

TRAINING AND EMPLOYMENT NOTICE	NO. 3-15
	DATE July 27, 2015

TO: STATE WORKFORCE AGENCIES
STATE WORKFORCE LIAISONS
UNEMPLOYMENT INSURANCE DIRECTORS

FROM: PORTIA WU /s/
Assistant Secretary

SUBJECT: Reengineering Unemployment Insurance (UI) Benefits Program Accountability Processes: Update on Implementation Progress and State Impacts

1. **Purpose.** To update state workforce agencies on the Employment and Training Administration’s (ETA) efforts to reengineer UI benefits program accountability processes to improve program performance and integrity and to provide more information on state impacts and timelines for implementation.

2. **References.**

- Section 303(a)(1) of the Social Security Act (SSA);
- 20 CFR Parts 602-617, 625, 640, and 650;
- Unemployment Insurance Program Letter (UIPL) No. 22-10, *Selecting and Monitoring At-Risk States for Continuous Improvement and Compliance with First Payment Timeliness and First Level Appeals Promptness*;
- UIPL No. 33-11, *Identification of “Improper Payment High Priority States” for Unemployment Insurance (UI)*;
- UIPL No. 17-14, *Revised Employment and Training (ET) Handbook No. 336, 18th Edition: “Unemployment Insurance (UI) State Quality Service Plan (SQSP) Planning and Reporting Guidelines”*;
- Training and Employment Notice (TEN) No. 8-14, *Reengineering Unemployment Insurance (UI) Benefits Program Accountability Processes*;
- ET Handbook No. 301, 5th Edition, *UI Performs: Benefits Timeliness and Quality Nonmonetary Determinations Quality Review*, Pages IV-1 through IV-7;
- ET Handbook No. 382, 3rd Edition, *Handbook for Measuring Unemployment Insurance Lower Authority Appeals Quality*, Page 9;
- ET Handbook No. 395, 5th Edition, *Benefit Accuracy Measurement State Operations Handbook*;
- ET Handbook No. 396, 4th Edition, *Unemployment Insurance Benefit Accuracy Measurement Monitoring Handbook*, Chapter V; and
- ET Handbook No. 407, *Tax Performance System Handbook*.

3. **Background.** ETA issued TEN No. 8-14 on September 2, 2014, to announce the reengineering of the processes used for UI benefit program accountability. The TEN articulated ETA's goals for this initiative which include, among others, a new suite of accountability processes that focuses on operational capacity in addition to accuracy and timeliness; that recognizes both Federal and state capacity; and that ensures the UI program is administered with a focus on accountability and integrity. We also shared ETA's intention of significant state engagement throughout the process. With assistance from the National Association of State Workforce Agencies (NASWA), several state subject matter experts (SMEs) have been actively participating in the workgroups carrying out reengineering efforts that have specific state impact.

ETA's Steering Committee overseeing this initiative held an in-person meeting earlier this calendar year to plan out the remaining work necessary to achieve full implementation and to refine the timeline(s) of the project. This TEN provides new information to states on the accomplishments of the initiative to date; provides more information on the new accountability processes focused on UI operations; and shares timelines for various components of the reengineering effort.

4. **Summary of Reengineering Framework.**

In TEN No. 8-14, ETA provided information on the basic framework of the Reengineering process. They are summarized here for easy reference.

There are five key areas of change that make up the proposed new framework:

- a) **Changes to the State Quality Service Plan (SQSP) process.** The primary change related to the SQSP process is the move from an annual cycle to a biennial cycle. A biennial cycle is intended to enable states to use the SQSP process more strategically and to provide states with additional time to focus on actual implementation of process improvements and corrective actions. Additional changes are currently being made to streamline the reporting process, particularly for Corrective Action Plans (CAPs).
- b) **Changes to the Frequency and Logistics of Federal/State Peer Reviews for Benefit Accuracy Measurement (BAM), Benefits Timeliness and Quality (BTQ) for non-monetary determinations, and Appeals.** The framework includes changes in the frequency of BAM and BTQ peer review cycles and a different approach to organizing the peer reviews with a focus on a national rather than regional approach and the addition of more formal training elements as part of the review.
- c) **Development of new processes to support state and Federal operational reviews of UI program administration as it relates to benefits.** One of the most important features in the framework is a design that better supports states' improvements in their benefit operations and processes. Using the Tax Performance System (TPS) model, the framework includes a new process for independent state self-assessments of operational practices for the various functional areas of benefit operations (described in detail in

section 5(E) below). Similar to the TPS model, ETA proposes providing states with designated funding to support an independent reviewer to conduct the self-assessment. This approach will support state identification of operational issues that require new strategies to pursue on a continuous basis, inform ETA's technical assistance efforts nationally and with individual states, and will enable a more robust and effective collection and dissemination of state best practices.

