COMMONWEALTH *of* VIRGINIA
DEPARTMENT OF SOCIAL SERVICES
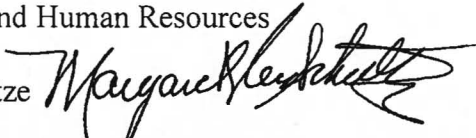*Office of the Commissioner*

July 1, 2014

MEMORANDUM

TO: Honorable Walter A. Stosch, Chairman
Senate Finance Committee

Honorable S. Chris Jones, Chairman
House Appropriations Committee

Daniel S. Timberlake, Director
Department of Planning and Budget

THROUGH: Honorable William A. Hazel, Jr., MD
Secretary of Health and Human Resources

FROM: Margaret Ross Schultze

SUBJECT: Semi-Annual Progress Report on Eligibility Systems Modernization

      Item 345 E.1. of the 2013 Appropriation Act (Act) provides funding to the Department of Social Services to modernize its eligibility information systems. Item 345 E.2.of the Act directs the Department to provide a copy of the eligibility modernization contract to be provided within 30 days of contract award. The contract copy was provided under separate cover.

      Item 345 E.3. of the Act requires a semi-annual progress report on our efforts. I am pleased to submit the Department of Social Services' semi-annual report describing the progress made by the Department to modernize its eligibility systems. This report includes a general summary of the projects, implementation status, expenditures and contract modifications. If you have questions or need additional information concerning this report, please contact me.

MRS:dgw

Attachment

Preface

Item 345 E of the 2013 Appropriations Act authorized appropriations to modernize eligibility determination systems in the Department of Social Services. Item 345 E (3) provides:

> *3. Beginning July 1, 2012, the Department of Social Services shall also provide semi-annual progress reports that must include a current project summary, implementation status, accounting of project expenditures and future milestones. All reports shall be submitted to the Chairmen of House Appropriations and Senate Finance Committees, and Director, Department of Planning and Budget.*

This is the Department of Social Services' third semi-annual report pursuant to Item 345.

Table of Contents

Executive Summary

In December 2012, the Department of Social Services (DSS) entered into a contract with Deloitte Consulting, LLP to modernize the existing automated eligibility systems for all public assistance programs, beginning with the Medicaid program. DSS partnered with the Department of Medical Assistance Services (DMAS) to accommodate changes in technology to support implementation of new Medicaid requirements and eligibility determination.

The scope of the contract includes implementation of the changes to Medicaid to meet federal Patient Protection and Affordable Care Act requirements, replace the current legacy eligibility system Application Benefit Delivery Automation Project (ADAPT), automate Medicaid categories not currently in ADAPT, implement a statewide document management and imaging system, and convert current Families Access to Medical Insurance Security(FAMIS) and Medicaid cases from ADAPT and the DMAS system, Child Health Administration Management Program System, into the new case management system, Virginia Case Management System (VaCMS). There are three projects for eligibility modernization: MAGI (Modified Adjusted Gross Income); Program Migration; and Conversion.

Work on the eligibility modernization projects continues. The MAGI project was implemented on October 1, 2013. Prior to implementation, state and vendor staff participated in two formal readiness reviews required by the federal Centers for Medicare and Medicaid Services. As a part of the reviews, Virginia had to test interfacing with the federal services or "hub" and be able to send applications to the federal marketplace. Other federally defined test criteria and success measures were met prior to the formal "Operational Readiness Review," and the Commonwealth received federal authority to implement the new MAGI automation on time. On October 1, 2013, MAGI Medicaid applicants were able to file applications in person, by mail, phone, fax, or online. Through March 31, 2014, over 160,000 MAGI-related Medicaid applications have been received. Since October 2013, localities statewide have experienced a 60% increase in Medicaid applications. To ensure all planned functionality is complete, and invoices paid, the MAGI project has been extended from April 2014 to June 30, 2014.

