the national healthcare delivery system. Underservice is generally measured by restricted access to care, lack of adequate clinical follow-up, availability, and affordability of many specialized health services (Lorence and Park, 2008).

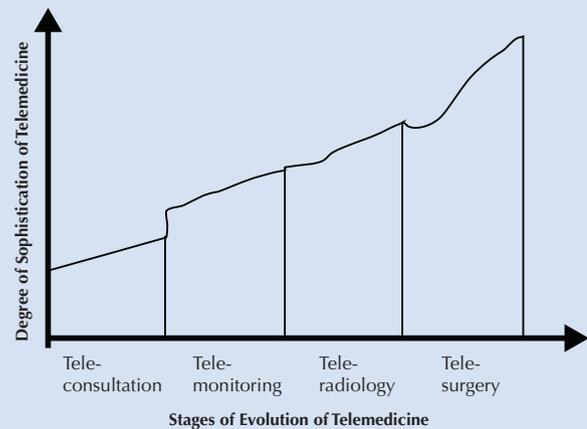
Applications of Telemedicine and Wireless Technology in Underserved or Rural Populations with Chronic Diseases

- **Remote Home Care**
Includes monitoring patients' conditions, alert, and emergency systems, and remote dispensing of medications.
- **Remote Intensive Care**
Increased reach of critical care clinicians, since many underserved use the emergency departments as primary care outlets.
- **Remote Access To Clinical Specialties**
Improved access to teleradiology, telecardiology, telesurgery, telepathology, teleophthalmology, teledermatology, etc.
- **Electronic Disease Registries**
Many patients who are underserved exist under the radar of public health, and their chronic conditions are unknown. Electronic and wireless technology can assist in setting up registries.
- **Remote Care for Debilitating Conditions of Patients with Two or More Chronic Diseases**
Remote care for patients with, for example, diabetes and cardiovascular disease.

Telemedicine and Wireless Technology as Potential Solutions

So what can telemedicine and wireless technology do to alleviate this crisis? We have shown in Figure 1 that such technologies contribute to better access, cost reductions and savings, and to improved quality of care. In the specific case of patients who are underserved or in rural locations and who are also afflicted with chronic diseases, these technologies can help in five key modalities.

Figure 2: Evolution of Telemedicine and Illustrative Stages



The level of sophistication increases as uses and applications of telemetry and telemedicine become more intrusive in a patient's care. Figure 2 shows the evolution of telemedicine.

The figure shows four illustrative stages in the evolution of telemedicine, from teleconsultation to telesurgery. The more invasive the medical procedure (such as in surgery), the greater the sophistication of the wireless technologies necessary for such remote care.

Recommendations for Government Leaders and Public Health Agencies

The lessons learned from the review of the current state of telemedicine and health wireless technology are summarized in the following action recommendations for government health leaders.

- **Recommendation One**
Support the development of telemedicine and wireless technologies by providing fiscal and financial incentives for telemedicine in the care of chronic diseases.
- **Recommendation Two**
Establish programs to support underserved chronic disease patients in the use of telemedicine and wireless technology in remote care.
- **Recommendation Three**
Develop specific programs with budgetary commitments and workable incentives for health providers and the medical industry who are engaged in telemedicine and the use of wireless technologies in the management of chronic diseases.

• **Recommendation Four**

Establish projects to measure success and benefits from telemedicine and wireless in the care of chronic diseases.

• **Recommendation Five**

Establish collaborative arrangements for research, stimulus funding incentives, and cooperative projects with chronic disease organizations such as diabetes, asthma, cardiovascular, and cancer institutes for the promotion of telemedicine and wireless technologies on solutions to the management of these diseases, including public relations efforts to raise awareness of the importance and benefits of these technologies.

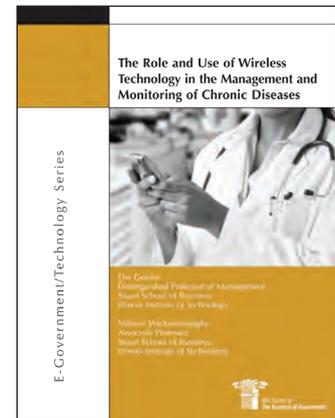
The need for improvement in the delivery of healthcare is paramount. As we enter the twenty-first century, we confront the complexity of our healthcare system and the need to halt the rise in costs and to better the access to care and the quality of care. In a small yet powerful way, telemedicine and wireless technologies may be a critical instrument which can deliver many measurable benefits to segments of patients in dire need of care: the underserved population of patients with chronic diseases. These patients are a major component of the continuing rise in the cost of healthcare. The benefits

we describe in this report will go a long way in contributing to a positive reforming of the healthcare system. ■

TO LEARN MORE

The Role and Use of Wireless Technology in the Management and Monitoring of Chronic Diseases

by *Elie Geisler and Nilmini Wickramasinghe*



The report can be obtained:

- In .pdf (Acrobat) format at the Center website, www.businessofgovernment.org
- By e-mailing the Center at businessofgovernment@us.ibm.com
- By calling the Center at (202) 515-4504
- By faxing the Center at (202) 515-4375

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Lions at the Gates of Government!

By Steven L. Katz

What do new career federal executives, managers, and employees have in common with real lion tamers? You may know the feeling of working with new political appointees: A growl if you pay them a compliment. A roar if you look for thanks!

Who are the lions? Lions may include agency heads and their executive teams, not to mention more than a few special assistants and aspiring younger lions—as well as a wide range of others working their way up the political food chain. For now, you may feel a safe distance from the gathering of the lions at your agency; however, their impact will be felt in many ways, and it is important to use the time you have to understand them better—not as individuals, but as a distinct species. Once you appreciate what real lion tamers call the “species” or hardwired traits, many ironies will emerge, including the fact that these very traits are the keys to communicating and working most effectively with the lions.

Before focusing on these political lions as individuals, it is essential to consider how the lions at the gates of your agency perceive the world in which you live: whether it is advisable to simply await their entrance to the arena of the career federal workforce or program area that is, well, your arena. Political appointees operate in a political arena. Ultimately, their arena may overlap with others in government, but that overlap never trumps or replaces their own arena. You will need to prepare to enter that arena and recognize that it is transposed over an agency and a mission.

The reaction to this reality for many in government, including those within the Senior Executive Service (SES), may be related to one’s own training—that is, treating the four corners of one’s desk and pages of one’s position description as defining one’s responsibilities. Lion taming, however, is everyone’s real job. It is not posted on anyone’s office door, described in a position description, nor does it appear on the resumés of the most successful lion tamers in the workplace.



Source: Judit Neger/Katz

Unlike the professional competencies that define who you are on your resumé and position description, being a lion tamer defines your personal competencies: how you will go about getting your job done. If you perform well as a lion tamer, then you will be recognized for such skills. You will be invited into more conversations, meetings, and projects involving the lions. However, like most professional lion tamers who enter the cage for the first time, it is dangerous to remain in your own comfort zone.

Good lions and bad lions. The first irony in lion taming is that when people hear the term “lion” applied to the work place, they assume and fear the worst. Yes, almost everyone has stories of the lions who caused the most damage and were the most difficult to work with. There is more too it than that. Like real lions, the political lions can take on multifarious roles from apex predators, lions who work in teams or coalitions, leaders of the pride, nomadic lions, and even cowardly lions.

However, there are many good lions and we need them to lead, command, be decisive, and champion each organization. The fact is, we need lions to set the vision and goals,

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mandate sound management, say the right things to the right people at the right time, and develop and use relationships that no one else in the agency can muster or leverage. The best of them serve as role models and mentors and attract and reward people with similar skills. You need to make distinctions between good lions and bad lions, and use your lion tamer skills to work with both—however, you also need to be proactive about your own career and align with the good lions, even if it means finding ways to work more closely or directly with them.

Good lions are confident and curious lions, solid, well-adjusted individuals who are respectful and appreciative. When they enter the room, energy flows with them, people like the way that they think and organizations are more likely to develop an **esprit de corps**. They see things as others see it and are not afraid to say so.

The bad lions are in a constant fight or flight mode. They tend to be selfishly entrepreneurial. Mean swinging lions, in some cases, who kiss up and kick down, and take all the energy out of the room. Overly obsessed with their own way of doing things—they are not looking for a paradigm, they are the paradigm!

Facing the New Political Lions

In the face of these new political lions, there is no time to think to yourself “here we go again” or “been there done that.” To become a successful lion tamer requires you to begin reading those past experiences into how the lions around you are hardwired. It may surprise you how much you have already observed of such behavior throughout your career.

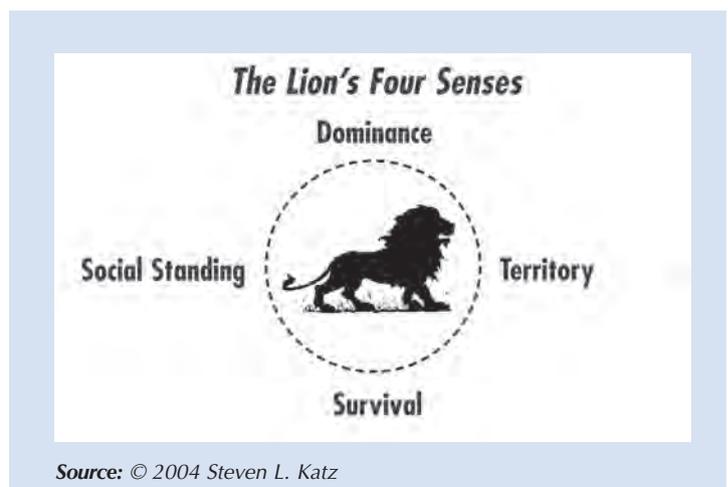
Understanding the hardwired traits of the lions begins with the realization that they are predictably enigmatic. Yet, many of the lions’ qualities exist for important reasons—at least to the lions. They act differently because they think differently. The lions that you are dealing with today are making social decisions while you are most likely focused on making professional decisions—they are truly and primarily “social animals.” Even in conversations where you believe that the lions

are focused and listening to what you are saying, they are processing the exchange and encounter in a different manner than most.

It is essential for you to have a kind of secret decoder ring to understand how they process information. They do it using the **Lion’s Four Senses**: Dominance, Territory, Social Standing and Survival.

If you are a lion, this paradigm promotes several very practical perspectives: **Dominance** means the title, rank, and realm that you reign over. **Territory** is what is yours to control, protect, preserve and expand. **Social Standing** means those who know you are a lion. When the lion’s first question about giving a speech is “Who else will be there?” instead of “What am I speaking about?” make sure you understand what they need to hear. Yet, such questions also relate to the last of the lion’s four senses. **Survival** is not simply about living another day, it is emblematic of how personal and subjective the lion’s existence is, and how something as simple as getting invited to the right meeting translates in their minds into a survival issue. To them, it’s **never** “just lunch.”

While talk of presidential transition has been framing virtually every discussion since Election Day 2008, the transi-



tion that the lions are going through is shifting their **Lion's Four Senses** from getting a job to performing that job. You must consider this in two ways. The lions are transitioning from using all their instincts and senses from landing a job to performing it. Your job is to simultaneously build rapport and trust by interacting with them, providing opportunities for them to learn the people, programs, responsibilities, and agency around them—and ensure all are transitioning into a *doing* mode. As you will discover, lions learn by doing to a greater degree than others. Remember, the best lions are pride animals, who are naturals at establishing their territory but need others around them to create an environment that supports them and allows them and others to function together under their leadership.

Courage, Bravery, or Building Trust?

Courage and bravery rank high in the minds of most people when they think of lion tamers. However, one of the secrets of real lion tamers is the value of building rapport and trust before attempting great feats. This is a lesson in acknowledging the social thinking that drives lions, versus the professional thinking that may drive your own. Simply put, don't rush to demonstrate your prowess in your field without taking time to explain to the lions what's in it for them, what they need to know to grasp what's significant, or the need of any proposed action. If you do, you may actually lose the lion's trust. It is not uncommon for career professionals in the federal workforce to make this mistake. In a way, they are trained to do it. Some possesses a strange desire to show that they are up to a challenge. Such a propensity translates into one of the truisms of lion taming: *Courage that is self-conscious betrays great fear.*

For the first few months, perhaps even longer, the lions will be, in large part, preoccupied with making sure that others know that they are a lion. It is essential to appreciate how much of their energy may be taken up by this—and how to use it to help orient, educate, and involve the lions in the world of the agency. In so doing, make sure to involve them in “real” events and programs. The lions have a keen sense of what is authentic and what is not. Their patience for introductory rituals will wear thin, because after all, as lions, they want to sink their teeth into something—and if that does not occur sooner rather than later then it feels like they want to sink their teeth into someone.

Prey, Enemy, or Ignored

From the outset, lions coming through the gates into your agency are operating by senses and instincts. There is an additional insight that you should consider. While individual personalities play a role, political lions have a proclivity of dividing the world into Prey, Enemy, or Ignored. These are

instantaneous decisions, and again, social decisions, which the lions make in the course of navigating and assessing those around them. It is important to understand because of three inherent types of people found along the spectrum of career federal executives and managers. One group falls into the “Know Your Stuff, Show Your Stuff School of Executive Training.” Another group is the “We're Here to Help,” while the third prefers simply to be left alone. For different reasons, all three are dangerous approaches to lion taming. To most people's surprise, choosing to be left alone is the surest path to being “Ignored.” Not only will you miss opportunities to establish rapport and trust, it will almost ensure that you will fail at your principal role as a lion tamer—to advise, influence, and implement in ways that make the lions successful in new ways.

Using the language of real lion tamers, it is important to “approach the lion so the lion approaches you.” To successfully do that, another secret of real lion tamers applies. Kevin Patton, a former lion tamer who received his doctorate in animal behavior and went on to become a professor of biology states simply: “Lion taming is the art of closing the gap between attention getting and attention using.” To succeed you must master your knowledge of the instincts, behaviors, and influences that continue to widen this gap and simultaneously improve your own rapport and trust so that once you have the lion's attention you can use it. Sometimes this involves others, people who control schedules, or even people who do not want you to have the attention of the lion. You will have to devise strategies to deal with such realities.

However, what do you need more than anything to cue the lions the next time you need to work together? Understand their definition of trust. Here are six simple rules that will help:

- Do not waste their time
- Do not push them to do something that they are not ready to do
- Prepare them by providing easily digestible information and updates on an unneeded basis every time you meet with them or are assigned to assist them
- Do not dwell on process
- Do not bore them
- Explore together ways to make them successful in new ways

The Lion Tamer's Instincts

You may ask: Is there any room for your own instinctive reactions to situations? Yes, acting instinctively towards the lions



Source: Judit Nerger/Katz

demonstrates your own authenticity. It also means doing something that many career officials are trained to view with uncertainty, and as a result, lack experience in, that is: Judging when to let your own gut feelings show.

Respect your own instincts and consider the most valuable gut advice that you can provide a lion falls into three categories:

1. When you serve as a sounding board indicate how others who the lion cares about might react to what you have just heard.
2. It is good when you can reframe the context of the idea being discussed into overall strategy and simply ask “is this consistent” or “will this appear as a new strategy, and if so, then what’s our next step?”
3. When to say no to the lion.

When do you need to say no to the lion? The short answer is when you need to help save them from themselves, or from being manipulated by others. There are many trigger points in the lives of political appointees which do not exist in the lives of career employees. It is important to recognize that these can come from many different stakeholders and from

many different directions—the White House, Capitol Hill, other political appointees—or even from an article in the daily newspaper.

When do you use your gut to react in these situations?

- When there is no other way to stop something that you feel is headed in a dangerous direction.
- When you must react even though you realize that you don’t truly have the power or authority to stop the lion from charging ahead.
- When although it may seem like nothing more than an effective bluff on the lion tamer’s part, but outbluffing the lion is serious business, and the alternative clearly could be disastrous.

