

Texas Department of Aging and Disability Services

Establishing Performance Measure Projections

What is an Area Planning and Performance Budgeting System?

The Area Planning and Performance Budgeting System is a goal driven, results oriented system that combines area planning and performance budgeting to determine whether or not the Department and AAAs are accomplishing expected results.

The system has four major components: area planning, performance projecting, performance budgeting, and performance reporting. The AAA Area Plan is a three-year planning document that contains the mission, goal, and objectives they wish to accomplish. The AAA's performance projections is a two-year planning document that identify performance efficiency and outcome measure targets for the services identified by the Legislative Budget Board (LBB), the Governor's Office of Budget and Planning (GOBP) and the Department. The AAAs budget by allocating resources to support service priorities as identified in their Area Plans. The AAAs' budgets provide a further breakdown of the funds allocated and shows AAAs' projected performance. Actual performance is reported by AAAs on Quarterly Performance Reports (QPR) and monitored by the Department on a regular basis. Each of these components is interrelated and involves performance measures as a critical element in the System.

What is a Performance Measure?

A performance measure is a quantifiable indicator of an AAA's achievement that includes the specific types: outcome, output, efficiency, and explanatory/input.

- **Efficiency Measure:** A quantified indicator of productivity expressed in unit costs, units of time, or other ratio-based unit. Examples of the Department's efficiency measures are:
 - Statewide average DADS cost per congregate meal
 - Statewide average DADS cost per person receiving Homemaker services
- **Explanatory Measure:** An indicator of factors that affect or explain an AAA's performance. The Department has two explanatory measures:
 - Number of visits to Assisted Living Facilities (ALFs) by Certified Ombudsman
 - Total Expenditures for the Ombudsman Program
- **Outcome Measure:** A quantifiable indicator of the public or customer benefits from AAA actions. Outcome measures are an integral part of budget development and legislative consideration of the Department's budget requests. The Legislature and the Governor increasingly use outcome measures to make funding decisions. The Department has one outcome measure:
 - Percent of Nursing Homes with a Certified Ombudsman
- **Output Measure:** A quantifiable indicator of goods or services an AAA produces. Examples of output measure are:
 - Number of Certified Ombudsmen

- Number of persons receiving Congregate Meals
- Number of Congregate Meals served

What is a Key Measure?

A Key Measure is a performance measure that serves as a budget driver and is included in the General Appropriations Act. Key measures are closely related to the goals identified in the Department's strategic plan. Key performance measures (with targets) are displayed in the General Appropriations Act with the corresponding appropriation.

What is a Performance Measure Target?

A Performance Measure Target is an expected level of performance established for a particular performance measure. Performance measure targets for key measures are identified in the General Appropriations Act.

How are Performance Measures Established?

The Department develops a strategic plan that includes performance measures. Development of these plans includes approval by the LBB and GOBP of strategic budget structures, which include the goals, objectives, and strategies. These structures are used as major components of the Department's strategic plans. The structures also form the basis for the Department's appropriations.

- The Department may propose revisions to their strategic planning and budgeting elements including revisions to performance measures and definitions (such as additions, deletions, name changes, and content/definition changes). These changes may be based on rule changes in the Texas Administrative Code, Federal guideline changes or changes in service definitions.
- The LBB and GOBP review the Department's requested changes and either accepts them or proposes alternatives and negotiates with the Department.
- The LBB and GOBP approve negotiated budget structure changes and changes to performance measures and measure definitions prior to submission by the Department of its legislative appropriations requests.

How are Performance Measure Targets Established?

The Department prepares an appropriations request, which includes requested dollars and descriptions of the goals, objectives, and strategies to be addressed by this funding. In addition, the Department includes performance information for all performance measures. **This information is compiled from the information provided by AAAs.** The GOBP and LBB receive the Department's Legislative Appropriations Requests (LAR), and make appropriation recommendations. The LBB prepares a draft appropriations bill that contains recommended appropriation amounts, identifies key performance measures with corresponding performance targets, and includes draft appropriation riders. The Legislature modifies the draft appropriations bill as appropriate and formally adopts an enrolled bill that goes to the Governor. After certification by the

Comptroller of Public Accounts and approval by the Governor, the appropriations bill is enacted. Actions related to performance measures during this phase include the following:

- AAAs submit their AAA Performance Projection documents to the Department.
- The Department establishes performance projections based on the compiled AAA Performance Projection documents as part of their biennial appropriations requests.
- The LBB and GOBP use performance measures when making funding recommendations to the Legislature and Governor.
- The Legislature determines which key measures and what performance targets will be included in the General Appropriations Act.

How is Reported Performance Measure Information Used?

The LBB and GOBP monitor the Department's expenditures and actual performance and compare these to appropriation limitations and performance targets. The LBB prepares summary information for the Legislature and Governor. The SAO audits performance measures to determine the accuracy of reported information.