The timeframe for the Conversion project was originally March 2013 through March 2014. At the request of DMAS, DSS added functionality for call center staff to complete telephonic renewals more efficiently, which required the project to be extended. The additional functionality is planned to be rolled out the end of summer 2014, with a project closeout of October 31, 2014. Currently, the Conversion project is in the execution phase, converting data and case/client extracts from the legacy systems into VaCMS on a monthly basis.

The schedule changes outlined above and the need for additional functionality that was not included in the original contract resulted in four contract modifications. The majority of the costs for these contract modifications are eligible for 90/10 federal funding. Total expenditures through March 2014 include payments to Deloitte Consulting, LLP, salaries for the DSS staff, and procurement of hardware/software tools for the MAGI project. The total expenditures for the three projects are $37,570,609. Payments of $24,332,316 have been made to Deloitte Consulting, LLP. A little over $6,600,000 has been spent on hardware and software products,

with the balance of expenditures being for costs such as DSS staff, and training and travel for local department of social services employees who participate on the project teams.

Background

On December 19, 2012, the Department of Social Services (DSS) entered into a contract with Deloitte Consulting, LLP to modernize existing automated eligibility systems for public assistance programs, beginning with the Medicaid program. The scope of the contract includes implementation of the changes to Medicaid to meet federal Patient Protection and Affordable Care Act (PPACA) requirements, replacement of the current Application Benefit Delivery Automation Project (ADAPT) eligibility system, automating Medicaid categories not currently in ADAPT, implementing a statewide document management and imaging system, and conversion of current Families Access to Medical Insurance Security (FAMIS) and Medicaid cases from ADAPT and the Department of Medical Assistance (DMAS) system, Child Health Administration Management Program System (CHAMPS). Under PPACA, Medicaid customers must be allowed to file applications via mail, phone, web, fax, or in person; there are new rules for calculation of household income, eligibility determination and household composition. DSS has partnered with DMAS to accommodate changes in technology to support implementation of the new Medicaid requirements and eligibility determination using Modified Adjusted Gross Income (MAGI) rules.

Prior to PPACA, DSS used American Recovery and Reinvestment Act (ARRA) funds to invest in a Child Care information technology (IT) solution for eligibility determination, case management, vendor management and financial management. The Child Care solution, the Virginia Case Management System (VaCMS), was implemented in 2011. The DSS then expanded the VaCMS to allow other public assistance customers to submit online applications for the Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), Medicaid and Low-Income Home Energy Assistance (LIHEAP) through a portal, called CommonHelp.

In the summer of 2012, the CommonHelp portal was implemented statewide. CommonHelp provides customers with self-directed services through the portal without the necessity for worker intervention. Customers can screen for potential benefit eligibility, apply for assistance, report household circumstance changes, check their benefit status through an on-line account, and complete and submit renewals for benefits. The core VaCMS solution and the online CommonHelp portal are critical automation investments that are being leveraged for implementation of the federal PPACA.

Significant funding has been committed for modernization of the current eligibility system. The 2012 General Assembly approved funding for the DSS to invest in a replacement eligibility system for all public assistance programs, a document management and imaging system and infrastructure necessary to meet modernization and interoperability standards. Federal and state partners approved the DSS approach, and the requests to plan, manage and implement the IT efforts to support PPACA.

The DSS established a dedicated program office, the Enterprise Delivery System Program Office (EDSPO) to manage the projects and administer the contract. In addition to project management, the EDSPO is responsible for actively working with the Administration for Children and Families and the Food and Nutrition Services (FNS) as federal partners, the electronic Health and Human Resources (eHHR) program office established by the Secretary of Health and Human Resources (HHR) that coordinates and collaborates IT efforts among HHR agencies, DMAS as the single state Medicaid agency and a primary state stakeholder, as well as the Virginia Information Technologies Agency (VITA), which has project oversight responsibilities. Within the eligibility modernization efforts, there are three distinct projects: MAGI, Program Migration and Conversion.

MAGI Project

The MAGI project is the first project to be completed. MAGI is a new methodology for how income is considered and how household composition and family size are determined. Under PPACA, Medicaid eligibility requires use of MAGI rules, and will replace most of the current Families and Children's Medicaid category for financial eligibility determination. The MAGI project automation was implemented October 1, 2013.