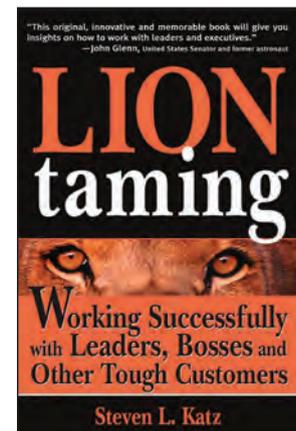
It is likely that thinking like a lion tamer and applying it to working with the political lions is a departure from the training or experience you have had in the past. However, the most intriguing and attractive characteristic of lion taming to federal employees is that you do not need to change your title, your job description or your profession.

Finally, you may have realized—you are not taming the lion. You are taming yourself, and it is only by doing so that you will discover every lion tamer’s most secret and effective strategy: **Lion Taming is Really Lion Teaming.** ■

TO LEARN MORE

Lion Taming: Working Successfully with Leaders, Bosses and Other Tough Customers

by Steven L. Katz



This book is available at bookstores, online bookseller Amazon.com, and from the publisher at sourcebooks.com or by calling 1-800-432-7444

Six Practical Steps to Improve Contracting

By Allan V. Burman, Ph.D.

George Mason University's Public Administration Program and the IBM Center for The Business of Government convened an Acquisition Reform Working Group, which met multiple times during 2008 to address government contracting oversight issues.

Rethinking How to Improve Contracting

Contracting issues will be on the front burner of the Obama administration, and the stakes are large. The Administration has already committed to greater transparency, stronger ethics, more competition, and rethinking the roles of contractors and government employees.

The growing interdependence of public and private workforces for federal programs has been a trend for decades so that today the federal government spends almost half a trillion dollars a year on contracted support. This comprises over two-fifths of all discretionary spending. Moreover, federal agencies are critically dependent on an effective acquisition process to accomplish their missions. At the same time, many observers feel the federal government's contracting system is broken, mired in cost overruns, accountability lapses, and questionable outcomes. In addition, those operating within the system see the environment as "toxic," characterized by fear and mistrust, and with oversight bodies such as agency inspectors general second-guessing their every action.

This article presents a set of practical steps for the new administration. They include hiring more staff, providing more effective training, emphasizing requirements development, and better contract management. For these recommendations to be effective, senior agency officials need to lead the charge and bear the responsibility for making the business case for these changes—and be given the authority to carry them out. Department secretaries and agency heads ultimately bear responsibility to support steps to create an effective acquisition environment in his or her purview. However, a well-qualified chief acquisition officer will likely be the point person for making it happen.

The Acquisition Reform Working Group identified challenges facing the acquisition community, which are outlined here.

Six Practical Steps to Improving Contracting

1. Provide Sufficient Accountability and Authority

Give agency chief acquisition officers the responsibility and authority for overseeing both the contracting and program management communities to ensure effective collaboration in all elements of the acquisition process, from developing requirements to awarding contracts, to assessing contractor performance.

2. Designate Career Deputies

Designate career senior procurement executives as deputies to chief acquisition officers to ensure full coordination of agency-wide acquisition functions.

3. Plan Strategically for People

Put in place a robust human capital strategic planning process that provides a full picture of all federal and contractor resources likely to be needed to accomplish agency missions.

4. Invest in the Right Talent

Provide sufficient resources to ensure that the right people with the right talent are in place to carry out all aspects of the acquisition function (including seeing that contractors are producing the business results sought).

5. Create Agency Business Councils

Establish a new business council that reports directly to the agency head at each civilian agency. This council should be chaired by a deputy secretary and meetings should be attended by the chief acquisition officer, chief financial officer, chief information officer, and chief human capital officer of the agency. Each chief should have an equal vote on internal human resources, operational, programmatic, and funding issues.



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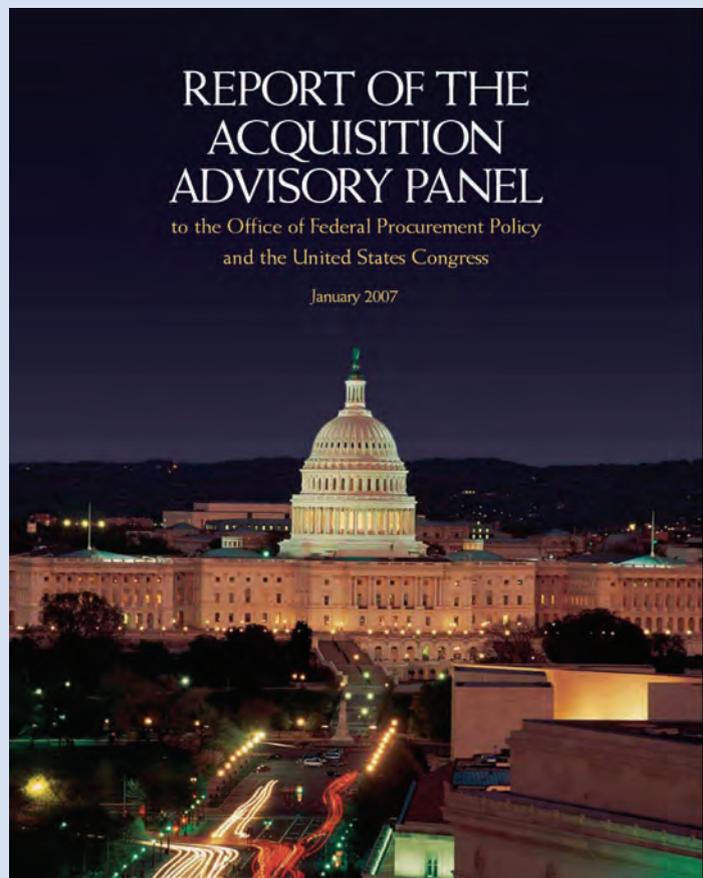
6. Transform OMB's Role

Turn OMB's Office of Federal Procurement Policy into an Office of Federal Acquisition Policy and include agency program managers under its policy purview. The Office then would have government-wide responsibilities parallel to those of agency Chief Acquisition Officers. Doing this and ensuring the Office is adequately resourced would probably do more than anything to bring about the kind of collaboration between program and contracting staff that the Working Group saw as critical to effecting real acquisition reform across the government. This is the only recommendation that would require legislation.

The work group identified four critical challenges in contracting:

1. The Size and Competence of the Acquisition Workforce
2. The Need for More Collaboration and Effective Management Tools
3. The Role of Chief Acquisition Officers and Effective Oversight
4. The Role of Contractors and the Multisector Workforce

The 2007 Report of the congressionally chartered Acquisition Advisory Panel points to the lack of good communication between program and contracting staffs and cites poorly defined requirements and a lack of post award contract management as major failings in today's acquisition operations.



Challenge One: The Size and Competence of the Acquisition Workforce



The federal government's acquisition workforce is about 60,000 civil servants. While funding for acquisition support has doubled over the last decade, the number of staff responsible for both making and overseeing these awards has remained about the same. This has resulted in an increased use of contractors to help run the acquisition system.

While the number of civil servants available to manage contracts has not kept up with the growth in the use of contracts, the contracting process itself has become much more complex. As a result, the competency of the acquisition workforce is seen as an issue.

Additionally, staff cutbacks in prior years have led to gaps in mid-level management. Staff salaries, when compared to those of their private sector counterparts, are seen as inadequate. Career growth opportunities are limited. Training is short-changed. Operations are stove-piped. And this all occurs in an environment of mistrust and second-guessing.

Given these conditions, today's acquisition environment does not present a pretty picture. The Working Group felt that government leaders need to move from studying the problem to actively addressing it. The Working Group recommends that government leaders implement the following:

- Establish sound career ladders for acquisition professionals to create a clear and easy-to-see path for advancement
- Provide direct hire authority to agencies so they can recruit and acquire staff in a timely fashion
- Put in place intern, mentoring, and coaching programs to enhance training and build confidence that staff can do the job
- Design recruiting programs to bring in mid-career leadership from outside the government
- Offer joint program officer and contracting staff training programs to promote a collaborative working environment
- Establish effective succession planning to cope with impending retirements

Challenge Two: The Need for More Collaboration and Effective Management Tools



Program and acquisition staff must work together more effectively toward a common goal. Program and technical staff are responsible for defining the requirements that contractors must meet. They also help contracting officers overseeing contractor efforts. Contracting officers have expertise devising the best contracting approach to ensure a successful outcome—for example, striving to see that competition is a basic element in any procurement.

Assessing contractor performance after a contract has been awarded often gets short shrift relative to effort devoted to awarding the contract itself. But awarding a contract is only a first step. If an agency fails to focus on contractor performance, the effort spent at the front end of the acquisition process is at risk. Similarly, if government staffing is inadequate to support post-award contract management or oversight, how can the agency be assured of getting the right results or even the solution it paid for?

A performance-based acquisition approach offers one way to ensure that desired business outcomes are effectively considered at the beginning of a contract and that performance is actually assessed. However, lack of expertise and training for federal staff in the use of this technique significantly reduces its effectiveness.

Similarly, using current inter-agency contracting vehicles is another readily available tool to streamline the acquisition process and get good results for an agency. However, complaints by inspectors general and others that these vehicles have been inappropriately used as a way to evade good acquisition practices have recently overshadowed the benefits they bring.

Challenge Three: The Role of Chief Acquisition Officers and Effective Oversight



A continuing problem, particularly in the civilian agencies, is that the senior official responsible for acquisition, unlike a chief financial officer or chief information officer, is often placed well down in the agency bureaucracy, making it that much harder to get his or her views heard.

As one way to address this problem, Congress established the new position of chief acquisition officer when it passed the Services Acquisition Reform Act of 2003. The expectation was that this individual, as a highly placed non-career appointee, would advise the agency head on business strategy and focusing on acquisition in the broadest sense of the term. The chief acquisition officer would then be carrying out a role very similar to that of the Defense Department's under secretary for acquisition, technology, and logistics, who has the ability to determine whether or not programs should be allowed to move forward. This position offered the prospects of helping to "restore management and oversight capacity" in the contracting realm, as proposed by the incoming administration.

However, there is no one either in the individual civilian agencies or looking across all the agencies that has the overall responsibility and authority to hold program management staff and contracting staff accountable for working together to get the best business results possible. It should be the responsibility of this chief acquisition officer to see that the acquisition management function is adequately resourced, as well as to ensure that effective strategic planning is being done. That is not happening. Moreover that planning becomes even trickier as agencies today carry out much of their work through contractors and not federal employees.

Establishing a business council with all of the key senior players, as noted in Recommendation Five, can ensure the effective collaboration that is so essential to effective agency mission outcomes.

Challenge Four: The Role of Contractors and the Multisector Workforce



Agencies such as the Department of Education, the Environmental Protection Agency and the Department of Energy rely to a huge extent on contractor support to carry out agency objectives and meet mission needs. There are a number of reasons for this increased use of service providers, including the following listing from the 2007 report of the congressionally-chartered Acquisition Advisory Panel:

- Limitations on the number of authorized government positions
- The lack of availability of desired expertise among federal workers
- Agencies' desires for operational flexibility
- The need for a surge capacity

What had once been an "arms-length" relationship between government staff and contractors has become a relationship where these parties are virtually indistinguishable as they carry out agency missions. The close relationship between contractors and government staff poses two concerns:

- Are governmental responsibilities being unacceptably transferred to contractors?
- What are the management implications of contractors and federal employees focused on the same mission objectives but working, as the National Academy of Public Administration notes, "under substantially different governing laws, different systems for compensation, appointment, discipline and termination; and different ethical standards?"

The current policy on inherently governmental functions states that an "inherently governmental function means, as a matter of policy, a function that is so intimately related to the public interest as to mandate performance by government employees." Based on this policy a contractor would not be allowed to carry out the following types of activities:

- Binding the United States to take some action by contract, policy or regulation

Viewpoints

- Determining United States' interests by military or diplomatic action
- Significantly affecting the life, liberty or property of private persons
- Appointing or directing officers or employees of the United States
- Exerting ultimate control over the acquisition or use of property of the United States, including the collection of federal funds

The policy, however, does not prohibit contractors from gathering information or providing advice to government officials or affecting functions that are primarily ministerial in nature. Yet today it seems that contractors are involved in just about every aspect of government operations. Is the current policy that is so honored in the breach realistic, or is a new policy or a more effective implementation scheme necessary?

The Duncan Hunter National Defense Authorization Act of 2009 charges the administration to revisit this issue and update and clarify the definition of inherently governmental functions. The legislation also tasks the administration with developing new policies that directly address the issue of organizational and personal conflicts of interest as a way to deal with these multisector workforce ambiguities and concerns.

These review efforts, and the ensuing policies resulting from them, should help to clarify what is the appropriate role for contractors and civil servants who are operating in this new environment. They also should help mitigate the risks that government decision-making is influenced by inappropriate or biased interests.

In addition, Congress has tasked the administration to identify critical positions that are not inherently governmental but that federal employees should fill to see that agencies retain "sufficient organic expertise and technical capability" to do their work.

Conclusion

The common thread in responding to all of the various challenges described throughout this paper is the need for more effective leadership, better strategic planning and a strong push for improved management capacity. And while chief acquisition officers and others can help to lay the groundwork, only the new administration, working with Congress, can make them happen. ■

Background

The Acquisition Reform Working Group was comprised of government, private sector, and academic leaders well versed in the field of public administration and acquisition reform.

This group of experts was challenged to lay out an agenda of practical steps that the leaders of the new administration could take to improve how agencies acquire and use goods and services via contracts. The group met on seven different occasions to address known challenges in:

- The size and competence of the acquisition workforce
- The management of contracts after their award
- The use of interagency contracting vehicles
- The use of performance-based acquisition approaches
- The duties of agency chief acquisition officers
- The evolution of the multisector workforce
- The appropriate role of contractors

Each working group meeting generated an issue paper outlining the challenges. These issue papers contain practical recommendations that participants thought would be useful ways to act on the challenges.

TO LEARN MORE

Six Practical Steps to Improve Contracting
by Allan V. Burman



The report can be obtained:

- In .pdf (Acrobat) format at the Center website, www.businessofgovernment.org
- By e-mailing the Center at businessofgovernment@us.ibm.com
- By calling the Center at (202) 515-4504
- By faxing the Center at (202) 515-4375

Government in 3D: How Public Leaders Can Draw on Virtual Worlds

By David C. Wyld

This article is adapted from David C. Wyld, "Government in 3D: How Public Leaders Can Draw on Virtual Worlds" (Washington, DC: IBM Center for The Business of Government, 2009).

Virtual worlds, such as Second Life, are fast transforming the very definition of "being together." In these immersive environments of the "3D Internet," people from all over the country—indeed the world—can interact with one another in real time. As such, virtual worlds have been labeled as a transformative development that will perhaps change the way we use the Internet over the next decade.

We will see that government agencies have begun to make use of Second Life and other virtual worlds for a wide variety of purposes, including informational outreach, education and training, emergency preparedness and continuity, tourism, recruitment, and policy outreach. While these sites may have a primary focus, we will see that one of the significant benefits of being in virtual worlds is that a great amount of "spillover benefits" and "synergies" are involved in these efforts. As we will see, agencies may have multiple purposes for being "in-world," and they are finding that they attract visitors to their virtual-world sites for a variety of reasons.

Here are some examples of how virtual-world environments are being used:

- To reach citizens in new ways
- To collaborate internally
- To conduct training and simulations
- To recruit employees
- To promote tourism and economic development

To Reach Citizens in New Ways: The Centers for Disease Control and Prevention

The Centers for Disease Control and Prevention, or CDC, has been an active player in multiple online virtual-world environments. In Second Life, the agency has established a

very interactive, educational site (<http://slurl.com/secondlife/CDC%20Island/>). John Anderton is associate director of communications science for the CDC. His Second Life avatar is a female one, named Hygeia Philo, after the ancient Greek goddess of health. Asked why the agency is involved in Second Life, Anderton said: "Avatars have the good fortune of being sort of eternally youthful and healthy, but each of those avatars is connected to a person and those people do have real health needs. It's people's health CDC is interested in, and people are using different tools to access health information" (quoted in Bain, 2007, n.p.). Anderton (2007) detailed that in Second Life the CDC has hosted health fairs and traveling health exhibits, as well as provided podcasts, videocasts, educational materials, and links to CDC publications, including the Morbidity and Mortality Weekly Report and the Public Health Image Library. Anderton (2007) observed, "Avatars are giving CDC another avenue to communicate CDC prevention messages about infectious and chronic diseases."

