COMMONWEALTH of VIRGINIA

DEPARTMENT OF SOCIAL SERVICES

January 10, 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, Commissioner

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 upcoming milestones. If you have questions or need additional information concerning this report, please contact me.

MRS:dgw

Attachment

Preface

Item 345 E of the 2013 Appropriation 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' second semi-annual report pursuant to Item 345.

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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 to 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, implementation of 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 had a highly compressed schedule: nine months from the time of contract signature in December 2012 to implementation 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. To date, over 38,000 MAGI-related Medicaid applications have been received. There are several additional portions of functionality planned for the MAGI project, which has been extended to April of 2014.

As the MAGI project unfolded, some Medicaid and statewide functional requirements were deferred to the Migration project. In addition, the intense work and tight timelines of MAGI required additional resources to be assigned to MAGI. The balance of the public assistance programs included in the Migration Project is no less complex than MAGI Medicaid. As the Migration project work continued, the team recognized a need to extend the requirements gathering and design phases of the project. The DSS worked with the vendor and the Secretary of Health and Human Resources to revise the Migration Project schedule and extend it to June 2016.

The timeframe for the Conversion project was March 2013 through March 2014. At the request of DMAS, DSS added functionality for call center staff to do telephonic renewals more efficiently, which requires the project to be extended through October 31, 2014. Currently, the Conversion project team is preparing to enter the user testing phase, working to ensure that data and case/client extracts from the legacy systems can be successfully converted into VaCMS.

The schedule changes outlined above and the need for additional functionality that was not included in the original contract have resulted in four contract modifications. The total cost of the four contract modifications is approximately $12.5M. The majority of the costs for these contract modifications are eligible for 90/10 federal funding. Total expenditures through October 2013 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 $28,000,474. Payments of $18,342,968 have been made to Deloitte Consulting, LLP. A little over $5,900,000 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.

Semi-Annual Progress Report on
Eligibility Systems Modernization
January 2014

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 to 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 Program information technology (IT) solution for eligibility determination, case management, vendor management and financial management system. 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 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 required by the federal Centers for Medicare and Medicaid Services (CMS). As a part of the reviews, Virginia had to test interfaces 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" 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 38,000 MAGI-related Medicaid applications were received between October 1 and November 22, 2013. While the MAGI automation in Virginia has had its challenges, it is functional. Even when the online and case management portions of the system presented challenges, individuals were still able to apply. The DSS and DMAS have responded to the functional challenges and identified defects by deploying multiple releases throughout October and November to improve the system. With additional training, clarifications and quick fixes, local departments of social services are better able to process new MAGI applications and enroll eligible individuals into the Medicaid system.

There are several additional portions of functionality planned for the MAGI project, which will run through April of 2014. Increased documentation for telephonic applications, reports and better interfaces with the Medicaid enrollment system will be deployed in February 2014. In addition, as DSS receives more feedback from local departments and users, improvements will be made.

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.

In the previous report, the projected timeframe for the Program Migration project was noted as February 2013 through December 2015. As the MAGI project unfolded, some Medicaid and statewide functional requirements were deferred to the Migration project. In addition, the intense focus and tight timelines of MAGI resulted in all available EDSPO team resources being assigned to MAGI. However, all Medicaid requirements must be implemented by December 2015 if DSS is to take advantage of the federal/state match rate for funding, which is a 90/10 split.

The other public assistance programs included in the Migration Project are no less complex than MAGI Medicaid. The 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. As project work continued, the Migration team recognized a need to extend the requirements gathering and design activities of the project. The DSS worked with the vendor, Secretary of Health and Human Resources and DMAS to review options and revise the implementation schedule of the Migration Project. On October 21, 2013, DSS executed a modification to the Deloitte contract that extends the Migration Project to June 2016.

The 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. The second phase of the Migration Project will include implementation of TANF, VIEW, SNAP, LIHEAP and appeals functionality. This phase is slated for implementation in June 2016.

The primary milestones and dates for the Program Migration project are currently being adjusted and documented to reflect the recent changes to the schedule. The next report will include all the changes to the Migration schedule.

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Conversion Project

The Conversion project will focus on converting data in the ADAPT and CHAMPS legacy systems for the Families & Children's Medicaid, Children's Health Insurance Program, and FAMIS categories into VaCMS. The CMS federal requirement stipulates that these eligible ongoing Medicaid categories must be evaluated against the new MAGI Medicaid rules beginning in April 2014. The Conversion project will move existing cases into VaCMS, and eligibility determination will be 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 timeframe for the Conversion project was March 2013 through March 2014. At the request of DMAS, DSS added functionality for call center staff to do telephonic renewals more efficiently, which requires the project to be extended through October 31, 2014. Currently, the Conversion project team is preparing to enter the user testing phase, working to ensure that data and case/client extracts from the legacy systems can be successfully converted into VaCMS. The Conversion project is progressing on schedule and on budget.

The primary milestones and dates for the Conversion project are being adjusted and documented to reflect the recent changes to the schedule. The next report will include all the changes to the Conversion schedule.

Expenditures

Significant funding has been committed for modernization of the 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 through October 2013 include payments to Deloitte Consulting, LLP, salaries for DSS staff, and procurement of hardware/software tools for the MAGI project. Total expenditures for the three projects are $28,000,474. Payments of $18,342,968 have been made to Deloitte Consulting, LLP. A little over $5,900,000 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 expenditures for December 2012 through October 2013 for all three projects:

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Category of Expenditure	Expenditures
VDSS Internal Staff	2,951,867
Services	18,342,968
Software Tools	5,931,065
Hardware	4,520
Maintenance	-
Facilities	-
Telecommunications	-
Training	4,494
Contingency	-
Other 1 (Administrative expenditures such as supplies, office equipment, etc.)	628,825
Other 2 (Travel reimbursement for local DSS employees)	136,735
TOTAL EXPENDITURES	$28,000,474

Contract Modifications

During the course of implementing the MAGI project and beginning work on the Migration and Conversion, it became necessary to make modifications to the original contract signed in December 2012. To date, 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 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 on a near daily basis. 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, but DSS will continue to enhance the functionality through April 2014. The Program Migration project schedule is being revised to extend it to June 2016, with two defined phases of implementation. The Conversion project is getting ready to start user acceptance testing, with an initial implementation of March 2014, and enhanced functionality that extends to October 31, 2014. Currently, all three projects are progressing on revised schedules and there will be some budget revisions 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.

Significant funding has been committed for modernization of the current eligibility and enrollment systems. Total expenditures through October 2013 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 $28,000,474.

Appendix A

Report Mandate

Item 345 E. of the 2013Appropriation 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.