

BUYER CASE STUDY

State of Utah Speeds Childcare Payments to Parents with Kofax

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IDC OPINION

The State of Utah Office of Recovery Services (ORS) is leveraging information capture to transform document-intensive processes and deliver compelling benefits to its constituents. The benefits of its new capture applications include:

- Significantly reducing the overall time it takes to collect and distribute child support payments to families in need, and raising collection rates (The timeliness of these payments makes a huge difference for families struggling to make ends meet.)
- Ensuring against the loss of its voluminous and irreplaceable case files in the event of a natural disaster (In the wake of Hurricane Katrina, government agencies everywhere are assessing their risks around maintaining paper-based files.)
- Improving the quality and consistency of the information in its case files, ensuring compliance with regulatory requirements, and streamlining the annual audit process
- Enhancing worker productivity — both in the office and (for telecommuters) at home

IN THIS BUYER CASE STUDY

This IDC Buyer Case Study discusses the State of Utah's implementation of Kofax to automate document-intensive processes at the Office of Recovery Services (ORS). ORS successfully digitized key workflows at its Child Support Services bureau — optimizing the time it takes for parents to receive funds from two days to just one in most cases, turning rooms full of file cabinets into much-needed office space, and streamlining case management for its case workers. Our buyer case study highlights the best practices that have made ORS' Kofax projects so successful, enabling the State of Utah to deliver compelling benefits to its constituents.

SITUATION OVERVIEW

Organization Overview

The State of Utah Office of Recovery Services (ORS) is an agency of Utah's Department of Human Services. It has two bureaus: Child Support Services (CSS), which collects and disburses child support payments, and Bureau of Medical Collections (BMC), which manages reimbursement from private insurers to Medicaid. Altogether, ORS processes as many remittances each day as the State of Utah Tax Commission — some 3,000 checks per day. CSS collected more than \$176 million in child support payments in fiscal year 2007.

In the aftermath of Hurricane Katrina, ORS began to think about digitizing its case files to ensure against loss in the event of a catastrophe. The child support office in New Orleans had suffered a major loss of its paper files, and all of ORS' records were on paper. With more than 100,000 case files today (totaling approximately 6–7 million pages of documents), the loss of its records could potentially impact three-quarters of a million people. (Note that Utah has fewer than three million residents; imagine what the volume of paper must be in larger states.)

In addition to digitizing its voluminous case files, ORS had identified two other important processes that it wanted to digitize, both of which required extensive information capture: interoffice document and case transfers and payment processing. ORS receives 80,000 pieces of mail each month — about 10,000 pages per day — that it needs to distribute to its remote offices around the state, and remote locations were unhappy about the amount of time it took for routed mail and transferred case files to reach them: it was taking up to a week for routed mail and transferred case files to reach some offices. The long delay for the documents and physical case files to be mailed and reach remote offices was a serious problem that impacted hundreds of workers and thousands of cases. And there was always the risk of loss. ORS also wanted to implement Check 21. Some ORS deposits can amount to over \$1 million in remittances in one day. Moving to electronic document processing and deposit was an integral part of expediting collection and disbursement of child support payments. For many parents that are receiving child support, it's often a question of, "Can I buy milk today?" So accelerating those payments has always been a central goal for ORS.

Challenges and Solution

Tackling three big capture applications concurrently might seem like a crazy idea, and it certainly increased the pressure on the ORS team. But, the three applications were interrelated. It made sense to combine the case management and mailroom efforts, and the Remittance and Check 21 application was driven by the urgency to replace broken, nonfunctional scanners.

According to Les Roberts, a senior business analyst at ORS, the agency's director called him in and told him, "It looks like we're going to digitize all our case files — read up!" At the time, Roberts was a mainframe analyst at ORS and knew nothing about capture or scanning, but he credits the director of Office of Recovery Services for the impetus to plunge in on all three applications. Says Roberts, the director

basically told him, "I want everything and I want it now!" And there was another driver for the aggressive timetable: the State of Utah had received a Federal OCSE 1115 grant of \$0.5 million, which made the project feasible from a funding perspective, but that grant came with a deadline.

Although nearly 20 people were involved with ORS' capture project design in some way, including users, managers, implementers, and even lawyers, ORS formed a core team called the "Small Image Group" with seven or eight key people, including several senior business stakeholders who understood the paper flow, a dedicated database analyst from IT, and project leaders. Roberts believes that keeping the core decision-making team relatively small was instrumental in the success of the project: decisions took minutes, not days. The core team was empowered to make "brushstroke decisions" — decisions that would impact every worker within ORS.