- The Department provides quarterly and annual information regarding actual performance to the LBB and GOBP, including analyses of variance.
- The LBB assesses the Department's performance data (such as actual versus targeted performance and the Department's explanations of variance) and reports these assessments to the Legislature.
- The SAO audits performance data to verify accuracy and determines how the Department uses performance information to achieve expected results. Accuracy of information is reported to the Legislature and Governor.
- Legislative committees (House Appropriations and Senate Finance) hold hearings to inquire about variations of performance or expenditures.

How do the LBB and GOBP use Measures to Make Funding Recommendations?

The budget offices rely heavily on performance measures in evaluating the Department's Legislative Appropriations Request. Specific measures serve the following purposes:

- Outcome measures are used to assess the Department's effectiveness in serving its key customers and in achieving its mission, goals and objectives. They are also used to direct resources to strategies with the greatest effect on the most valued outcomes.
- Output measures are used to assess workload and the Department's efforts to address demands.
- Efficiency measures are used to assess the cost efficiency, productivity, and timeliness of the Department's operations.

- Explanatory measures are used to define the Department's operating environment and to explain factors that are relevant to the interpretation of other Department measures.

Why Should Performance Measures be Important to AAA Management?

Performance measurement serves a number of external as well as internal AAA purposes. Performance measures are integrated into the Department's accountability and fiscal decision-making systems. AAAs are also able to use performance information to manage their operations. AAAs governing boards and managers are strongly encouraged to use performance measurement as an integral part of their strategic and operational management of AAAs.

Performance measure projections are developed based on the AAA Area Plan and should flow from the mission, goals, objectives, and strategies with an emphasis on serving the AAA's region. AAAs should carefully review performance measure projections to determine if they relate logically to the other elements of the plan and provide customer focus.

Performance measures provide an opportunity to forecast outcome performance for the next state biennium. Hence, performance measures serve as a basis for planning future AAA actions. In preparation of the Department's LAR, AAAs have an opportunity to develop links between area plans, projected performance and funding. The LAR informs decision makers (such as the Legislature and Governor) of internal processes and help establish cause-and-effect relationships between performance, AAA actions, and funding.

AAAs can also use performance measures for a variety of other purposes to improve AAA operations and communications. Improvements in management controls over performance measurement produce better management information for the AAA. The following list summarizes successful performance management practices in Texas and around the nation. Performance measures can be used to:

- Periodically reassess AAA progress in achieving strategic and operational goals and objectives through review of actual performance and expenditures
- Evaluate AAA staff performance
- Develop and refine AAA rules, policies, and procedures
- Formulate results-oriented contract provisions with subcontractors, vendors, and grantees
- Communicate with AAA employees, customers, and other stakeholders.

Finally, AAAs are subject to performance measure testing and audits, and additional scrutiny occurs for non-certifiable measures.

The Legislature and Governor expects the Department to focus on performance, and the Department expects the AAAs to focus on performance as well. The Department is held

accountable for performance variances and the Department holds AAAs accountable for performance variances.

During legislative hearings, agencies appearing before the House Appropriations and Senate Finance Committees are frequently asked to explain inadequacies in their measures documentation and reported data as well as conditions resulting in variance from expected performance.

In the past, specific agencies have been identified with specific examples of targeted performance not realized, and corresponding budget reductions were assessed by the Legislature. Funding decisions are clearly influenced by agencies' previous projected and actual performance.

How are Performance Projections for Measures Established?

Performance projections should be challenging but achievable. Good projections are important tools to improve and test performance. They can also be used as guideposts to assess whether programs are achieving desired results on schedule and at appropriate levels. The use of performance projections can help the Department and AAAs stay focused on areas of legislative interest.

It is also important to realize that over achievement of targets may be as problematic as under achievement.

Communication

Meaningful communication throughout the process of developing a specific measure target can significantly enhance the quality of performance measure projections. Clear and frequent communication with all parties involved (both inside and outside of the AAA) can reduce the need for changes in measure projections. The following techniques can help create a smooth measure projection development process:

- Solicit management's and the governing body's comments in the early stages to provide direction to the process.
- Include the AAA's budget staff members early in the process, as they will have to work with and explain the performance data later.
- Communicate early with the Department's staff through the Help Desk at T3Ahelp@dads.state.tx.us to gain experienced opinions on proposed measure projections.

Analysis

The following are techniques that can be used when developing performance projections:

- A trend analysis or other statistical technique can establish a baseline projection if past data exists. This baseline data can be used for predicting future levels of service under conditions similar to the past. Baseline data

can also provide the beginning information for projecting estimated performance changes. Often, baseline data is needed when using methods of projecting performance that include adding an estimated increase in service to a current or past level of service.

- An internal/external assessment can help identify influences on the performance projection that lie outside the data contained in the baseline projection. As the internal/external assessment process is required during the area-planning phase, agencies have the opportunity to identify factors that may affect performance projections. Factors to consider in this assessment would include agency priorities, available resources, and efficiencies gained from improved procedures and new technologies.
 - National, state, or industry averages can provide additional data to use in projecting performance. In some cases, this information is not difficult to obtain and has been validated by credible sources. AAAs should be careful to verify what is and is not included in the averages to ensure that comparisons are valid.
- Benchmarking against best practices is another method to help agencies project performance. Other states with similar programs or services that have been successful may have recorded performance information. This information can be valuable in projecting performance.