The MAGI project had a compressed schedule, nine months from the time of contract signature in mid-December 2012 to implementation on October 1, 2013. In addition to changes in income eligibility, there were changes to the application and eligibility processes to support eligibility determination for applications filed by mail, phone, web, fax, or in person. The MAGI project had a tightly defined scope with significant Medicaid eligibility policy reforms that included the ability to accept applications telephonically using the case management system. These reforms required changes to the core automated solution, use of the new Commonwealth Authentication Services tool as a secure front end to the portal, interfaces with the federal services hub, and the current Medicaid enrollment system at DMAS.

Prior to implementation, DSS, DMAS and eHHR staff provided documentation and participated in two formal technical readiness reviews, called Gate reviews, required by the federal Centers for Medicare and Medicaid Services (CMS). As a part of the reviews, Virginia tested interfaces with the federal services or "hub," to send applications to the federal marketplace. Other federally defined test criteria and success measures were met prior to the formal "Operational Readiness Review" that occurred in September 2013. Because of the efforts of DSS, DMAS, eHHR, VITA and vendor partner, the Commonwealth was able to pass the federal reviews and received authority to implement the new MAGI automation on October 1st.

On October 1, 2013, MAGI Medicaid applicants were able to file applications in person, by mail, phone, fax, or online. Over 160,000 MAGI-related Medicaid applications were received between October 1 and March 31, 2014. Since October 2013, localities statewide have experienced a 60% increase in Medicaid applications.

When first deployed, the MAGI automation in Virginia had its challenges. The DSS and DMAS have responded to the functional challenges and identified defects with monthly deployments to improve the system. With additional training, clarifications and quick fixes,

2

local departments of social services are now better able to process MAGI applications and enroll eligible individuals into the Medicaid system.

The MAGI project was originally scheduled to end April 2014. Now, the project is scheduled to end June 30, 2014 to allow time to ensure the functionality is complete and all invoices are paid. The primary milestones and dates for the MAGI project through March 31, 2014 are reflected below:

Milestone	Planned Start Date	Actual Start Date	Planned Completion Date	Actual Completion Date	Percent Complete
Project Planning & Management	12/20/2012	12/20/2012	12/20/2013	12/20/2013	100
Requirements	12/20/2012	12/20/2012	1/27/2013	1/27/2013	100
Design	1/28/2013	1/28/2013	3/22/2013	3/22/2013	100
Development	3/01/2013	3/01/2013	6/30/2013	7/15/2013	100
System Testing	7/1/2013	7/1/2013	7/31/2013	7/31/2013	100
User Testing (UAT) Phase	8/1/2013	8/1/2013	9/27/2013	9/27/2013	100
Training	9/9/2013	9/9/2013	9/27/2013	9/27/2013	100
Deployment Phase	9/28/2013	9/28/2013	12/31/2013	12/31/2013	100
Deployment Milestone	9/28/2013	9/28/2013	9/28/2013	9/28/2013	100
Additional MMIS Requirements/Design	11/8/2013	11/8/2013	1/28/2014	3/5/2014	100
Development	1/22/2014	1/22/2014	3/17/2014	3/17/2014	100
Testing	3/17/2014	3/17/2014	4/11/2014		5
Deployment	4/11/2014		06/30/2014		

Program Migration Project

The Program Migration project consists of a replacement for the ADAPT and the LIHEAP systems, as well as inclusion of the final Medicaid category of Aged Blind Disabled/Long Term Care and functionality for appeals.

The original timeframe for the Program Migration project was February 2013 to December 2015. As the MAGI project unfolded and additional functionality was needed, multiple system changes and fixes were deployed in the first six months of operation. In addition, the intense focus and tight timelines of MAGI resulted in all available EDSPO team resources being assigned to the MAGI project. Clarifications to requirements allowed some Medicaid and statewide functional requirements to be restructured within the Program Migration

3

project. The Program Migration team also received requests from local departments and program staff for early completion of statewide document management and imaging and central printing of notices. On October 21, 2013, DSS executed a modification to the Deloitte contract that extends the Program Migration Project to June 2016. All Medicaid requirements will be implemented before December 31, 2015, enabling DSS to take advantage of the federal/state match rate for funding, which is a 90/10 split. Like the MAGI project, the Program Migration project must pass a series of federal Gate reviews. These reviews are not yet scheduled.