The Case File Project

ORS began to actively investigate alternatives for capturing its case files in December 2005. ORS had bought some initial Kofax Capture licenses several years earlier for some small capture applications but had no experience with high-volume scanning or more advanced capture solutions. Roberts' team spoke with peers in other states to find out what other agencies were doing to digitize their case files. One of the states he spoke with had been working on digitizing its files for five years and still wasn't finished. At that rate, Roberts realized, it could take ORS three to five years to digitize all its cases — time that ORS didn't feel it had.

Roberts turned to Dan Dillingham, vice president of Corporate Sales at Dataimage, a firm of about 30 employees based in Salt Lake City that is expert in capture and document management. Dataimage resells Kofax solutions and assists customers with implementation; it also runs a service bureau and scans millions of pages a month for those of its customers who choose to outsource their scanning. Roberts had gotten to know Dan Dillingham through the local AIIM chapter. Roberts says he called Dillingham "just about every day" over the course of several months as they worked together to put a strategy in place that would meet ORS' needs.

Roberts reported back to the director of ORS with an estimate of what he calls "the digital mortgage" — the annual operating costs that ORS would need to be prepared to pay if it proceeded with the project. As Roberts points out, "There's no going back with capture projects." The directors at ORS were shocked when they saw the cost, but they gave the project a green light, knowing what the potential benefits could be.

The Need for Advanced Recognition and Classification

With 240 different document types and fairly complex files, the key to reducing the time it would take to digitize ORS' case files lay in reducing the amount of manual preparation that was required before the files could be scanned and processed — for example, eliminating the need to separate them into different document types and reducing keying for indexing. Dillingham steered ORS toward an advanced capture solution that combined Kofax Capture and Kofax Transformation that provides automated document recognition, classification, and separation. In addition, ORS needed three Canon 9080C production-level scanners (which are capable of 90ppm).

Kofax Transformation does a fast OCR — it reads every word in a document — and then categorizes the document and creates a keyword list. It uses Bayesian inferencing to determine the document type, leveraging a "training set." One of the challenges that ORS faced is that the format of a given document type can vary tremendously. For example, court orders can be a single page or 20 pages long; every state has a different format, and that format varies over time (and ORS' case files span decades). ORS' training set is about 30,000 pages. According to Roberts, the hard part was gathering a good variety of documents from across thousands of cases to create a representative sample set.

ORS spent weeks fine-tuning the "model" underneath Kofax Transformation. Sometimes the process was surprising: as they tuned the model, things that didn't appear to be related would turn out to be. Says Roberts, "It was like pulling a thread on your sleeve and having your sock come undone." After weeks of fine-tuning, when the team stepped back to measure the percentage of documents that Kofax Transformation was able to automatically identify, classify, and separate, they were surprised and pleased to find that they were between 90–95% — far exceeding their hopes of 65–70% based on the Kofax Professional Services analysis of their documents. ORS is also using Kofax Transformation for data extraction to automate some of the keying.

Back-File Conversion

A key issue that ORS needed to address as it proceeded with the case file project was establishing business rules around what types of documents were allowed in case files. It's all too easy for invalid document types to find their way into the files, and this raises issues during audits. The ORS team built consensus around the types of documents that constitute a valid case file and then leveraged Kofax Transformation as the gatekeeper. Upon ingestion, if a document isn't of an allowable type, it's classified as "junk"; a document reviewer then looks through the documents that have been rejected to determine whether they have been misclassified or should be deleted.

ORS asked each of the remote locations to send a team to Salt Lake City with its files; ORS trained each team and set them to work scanning and processing their own files. Making the individual locations responsible for getting their own documents into the system was a key strategic decision: it gave the locations the confidence that all of their documents had been successfully ingested, and it eliminated the potential for finger-pointing later on. Although the project took about a year from concept to implementation, it took just eight months to the day to digitize the entire back file, also including the closed cases that totaled nearly 85,000 cases, including the time it took to train the teams from all of the locations (which added about two months to the process). ORS performed audits all along the way to ensure there were no gaps and "no such thing as a lost case" (this required one full-time person), and it has approximately one million documents and six million pages in its system now. ORS was ecstatic: at the time it started scanning and processing files, the projection for back-file conversion was two to three years, based on what other states were doing — and those other states weren't imaging and processing checks or digitizing their mailrooms at the same time!