- d) **Development of a new process for identifying states that are determined to be “At Risk” and in need of more intensive technical assistance.** Described further in 5(F) below, the new framework calls for a new single definition of “At Risk” states that combines the issues of poor performance related to timeliness and/or improper payments with information on states’ operational issues that will be gleaned from the states’ self-assessments, described in section 5(E) below, and ETA Regional Office monitoring. The objective for this designation will remain the same – to provide those states having the most challenges related to program performance or administrative operational issues with intensive technical assistance to support improved performance.
- e) **Development of new methods to leverage the skills of both ETA and state staff to support technical assistance and performance improvement.** A final element of the new framework is to approach ETA’s on-site reviews and technical assistance efforts in a different manner. ETA’s on-site monitoring reviews include a combination of both monitoring and technical assistance. To better support the technical assistance elements in on-site reviews of states that are designated as “At Risk,” ETA is planning a new process to deploy ETA staff with the appropriate subject matter expertise in “expert teams.” ETA also intends to invite state experts to participate on these teams to help provide a greater depth of knowledge and peer-to-peer technical assistance with regard to state benefit operations. The state SMEs role on the teams will be solely to provide technical assistance. State SMEs have already been consulted in developing suggested criteria for states to use in selecting state SMEs to participate on these expert teams.

5. Implementation Status Update By Activity.

A. State Quality Service Planning (SQSP) Process.

Overview of Processes Being Changed. The SQSP has moved from an annual cycle to a biennial cycle that was implemented with the Fiscal Year (FY) 2015 SQSP cycle. As part of the new process, one-half of the states provided a two-year SQSP in FY 2015 and the other one-half of the states are in the process of developing their two-year SQSP plan for this FY 2016 SQSP cycle. As part of the new process, a new standardized Corrective Action Plan (CAP) monitoring tool has been developed. This CAP monitoring tool will serve a dual purpose: 1) to report CAP as part of the SQSP process, and 2) to provide quarterly updates by the states.

Implementation Progress to Date. UIPL No. 17-14 implemented changes to the SQSP process by moving the SQSP process from an annual process to a two-year biennial cycle.

The new CAP report form has been developed in Microsoft Excel Workbook and is expected to make the CAP process and quarterly reporting more efficient by preventing duplication of information.

Additional Implementation Steps and Timelines. We expect to pilot the use of the CAP monitoring tool in several states as part of the FY 2016 SQSP process. Comments received from the volunteer states will be reviewed for implementation into the final CAP monitoring tool, which will require formal clearance under the Paperwork Reduction Act. The ET Handbook No. 336 will be updated to reflect the revised CAP form and instructions issued as part of the annual FY 2017 SQSP guidance.

B. Benefit Timeliness and Quality Reviews

Overview of Processes Being Changed. The Benefits Timeliness and Quality (BTQ) Cross Regional Tripartite Review will now be referred to as the National BTQ Review (NBTQR). Beginning in FY 2016, the NBTQR will be held triennially (every three years) instead of annually. The NBTQR will be jointly coordinated by Regional Offices (RO) and National Office (NO) BTQ coordinators. The review team for the NBTQR will consist of at least one representative from each of the states administering the program as well as the BTQ coordinator from each ETA Regional Office and the BTQ coordinator from the National Office. Finally, the re-engineered approach to the National BTQ Review will also allow states to electronically transmit documents by uploading information to a secure Website. Sample sizes, as well as the subsampling process conducted by the National Office, will remain the same. During the other two years of the triennial cycle, ETA will provide state training and technical assistance.

Implementation Progress to Date. To date, the BTQ sub-workgroup, comprised of Federal and State members, has completed the update of ET Handbook No. 301, *UI Performs: Benefits Timeliness and Quality (BTQ) Nonmonetary Determination Quality Review*.

Additional Implementation Steps and Timelines. The ET Handbook No. 301 has been updated and revised to incorporate the new process. We project the release of the revised ET Handbook 301, 5th Edition, Change 2, in the spring of 2016. Following release of the revised handbook, ETA expects to schedule training webinars with the states to review the changes and provide guidance on implementation of the changes.

C. Appeals Reviews

Overview of Processes Being Changed. The Annual Appeals Review will now be referred to as the National Appeals Review (NAR). Beginning in 2017, the NAR will be held every triennially instead of annually. All reviews will be jointly coordinated by the National and ETA Regional Office appeals coordinators. The review team for the NAR will consist of at least one representative from each of the states administering the program and the appeals coordinator from each ETA Regional Office and the appeals

coordinator from the National Office. The re-engineered approach to the NAR will allow states to electronically transmit documents and recordings by uploading information to a secure Website. Sample sizes, as well as the subsampling process conducted by the National Office, will remain the same. During the other two years of the triennial cycle, the National and Regional Offices will coordinate to provide states training and other technical assistance. ETA is also considering potential changes to the review's scoring process and expects to engage states in considering those changes before finalizing a new approach.