The CDC is also involved in the youth-oriented online world of Whyville. In this virtual world, the CDC ran a six-week-long promotion in late 2007 aimed at raising awareness among kids about the importance of flu vaccinations. They vaccinated over 20,000 Whyville residents against the virtual flu, who paid 5 Whyville "clams" (the site's virtual currency) for a shot. For those that did not get vaccinated, they "caught" a virtual flu virus at a children's birthday party. The "infected" kid avatars—known as "Whyvillians"—quickly broke out in red spots and their avatars had difficulty speaking (Kauffman, 2007).

To Collaborate Internally: The CIA

Perhaps the "best" best practice example to date of internal collaboration is the Central Intelligence Agency (CIA). The CIA has established a presence in Second Life, with a few private islands exclusively for internal use at present. According to government officials, the sites are presently being used both for holding unclassified meetings and for training purposes (O'Harrow, 2008). It is possible that the agency could use public sites to better inform the public



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about its work and enhance the agency’s image. It has also been suggested that intelligence agents and analysts could use virtual worlds as training and learning grounds for their real-world assignments, using their experience as avatars to learn how to interact—linguistically, culturally, and covertly—in a different culture (Brewin, 2007).

In the intelligence community, the new Intelligence Advanced Research Projects Activity (IARPA) office has been established to sponsor DARPA-like research to improve intelligence gathering across the various intelligence agencies and change the information-sharing mindset from operating on a “need to know” basis to a “need to share” culture (Weinberger, 2008). In March 2008, Forterra Systems of San Mateo, California, and IBM announced their collaboration on a project, funded in part by In-Q-Tel, a technology investment firm funded by the U.S. intelligence agencies. The focus of the project is to develop a virtual-world environment in which members of the intelligence community could securely meet, interact, and exchange information.

The project, code-named “Babel Bridge”—in reference to the so-called “Tower of Babel” problem in the intelligence world of not being able to “talk” to each other because of different communications systems—has been described as a “digital war room.” Here analysts, experts, and agents from various intel organizations will have their avatars, which will be clearly identifiable to their real-world counterparts, meet in this secure virtual environment (Forterra Systems, 2008). The system would enable analysts, experts, and agents in the field to securely view information from a wide variety of sources—from PowerPoint and audio files to images from spy satellites and drone aircraft—as part of their discussions, collaboration, and decision making (Greenberg, 2008).

To Conduct Training and Simulations: Emergency Management

Simulations of emergency situations may be a “killer app” not just of Second Life but of all virtual worlds, in that they are cost- and time-effective. Robert Furberg, a research analyst for the Center for Simulator Technology at RTI International in Research Triangle Park, North Carolina, observed: “A fullscale [emergency response training] exercise takes a lot

Figure 1: Screen Captures from First Responder Virtual Simulation



Source: Center for Advanced Transportation Technology (CATT) Laboratory, Civil and Environmental Engineering Department, A. James Clark School of Engineering, University of Maryland. <http://www.cattlab.umd.edu/index.php?page=research&a=00028>. Used by permission.

of advanced preparation and requires daylong drills—it is expensive and time-consuming. With simulation, we can run through a mass casualty event and change the parameters. Each case is a little different, and it is available 24/7” (quoted in Raths, 2008, n.p.). Such simulations also allow for participants to join in virtual training exercises from wherever they are, saving a great deal on travel costs. Virtual simulations allow for scenarios to be practiced and rerun repeatedly with differing scenarios and variables at play. And, as with military simulations, machinima video captures of virtual simulations allow for after-action review capabilities to allow for critiques and debriefings after concluding the exercises.

An Executive Guide for Keeping Up with the Virtual World

As virtual worlds increase in both utility and usage, it will become important for you to learn about what is going on in this “second place.” So, here’s a five-step plan to learn more about Second Life (see the next section for a discussion of Second Life) and the rest of the 3D Internet:

1. Join Second Life and create an avatar (be careful; pick a name that your constituents and your mom would be happy with). Teleport around to islands of various types (the governmental, corporate, university, and museum sites highlighted in this report will make for a good start.)
2. Pick at least two other virtual worlds to join and explore, depending on whether you are more of a World of Warcraft or Virtual Magic Kingdom type.
3. Ask your kids (whether they are in first grade or college) what they are doing in virtual worlds. Don’t do this in an accusatory way—they might be able to teach you a great deal.
4. Ask your staff what they are doing in virtual worlds (again, not acting as the IT police). Find out who are “the experts” in your office and which staffers might be helpful in working on your agency’s virtual-world project.
5. Bookmark or RSS several virtual-world news sites and/or blogs (CNN’s I-Reports on Second Life and Reuters News Bureau in Second Life are great places to start). Set up a “Google Alert” for virtual worlds and government topics (you may want to focus it more narrowly on your agency type and on Second Life as well if that is your targeted venue).

Randy Sickmier is the exercise plans manager for the Emergency Management Training, Analysis and Simulation Center (EMTASC) in Suffolk, Virginia—a nonprofit consortium between Old Dominion University and 17 private sector firms formed in 2005. He related the value in using virtual-world simulations for emergency management training by stating: “You’ve got a guy driving in to the EOC [emergency operation center] who hasn’t sat in that chair in more than six months. During the day, he’s the public works officer for Staunton, Virginia, and all of a sudden he’s in charge of some aspect of this emergency response. It’s not something he does every day. This is where the simulation can be valuable” (quoted in Raths, 2008, n.p.).

The U.S. Department of Homeland Security (DHS), working with the Emergency Readiness and Response Research Center (ER3C) at Dartmouth College’s Institute for Security Technology Studies, created a private island, named “Response,” in 2005. The Synthetic Environments for Emergency Response Simulation (SEERS) project was established by DHS to prototype new virtual tools to conduct cost-effective disaster response rehearsals for emergency preparedness (Aitoro, 2007).

In 2006, the California Department of Health Services, aided by researchers from the University of California–Davis Health System, set up a virtual environment to train staffers in procedures for setting up emergency clinics in the event of a biological attack. Working in a virtualized representation of the California Exposition and State Fair built in Second Life, a dozen staffers participated remotely in the exercise geared to simulate the administration of antibiotics from the Strategic National Stockpile in response to a mock anthrax attack. The Second Life–based simulation was a replication of a real-life disaster simulation held at the same location two years earlier, one that involved 250 state employees and a thousand patient volunteers. The principal investigator on the \$80,000 project, Dr. Peter Yellowlees, professor of psychiatry at UC-Davis, explained: “The aim of the exercise was to see if the state could constantly train people in setting up emergency clinics. One big advantage is that they could do this training 24/7 from wherever they are, and you don’t have to recruit patient volunteers” (quoted in Raths, 2008, n.p.).

At the University of Maryland’s Center for Advanced Transportation Technology, researchers are developing a virtual-world training exercise—encompassing many different traffic scenarios, from minor accidents to major incidents—for use by emergency responders in the I-95 Corridor Coalition (see Figure 1). These simulations can now include hundreds of participants playing out their real-world response functions in the virtual environment. Michael Pack, director of research

for the University of Maryland center, observed: “It wasn’t until we started to do elaborate demos that the first responders started to realize the true potential” (quoted in Lynch, 2008).

Training in the virtual environment can be more cost-effective—and realistic—in ways that staged disasters cannot. For example, in the simulated environment, if first responders fail to put on their safety vest or reflective jacket when approaching the scene of an accident, their avatar may be hit by a car—a negative reinforcement that could not occur in a real-life training exercise (Lynch, 2008). Captain Henry de Vries of the New York State Police noted: “This project provides incident responders from all disciplines the opportunity to train together in real time for the purpose of learning the latest best practices in incident scene safety, coordination, and quick clearance of highway events” (The Center for Advanced Transportation Technology, 2008, n.p.).

To Recruit Employees: U.S. Army

The U.S. Army has a strong tradition of using simulation games for training. However, the Army is also a recognized leader in using such games as a recruitment tool. In fact, one of the most popular games available on the Internet today is “America’s Army” (available at <http://www.americasarmy.com>). The idea of an Army-based military game being produced for the Army itself originated in 1999 with Colonel E. Casey Wardynski. Since going live in 2002, the MMOG has drawn approximately 9 million registered users who have put in well over 200 million hours of game play. In fact, it is ranked as one of the five most popular MMOGs on the web today (Derryberry, 2008).

The game allows for a “recruit” to progress from basic training to specialized training areas for combat and even medical training—both of which have been shown to produce real-world results in terms of training and preparation in the civilian and military realm. Not only do active and reserve soldiers play the game to sharpen their real-world warfighting skills, but there have been several documented cases where civilian game players have put their first-aid knowledge, gained in medic training in the game, to actual use (The America’s Army Game Leadership Team, 2008). The game has shown demonstrable results in the recruiting area as well, as it was designed to reach out to a younger generation tuned into online gaming. According to Major Mike Marty, operations officer for the Army Game Project: “Recruits have told us that the game was a factor in shaping their interest in the Army or was part of their information gathering process on the Army” (quoted in Castelli, 2008, n.p.).

To Promote Tourism and Economic Development

Au (2008a) observed that Europeans are at the forefront of using Second Life as virtual gateways to their countries

and regions (see the sidebar “Embassies in Second Life” on page 28). A best practice example can be found in Tuscany. The Intoscana Fondazione Sistema Toscana, which is the official tourism foundation of for the Italian region of Tuscany, opened Toscana Island ([http:// slurl.com/secondlife/toscana/85/215/105](http://slurl.com/secondlife/toscana/85/215/105)) in Second Life in late March 2007 (Zimmer, 2007b). On Toscana Island, visitors can explore Tuscan arts, culture, and landmarks, including:

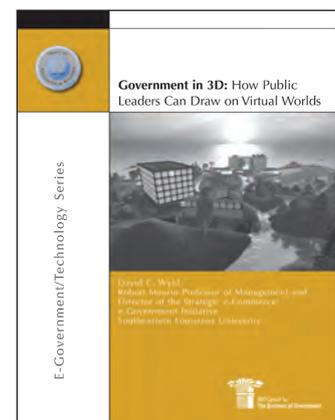
- The Tower of Pisa
- The Piazza del Campo
- The Piazza Grande
- The Ponte Vecchio
- The Duomo in Florence

The site has grown to a virtual archipelago of six islands. It includes the Intoscana Store, where virtual-world visitors can purchase real-world items from the region. Also, in response to visitors who wanted to vacation or live in virtual Tuscany, the tourism agency opened up an island where avatars can build or rent their own virtual villas or beach houses (Fondazione Sistema Toscana, 2007).

In October 2007, Toscana Island hosted the Festival della Creatività (Creativity Festival), in which visitors could enjoy a number of special events, including the opportunity to take lessons in Italian from Scuola Leonardo da Vinci, a leading Italian university (Villiger, 2007). ■

TO LEARN MORE

Government in 3D: How Public Leaders Can Draw on Virtual World
by David C. Wylde



The report can be obtained:

- In .pdf (Acrobat) format at the Center website, www.businessofgovernment.org
- By e-mailing the Center at businessofgovernment@us.ibm.com
- By calling the Center at (202) 515-4504
- By faxing the Center at (202) 515-4375

Strengthening Government's Ability to Deal with the Financial Crisis

By Thomas H. Stanton

This article is adapted from Thomas Stanton, "Strengthening Government's Ability to Deal with the Financial Crisis" (Washington, DC: IBM Center for The Business of Government, 2009).

The nation needs a vibrant, healthy financial sector. Banks and other depository institutions provide safe locations for savings and these funds are used to provide loans to businesses that provide many of the jobs in the economy. However, the United States is now experiencing the worst financial crisis in more than 75 years. In the past year, large financial institutions have failed or required assistance from the government. The crisis has also spread to global financial markets, requiring coordinated action by world leaders in an attempt to protect savings and restore the health of the markets.

As the administration and Congress take actions to address the immediate financial crisis, determining how to place the government's response on a stronger organizational footing is a key step to reducing the likelihood that the nation will experience a similar financial crisis in the future. In his report, Stanton points out the need to address past policies' inconsistencies, lack of transparency, and shortcomings in organizational capacity. In order to do so, he recommends a number of steps to:

- Ensure a perception of legitimacy of the response effort
- Enhance government's institutional capacity to respond effectively
- Supplement current policies to ensure the flow of credit and assist communities to cope with foreclosed homes

Once the full dimensions of the current financial crisis were recognized, federal policymakers responded with rapid and massive support for the financial markets. They struggled to contain problems that seemed to spread uncontrollably from one sector to another and from one failing institution to another. They considered speed more important than organizational niceties.

The government's ultimate response can be divided into three stages:

- Stage One: The first stage consisted of the largely ad hoc steps taken by the Federal Reserve and Treasury and other agencies to act quickly to try to mitigate problems as they developed in the financial markets. This stage is largely behind us.
- Stage Two: The second stage, demarcated by the advent of the Obama Administration, should involve assessing the government's response to make it more systematic and routine and establishing much-needed prudential supervision and protection against systemic risk (i.e., risk that affects the entire financial system) in the future.
- Stage Three: The third stage will involve trying to unwind the government's involvement and return many financial activities largely to private sector control.

Once it recognized the seriousness of the crisis, the Federal Reserve applied monetary policy tools, extended credit to support financial markets, chartered new bank holding companies, and joined with Treasury to decide how to resolve major failing institutions. The Federal Reserve intervened quickly and allocated more than one trillion dollars to help stabilize key financial sectors. Federal Reserve Chairman Ben S. Bernanke is a student of financial crises and the Great Depression, and is particularly well situated to respond rapidly to the crisis as it unfolds.

The Department of the Treasury also played a major role in the government response. Secretary of the Treasury Henry M. Paulson, Jr., participated in virtually all discussions with respect to resolving major troubled institutions, including decisions concerning Bear Stearns, Fannie Mae and Freddie Mac, AIG, and Citigroup. Especially after enactment of the Emergency Economic Stabilization Act of 2008 (EESA), Treasury possessed an array of policy tools that it used in innovative ways, including support for the Federal Reserve, provision of capital to healthy financial institutions, provision of capital to significant failing institutions, and convening meetings with other organizations to resolve problems.

Other significant federal actors included the Federal Deposit Insurance Corporation (FDIC), the Securities and Exchange



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Commission (SEC), the Federal Housing Finance Agency (FHFA), the Federal Housing Administration (FHA), and the U.S. Department of Education (ED). Other federal agencies could play a significant role in responding to the crisis, depending on how the crisis further evolves and the policy response that is considered most appropriate.

Recommendations

It is now necessary to place the government's response on a stronger organizational footing. Past policy inconsistencies, lack of transparency, and shortcomings in organizational capacity need to be addressed. Recommendations fall into three categories: restore public confidence, increase governmental capacity, and increase support for the credit markets.

Restore Public Confidence in Fairness of the Response Effort

- Recommendation One: Ensure the Perception of Legitimacy
- Recommendation Two: Assist Communities to Cope with Foreclosed Homes

Increase Government Capacity to Respond Effectively

- Recommendation Three: Authorize and Ensure Capacity of the Federal Reserve to Monitor and Address Systemic Risk
- Recommendation Four: Increase Treasury's Capacity to Implement Policy Decisions More Consistently and Effectively and with Greater Accountability to Federal Officials
- Recommendation Five: Ensure that the Federal Housing Administration (FHA) has the Capacity to Support the Mortgage Market without Sustaining Major Losses
- Recommendation Six: Ensure that the Department of Education has the Capacity to Support the Federal Student Loan Market
- Recommendation Seven: Create a Financial Stability and Credit Staff in the Office of Management and Budget to Develop Policy Options for More Effective and Coordinated Government Actions

- Recommendation Eight: Create or Strengthen Interagency Working Groups to Bring the Resources of Multiple Agencies to Bear on Addressing the Crisis in a Coordinated Manner

Increase the Flow of Credit

- Recommendation Nine: Ensure the Flow of Credit to Major Economic Sectors

Acting quickly on these recommendations is essential at this point in time. The federal government must restore public confidence that the government's response is fair and legitimate. The theory of the free enterprise system was supposed to be that entrepreneurs who served the market well would be rewarded while less capable firms and their leaders would fail. Yet, government has embarked on a massive program to shore up insolvent financial firms with infusions of capital. Perceptions of fairness and legitimacy are needed so that the political process provides policymakers the capacity, in terms of authority, resources, and discretion, to address the crisis as it continues to expand.