ORS packed its existing case files into archive boxes and sent them to the State Archives, where they are being kept in accordance with retention policies for paper records; after this period, they'll be destroyed. (Going forward, ORS only needs to hold onto paper documents for five business days, since everything is digitized and backed up.) Given the size of its back file (ORS calculated that its archive boxes would stack to 300 feet over the top of the Empire State Building!), moving to electronic files meant ORS would have a lot of empty file cabinets on its hands — hundreds of them. Since state agencies are required to return any office equipment they no longer need to a state surplus property warehouse, ORS started shipping its metal file cabinets back to the state in 18-wheelers as it emptied them out. The state surplus property warehouse finally called ORS and said "Please stop sending file cabinets!"

Digital Mailroom Application

While the case file project was taking place, Roberts' team worked with Dataimage to set up an electronic mailroom to process and distribute the 80,000+ pieces of mail it receives each month. Prior to automating, it often took more than a day to distribute mail within the central office and up to a week to transfer documents or case files to remote locations.

ORS purchased two OPEX AS3690i document extractor scan stations — big mailroom machines with conveyor belts that open the mail, set the contents of the envelopes on the belt, run it through the scanner, and sort the pages — sorting out checks, letters, envelopes, and so forth into different bins. The raw data from OPEX scanning is fed into the Kofax solution, where it is captured in a digital format, transformed into accurate data, and delivered into ORS' application. The mail arrives each day from the post office at about 5:00 a.m. at a central location. Workers begin processing at about 5:30 a.m., while others prepare remittance payments — a fairly labor-intensive process, as they need to be opened, stubs must be ripped, and so on, but one that takes precedence. Incoming mail includes documents that need to be captured in ORS' electronic case files as well as applications for new case files. All of this is electronically distributed throughout the state and arrives in workers' Content Manager mailboxes that same day — often by 8 a.m.

Check 21 Application

Finally, ORS worked with Dataimage to put in place its Check 21 solution. Leveraging Kofax and its OPEX machines, the Check 21 solution captures and extracts MICR line data from checks, including the account number, check number, and routing number, and it enables checks to be sent electronically to the bank for same-day processing.

The ORS implementation team for the three applications included three to four full-time staff plus two to three dedicated (but not full-time) Dataimage employees. ORS wanted to ensure it could run its new systems without relying on a vendor going forward, so it has worked to train "four deep" in every technology it applied. Now that all three applications are up and running, there are about a dozen people involved with the imaging process, all of whom are in Salt Lake City.

Results

ROI isn't measured the same way in the public sector that it is in the private sector. It's not a straight dollars-and-cents equation about growing revenue or saving costs — it's about serving constituents better. Not many projects, however, afford the opportunity to make such a big difference in people's lives as ORS' project did. Says Roberts, "Everyone wanted the project to succeed."

And succeed it did: ORS managed to deliver all three applications on time. Thanks to its capture applications, remittances are imaged and pushed digitally to the bank the same day via Check 21, virtually eliminating float on the funds and guaranteeing that families will receive their child support payments in a timely manner.

ORS now has a case file archive that's safe from catastrophe, is tamper-proof, and helps ORS remain in compliance with regulatory requirements. By digitizing, ORS cleaned up all its case files, eliminating documents that don't belong in them and ensuring that only valid document types are inserted into them going forward. Everything is tracked and auditable: ORS has a complete electronic history of what's been done to a case file, who has accessed it, how documents were assigned/reassigned to it, and so forth. There are no more lost, mislaid, or misfiled case files.

One of the primary jobs of a caseworker is collecting child support, and ORS is already seeing a direct correlation between collection rates and the use of its new applications: ORS has reduced its Child Support staff by over 40 FTEs since implementation, yet collections have remained stable. Case files are now all accessible from desktop PCs and in conference rooms, and because the files are electronic, it's much easier for case workers to collaborate on a given case. Files are instantly "transferred" to new caseworkers when families receiving child support move to a different city.

Its new case file system also helps keep the judicial processes associated with child support on track. Attorneys can use the digital archive to conduct research for court cases, and they can download files instantaneously in the courtroom during a hearing using a wireless laptop.

Digitizing its case files also streamlines the audit process. In the past, ORS needed to provide desk space and support to four federal auditors for about one month each year. The auditors would give ORS a list of cases, and ORS staff would need to go and retrieve the paper files. Now, the auditors can just look up the cases online from their office in Denver; one federal auditor spent just one day onsite in Salt Lake City for the last audit. This means less disruption and loss of productivity for ORS staff. Ironically, when the auditors were done with their electronic audit, they asked the ORS staff, "When do we see the actual case files?" It's a new way of working, and they "were still getting used to the new methods."