The Program Migration Project implementation is now split into two phases, with the first phase focusing on statewide implementation of the balance of the Medicaid program, central printing, and document management and imaging. This phase will be implemented in April 2015, allowing enough time to address any defects, and account of all Medicaid-related expenditures using the 90/10 match rate. Recently, the federal FNS has issued requirements that SNAP technology changes be implemented through a pilot process. To accomplish this, the second part of the Program Migration Project will include a phased implementation of SNAP, TANF, VIEW, LIHEAP and appeals functionality. Currently, this phase of the Program Migration project is slated to begin implementation June 2016.

The primary milestones and dates for the Program Migration project through March 31, 2014 are reflected below:

Milestone	Planned Start Date	Actual Start Date	Planned Completion Date	Actual Completion Date	Percent Complete
Project Planning & Management	2/01/2013	2/01/2013	4/30/2016		8
Requirements	2/19/2013	2/19/2013	5/31/2013	8/14/2013	100
Design	7/8/2013	7/8/2013	1/31/2014		98
Development	1/1/2014	1/1/2014	9/30/2014		10
System Testing (SIT) – Phase 1	9/1/2014		2/28/2015		
User Testing (UAT) - Phase 1	2/1/2015		5/31/2015		
Deployment Phase 1	6/16/2015		6/16/2015		
System Testing (SIT) – Phase 2	6/1/2015		10/31/2015		
User Testing (UAT) - Phase 2	10/1/2015		3/31/2016		
Deployment Phase 2	4/15/2016		4/15/2016		

Conversion Project

The Conversion project focuses on converting data in the ADAPT and CHAMPS legacy systems for the Families & Children's Medicaid, and FAMIS categories into VaCMS. The CMS federal requirement stipulates that these eligible ongoing Medicaid categories must be evaluated

4

against the new MAGI Medicaid rules beginning April 2014. The first month of converted data occurred in March 2014, with a 99% success rate of converting data.   The Conversion project moves existing cases into VaCMS, and eligibility redetermination is performed by the external rules engine implemented through the MAGI project. Conversion will occur on a month by month basis until all cases have been assessed against the new rules and moved into VaCMS.

The original timeframe for the Conversion project was March 2013 through March 2014. At the request of DMAS, DSS added functionality for call center staff to complete telephonic renewals more efficiently, which requires the project to be extended through October 31, 2014. The Conversion project passed its Gate review in March 2014.

The Conversion project is progressing on schedule and on budget. The primary milestones and dates for the Conversion project though March 31, 2014 are reflected below:

Milestone	Planned Start Date	Actual Start Date	Planned Completion Date	Actual Completion Date	Percent Complete
Project Planning & Management	3/1/2013	3/01/2013	5/05/2015		45
Requirements/Design	3/15/2013	3/15/2013	6/17/2013	6/28/2013	100
Development (Construction)	6/01/2013	6/03/2013	10/30/2013	11/30/2013	100
System Testing (SIT)	10/02/2013	10/02/2013	11/29/2013	1/15/2013	100
User Testing (UAT) Phase	12/02/2013	12/02/2013	2/25/2014	2/25/2014	100
Deployment Phase	3/01/2014	3/01/2014	2/02/2015		10
Deployment Milestone for 1St Conversion	3/03/2014	3/3/2014	03/3/2014	03/3/2014	100
Call Center Enhancements					
Requirements/Design	11/8/2013	11/8/2013	1/28/2014	3/14/2014	100
Development	1/22/2014	1/22/2014	6/4/2014		24
Testing	6/5/2014		8/20/2014		
Deployment	8/25/2014		8/25/2014		

Expenditures

Significant funding has been committed for modernization of the Commonwealth's current eligibility system. The 2012 General Assembly approved funding for DSS to invest in a replacement eligibility system for all public assistance programs, a document management and imaging system, and infrastructure necessary to meet modernization and interoperability

standards. Federal and state partners approved the DSS approach and requests to plan, manage and implement the IT efforts to support PPACA.