The federal government now needs to ensure that tools are in place at the Federal Reserve to monitor for risk across the financial system and apply measures to reduce the likelihood of future major financial crises. It is also important to increase the capacity of organizations such as Treasury and the FHA that must play significant roles in the government's response. A core theme of this report is that a strong organizational infrastructure is needed; otherwise the effective implementation of policy decisions is very much at risk.

Conclusion

There are two major issues that need to be addressed in the second stage of the government's response:

- **Enhance organizational capacity** of the Department of the Treasury, OMB, and at other agencies such as FHA, to ensure that they can effectively carry out their responsibilities in times that would tax even the strongest organizations.

Timeline of Major Government Actions by the Federal Reserve and Treasury Department

DECEMBER 2007

December 12, 2007: The Federal Reserve Board announces the creation of a Term Auction Facility (TAF) in which fixed amounts of term funds will be auctioned to depository institutions against a wide variety of collateral.

MARCH 2008

March 11, 2008: The Federal Reserve Board announces the creation of the Term Securities Lending Facility (TSLF), which will lend up to \$200 billion of Treasury securities for 28-day terms.

March 16, 2008: The Federal Reserve Board establishes the Primary Dealer Credit Facility (PDCF), extending credit to primary dealers.

March 24, 2008: The Federal Reserve Bank of New York announces that it will provide term financing to facilitate JPMorgan Chase & Co.'s acquisition of The Bear Stearns Companies Inc.

JULY 2008

July 30, 2008: President Bush signs into law the Housing and Economic Recovery Act of 2008 (Public Law 110-289).

SEPTEMBER 2008

September 7, 2008: The Federal Housing Finance Agency (FHFA) places Fannie Mae and Freddie Mac in government conservatorship. The U.S. Treasury Department announces three additional measures to complement the FHFA's decision.

September 16, 2008: The Federal Reserve Board authorizes the Federal Reserve Bank of New York to lend up to \$85 billion to the American International Group (AIG) under Section 13(3) of the Federal Reserve Act.

September 17, 2008: The Treasury Department announces a Supplementary Financing Program consisting of a series of Treasury bill issues that will provide cash for use in Federal Reserve initiatives.

September 19, 2008: The Federal Reserve Board announces the creation of the Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility (AMLF).

September 19, 2008: The Treasury Department announces a temporary guaranty program that will make available up to \$50 billion from the Exchange Stabilization Fund to guarantee investments in participating money market mutual funds.

September 20, 2008: The Treasury Department submits draft legislation to Congress for authority to purchase troubled assets.

September 21, 2008: The Federal Reserve Board approves applications of investment banking companies Goldman Sachs and Morgan Stanley to become bank holding companies.

OCTOBER 2008

October 3, 2008: Congress passes and President Bush signs into law the Emergency Economic Stabilization Act of 2008 (Public Law 110-343), which establishes the \$700 billion Troubled Asset Relief Program (TARP).

October 7, 2008: The Federal Reserve Board announces the creation of the Commercial Paper Funding Facility (CPFF), which will provide a liquidity backstop to U.S. issuers of commercial paper.

October 8, 2008: The Federal Reserve Board authorizes the Federal Reserve Bank of New York to borrow up to \$37.8 billion in investment-grade, fixed-income securities from American International Group (AIG) in return for cash collateral.

October 14, 2008: U.S. Treasury Department announces the Troubled Asset Relief Program (TARP) under the authority of the Emergency Economic Stabilization Act of 2008.

October 21, 2008: The Federal Reserve Board announces creation of the Money Market Investor Funding Facility (MMIFF) to facilitate the purchase of assets from eligible investors, such as U.S. money market mutual funds.

NOVEMBER 2008

November 10, 2008: The Federal Reserve Board and the Treasury Department announce a restructuring of the government's financial support of AIG.

November 12, 2008: Treasury Secretary Paulson formally announces that the Treasury has decided not to use TARP funds to purchase illiquid mortgage-related assets from financial institutions.

November 23, 2008: The Treasury Department, Federal Reserve Board, and FDIC jointly announce an agreement with Citigroup to provide a package of guarantees, liquidity access, and capital.

November 25, 2008: The Federal Reserve Board announces the creation of the Term Asset-Backed Securities Lending Facility (TALTF), to support recently originated consumer and small business loans. The Treasury will provide \$20 billion of TARP money for credit protection.

DECEMBER 2008

December 19, 2008: The Treasury Department authorizes loans of up to \$13.4 billion for General Motors and \$4.0 billion for Chrysler from the TARP.

December 22, 2008: The Federal Reserve Board approves the application of CIT Group Inc., an \$81 billion financing company, to become a bank holding company.

December 29, 2009: The Treasury Department announces that it will purchase \$5 billion in equity from GMAC as part of its program to assist the domestic automotive industry. The Treasury also agrees to lend up to \$1 billion to General Motors. This commitment is in addition to the support announced on December 19, 2008.

JANUARY 2009

January 5, 2009: The Federal Reserve Bank of New York begins purchasing fixed-rate mortgage-backed securities guaranteed by Fannie Mae, Freddie Mac and Ginnie Mae.

January 12, 2009: At the request of President-Elect Obama, President Bush submits a request to Congress for the remaining \$350 billion in TARP funding for use by the incoming administration.

January 16, 2009: The Treasury, Federal Reserve, and FDIC announce a package of guarantees, liquidity access, and capital for Bank of America.

January 16, 2009: The Treasury Department announces that it will lend \$1.5 billion from the TARP to a special purpose entity created by Chrysler Financial to finance the extension of new consumer auto loans.

Note: This is a greatly abridged version of the timeline of actions by the Federal Reserve, Treasury, and other federal agencies, found at <http://www.stlouisfed.org/timeline/timeline.cfm>, accessed January 21, 2009.

- **Enhance the perception of legitimacy** by taking actions which improve the perceived fairness and transparency of decisions. The public needs to gain a sense that political leaders have a clear mission, are good stewards of the nation's economy, and will make fair decisions.

Chairman Bernanke and Secretary Paulson laid the foundation of the government's response. It is time for the new Administration to build on it and place the government's response on a more sound organizational footing. ■

Performance Management Recommendations for the New Administration

By Shelley Metzenbaum

This article is adapted from Shelley Metzenbaum, “Performance Management Recommendations for the New Administration” (Washington, DC: IBM Center for The Business of Government, 2009).

Two simple tools—goals and measurement—are among the most powerful leadership mechanisms available to a President for influencing the vast scope of federal agencies. Goals and measurement are useless, however, unless used. They must be used not just to comply with mandated reporting requirements, but to communicate priorities and problems, to motivate through attention and feedback, and to illuminate where, when, and why performance changes. The President and his leadership team must focus their discussions to deliver results around specific goals and discuss progress and problems relative to them. Otherwise, the goals agencies articulate in written plans are likely to be pushed aside and forgotten in the unending press of daily crises.

This report examines the evolution of the development and use of goals and measures over the past two presidential administrations and offers insights and recommendations to the incoming Obama Administration. These insights and recommendations are based on extensive interviews with key stakeholders in agencies, Congress, the Office of Management and Budget (OMB), and outside groups. It also draws on the government experience of the author as well as studies of federal performance trends by the Government Accountability Office, academics, and think tanks.

The Importance of Goals and Measures

Management issues seldom make their way onto the political agenda of presidential candidates. Nor do they rank high among the priorities of an incoming President. Yet, faced with multiple crises, each of which demand full attention, a President must decide how to run government to advance his priorities and prevent new problems. Two simple tools—goals and measurement—are among the most powerful leadership mechanisms a President can use to influence the vast scope of federal agencies.

Goals allow a President to clarify expectations concisely with cabinet members, other agency heads, and policy advisers. Measurements provide the means for monitoring progress, informing priorities, and identifying ways to improve. Also, public reporting of goals and measurement communicates priorities and progress succinctly to the public, boosting accountability.

Of course, goals and measurement are useless unless used. Once established, the President or a senior designee acting on his behalf must talk about specific goals and discuss progress and problems relative to them. Otherwise, the goals are likely to be pushed aside and forgotten by an unending series of daily crises.

Evolution of Federal Goals and Measurement Efforts

In 1993, Congress passed the Government Performance and Results Act (GPRA). It requires every federal agency to set strategic and annual goals (dealing with societal outcomes, not just agency activities), measure performance, and report to Congress, OMB, and the public on progress relative to selected goals. The Clinton Administration developed the foundation for generating this new supply of goals and measures. The Bush Administration extended it by creating the Program Assessment Rating Tool (PART) “to give true effect to the spirit as well as the letter” of GPRA. PART shifted the focus of goal-setting and measurement from the agency level to the program level. The next President will need to decide whether and how to use GPRA to advance his agenda and, more generally, to improve the impact and productivity of federal agencies. To inform that decision, this report examines recent federal performance management experience and offers recommendations to the next Administration.

Guiding Principles to Improve Federal Performance Management

Based on the results of interviews and a literature review, the report concludes that the key performance management challenge facing the Obama Administration is to use—not just produce—performance goals and measures.



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Specifically, the report offers four guiding principles that should undergird changes to current federal performance management efforts:

- Communicate performance trends and targets, not target attainment and ratings
- Encourage performance improvement with increased diagnostic analysis, practical experiments, and knowledge sharing
- Present information in ways that meet the needs of specific audiences
- Structure accountability mechanisms to encourage and inspire, not embarrass, reprimand, or punish

Obama Embraces Performance Management

During his campaign, President Obama called for the creation of “a focused team within the White House that will work with agency leaders and the White House Office of Management and Budget (OMB) to improve results and outcomes for federal government programs while eliminating waste and inefficiency. This unit ... will be ... headed by a new Chief Performance Officer (CPO) who will report directly to the President. The CPO will work with federal agencies to set tough performance targets and hold managers responsible for progress. The President will meet regularly with cabinet officers to review the progress their agencies are making toward meeting performance improvement targets.”

In naming the nation’s first-ever Chief Performance Officer, Obama clearly indicated the emphasis he plans to place on federal performance management.

Recommendations

This report offers the following specific recommendations, organized by the agent for action:

RECOMMENDATIONS FOR THE PRESIDENT

1. Clearly Identify Presidential Priority Targets. The President should identify a limited number of priority targets, assign responsibility for pursuing the targets, and meet at least quarterly with each Cabinet secretary responsible for the Presidential priority targets to keep agencies focused on these targets.

2. Appoint a Chief Performance Officer and Create a White House Performance Unit. The President should appoint a chief performance officer (CPO) to work closely with the President and head of OMB and should charge the CPO with assembling a dedicated White House performance unit to advance progress on Presidential priorities. The CPO and White House performance unit should work closely with and be supported by OMB and other parts of the White House, especially, but not exclusively, the OMB performance team.

3. Run Goal-Focused, Data-Driven Meetings. The President should use the new White House performance unit to run goal-focused, data-driven meetings pertaining to his priority targets.

4. Increase Analysis. The President should direct the CPO and the White House performance unit to encourage increased analysis of performance and other relevant data pertaining to presidential, cross-agency, agency, and program targets.

5. Engage Performance Management Expertise for Cabinet. The President should appoint experienced performance managers to key government management positions, especially to the Deputy or Undersecretary positions in each Cabinet-level agency, and the CPO should enlist senior-level performance management experts to provide counsel to Cabinet secretaries.

Performance Management Mechanisms Used by the Bush Administration to Supplement GPRA

Adapted from John Kamensky, "Bush's Performance Management Legacy," PA Times, October 2008

President George W. Bush built on the Government Performance and Results Act of 1993 with program-level assessments, linking budgets to program performance, requiring agencies to conduct quarterly reviews, and tying program performance to executive pay. In the last year of his administration, he created via executive order a network of executives, mostly career, to focus on agency performance. Following are some of the key elements of the performance management framework the Bush administration put in place during its eight years in office.

Program Assessment Rating Tool

OMB created and started using the Program Assessment Rating Tool (PART) in 2002. It reviewed about 200 programs a year and posted the results on a website, www.expectmore.gov. As of mid-September 2008, OMB had reviewed 1,017 programs, covering nearly the entire budget. It rated 193 (19 percent) as effective, and only 27 (3 percent) as ineffective. OMB did not determine the effectiveness of 173 (17 percent) because it felt that those programs did not collect sufficient performance information to make a judgment. OMB says agencies have identified over 6,000 performance measures that track program outcomes, outputs, and activities that increase efficiency, and have undertaken 4,000 specific program improvement actions identified as a result of the PART assessment.

Performance Budgets

Agencies are required by GPRA to develop a strategic plan, an annual performance plan, and an annual performance report. In recent years, OMB encouraged agencies to integrate the annual plan into their annual budget justifications to Congress. OMB guidance to agencies states, "Your submission should include descriptions of the means and strategies, including resources, processes, and technologies, to be used in achieving the performance goals." Beginning with the fiscal year 2005 budget, OMB required agencies to submit a "performance budget" that would integrate the annual performance plan and the congressional budget justification into one document.

Agency Reviews

The Bush administration also required agencies to conduct quarterly reviews of their performance and progress toward their goals and targets.

Performance Improvement Officer

President Bush signed an executive order in November 2007 instructing all agencies to designate a Performance Improvement Officer. The order encouraged agencies to designate a career senior executive to this position. A number are their agency's chief budget officer. Others are their agency's lead in strategic planning or performance measurement.

Performance Improvement Council

The executive order also created a government-wide Performance Improvement Council comprised of the agency performance improvement officers. It has been meeting monthly since it was formed in early 2008 and has focused on improving individual agency goals and plans to achieve them. It is currently chaired by a highly regarded career executive in an agency, supported by OMB staff.

The Council is divided into subcommittees that develop and bring issues to the broader group. These include:

- A subcommittee on program evaluation
- A subcommittee that gathers best practices to share across agencies
- A subcommittee on reporting and transparency that provides advice to OMB and agencies surrounding the contents of required reports and a timetable for their release

The council has developed a plan of action that will continue through 2009. This plan includes training and information-sharing activities.

Transparency and Reporting

One of the boldest actions President Bush took in performance improvement was the public release of extensive amounts of information related to the performance of individual programs assessed under PART and reported in the budget. The website www.expectmore.com included PART scores, the backup materials used to develop these scores,

and a list of what agencies have committed to do to improve.

In addition, agencies publish performance-related reports each year. Most agencies publish combined performance and financial reports by November 15, as required by OMB in Circular A-136. Early in the Bush administration, the due date for these statutorily required authorized reports was accelerated from March 30 (six months after the end of the fiscal year) to November 15 (six weeks after the end of the fiscal year), so that this information would be available during the budget development process.

About 10 agencies are piloting separate financial and performance reports. The pilot agencies are preparing three separate reports. Financial reports were submitted on November 15, 2008; performance information as an integrated part of their budget submissions were submitted in February 2009; and a “citizens’ report,” not to exceed 25 pages in length, was published in January 2009. All other agencies were encouraged to submit reports but were not required to do so.

All agencies were also asked to prepare, for the first time, a two-page “performance snapshot” published in January 2009. This snapshot is intended to provide an overview of each agency’s mission, organization, budget, and performance and financial results.

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6. Identify and Manage Cross-Agency Targets and Measures.

The President should direct the White House Policy Councils to work with the CPO to identify measures, and possibly a limited number of targets, for problems and opportunities not elevated to the level of Presidential priority but where performance improvement nonetheless needs cross-agency attention and cooperation.

7. Adjust Accountability Expectations. The President should instruct the CPO and the White House performance unit to lead a government-wide effort to adjust accountability expectations—holding agencies accountable for the persistent application of evidence, intelligence, and effort to achieve continual performance gains.

RECOMMENDATIONS FOR THE OFFICE OF MANAGEMENT AND BUDGET

8. Communicate Targets and Trends. OMB should direct agencies and programs to communicate agency targets and the direction of performance trends for key indicators—showing areas where performance is improving and areas where it is declining.