With its digital mailroom, mail is now in workers' Content Manager mailboxes the same day — often by 8 a.m. before they arrive at work. This lets workers focus on the work they're hired to do rather than spend time tracking down information.

Getting rid of all the paper also lets ORS maximize its resources. The cost of leased space keeps going up, but agency budgets typically don't include an appropriation for that increase; this means agencies such as ORS often wind up having difficulty balancing their budgets to "make up the difference." Digitizing files lets agencies like ORS reclaim thousands of square feet of office space and put their resources to work in the best interests of those they serve.

FUTURE OUTLOOK

ORS is extending the benefits of capture to several additional processes. First, ORS is automating the process for everything that doesn't come in through the mailroom. It receives a lot of faxed documents, and has a fax server. In the past, these were printed and rescanned; soon they will be electronically delivered.

In the payment area, ORS cuts checks today. New legislation was just passed at the end of February, however, requiring beneficiaries to accept payments either by direct deposit or by EPPICard MasterCard. This means that in the future, ORS will be able to reduce the time it takes from remittance to payment (to the parent receiving child support) to just 24 hours.

ORS is also planning to use Kofax Capture to push work out to remote locations to support telecommuters, so they don't have to come into the downtown Salt Lake City office. This makes employment with the state more attractive, and in the long term, it will help ORS reduce costs for office space. The State of Utah has always encouraged telecommuting as part of its environmental initiatives, but at the same time, it recognizes it must help its home-based workers be productive. ORS staffers are excited about this project. As one told Roberts, "I'd have to quit my job if we weren't moving in this direction ... this will let me continue to work."

ORS is also looking at distributed capture for the paper documents that its six regional offices generate and mail out, which can amount to 1,000 or 2,000 pages per day. For example, ORS issues notices to parents advising them of the amount of child support they need to pay; these are delivered via constable service, with proof of receipt, and result in administrative support orders as binding and enforceable as judicial orders. Currently, these packets of paper documents are sent to a central location where they're scanned. In the future, ORS will generate PDFs or TIFFs and automatically file them in Content Manager.

Finally, ORS is planning to implement capture applications with the Bureau of Medical Collections (BMC). BMC verifies insurance coverage on over 203,923 Medicaid recipients, helping to avoid over \$135.6 million in Medicaid costs. Of course, this application has a whole new set of forms and document types. Automating this process will be very beneficial to the State of Utah, as checks often pool reimbursements for many beneficiaries.

ESSENTIAL GUIDANCE

The State of Utah Office of Recovery Services' case study illustrates how government agencies can realize a tremendous ROI from projects that digitize their document-

based processes. These projects offer so many benefits: they enable agencies to provide significantly better service to their constituents; they improve operational efficiency in the agency and enable them to leverage their resources better; they significantly enhance the agency's ability to comply with regulatory requirements; and they improve the quality of life of agency employees. Government agencies should evaluate their paper-based processes and prioritize the highest-payback opportunities, then tackle them in that sequence. Taking the time up front to adequately scope requirements, obtain buy-in from users, and craft a sound strategy will pay off in project success.

Organizations in the private sector stand to realize similar benefits, of course. As ORS' case study demonstrates, small focused teams can accomplish dramatic results in a short period — even when back-file conversions require substantial investment and effort.

Digitizing paper-based processes represents a significant market opportunity today in the content management market. Vendors such as Kofax, which provide capture, data extraction, document classification, and the exchange of information, will continue to flourish as they help customers in the public and private sector automate their mission-critical document- and forms-intensive processes. IDC believes this represents one of the highest-value opportunities in the content management market today — one that every major enterprise content management vendor should position to pursue, either by offering its own solutions or by partnering with vendors such as Kofax.

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Related Research

- ☒ *Worldwide Content Management Software 2008–2012 Forecast: Continued Steady Growth* (IDC #211346, March 2008)
- ☒ *Worldwide Applications 2008 Top 10 Predictions* (IDC #210514, January 2008)
- ☒ *The Future of Content Applications Revisited: A Survey of Market Readiness and Technology Trends* (IDC #210145, January 2008)
- ☒ *Worldwide Content Management Software 2006 Vendor Shares: Shakeout at the Top Sets the Stage for Market Evolution* (IDC #207518, July 2007)

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