Implementation Progress To Date. To date, the appeals sub-workgroup, which includes Federal and state members has completed the update of ET Handbook No. 382, *Handbook for Measuring UI Lower Authority Appeals Quality*. Proposals for training and implementation of the new handbook have also been developed.

Additional Implementation Steps and Timelines. ET Handbook No. 382 revisions are being finalized and we project release of the revised ET Handbook No. 382, 3rd Edition, Change 1, in the spring of 2016. Upon release of the handbook, ETA plans to schedule training webinars with the states to review changes and provide guidance on implementation of the changes.

D. BAM Reviews

Overview of Processes Being Changed. Beginning in FY 2015, the BAM Peer Review process has been changed to a three (3) year cycle for the evaluation of the state BAM program. Using a national approach for conducting the reviews, the BAM Peer Review process will provide for more uniformity in the review process and ensure that all the states are trained in a similar manner on the BAM procedures for coding and reporting. The triennial BAM review cycle is now as follows:

- ✓ BAM Peer Reviews will consist of two one-week reviews each year and will follow a three year cycle:
 - Year 1 – One-half of the states will participate in both Paid Claims Reviews scheduled for the year;
 - Year 2 – The other one-half of the states will participate in both Paid Claims Reviews scheduled for the year; and
 - Year 3 – All states will participate in one of the two Denied Claims Reviews scheduled for the year, i.e., one-half of the states will attend the first review and the other one-half or remaining states will attend the second review.
- ✓ The Peer Reviews will be conducted during the second full week of March and the third full week of September each year.
- ✓ Ten cases per state will be reviewed during each of the Paid Claims Reviews (20 cases for the year for each participating state) and 15 cases per state will be reviewed for the Denied Claims Review.

Formal training on the peer review process will be provided for state BAM staff. Initial training will be conducted via webinar with additional instructions provided as part of the peer review.

The frequency of the Methods and Procedures (M&P) Reviews are being changed from a biennial to a triennial process with Regional Offices conducting these reviews for one-third of the states in their Region each year.

Implementation Progress to Date. The first national BAM Peer Review was held in Dallas, Texas during the week of February 23-27, 2015. The next national BAM Peer Review is scheduled for September 20-25, 2015, in Chicago, Illinois. ETA expects to provide states with meeting dates, times, and locations approximately three years in advance.

Additional Implementation Steps and Timelines. To address timeliness and quality of investigations, the BAM workgroup was tasked with developing criteria to assess the states' performance and to determine the additional monitoring and enhanced technical support that may be needed to assist states that are not meeting the established BAM program requirements. ETA plans to closely monitor state BAM performance in two broad areas – compliance with BAM program requirements and quality of paid and denied claim investigations. Technical assistance will be provided to states with challenges in either or both areas.

The BAM workgroup is in the process of updating ET Handbooks No. 396 and No. 395 to incorporate the changes outlined above and the revised handbooks are expected to be released in FY 2016.

E. New Processes to Support Improved UI Benefit Operations.

Overview of Processes Being Changed. As previously discussed above and in TEN No. 08-14, the efforts to reengineer the framework for UI program operations accountability builds on the TPS model and will include a new process for independent state self-assessments of operational practices for the various functional areas of benefit operations. One of the most important features in the framework is the design of a self-assessment tool to be used by states to evaluate their benefit operations and processes. Operational elements within major functional areas of UI benefits have been identified that require specific questions to be developed for the self-assessment tool. ETA has benefited from the input of state SMEs who serve as members of the team developing the self-assessment tool. ETA has also engaged a contractor with personnel that have significant state UI experience to assist in the development of the self-assessment tool.

Implementation Progress To Date. Since October of 2014, the team (composed of ETA staff, state SMEs, and contractor personnel) has been engaged in developing the self-assessment tool to be used by states in conducting assessments of their individual UI benefits program operations. The self-assessment tool will contain a series of in-depth

questions on functional areas within UI benefits operations. The team has developed sets of questions for the following fifteen functional areas within UI benefits: 1) Overarching Operational Matters; 2) Initial UI Claims Intake – Intrastate/Interstate; 3) Combined Wage Claims Intake; 4) Unemployment Compensation for Federal Employees Intake; 5) Unemployment Compensation for Ex-Servicemembers Intake; 6) Monetary Determinations; 7) Adjudications; 8) Continued Claims and Eligibility Reviews; 9) Appeals; 10) Benefit Payment Control; 11) Internal Security; 12) Disaster Unemployment Assistance; 13) Reemployment; 14) Data Validation; and 15) Short-Time Compensation.