9. Redesign Federal Performance Portal. OMB should maintain a web-based federal performance portal site that makes it easy to find performance targets, trends, and other related information.

10. Engage External Performance Management Expertise for Agencies and Programs. OMB should strongly encourage agencies to invite outside expertise and multiple perspectives to inform the selection of targets, performance measures, and strategies to improve performance.

11. Facilitate Cross-Agency Learning. OMB should expand its role facilitating learning across organizations by building communities of practice and creating a reference desk to support federal agencies and their delivery partners.

12. Increase Training. OMB should increase training for its own staff and for agency staff in order to increase understanding of effective performance management practices and analytic methods.

13. Revise, but Continue PART. OMB should continue to conduct program performance reviews, using a revised and renamed PART process (as discussed in Recommendations 21 and 22).

14. Continue the President’s Management Council with Increased Attention to Performance. OMB should continue

to convene the President's Management Council as a forum for bringing senior agency deputies together on a regular basis to discuss progress toward performance and management priorities and to reduce management risks.

15. Expand OMB Performance Management Team. OMB should increase the size of its performance management team in order to accomplish its expanded responsibilities to support performance improvement across the federal government.

RECOMMENDATIONS FOR CABINET SECRETARIES AND AGENCY HEADS

16. Immediately Review Agency Performance Trends and Update Priority Targets. Each cabinet secretary and agency head should review and refine their organization's strategic and annual targets to reflect and communicate the new Administration's priorities, informed by a review of past performance trends.

17. Run Goal-Focused, Data-Driven Meetings. Each cabinet secretary and agency head should run their own goal-focused, data-driven meetings to keep the organization focused and continually searching for opportunities for improvement.

18. Identify Information Needs of Key Audiences. Cabinet secretaries and agency heads must assure that their organizations identify key audiences for federal performance information, determine their needs, and establish priorities among the audiences to be served.

19. Improve Federal Information Presentation and Dissemination Capacity. Each cabinet secretary and agency head should pay increased attention to the presentation, dissemination, and use of performance information in order to communicate more effectively with targeted audiences and inform their priority-setting and performance improving decisions.

20. Create Agency Web-Based Performance Portals. Each cabinet secretary and agency head should direct their organizations to add a performance portal on their home pages that makes it easy to find performance targets, trends, and other related information.

RECOMMENDATIONS FOR THE PERFORMANCE IMPROVEMENT COUNCIL

21. Lead a review of PART. The Performance Improvement Council should be directed to lead a process to propose changes to PART for subsequent action by OMB. This should include revising and renaming the process to shift the emphasis from program rating to performance improvement, fixing some the questions, and adding a few new questions.

22. Consider Specific Revisions to PART. The Performance Improvement Council should consider the following recommendations concerning revisions to the PART process:

- Align program targets with GPRA goals and allow agencies to define what constitutes a program

Examples of Goal-Focused, Data-Driven Management Approach

New York City Mayor's Office

Michael Bloomberg, mayor of New York City, does not convene regularly scheduled goal-focused, data-driven meetings, but instead constantly converses with his leadership team about goals and their relevant measurements. He expects his managers to bring evidence to discussions of problems and consideration of the options for addressing them. Special goal-focused teams operate out of the mayor's office to drive progress on priority problems requiring attention from multiple units.

Even before Bloomberg took office, many agencies in New York City had begun to shift toward a goal-focused, data-driven management style based on CompStat meetings. CompStat meetings were first developed by former New

York City Police Department Commissioner William Bratton to drive down the crime rate. Bratton used CompStat—short for Computerized Statistics—meetings to focus precinct captains on reducing crime in their precincts. Bratton's crime-reducing efforts were so successful that leaders in other New York City departments adopted the CompStat model. Former mayor Rudolph Giuliani encouraged all agencies to adopt this approach.

Upon taking office, Bloomberg did not just encourage this approach; he expected every department head to talk about specific goals and support the discussion with data. CompStat-style meetings have since been replicated in at least one federal agency, several states, and numerous cities—not just for policing but for all aspects of governance.

- Revise the PART scoring system and eliminate the ratings
- Increase reviewer perspectives
- Reorder and revise PART questions

Government should pay increased attention to communicating performance trends and targets.

It is far more informative and objective to communicate whether, where, in what direction, and by how much performance and related indicators are moving. Reporting performance trends indicates whether or not program outcomes and interim outcomes are going in the direction desired, suggesting whether agency actions are working as intended, not simply whether a target has been met or a commitment fulfilled.

Reporting is not, however, measurement's only or, arguably, its most important use. Measurement is most valuable when organizations use the data they collect not just to report, but to illuminate, communicate, motivate, and allocate.

Recent federal performance management practices have paid too little attention to the diagnostic analysis of data to understand the nature of problems more precisely.

When analysis of performance data does not reveal effective, efficient practices, federal agencies may need to experiment to discover increasingly effective and cost-effective interventions. Once promising practices are found, they may also need to experiment to find successful methods for promoting their adoption by other agencies and delivery partners.

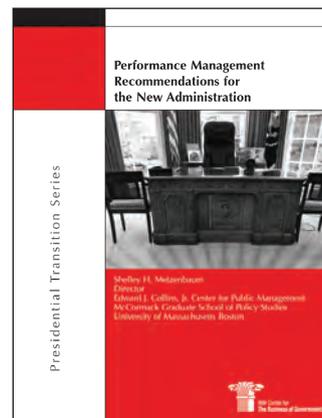
One of the most significant findings from the interviews conducted for this study is that so few found the numerous documents and websites with federal performance information useful.

The accountability mechanisms of the federal performance management system—the expectations set and incentives used—are askew and need adjustment. Focusing on these objectives implicitly punishes programs when targets are not met even when a program applies smart strategies based on available evidence, collects relevant data, and exerts strong effort.

The new administration needs to adjust the motivational mechanisms of the federal performance management system to reduce fear and the perceived unfairness in the system. It needs to adjust the accountability expectations and increase use of positive incentives that tap into intrinsic inclinations to do well and altruistic instincts to do good. ■

TO LEARN MORE

Performance Management Recommendations for the New Administration by Shelley Metzenbaum



The report can be obtained:

- In .pdf (Acrobat) format at the Center website, www.businessofgovernment.org
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Federated Human Resource Management in the Federal Government: The Intelligence Community Model

By James R. Thompson and Rob Seidner

This article is adapted from James Thompson and Rob Seidner, "Federated Human Resource Management in the Federal Government: The Intelligence Community Model" (Washington, DC: IBM Center for The Business of Government, 2009).

Under the authority of the Intelligence Reform and Terrorism Prevention Act of 2004, the Intelligence Community developed a "federated" approach to its employment system that effectively balances the needs of the community with those of individual agencies. Unlike the traditional top-down approaches to policy development, the Office of the Director of National Intelligence worked closely with each of the 17 components of the Intelligence Community to agree upon a new human resource management framework. The 17 components voluntarily ceded some of their statutory autonomy in the interest of a stronger and more cohesive whole. The result is a robust set of changes that has achieved widespread acceptance.

Key oversight groups have expressed concern about the proliferation of agency-specific employment systems. Needed, according to these groups, is an overall framework that ensures that all federal employees are bound by the same set of general rules but that also allows agencies flexibility in areas of strategic import such as performance management, compensation, hiring, and workforce restructuring.

Until now, no model for how such a system would work has been available. However, pursuant to the Intelligence Reform and Terrorism Prevention Act of 2004 (IRTPA), the Intelligence Community (IC) has developed a "federated" approach that effectively balances community needs with those of the individual agencies. Consistent with the term "federated," the component units have ceded some of their autonomy in the interest of a stronger and more cohesive whole. In this process, the Office of the Director of National Intelligence (ODNI), with the implicit support of both Congress and the president, has served as prime mover.

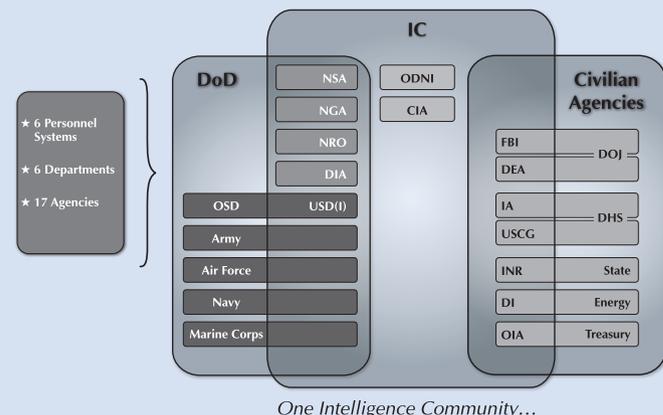
Distinctive to this new framework is the manner in which it was devised. In contrast with the "top-down" approaches

to policy development that tend to predominate within the executive branch, within the IC the new human resource management (HRM) framework was negotiated between ODNI and the rest of the intelligence community. This strategy was necessitated by the fact that IRTPA does not provide the DNI with line authority over the other agencies. Each of the 17 intelligence organizations had to consent to each of the nine new personnel directives. While cumbersome to negotiate, the requirement for consensus has insured that agency interests and concerns are addressed. ODNI has promoted community and collaboration and has helped overcome centrifugal tendencies among the agencies. The result, as described in this report, is a robust set of changes that has achieved widespread acceptance within the IC.

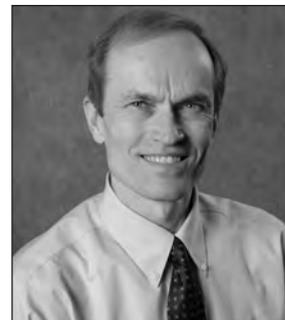
Background

The challenge facing the first DNI, John Negroponte, was how to achieve the congressionally-mandated objective of inducing collaboration and cooperation among units that had traditionally operated with a high degree of autonomy and to do so without line authority over these units. The

**Figure 1: The Intelligence Community
Seventeen IC Components**



Source: Office of the Director of National Intelligence.



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development of a common human resource management (HRM) policy framework was identified as one potentially important means to that end; having a common policy framework would facilitate the transfer of personnel across agency lines.

Two important documents that helped shape discussions about the creation of common HRM policies were the National Intelligence Strategy (NIS) and the Intelligence Community's Five-Year Strategic Human Capital Plan. Consistent with the recommendations of the 9/11 Commission and IRTPA, the

theme and subtitle of the NIS was "transformation through integration and innovation," with an emphasis on the need to break down cultural and other barriers between agencies, to promote collaboration across agency lines and to create "a unified enterprise of innovative intelligence professions."

The IC has employed four, separate, HRM-related "levers" to foster cross-agency collaboration:

- **Governance lever**, including the process of negotiating a common HRM policy framework and the structure that accompanied that process
- **Personnel lever**, including the Joint Duty program as well as collaborative recruitment, staffing, and human resource information system initiatives
- **Compensation lever**, including the National Intelligence Civilian Compensation Program (NICCP), incorporating the pay-for-performance principles and directed at providing a common performance management and compensation framework
- **Training lever**, including the development of a community-wide training curriculum

Structure of the Intelligence Community's Human Resource Management Initiative

- **The Program Management Office (PMO)** included staff both from the ODNI and from the components that would develop the first draft of each of the Intelligence Community Directives (ICDs). Six separate directives have been issued.
- **The Chief Human Capital Officer (CHCO) Council** includes the CHCOs from all seventeen elements of the IC. Ron Sanders, Associate Director for National Intelligence/Human Capital chaired this group. Draft ICDs developed by the PMO were presented and discussed within this group. Each ICD went through several iterations prior to approval and submission to the Leadership Development Executive Committee (LDEC).
- **The EXCOM (Executive Committee)** includes the directors of the agencies that make up the intelligence community. Policies with significant operational implications such as that relating to Joint Duty were discussed by the EXCOM.
- **The DEXCOM (Deputies Executive Committee, formerly the LDEC)** includes the deputy directors of the agencies. The DEXCOM had to ratify each of the ICDs subsequent to the CHCO Council's review. In some instances, issues that could not be resolved at the CHCO Council level were subject to discussion at the DEXCOM.

Recommendation One: Pursue a Federated Approach to Civil Service Reform

Over the past 15 years, the civil service system has splintered, as a series of departments and agencies have obtained waivers from portions of the civil service law (title 5 of the U.S. Code) or have been given the authority to create their own personnel systems. A justification is that the traditional title 5 personnel rules are too inflexible and that the "one size fits all" philosophy that they embody is not appropriate to the heterogeneous set of organizations and missions of which the executive branch is comprised.

The IC model suggests a two-tiered system comprised of 1) OPM, and 2) the departments and agencies. OPM would be responsible for those policies that are common across the entire executive branch. Examples of the types of policies



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that would apply government wide include those identified by GAO, such as adherence to merit principles, prohibited personnel practices, and guaranteed due process, as well as retirement and health benefits, workforce planning and the management of data on the federal workforce. OPM could also expand its training mission. Although each agency is responsible for conducting its own technical training, OPM could expand the managerial training provided to agencies and thereby gain economies of scale and insure that federal employees receive the up-to-date knowledge needed.

Recommendation Two: Require a Collaborative Approach to HRM Policy Design

The role of the departmental offices in a federated structure would be similar to that of ODNI within the IC. Each department would convene component bureaus in a collaborative process to develop a department-specific set of rules within the parameters set by OPM. That the process be collaborative is the key to achieving an effective balance between community and agency requirements. If traditional hierarchical approaches are employed, the balance will inevitably tip in favor of departmental considerations. In this model, agencies are full participants in the development of departmental rules.

The advantages of a more participatory approach to HRM reform are many. The first is that participation tends to engender buy-in on the part of those charged with implementation and implementation is more likely to be successful as a result. Second, participation ensures that those charged with implementation have a chance to shape the policy in ways to make it work for them, enhancing the chances of implementation success. Third, where collaboration is an objective in itself, the very process of developing common policies can foster an atmosphere of trust and cooperation. Fourth, involving additional players in policy development can improve the result. In the IC's case those players, the CHCOs, and the deputies are knowledgeable and experienced made valuable contributions to the outcome.

Recommendation Three: Ensure Accountability

Despite the advantages of a collaborative approach to HRM reform, it is essential that there be a single point of accountability within each department. In a federated structure as is proposed here, that role would be served by the departmental offices.

Within the IC, ODNI served as a point of accountability and in that role drove the process. ODNI initiated the reforms, developed the structure and convened the meetings, and helped staff the Program Executive Office where the detailed drafting of the ICDs took place. It was the ADNI/HC who worked with the DNI to formulate an HRM reform agenda, who chaired the meetings of the CHCO Council and who took unresolved issues to the DEXCOM and EXCOM.

Recommendation Four: Allow Policy Customization by Interagency Clusters

In some instances, as with the IC, it may be appropriate to allow a cluster of agencies that are sharing a common mission but organizationally located in multiple departments to share a common HRM framework. Agencies responsible for regulating the financial sector provide an example of such a cluster outside the IC. Under the Emergency Economic Stabilization Act of 2008, Congress created the Office of Financial Stability within Treasury to oversee the bail-out of banks and other financial institutions. Also involved are the Federal Deposit Insurance Corp., the Comptroller of the Currency, the Office of Thrift Supervision, and the Department of Housing and Urban Development. Under the proposed model, these agencies would constitute a financial regulatory cluster that, with congressional approval could devise its own HRM policies.

Recommendation Five: Extend Joint Duty to the Entire SES

The SES was created as part of the Civil Service Reform Act of 1978, with the intent that it serves as a corps of generalist executives whose careers would traverse agency lines

and who would thereby promote interagency collaboration and cooperation. Instead, the vast majority of SES members spend their entire careers in a single agency. An SES-wide Joint Duty program along the lines of what the IC has created holds promise for a return to CSRA's original vision. The purpose would be to broaden the perspective of those who reach the top levels of the career service and to foster collaboration among agencies in addressing issues that cross agency lines. Consistent with the IC's model outlined here, aspirants to the SES would be required to take assignments in other agencies within the same department or cluster as a condition of promotion.

