



COMMONWEALTH of VIRGINIA
DEPARTMENT OF SOCIAL SERVICES
Office of the Commissioner

Margaret Ross Schultze
COMMISSIONER

January 1, 2016

MEMORANDUM

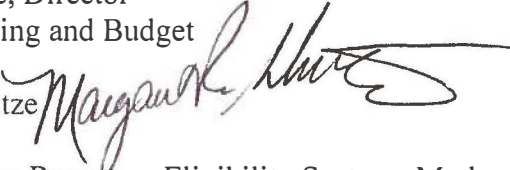
TO: The Honorable Terence R. McAuliffe
Governor of Virginia

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 2015 Appropriation Act (Act) provides funding to the Department of Social Services to modernize its eligibility information systems. Item 343 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 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:ksc

Attachment

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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 has 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 Medicaid-related cases from ADAPT and the DMAS system into the new case management system, the Virginia Case Management System (VaCMS). There were three projects for eligibility modernization: MAGI (Modified Adjusted Gross Income); Program Migration; and Conversion.

The MAGI project was implemented on October 1, 2013. To date, MAGI Medicaid is fully implemented, certified by the Center for Medicare and Medicaid Services (CMS), and VaCMS has been used to process over 500,000 applications in the past twenty-four months. 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 applications and process renewals in a timely manner.

Work on the eligibility modernization projects continues. Project teams from DSS and DMAS identified a number of system changes to enhance service delivery. In addition, CMS required changes to the online portal for Medicaid to make it more Medicaid-centric and dynamic in function. As a result of implementing these changes, the implementation of the final Medicaid categories and requirements were completed in September 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. The federal Food and Nutrition Service (FNS) has issued requirements that SNAP technology changes be implemented through a pilot process. Currently, this phase of the Program Migration project is in the planning stages, and will require FNS approval. The goal is to perform the pilot functions in the summer of 2016, with all public assistance programs fully implemented by December 2016.

The majority of the contract costs are eligible for 90/10 federal funding. Total expenditures through March 2015 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 \$103,049,003 (\$87,293,025 NGF and \$15,755,978 GF). Payments of \$74,118,247 have been made to Deloitte Consulting, LLP to gather system requirements, design and develop system functionality, deployment functionality and train local departments of social services' workers. Approximately \$13.4 million has been spent on hardware and software

products, with the balance of expenditures being for costs such as DSS staff, 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 2016**

Report Mandate

Item 343 (E) of the 2015 Appropriation Act

E.1. Out of this appropriation, ~~\$4,100,000~~ ~~\$1,900,000~~ ~~\$5,005,061~~ the first year and ~~\$14,200,000~~ ~~\$50,727,496~~ the second year from the general fund and ~~\$5,901,837~~ ~~\$10,172,218~~ 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.

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 Delivery Automation Project (ADAPT) eligibility system, automating Medicaid categories not currently in ADAPT, and implementing a statewide document management and imaging system. Under PPACA, system functionality must allow Medicaid customers to file applications via mail, phone, web, fax, or in person, and incorporate new rules for household income, eligibility determination and household composition. DSS has partnered with DMAS to accommodate changes in technology to meet 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. The core VaCMS solution and the online CommonHelp portal have been 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). Within the eligibility modernization efforts, there were three distinct projects: MAGI, Conversion and Program Migration.

MAGI Project

The MAGI project was implemented within 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 was completed and closed out on June 30, 2014. In the first twenty-four months of implementation, the VaCMS has been used to process over 500,000 Medicaid applications.

Conversion Project

The Conversion project focused on converting data in the ADAPT and the DMAS legacy systems for Families & Children's Medicaid, and Families Access to Medical Insurance Security (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 was completed in October 2014.

Program Migration Project

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

Once MAGI Medicaid was implemented, the project teams from DSS and DMAS identified a number of changes that should be made to the system to enhance service delivery. In addition, CMS required changes to the online portal for Medicaid to make it more Medicaid-centric and dynamic in function. These changes were implemented in March 2015 as part of the Migration project. In addition, efficiencies and workflow changes allow Medicaid-only applications to be processed by DMAS contract workers. Multi-benefit applications, applications that include Medicaid and at least one other public assistance program, (such as SNAP) are still processed by local department of social services staff.

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. 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 in user acceptance testing, and will require FNS approval in order for the Department to proceed to the pilot phase and then statewide implementation. The goal is to perform the pilot functions in the summer of 2016, with all public assistance programs fully implemented by December 31, 2016.

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 project expenditures include payments to Deloitte Consulting, LLP, salaries for DSS staff, and procurement of hardware/software tools. Through September 2015, total expenditures for the three projects are \$103,049,003 (\$87,293,025 NGF and \$15,755,978 GF). Payments of \$74,118,247 have been made to Deloitte Consulting, LLP to gather system requirements, design and develop system functionality, deployment functionality and train local departments of social services' workers. Approximately \$13.4 million 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 September 2015 for all three projects:

Category of Expenditure	Total Expenditures (Federal/State)
VDSS Internal Staff	10,506,231
Services (Deloitte Consulting, LLP)	74,118,247
Software Tools	9,041,403
Hardware	4,684,479
Maintenance	-
Training	65,377
Contingency	-
Administrative expenditures such as supplies, office equipment, rent, telecommunications, etc.	4,284,078
Travel reimbursement for local DSS employees to participate in system testing	349,188
TOTAL EXPENDITURES	\$103,049,003

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	(\$896,502)
#8 Service Delivery Efficiencies and Workflow Changes	\$15,530,378
#9 Streamline Renewals and Electronic Notices	\$997,550
#10 Eligibility Changes; Medicaid ABD/LTC	\$5,888,245
#11 FNS Pilot implementation approach; Additional Training	\$6,924,993

Contract modifications #1 through #8 referenced above have been implemented. These modifications were necessary as all required information and system functionality was not known at the time the original contract was awarded. Contract modifications #9 and #10 have been partially implemented as of September 2015. Contract #11 will address the FNS requirement to pilot the system and provide additional training.

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 was closed out as of October 31, 2014. To accommodate FNS requirements, the Program Migration project schedule has been revised to extend to December 2016, with two defined phases of implementation, one of which will be pilot implementation of SNAP.

Significant funding has been committed for modernization of the current eligibility and enrollment systems. Total expenditures through September 2015 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 \$103,049,003 (\$87,293,025 NGF and \$15,755,978 GF).