Within each functional area the team has developed self-assessment questions that cover nine operational elements (where applicable for the specific functional area), including: 1) Procedures, Policies and Confidentiality; 2) Training; 3) Workload Analysis and Management Controls; 4) Performance Management; 5) Information Technology; 6) Customer Access and Communication; 7) Operational Efficiency and Resource Allocation; 8) Staffing and Merit Staffing; and 9) Fiscal Management.

Attached to this TEN is the Functional Operations chart that is guiding the development of the self-assessment questions. (See Attachment A.) It details the UI benefits functions and the categories of the operational elements for which draft self-assessment questions have been developed. Also, to help provide a better understanding of the self-assessment tool(s), a sample of a set of questions from the self-assessment tool is also attached to this TEN. (See Attachment B.) These questions are still in draft form and will go through additional review and pilot testing (discussed below); therefore, they should not in any way be considered a final product.

Additional Implementation Steps and Timelines. The Steering Committee governing this project determined that a pilot test should be conducted with selected states (between six and nine states) to test the sets of questions in the self-assessment tool. ETA is currently planning to conduct this pilot test during the first and second quarters of federal fiscal year (FY) 2016. Soon, ETA will be announcing a solicitation seeking states to volunteer to participate in the pilot test and will provide funding to the selected pilot states for this effort. ETA has also partnered with state subject matter experts (SMEs) to help develop proposed criteria for states to use in selecting staff or contractors to conduct the self-assessments. The recommended criteria will be shared with states prior to the pilot being launched. To further support this pilot test, ETA intends to develop a user guide and training material to be used in training the states on how to use the tool and how to validate the responses obtained during the self-assessment process.

Finally, ETA will gather feedback and comments from the pilot states on the use of the self-assessment tool, which will guide additional revisions and refinements prior to full scale implementation of the tool in FY 2017. Once all revisions are made, the final tool will be subject to public review and comment as required by the Office of Management and Budget's Paperwork Reduction Act process. This review and comment period is planned to occur in FY 2016.

F. Technical Assistance for “At Risk” States.

Overview of Processes Being Changed. One of the tasks of this project has been the development of a new integrated process for identifying states that are determined to be “At Risk” and in need of intensive technical assistance. In the past, ETA developed separate definitions for states designated as “At Risk” and “high priority” states. The “At Risk” definition related to states that experienced significant challenges meeting certain acceptable levels of performance. See UIPL No. 22-10. The “high priority” definition related to states that experienced high rates of improper payments. See UIPL No. 33-11.

As noted above, state SMEs will be invited to participate as members of federal-state expert teams to provide technical assistance in the states that are determined to be in need of enhanced technical assistance. The expert teams will go on-site to assess the selected state’s operational policies and procedures as well as customer service practices, identify issues and recommend performance improvement strategies and operational efficiencies. Use of state SMEs will help to inform recommended solutions and to provide advice and consultation to Federal staff in developing new approaches, alternatives and/or techniques to solve program related problems. As mentioned above in section 4(e), state SMEs were consulted in the development of proposed criteria for states to use in selecting state SMEs to participate on these expert teams.

Implementation Progress To Date. The project team has developed a new single definition of “At Risk” that combines poor performance related to timeliness and quality and improper payment rates with information on states’ operational issues that will be gleaned from the states’ self-assessments described above, as well as information from other ETA Regional Office monitoring and/or technical assistance efforts. The objective for the “At Risk” designation will remain the same – to provide those states with the most current challenges related to program performance or administrative operational issues with intensive technical assistance to support improved performance. A diagram showing the elements that will compose the new “At Risk” designation in the future is attached to this TEN. (See Attachment C.)

Additional Implementation Steps and Timelines. ETA intends to start using the new integrated definition of “at-risk” in identifying states for intensive technical assistance beginning in FY 2016, but initially without the information from the state self-assessment tool. The tool will not be implemented for initial use by all states until FY 2017. Therefore, FY 2018 will be the first year that the data from the state self-assessment tool will be available for use in determining a state’s “At Risk” status.

6. **Action Requested.** State Administrators are requested to provide this information to their UI Directors, UI Benefit Managers, and other appropriate staff.
7. **Inquiries.** Inquiries should be directed to the appropriate ETA Regional Office.

8. Attachments.

- A. Operational Functions Chart
- B. Sample of Questions
- C. At-Risk Model