Recommendation Six: Use Human Resource Management Tools to Foster Interagency Collaboration

This report identifies a set of HRM levers used to encourage interagency collaboration within the IC. These same levers can be employed elsewhere within the government in policy areas where interagency collaboration is critical to mission accomplishment.

Recommendation Seven: Provide Effective Leadership for Collaborative Processes

Recommendation Two above, under "Recommendations for Policy Makers," endorses a collaborative approach to HRM system design. In this approach, agency consent would be a condition of the development of departmental specific HRM systems. However, the success of collaborative processes is highly contingent on leadership quality.

Recommendation Eight: Address the Cultural Dimension of HRM Reform

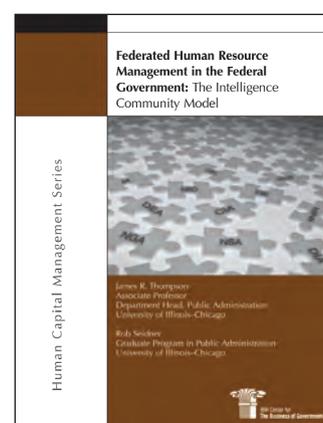
The IC's HRM exercise is ultimately directed at changing organizational morés that have been in place for decades. The programmatic changes that have been negotiated will succeed only if the values that they embody become part of the accepted way of operating.

A lesson for departments is that the design process itself is critical to the creation of a culture of collaboration. An approach in which agencies feel a genuine sense of partnership is likely to contribute to an attitude of ongoing collaboration. ■

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The Challenge of Contracting for Large Complex Projects: A Case Study of the Coast Guard's Deepwater Program

By Trevor L. Brown, Matthew Potoski, and David M. Van Slyke

This article is adapted from Trevor Brown, Matthew Potoski, and David M. Van Slyke, "The Challenge of Contracting for Large Complex Projects: A Case Study of the Coast Guard's Deepwater Program" (Washington, DC: IBM Center for The Business of Government, 2009).

One of the biggest challenges facing the new administration, as well as future administrations, is the effective acquisition of complex products. The federal government cannot eliminate the risks associated with complex products by simply avoiding procuring such products. As the difficulties confronting the federal government become increasingly complicated, so too will the types of goods and services needed to address those challenges.

The research team of Brown, Potoski, and Van Slyke examines the contracting for a complex product or its components by reviewing the U.S. Coast Guard's experience with its Deepwater Program. The Deepwater Program was a major "system of systems" acquisition to upgrade and integrate the Coast Guard's sea and air assets (such as boats and airplanes). Based on their analysis of the Coast Guard experience, the authors offer lessons for the future as the government continues to face the challenge of acquiring complex products. We hope that this timely and informative report will be useful to both the new administration and Congress.

The U.S. federal government is increasingly acquiring products that have qualities that cannot be easily and clearly defined in advance and that are difficult to verify after the product or service has been delivered. These products are called complex products. A federal government agency has three basic options for acquiring complex products:

- It can build the product itself.
- It can buy components of the product and then integrate them on its own.
- It can pay someone else—a general contractor—to buy the components and assemble them into the product.

This third option is often referred to as a system-of-systems (SoS) contracting approach in which a private firm serves as the product assembler, or lead systems integrator (LSI). In the second approach the government agency serves as the LSI.

This report highlights the risk of becoming locked in to or stuck in a contract with a vendor for a complex product or its components by examining the U.S. Coast Guard's Deepwater program, a major SoS acquisition to upgrade and integrate its sea and air assets (such as boats and airplanes).

The Coast Guard's experience with Project Deepwater suggests ways that government agencies can harness the benefits of complex contracting while avoiding its pitfalls. The Coast Guard experimented with a novel contracting approach and learned several lessons for future acquisitions of complex products:

- The effective acquisition of complex products requires an expanded and more highly skilled acquisition workforce.
- The effective acquisition of complex products requires a better understanding of risk.
- The effective acquisition of complex products requires an investment in learning.

Simple vs. Complex Products

Sometimes government agencies buy or make goods or services whose important attributes can be easily and clearly defined in advance and unambiguously verified once they have been delivered. Such goods and services have clear-cut quality dimensions, specifications, and performance standards; market signals will tell agencies how much value they will get when they buy these products and how much the products will cost (Williamson 1985). As a result, before agencies commit to a purchase, they can determine whether the product will contribute positively to fulfilling the agency's mission at a price they can afford. These are called simple products.

More complicated products have qualities that cannot be easily and clearly defined in advance and that are difficult



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Simple versus Complex Products

Simple products have specifications, performance standards, costs, and mission impacts that are easy to describe before acquisition.

Examples

- Office supplies
- Data processing services
- Parking garage operations
- Fleet management services

Complex products have specifications, performance standards, costs, and mission impacts that are difficult to describe before acquisition.

Examples

- Weapons systems
- Mental health services
- Drug and chemical addiction services
- IT systems

to verify after the product or service has been delivered—government agencies do not fully know how much return on investment they will get from these products. Without specificity about the product's quality dimensions, specifications, and performance standards, the agency also does not know how much these products will cost. As a result, agencies do not know at the time of purchase whether or precisely how a particular product will contribute to the agency's mission. These are called complex products.

Coast Guard Acquisition

The Coast Guard maintains an array of assets to help pursue these missions, including ships and boats (such as cutters, buoy tenders, icebreakers, and lightships), airplanes and helicopters, shore stations, facilities, and lighthouses and navigation systems. The Coast Guard mostly buys these assets from private vendors. In recent history the Coast Guard's procurement practice has been to separately purchase individual classes of assets—ships, cutters, airplanes, and helicopters. When a class of ships was no longer seaworthy, the Coast Guard bought a new one to replace it, perhaps with a modified design better suited to the Coast Guard's evolving missions.

In 1998 Congress and the Clinton administration committed to a multiyear appropriation of \$500 million a year to upgrade the Coast Guard's assets, an amount significantly

more than the Coast Guard's historical acquisition line (GAO 2001). The result was the Deepwater program or "Project Deepwater." (See Figure 1)

Project Deepwater as a Complex Product

The Deepwater program is a complex product because its specifications, performance standards, costs, and mission impacts were difficult to identify before acquisition of the system. At the outset, the Coast Guard understood its mission objectives, but it lacked information about the options for how different mixes of assets would help achieve them.

Project Deepwater's Lessons

The Coast Guard's Deepwater program highlights the risks and challenges of acquiring complex products. In assessing its aging deepwater fleet, the Coast Guard determined in the late 1990s that its multiple missions demanded an integrated and interoperable network of assets, a product that would require highly specialized investments and, as it turned out, prove difficult to specify.

Unable to design and build the system itself, the Coast Guard turned to the market. In markets for products that do not require specialized investments and that are easy to specify—simple products—a surfeit of sellers provide buyers with choices, and competition supplies information about trade-

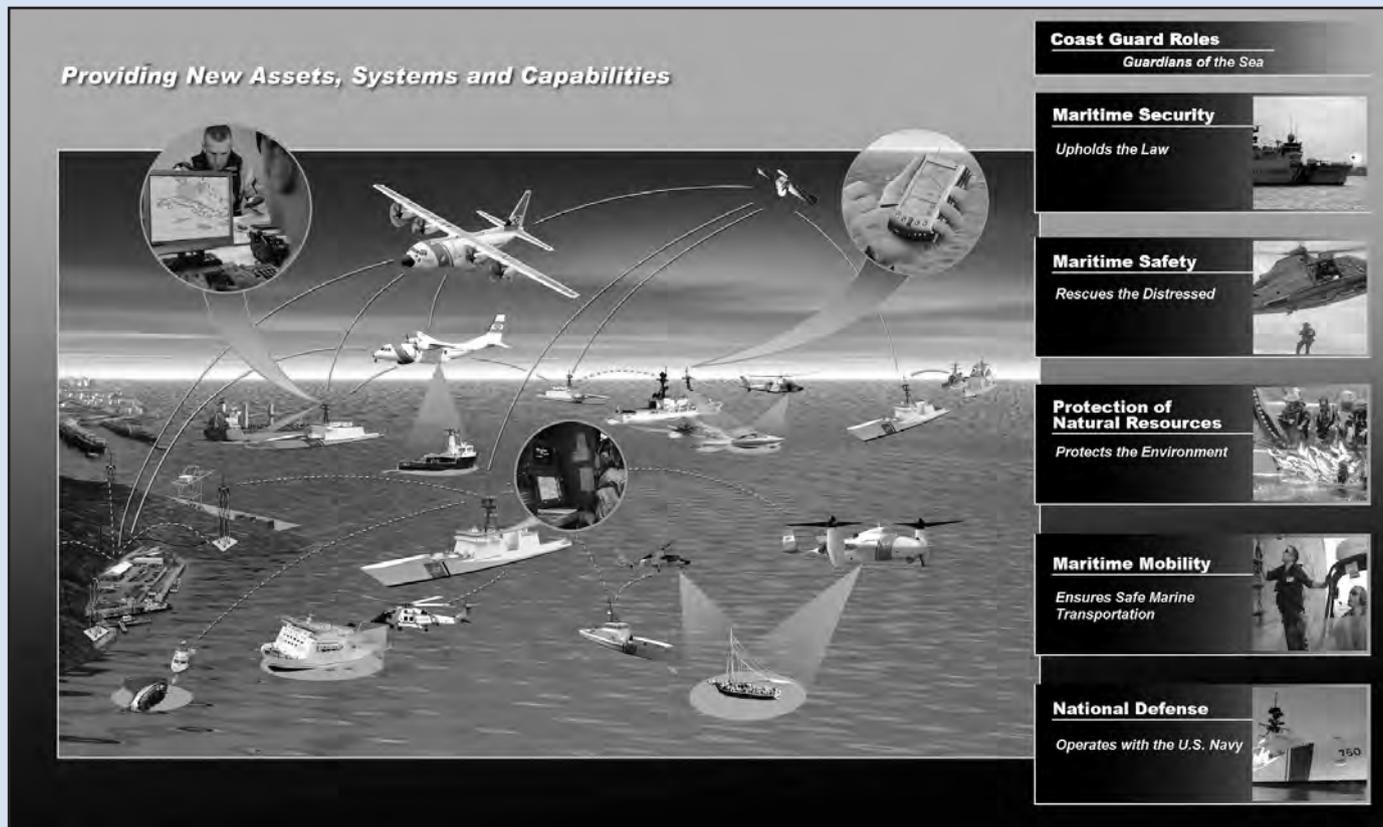


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offs between cost and quality. The market for complex products is likely to have few sellers, largely because specialized investments are required and the number of buyers is typically lower. The result is fewer options and less information for buyers. One of the risks of buying in a thin market is that buyers have more difficulty distinguishing good options from bad ones because they lack information on the tradeoffs between cost and quality. The Coast Guard's foray into the market for the design and production of the Deepwater system generated only three potential vendors.

Assembling complex products can be expensive. In the Deepwater case, not only did the Coast Guard find the costs of building the system too expensive, it also initially determined that it did not have the capability itself to serve as the LSI. The costs of managing the acquisition and integration of all the component parts were too high. Consequently, the Coast Guard elected to assemble the product through an SoS contract with a private LSI. In this way, the Coast Guard hoped to lower its administrative costs by transferring contract management tasks to ICGS,

Figure 1: Deepwater Program Overview



Source: Deepwater Program Overview image from the Deepwater Information & Solutions Center, a joint Lockheed Martin and Northrop Grumman facility.

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the selected LSI vendor. However, even with this production choice, the administrative costs of working with ICGS to specify the system and its components and acquire the system assets proved higher than either party initially anticipated. Furthermore, the Coast Guard faced the risk of locking itself in to a relationship with ICGS because of the highly specialized investments that were required to deliver the system. These circumstances jeopardized the win-win outcomes that successful contracting promised.

Lessons for the Future

In response to future challenges, federal government agencies, much like the Coast Guard, will continue to need highly integrated systems of goods and services. The demand for complex products will not abate and will require many complex acquisitions.

The Effective Acquisition of Complex Products Requires an Expanded and More Highly Skilled Acquisition Workforce.

The Partnership for Public Service projected that one of the fastest growing human resource needs across all federal agencies is acquisition personnel. Many government agencies need an expanded and more highly skilled acquisition workforce. The Coast Guard's experience in Deepwater, for example, affirms the need for a large acquisition staff skilled in the following:

- Market dynamics and firm behavior
- The legal context of contracting
- Product specification and measurement
- Risk management
- Negotiation
- Contract design
- Incentive construction and implementation
- Contract management and oversight

Perhaps most important, as acquisition personnel perform their roles as smart buyers, they must be trained and given

freedom to operate strategically. Smart buying of complex products is not simply an exercise in following procedures and punching checklists, but rather it requires personnel who can synthesize information, adapt quickly to changing circumstances, and selectively apply different tools and skills to match the dynamic challenges they face.

The Effective Acquisition of Complex Products Requires an Investment in Learning.

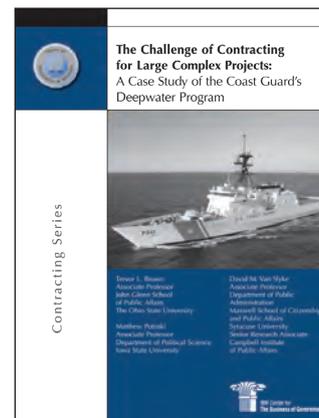
As government agencies continue trying different contract vehicles for acquiring complex products, these agencies (and their overseers) need to invest in creating acquisition units equipped as learning organizations to continually reassess and modify acquisition processes as they progress. Without knowing what does not work, agencies and their acquisition personnel will not be able to fully understand what does work and why. ■

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Transformation of the Department of Defense's Business Systems

By Jacques S. Gansler and William Lucyshyn

This article is adapted from Jacques S. Gansler and William Lucyshyn, "Transformation of the Department of Defense's Business Systems" (Washington, DC: IBM Center for The Business of Government, 2009).

The Department of Defense (DoD) is one of the largest and most complex organizations in the world. DoD's budget dwarfs that of the world's largest corporation, it employs millions of people that operate worldwide, and the Department carries orders-of-magnitude more inventory items than the largest retail corporations. Yet its business systems are far from world class; they are still based on several thousand, non-integrated, non-interoperable legacy systems. In addition to the inefficiencies and errors generated by this amalgam, it is difficult, if not impossible, for the senior leadership to get the enterprise visibility necessary to make sound management decisions.

In order to meet the 21st century national security requirements, the Department needs business systems that enable it to be flexible, adaptive, and accountable. Recognizing these deficiencies, the Secretary of Defense initiated a transformation initiative in July 2001. This report aims to examine this effort; review the lessons learned; and, finally, make recommendations aimed at maintaining and accelerating the program's recent momentum.

Transformation in the Public Sector

Several trends that both public and private organizations face in the 21st century create the environment that drives transformation. The first of these is the continuing impacts of the information technology (IT) revolution, and the increased connectivity made possible by the Internet—enabling continuous and immediate horizontal communication—while accelerating globalization. Second, and partly as a consequence of the first, is the new and larger role that knowledge plays in the operation of most organizations. Third is the increased criticality of security; information assurance as well as physical security. The importance of this was, obviously, highlighted by the terrorist attacks of September 11, 2001, which demonstrated the disruptive potential to public

and private facilities from new forms of innovative attack. Finally, and perhaps most important, will be the growth in federal entitlement spending and the downward budgetary pressure this will exert on discretionary programs—most notably, defense. As a result of these trends, organizations won't be able to just improve or reengineer processes; they will need to be transformed, which will require them to do new things in new ways (Rouse 2006).

DoD's Initial Attempt at Defense Business Transformation

The business transformation effort within DoD can be traced back to demands from Congress for better management and accountability of appropriated funds for all federal agencies and organizations. The GAO was also pushing DoD, along with the other federal agencies, to produce clean financial audits. There was an underlying assumption that the kind of accounting practices followed by the private sector (financial accounting) would add value to government activities.

