



COMMONWEALTH of VIRGINIA
DEPARTMENT OF SOCIAL SERVICES
Office of the Commissioner

Margaret Ross Schultze
COMMISSIONER

January 1, 2015

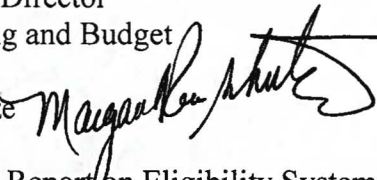
MEMORANDUM

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

The Honorable Charles J. Colgan, Co-Chairman
Senate Finance Committee

The Honorable S. Chris Jones, Chairman
House Appropriations Committee

Daniel S. Timberlake, Director
Department of Planning and Budget

FROM: Margaret Ross Schultze 

SUBJECT: Semi-Annual Progress Report on Eligibility Systems Modernization

Item 343 (E) (1) of the 2014 Appropriation Act (Act) provides funding to the Department of Social Services to modernize its eligibility information systems. Item 343 (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 343 (E) of the 2014 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' fifth semi-annual report pursuant to Item 343.

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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 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. Within the first nine months of implementation, local departments of social services experienced a 62% increase in Medicaid applications. Between October 1, 2013 and October 31, 2014, the Commonwealth received 349,217 MAGI applications. The volume of applications has challenged the ability of local department staff to process them timely.

The Conversion project scope included converting data and case/client extracts from the legacy systems into VaCMS on a monthly basis. As of October 31, 2014, all conversion activities were completed, and the Conversion project is in the closeout phase.

Prior to implementation, state and vendor staff participated in two formal readiness reviews, called Gate Reviews, required by the federal Centers for Medicare and Medicaid Services. Both the MAGI and Conversion projects passed the Gate Reviews prior to implementation. The Gate Review for the Migration project has not yet been scheduled.

The experience in the Commonwealth with the new system and the volume of applications in the first year of MAGI implementation challenged the ability of local department of social services staff to process the applications timely. The project teams from DSS and DMAS have identified a number of changes that could be made to the system to enhance service delivery. In addition, CMS is requiring changes to the online portal for Medicaid to make it more Medicaid-centric and dynamic in function. These changes were not included in the original contract or any of the subsequent modifications. In July 2014, DSS executed a contract modification of \$15,530,378 to accommodate the service delivery efficiencies and workflow changes. The efficiencies and workflow changes will allow Medicaid-only applications to be processed by DMAS contract workers. These changes are now included in the Migration project. Multi-benefit applications, applications that include Medicaid and at least one other public assistance program (such as SNAP), will still be processed by local department of social

services staff. As a result of the most recent contract modification, the implementation of the final Medicaid requirements shifted from June 2015 to August 2015.

The majority of the costs for the latest contract modification are eligible for 90/10 federal funding. Total expenditures through October 2014 include payments to Deloitte Consulting, LLP, salaries for the DSS staff, and procurement of hardware/software tools for the MAGI project. Total expenditures for the three projects are \$58,056,109 (\$49,124,512 NGF and \$8,931,597 GF). Payments of \$39,800,445 have been made to Deloitte Consulting, LLP. Approximately \$8,600,000 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.

**Semi-Annual Progress Report on
Eligibility Systems Modernization
December 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 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

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. The Commonwealth received authority to implement the new MAGI automation on October 1, 2013.

The MAGI project was completed June 30, 2014. Within the first nine months of implementation, local departments experienced a 62% increase in Medicaid applications. Between October 1, 2013 and October 31, 2014, there were 349,217 MAGI applications received.

Conversion Project

The Conversion project focused 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 stipulated that eligible ongoing Medicaid categories must be evaluated against the new MAGI Medicaid rules beginning April 2014. The first month of converted data occurred in March 2014, with the final conversion occurring on October 31, 2014. The Conversion project accelerated moving existing cases from ADAPT and CHAMPS into VaCMS, to allow eligibility redetermination to be performed by both local department social services workers and DMAS contract workers using the rules engine that was implemented as part of the MAGI project. The Conversion project is now in the closeout phase.

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 experience in the Commonwealth with the new system and the volume of applications in the first year of MAGI implementation challenged the ability of local department staff to process the applications timely. The project teams from DSS and DMAS have identified a number of changes that could be made to the system to enhance service delivery. In addition, CMS is requiring changes to the online portal for Medicaid to make it more Medicaid-centric and dynamic in function. These changes were not included in the original contract or any of the subsequent modifications. In July 2014, DSS executed a contract modification of \$15,530,378 to accommodate the service delivery efficiencies and workflow changes. The efficiencies and workflow changes will allow Medicaid-only applications to be processed by DMAS contract workers. These changes are now included in the Migration project. Multi-benefit applications, applications that include Medicaid and at least one other public assistance program, (such as SNAP) will still be processed by local department of social services staff. As a result of the most recent contract modification, the implementation of the final Medicaid requirements has shifted from June 2015 to August 2015.

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 is scheduled to be implemented in August 2015. 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 pilot implementation in June 2016, with all programs fully implemented by December 2016. A federal Gate Review has not been scheduled for the Migration project yet.

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. Through October 2014, total expenditures for the three projects are \$58,056,109 (\$49,124,512 NGF and \$8,931,597 GF). Payments of \$39,800,445 have been made to Deloitte Consulting, LLP. A little over \$8,600,000 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 October 2014 for all three projects:

| Category of Expenditure | Total Expenditures (Federal/State) |
|---|------------------------------------|
| VDSS Internal Staff | 6,847,466 |
| Services | 39,800,445 |
| Software Tools | 6,749,331 |
| Hardware | 1,853,664 |
| Maintenance | - |
| Facilities | - |
| Telecommunications | - |
| Training | 45,938 |
| Contingency | - |
| Other 1 (Administrative expenditures such as supplies, office equipment, etc.) | 2,552,852 |
| Other 2 (Travel reimbursement for local DSS employees) | 206,413 |
| TOTAL EXPENDITURES | \$58,056,109 |

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 October 2014, there have been eight 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 |
| #5 | Additional Worker Training and Field Support | \$ 800,910 |
| #6 | Additional Worker Training and Field Support | \$1,585,606 |
| #7 | Program Migration Removal of Deliverables | (\$1,639,882) |
| #8 | Service Delivery Efficiencies and Workflow Changes | \$15,530,378 |

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 were three projects associated with the eligibility modernization. Two of the projects have been completed. The MAGI project was implemented on October 1, 2013, with a closeout date of June 30, 2014. The Conversion project began implementation in March 2014, and is in the closeout phase as of October 31, 2014. To accommodate FNS requirements, the Program Migration project schedule is being revised to extend to December 2016, with two defined phases of implementation, one of which will be pilot implementation of SNAP.

As part of the oversight provided by the federal CMS, states must pass a series of technical readiness reviews, called Gate Reviews. Virginia passed the Gate Reviews for the MAGI and Conversion projects. 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 October 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 \$58,056,109 (\$49,124,512 NGF and \$8,931,597 GF).

Appendix A

Report Mandate

Item 343 (E) of the 2014 Appropriation Act

E.1. Out of this appropriation, \$4,100,000 the first year and \$1,900,000 the second year from the general fund and \$14,200,000 the first year and \$5,901,837 the second year from nongeneral funds shall be provided to complete the base contract to modernize the 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.