For the best possible performance projection, a combination of the methods listed above or other techniques should be used.

Documentation

Adequate documentation of primary data related to performance measures projections should be retained to support the reported performance projections. Additional documentation should be kept if a database does not contain an appropriate audit trail. These documents can be paper, microfilm, microfiche, or third party computer tapes. Documents stored off-site should be accessible for review. Documentation should be retained for at least three years in order to respond to audits as well as to other performance-related questions.

Trouble Shooting Tips

- Keep summary documents.
- Review summary documents to ensure that these numbers are the same as the numbers reported to the Department.
- Keep all calculation documents.
- Review calculations for mathematical errors.

- Communicate to staff the importance of providing information accurately and consistently over time. Consider including accuracy and consistency in staff performance evaluations.
- Pay special attention to continuity of data collection and calculation during personnel changes.
- Ensure that all staff interpret standard measure definitions consistently.
- Internal control procedures should be documented. Evidence should exist to prove that reviews were conducted (such as the date of the review and reviewer's initial).
- If databases write over existing information, supporting information should be archived to document information reported during the reporting period. Examples of ways to store this data are:
 - Electronic tapes
 - Microfilm/microfiche
 - Paper files.

What are AAAs Expected to Report for Performance Monitoring?

At a minimum, AAAs are expected to provide accurate actual performance data on a quarterly basis for all measures.

In addition to accurate reporting of actual performance, AAAs should be prepared to provide the Department explanations when actual performance of key measures varies ± 5 or more percent from targeted performance. These explanations are intended to describe the circumstances that cause the AAA's actual performance to deviate from its performance targets.

- Explanations of variance should include information on how the AAA intends to address the variance from targeted performance.
- Variance explanations provided by operational staff often contain important details that are missing if the explanations are drafted solely by budget or performance data staff.
- The Department reviews variance explanations to ensure their accuracy and relevance.

What is the Consequence to the AAA if Performance Projections are not met?

Texas Administrative Code §83.15 establishes the requirements of the carryover pool. One requirement is that an area agency on aging negotiated key performance measure projection targets are met within $\pm 5\%$. Consequently failure to meet established target projections will result in removal of eligibility for carryover pool allocation.

Do the LBB and GOBP Make Changes to Targets set in the General Appropriations Act?

The LBB and GOBP are authorized by the General Appropriations Act to make changes to targets established in the GAA. In previous years, changes to targets were approved for a variety of reasons. As all entities in the process have become more familiar with the system, the need to change targets established by the Legislature in the GAA has been reduced. The Department may still request that changes to targets be approved by the LBB and GOBP. Situations that may gain approval include changes in federal requirements, program changes, or significant funding changes.

Will the Department Make Changes to Targets set in the Approved AAA Performance Projection?

The Department reports performance based on statewide information, variances of $\pm 5\%$ by an AAA or a small number of AAAs may not cause a variance of $\pm 5\%$ at the statewide level. This provides the Department the ability to approve projected target variances without changing the statewide target.

What is the Process for Requesting a Change for a Performance Measure Projection?

The Department has developed a process and form for requesting a performance measure target revision. The form and instructions are available on the [DADS website](#), in [Resources for DADS Service Providers](#), [Area Agencies on Aging](#), under the [Forms](#) section.

AAAs may be required to provide supporting documentation that clearly shows the methodology used to establish approved projections. Types of acceptable documentation are:

- Board or committee meeting minutes, e-mails, memos, or letters from Board or committee members, the oversight agencies staff, AAA staff or any other documents that show the communication process used determine the direction the AAA received in planning
- Internal assessments used to determine projected future needs such as IR&A log analysis or needs assessments
- Trend analysis, averaging documentation, or benchmarking documents used as a basis for projections
- Summary documents including calculation documents.

AAAs may also be required to provide supporting documentation that explains the changes in the methodology that require a change in the projections. The documentation must include summary documents including calculation documents.

Process and Form for Submitting Performance Measure Target Revisions

The Department has developed a process and form for requesting a performance measure target revision. The form and instructions are available on the [DADS website](#), in [Resources for DADS Service Providers](#), [Area Agencies on Aging](#), under the [Forms](#) section in the Quarterly Performance Reporting area. The instructions are titled “Instructions for Performance Target Revision” and are available in a PDF format. The form is titled “Performance Measure Target Revision” and is in a MS Word format.

Effective immediately, all requested performance measure target revisions must be submitted on the form and in accordance with the instructions. Should you have any questions regarding this notification, please contact the Department's Help Desk at T3Ahelp@dads.state.tx.us.

Instructions for Preparing a Performance Measure Target Revision Request

Website reference: [Performance Measure Target Revision Request Instructions](#)

Key Performance Measure Target Revision Form

Website reference: [Performance Key Performance Measure Target Revision Form](#)