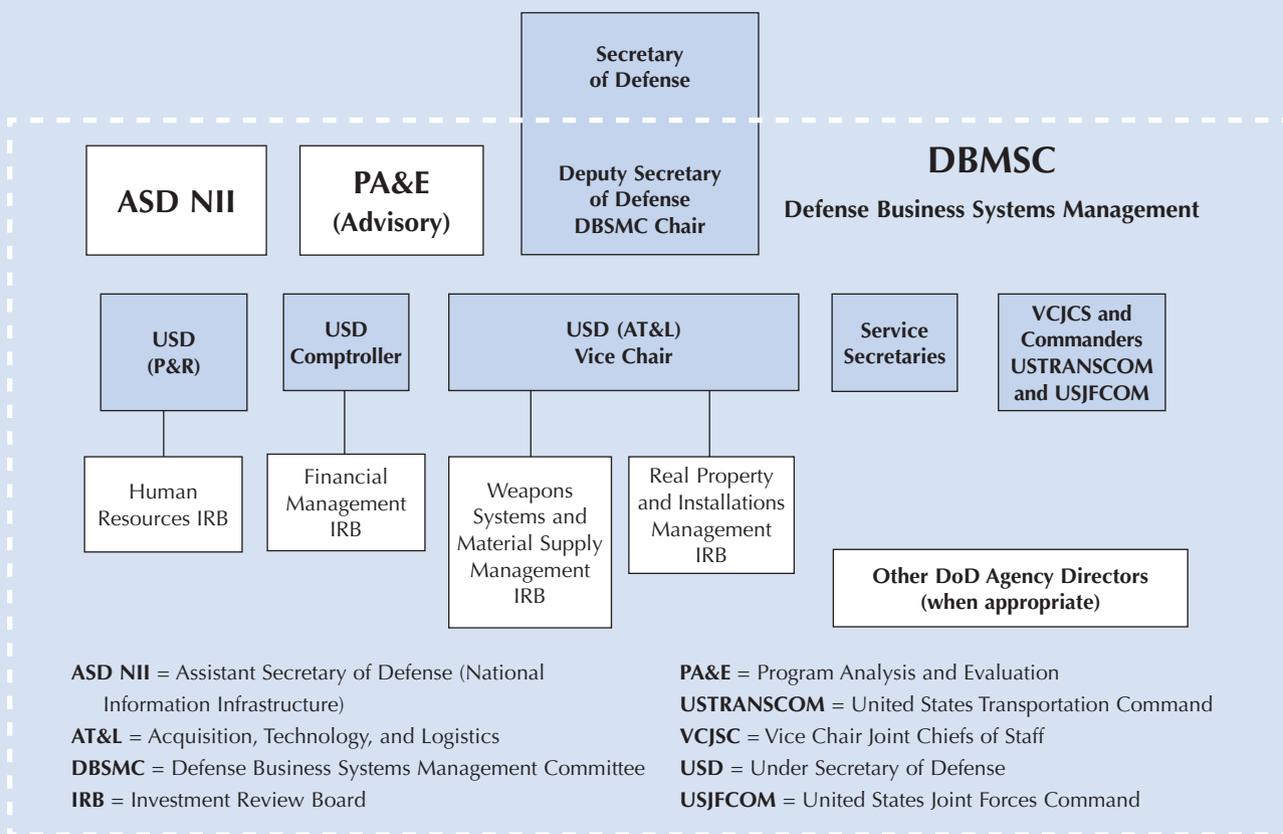
In July 2001, Secretary of Defense Donald Rumsfeld issued a memorandum to the Department of Defense establishing the Financial Management Modernization Program (FMMP) under the sponsorship of the Under Secretary of Defense (Comptroller). Although the program included all business activities, as well as finance and accounting, its early focus was clearly on obtaining an auditable financial statement. Developing a DoD financial management enterprise architecture was identified as a critical first step. Much of the effort of the program over the next several years was devoted to that end. The FMMP was renamed the Business Management Modernization Program (BMMP) in May 2003.

Through 2005, the BMMP increased DoD-wide systems visibility by identifying the existing inventory and developing an understanding of over 4,000 business systems. Although the program claimed some progress, such as publishing a standard for uniform coding of financial data, BMMP faced significant challenges. The limited results also came at a significant cost—approximately \$440,000,000—leading some to wonder if more progress could have been made.

The Honorable Jacques S. Gansler, former Under Secretary of Defense for Acquisition, Technology, and Logistics, is a Professor and holds the Roger C. Lipitz Chair in Public Policy and Private Enterprise in the School of Public Policy. He is also the Director of both the Center for Public Policy and Private Enterprise and the Sloan Biotechnology Industry Center. As the third-ranking civilian at the Pentagon from 1997 to 2001, Professor Gansler was responsible for all research and development, acquisition reform, logistics, advance technology, environmental security, defense industry, and numerous other security programs.



Figure 2: Governance Structure of the Defense Business Systems Management Committee (DBMSC)



Source: Adapted from The DoD Enterprise Transition Plan, September 28, 2007.

There were numerous issues with DoD’s initial transformation effort. We outline three here. First, there was the lack of appreciation for the breadth and depth of the DoD Business Mission, and the unwieldy scope of the required transformation. Second, the initial overall direction of the business transformation strategy maintained a focus on obtaining a “clean audit,” rather than an effort to transform the overall business management processes of the department. Finally, the program focused almost exclusively on building an architecture, rather than delivering business capabilities. Even

with that focus, after three years of work there was little significant change in the content of the architecture or in controlling how the department was spending funds on existing and new business systems (GAO 2004).

Any large-scale transformation, such as the one being attempted by DoD, would be complex and problematic. However, the slow progress of BMMP demonstrated the need for a new approach, if the transformation was to be successful. The new approach was implemented in 2005.



William Lucyshyn is the Director of Research and a Senior Research Scholar at the Center for Public Policy and Private Enterprise in the School of Public Policy at the University of Maryland. In this position, he directs and conducts research that addresses complex public policy problems in an effort to speed improvements in the management and delivery of public services.

Current Transformation Effort

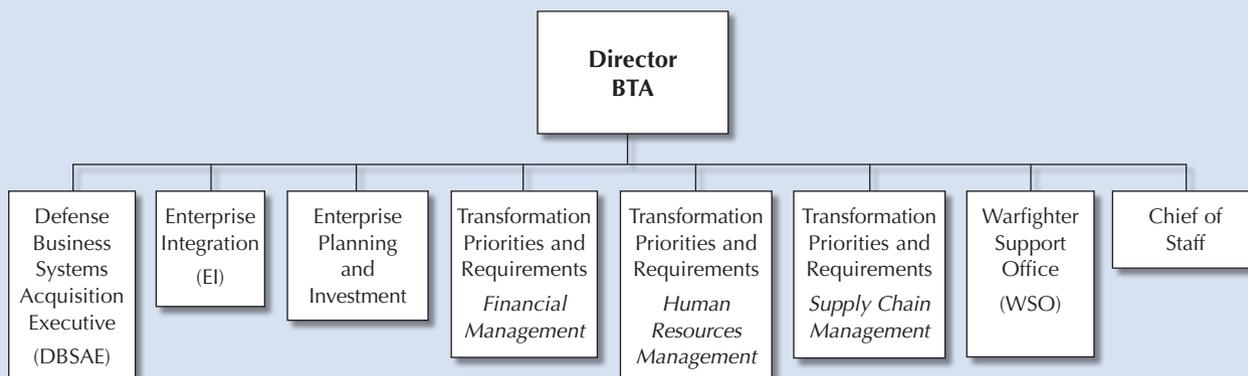
Several specific provisions were included within the National Defense Authorization Act (NDAA) for FY 2005 that compelled the DoD to sharpen its focus on the development and modernization of its business systems. One key requirement, designed to rein in the uncoordinated and escalating cost of business systems, requires certification approval of any business system modernization in excess of \$1 million, over the system’s development and modernization lifecycle, by a Defense Business Systems Management Committee (DBSMC), chaired by the Deputy Secretary of Defense. The Act also mandated that the DBSMC become the principal agent responsible for DoD Business transformation. This external pressure significantly altered the trajectory of the Defense Business Modernization effort (see Figure 2).

The Deputy Secretary of Defense and the DBSMC acknowledged the need to institutionalize the transformation process, and established the Business Transformation Agency (BTA). The Business Transformation Agency (see Figure 3) would provide day-to-day management of the business transformation effort at the DoD Enterprise level, ensure that it aligns to the warfighter’s needs, and provide direct support to the DBSMC

and other transformation governance bodies. Once it was established, the BTA identified the DoD’s business enterprise priorities as: personnel visibility, acquisition visibility, common supplier engagement, materiel visibility, real property accountability, and financial visibility. With these as a focus, the BTA began to develop their products, such as the Business Enterprise Architecture, and the Enterprise Transition Plan.

The BTA was organized just over three years ago; during that time the trajectory of DoD’s Business Transformation has been significantly altered. Real progress has been made in completing and revising the business enterprise architecture. The latest version represents a major step forward. First, the building of the family of architectures, which are needed to adequately guide the investments across all of DoD (GAO 2007). Second, the enterprise transition plans have been developed and updated on the planned schedule. Those plans describe the department’s approach to business transformation and define the priorities that DoD will use to manage major information systems and transform human resources, materiel supply, property management, weapons system development and financial management programs. Third, a well-managed, timely system has been put in place to efficiently review the

Figure 3: The Business Transformation Agency Organization, 2008



Source: BTA website.

Summary of Key DoD Transformation-Related Laws

Goldwater–Nichols Act of 1986

The passage of the Goldwater–Nichols Department of Defense Reorganization Act of 1986 was an attempt to redistribute authority within DoD in order to meet the demands of joint warfighting. Among its many provisions, the act established the new position of Under Secretary of Defense (AT&L), responsible for all acquisition activities—the acquisition czar—reporting, for all acquisition issues, directly to the Secretary of Defense.

Another objective of the legislation was to provide for more efficient use of defense resources by enhancing the Chairman of the Joint Chiefs of Staff role in the joint assessment of programs and budgets of the military services and other agencies. To accomplish this, the act established the position of Vice Chairman of the Joint Chiefs of Staff as the head of the Joint Requirements Oversight Council. The services, however, maintained their role as the force providers, and the services' parochialism was not eliminated.

The Clinger-Cohen Act of 1996

The Clinger-Cohen Act was an effort to impose management on the implementation and management of information systems. Among the major provisions of the act are the establishment of department-level CIOs to provide advice and other assistance to the head of the executive agency and other senior management personnel of that agency to ensure that IT is acquired and that information resources are managed for the executive agency in a manner that implements the appropriate policies and procedures.

The implementation has resulted in DoD directives on interoperability, architecture, and standards for DoD's IT. The act also empowered the DoD CIO to ensure compliance with DoD regulations.

IT investments, in order to comply with the NDAA 2005. Finally, programs placed under the BTA umbrella have demonstrated a much-improved management.

DoD's Business transformation landscape continues to change. The FY 2008 National Defense Authorization Act (NDAA) implemented the requirement for a Chief Management Officer (CMO) and Deputy Chief Management Officer (DCMO), and directed that the Director of the Business Transformation Agency report to the DCMO. There were several other initiatives, including the requirement for a Performance Improvement Office, as well as designating a specific continuous process improvement strategy (Lean Six Sigma), and the designation of three senior governance councils, that will all influence DoD's Business Transformation.

Findings and Recommendations for the New Administration and Congress

Although DoD is over ten years into its journey to transform its business management, little progress was made until Congress passed the FY 05 NDAA. That law provided the impulse for the DoD to refocus the program's priority and restructure the governance, eventually leading to the establishment of the Business Transformation Agency. These actions put in place a structure and a variety of disciplines, and meaningful progress began to be made that included the development of a useful Enterprise Transition Plan, common data rules, data standards, and a structure to manage the development of enterprise systems.

The DoD has a scope and scale that continues to present a significant challenge, and, unfortunately, given the timeline

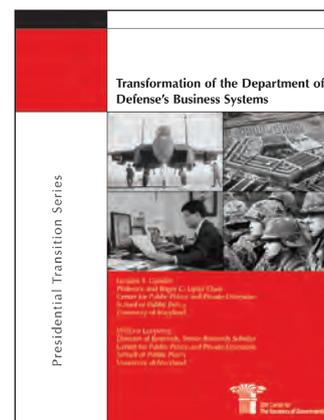
of this transformation initiative, today's snapshot of success may not accurately predict a future that remains almost a decade away. The legacy systems, processes, and supporting organizations developed over decades, have been optimized to serve subordinate organizations' goals and objectives, rather than overall DoD enterprise management. Consequently, efforts to transform these systems and processes inevitably meet with significant inertia and resistance.

Maintaining the progress made and accelerating the pace will be a critical task for the new administration. ■

TO LEARN MORE

Transformation of the Department of Defense's Business Systems

by Jacques S. Gansler and William Lucyshyn

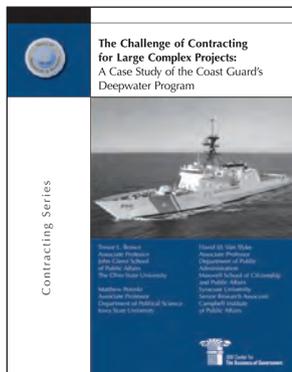


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Recently Published IBM Center Reports

Contracting Series



The Challenge of Contracting for Large Complex Projects: A Case Study of the Coast Guard's Deepwater Program

Trevor L. Brown, Matthew Potoski, and David M. Van Slyke

The federal government now spends about 40 percent of its discretionary budget to buy everything from office supplies to weapon systems. When the government buys simple products, like paper clips, they can turn to well-established acquisition strategies and practices and apply them to richly competitive markets. When government agencies buy complex products, like weapon systems, conventional acquisition approaches are often insufficient and markets are more challenging. This report examines contracting for complex products by reviewing the U.S. Coast Guard's experience with its Deepwater Program. The Deepwater Program was a major "system of systems" acquisition to upgrade and integrate the Coast Guard's sea and air assets (such as boats and airplanes). Based on their analysis of the Coast Guard's experience, the authors offer lessons for the future as the government continues to face the challenge of acquiring complex products.



Six Practical Steps to Improve Contracting

Allan V. Burman

The IBM Center and George Mason University co-sponsored a series of breakfast seminars over the course of 2008 with a series of acquisition experts who constituted the Acquisition Reform Working Group. They believed that whoever won the election, contracting issues would be on the front burner. With the passage of the Stimulus Bill, having an effective federal contracting function will be critical to the success of the Bill. While many observers see the current federal contracting system as broken, the seminar participants identified a series of practical steps that can be taken now to begin to fix it.

Human Capital Management Series

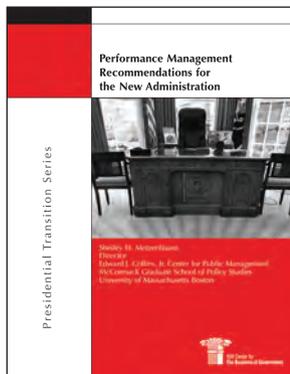


Federated Human Resource Management in the Federal Government: The Intelligence Community Model

James R. Thompson and Rob Seidner

The Intelligence Community developed a "federated" approach to its human capital system under the authority of the Intelligence Reform and Terrorism Prevention Act of 2004. This approach effectively balances the needs of the community with those of individual agencies. Unlike the traditional top-down approaches to policy development, the Office of the Director of National Intelligence worked closely with each of the 17 components of the Intelligence Community to agree upon a new human resource management framework. The 17 components voluntarily ceded some of their statutory autonomy in the interest of a stronger and more cohesive whole. The result is a robust set of changes that has achieved widespread acceptance. This approach may be a model for reforms in the broader civil service system.

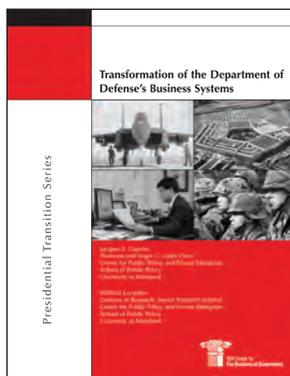
Presidential Transition Series



Performance Management Recommendations for the New Administration

Shelley Metzenbaum

Two simple tools—goals and measurement—are among the most powerful leadership mechanisms available to a President for influencing the vast scope of federal agencies. Goals and measurement are useless, however, unless used. Both Presidents Clinton and Bush undertook efforts to use performance information to manage. President Barack Obama has promised it will be on his agenda as well. What have we learned over the past 16 years that can help the Obama administration move forward quickly? This report reviews the lessons learned. The author's premise is that performance information should be used to improve performance, not just report performance for accountability purposes. She offers a series of recommendations to the president, the Office of Management and Budget, new agency heads, and the Performance Improvement Council on ways to make performance information a vital element of success.