Total expenditures include payments to Deloitte Consulting, LLP, salaries for DSS staff, and procurement of hardware/software tools for the MAGI project. Through March 2014, total expenditures for the three projects are $37,570,609. Payments of $24,332,316 have been made to Deloitte Consulting, LLP. A little over $6,600,000 has been spent on hardware and software products, with the balance of expenditures being for costs such as DSS staff, and training and travel for local department of social services employees who participate on the project teams.

Following is a chart of total expenditures for December 2012 through March 2014 for all three projects:

Category of Expenditure	Total Expenditures (Federal/State)
VDSS Internal Staff	4,893,698
Services	24,332,316
Software Tools	5,931,065
Hardware	683,330
Maintenance	-
Facilities	-
Telecommunications	-
Training	34,899
Contingency	-
Other 1 (Administrative expenditures such as supplies, office equipment, etc.)	1,514,083
Other 2 (Travel reimbursement for local DSS employees)	181,217
TOTAL EXPENDITURES	$37,570,609

Contract Modifications

During the course of implementing the MAGI project and beginning work on the Program Migration and Conversion, it became necessary to make modifications to the original contract signed in December 2012. Through March 2014, there have been four separate contract modifications. Information related to each of the modifications is outlined below:

#1 Medicaid Management Information System Interface $ 997,486
#2 Managed Care Organization Requirements $ 587,486
#3 Enhanced Functionality of the Cover Virginia Call Center $3,949,365
#4 Project Schedule Modification for the Program Migration Project $7,006,670

These modifications were necessary as all required information and system functionality was not known at the time the original contract was awarded. In fact, information from the federal government related to the PPACA continues to be provided. As a result of the changing PPACA status and subsequent system requirements changes, it is anticipated that additional contract modifications will be required moving forward.

Conclusion

There are three projects associated with the eligibility modernization. Work on all three of the projects is in progress. The MAGI project was implemented on October 1, 2013, with a scheduled end date of June 30, 2014. The Program Migration project schedule has been revised to extend to June 2016, with two defined phases of implementation, one of which will require a pilot. The Conversion project began implementation in March 2014, and includes enhanced functionality that extends the project to October 31, 2014. Currently, all three projects are progressing on revised schedules with some contract modifications necessary.

As part of the oversight provided by the federal CMS, states must pass a series of technical readiness reviews, called Gate Reviews. Federally defined test criteria and success measures were met prior to the formal end-to-end test of functional readiness that for the MAGI project, which resulted in federal approval to implement on October 1, 2013. In addition, the Gate review for the Conversion project was a success. The review for the Program Migration project is not yet scheduled.

Significant funding has been committed for modernization of the current eligibility and enrollment systems. Total expenditures through March 2014 include payments to Deloitte Consulting, LLP, salaries for the DSS staff and procurement of hardware/software tools for the projects. Current expenditures for the three projects total $37,570,609.

Appendix A

Report Mandate

Item 345 E. of the 2013 Appropriations Act

E.1. Out of this appropriation, ~~$6,400,000~~ *$2,000,000* the first year and ~~$4,400,000~~ $7,500,000 the second year from the general fund and $44,500,000 the first year and $8,200,000 the second year from nongeneral funds shall be provided to modernize eligibility determination systems in the Department of Social Services. If any additional funding is needed, the department shall complete modernization efforts within existing resources.

2. Within 30 days of awarding a contract related to the eligibility project, the Department of Social Services shall provide the Chairmen of House Appropriations and Senate Finance Committees, and Director, Department of Planning and Budget with a copy of the contract including costs.

3. Beginning July 1, 2012, the Department of Social Services shall also provide semi-annual progress reports that must include a current project summary, implementation status, accounting of project expenditures and future milestones. All reports shall be submitted to the Chairmen of House Appropriations and Senate Finance Committees, and Director, Department of Planning and Budget.