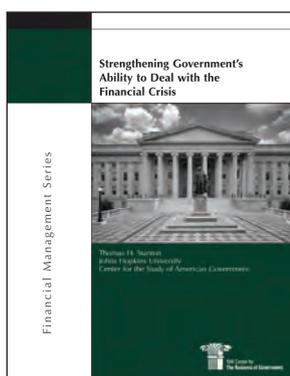


Transformation of the Department of Defense's Business Systems

Jacques S. Gansler and William Lucyshyn

The Department of Defense launched an ambitious effort to transform its vast network of back office mission support systems in 2001. It has since invested large amounts of funding in the effort. What progress has been achieved to date? What has been its impact? This report provides answers and insights into these questions as it assesses the progress of this effort. The authors, who have extensive experience in Defense reforms, also offer recommendations on leadership, governance, and management steps that the new administration may want to undertake to ensure the Department's business transformation efforts are meaningful.

Financial Management Services



Strengthening Government's Ability to Deal with the Financial Crisis

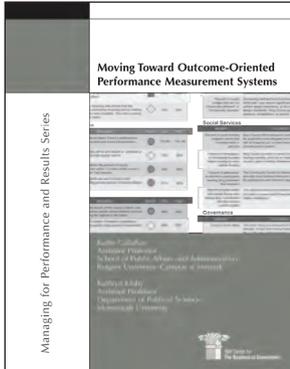
Thomas H. Stanton

As the administration and Congress take actions to address the immediate financial crisis, determining how to place the government's response on a stronger organizational footing is a key step to reducing the likelihood that the nation will experience a similar financial crisis in the future. In his report, Stanton points out the need to address past policies' inconsistencies, lack of transparency, and shortcomings in organizational capacity. In order to do so, he recommends a number of steps to:

- Ensure a perception of legitimacy of the response effort
- Enhance government's institutional capacity to respond effectively
- Supplement current policies to ensure the flow of credit and assist communities to cope with foreclosed homes

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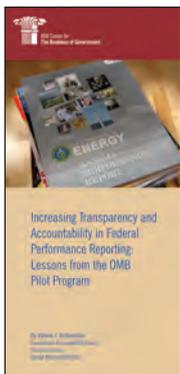
Managing for Performance and Results



Moving Toward Outcome-Oriented Performance Measurement Systems

Kathe Callahan and Kathryn Kloby

Public managers in communities across the country are under increasing pressure by the public to report on the outcomes and results of their programs. With both internal and external demands for information, public managers not only need to provide an accounting of resources expended and services provided, but also report on performance and outcomes. The authors describe a shift taking place both within government and through independent community indicator projects devoted to developing broad, outcome-oriented indicators of how well a community is doing. They also describe the challenges public managers face in making sense out of the data they collect to inform their decision-making and also inform the public. The report provides examples of outcome-oriented performance measurement systems in place around the country, describes their findings from these case studies, and offers practical recommendations on how to develop useful outcome-oriented measurement systems that other communities—either sponsored by government or community indicator projects—can act upon.

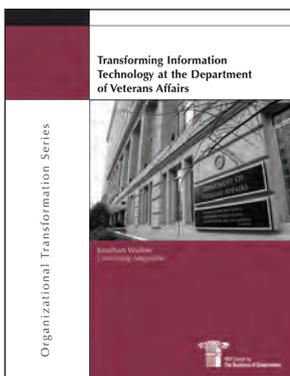


Increasing Transparency and Accountability in Federal Performance Reporting: Lessons from the OMB Pilot Program

Valerie J. Richardson

In 2006, the Office of Management and Budget (OMB) authorized the Performance and Accountability Reporting (PAR) Pilot Program, which permitted executive branch agencies to use an alternative approach to reporting financial and performance information. Eleven departments and agencies volunteered to participate in the FY 2007 PAR Pilot Program. Three initiatives were held to assess and share lessons learned from the PAR Pilot Program. A summary of these initiatives as well as recommendations in how federal performance reporting can be improved are included in this concise, 14-page report.

Organizational Transformation



Transforming Information Technology at the Department of Veterans Affairs

Jonathan Walters

Jonathan Walters' report chronicles the Department of Veterans Affairs' (VA) efforts to realign and centralize its information technology activities. Describing it as an "ambitious, audacious and arduous crusade," Walters makes it very clear that this is still very much a work in progress. There are significant hurdles ahead and certain significant adjustments will no doubt need to be made for this ambitious undertaking to be ultimately implemented and sustained by the VA. Yet at the same time, the effort offers the VA's new leadership a clear and established roadmap for moving the effort forward, because a lot of hard work has been done for them.

In addition to his captivating description of the VA experience, Walters also identifies ten lessons learned—based on the experience of change management at the VA—which are clearly applicable to any organization confronting a change management initiative.

By Jonathan D. Breul



Jonathan D. Breul is Executive Director of the IBM Center for The Business of Government and a Partner, IBM Global Business Services. His e-mail: jonathan.d.breul@us.ibm.com.

Challenging Times Demand Practical Ideas, Original Thinking

The IBM Center focuses on the future of the operation and management of the public sector by connecting research with practice. Through its 11-year research stipend program, the IBM Center has demonstrated the viability and effectiveness of applied research in which academics and non-profits from around the world compete to prepare insightful and pragmatic reports relevant to public sector executives and managers.

It is an exciting time to witness the continued transformation of government as it responds to the unprecedented challenges before it. Challenging times demand practical ideas and original thinking. The new Obama Administration has launched a bold and broad set of actions to change the way Washington works. This agenda reverberates in states and localities as well. President Obama promises a new era of responsibility:

“Those of us who manage the public’s dollars will be held to account—to spend wisely, reform bad habits, and do our business in the light of day—because only then can we restore the vital trust between a people and their government.”

To act on this, the Administration intends to use new approaches to promote smarter ways of governing and changing the way Washington works. This includes greater transparency, citizen engagement, and collaboration; a greater focus on accountability, performance, and results; reforms to the contracting, regulatory, and budgeting processes; and promoting national service.

The IBM Center Agenda: 2009 and Beyond

The IBM Center plans to target its upcoming applied research efforts on our 2009 agenda. We want to identify what works and encourage public executives to go to scale with these promising practices in the following areas:

- **Web 2.0 and the Use of Social Media.** How can government leverage the power of Web 2.0 and related social media as new tools for governing? This might include ways to increase transparency, citizen participation, and increased collaboration within and across government as well as with states, localities, non-profits, and the private sector. What legal, regulatory, and cultural obstacles exist and what are the promising practices for addressing them?
- **The Use of Cross-Cutting Approaches to Solve Public Problems.** The Obama administration is using issue-oriented, cross-agency, problem solving mechanisms to address specific challenges such as the implementation of the Troubled Asset Relief Program, the American Recovery and Reinvestment Act, healthcare reform, budget reform, climate change, and food safety. This shift from hierarchical to collaborative governing approaches raises questions about the most appropriate ways to ensure accountability, resource allocation, and sustainability. Are there promising practices and collaborative tools that can improve success?

- **Adopt New Ways of Getting Things Done.** The Obama administration has expressed openness about adopting new business models. For example, it has proposed carbon offsets as a strategy for countering climate change. It is opening government data banks directly to the public for its use in solving problems and informing personal decisions, such as where to live or go to school. It proposes to use “cloud computing” as a way of increasing reliability and reducing costs. Each of these new approaches brings implementation challenges. Are there lessons available from other sectors or internationally that can better inform public executives on ways to choose among, and implement, these new business models?
- **Reform Budget, Contract, and Other Government Systems.** President Obama committed to “changing the way Washington works” by focusing on reforms to the core business processes in government, especially the budget process, the contracting system, and the regulatory system. What approaches work, and do they change behaviors and culture or only lead to a new compliance mentality?
- **Assure Fiscal Responsibility.** The administration has emphasized the importance of greater transparency, accountability, oversight, and risk management as approaches to restore citizen trust in the government’s ability to effectively use public dollars. This has been most evident in the implementation of the Recovery Act, where the vice president was asked to be “the sheriff” and where key talent has been brought in to shepherd its implementation. What are the challenges in ensuring greater fiscal responsibility using these approaches? Are there promising practices for use in other policy arenas?
- **Reinforce an Emphasis on Performance.** President Obama emphasized a performance-and-results orientation during his campaign by vowing to appoint a chief performance officer who would work with agencies to set performance targets and ensure they focused on results. He also committed to reassessing how agency programs are assessed. What approaches work best to engage agencies and Congress in using performance information to make fact-based decisions and resource allocations?
- **Strengthen Public Service.** President Obama says he wants to “make government cool again.” He also signed the Serve America Act which dramatically increases our nation’s commitment to both public as well as volunteer service. His administration has also stressed the importance of ensuring inherently governmental services are provided by public servants. Taken together, the public sector workforce is likely to grow in coming years. What can government do to ensure it hires, pays, trains, and rewards its staff in ways that ensures they are better engaged in serving the public?

We have found from experience that applied research works best via real-life case studies. Therefore, this research agenda will be examined in the context of the near-term and longer-term, mission-specific challenges the administration is undertaking in areas such as the fiscal and economic crisis, energy and the environment, healthcare and healthcare information technology, education, and the delivery of social services.

Do you think we’re focusing on the right set of issues? Let me know via e-mail if there are other issues on which you think we should be focusing.

The Presidential Transition

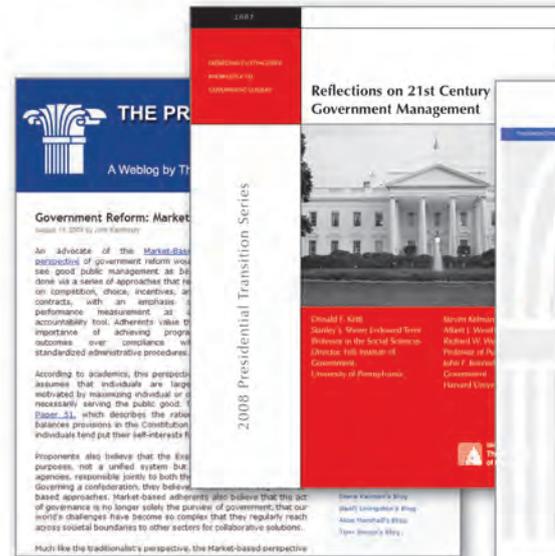
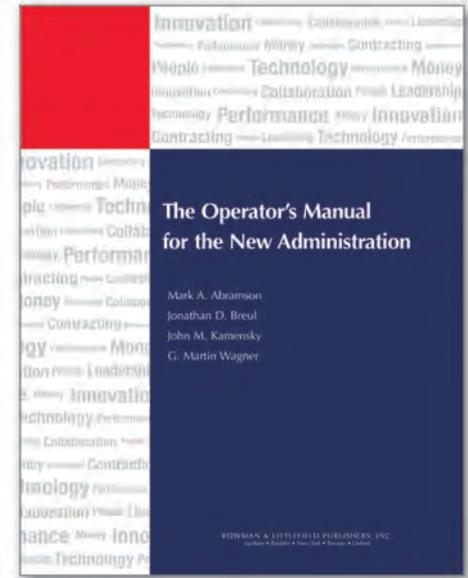
The President faces a wide range of economic, political, and social challenges.

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- Does the applicant demonstrate outstanding command and knowledge of the topic?

Since the creation of the Center, it has been our goal to document and better understand the transformational activities and initiatives now being undertaken by innovative government leaders across the world. We seek very practical findings and actionable recommendations—not just theory or concepts—in order to assist government executives and managers respond to the mission and management challenges facing them. We look forward to receiving applied research report proposals in response to our program announcement posted on our website at www.businessofgovernment.org, and continuing to work with the world’s leading public management researchers to produce practical insights for public executives. If interested, let me know if you have any questions regarding the IBM Center for The Business of Government or our applied research report stipend program. ■

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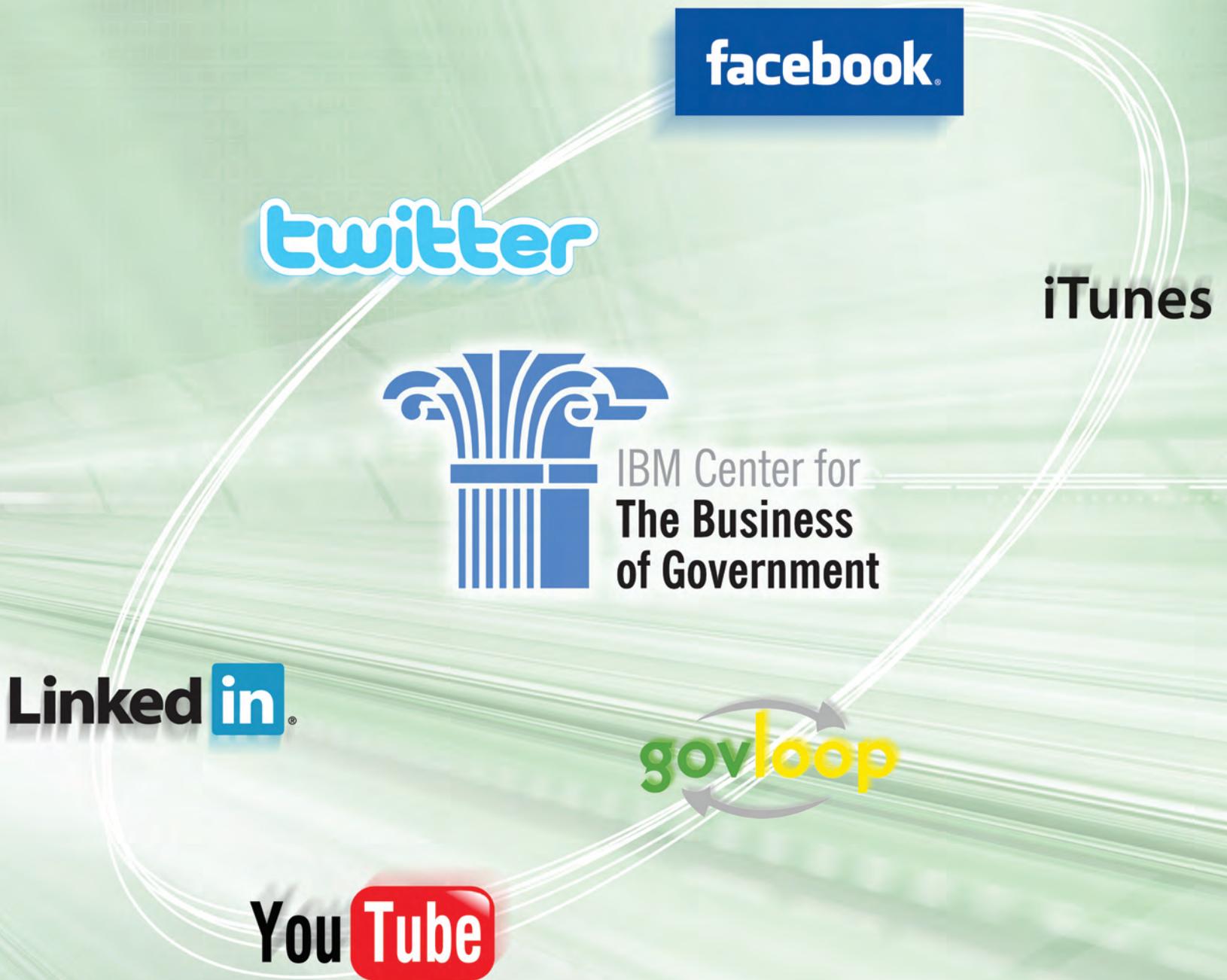
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| Strengthening Government's Ability to Deal with the Financial Crisis | |
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