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

Margaret Ross Schultze
Commissioner

January 1, 2017

MEMORANDUM

TO: The Honorable Terence R. McAuliffe
                Governor of Virginia

                The Honorable Thomas K. Norment, Jr., Co-Chairman
                Senate Finance Committee

                The Honorable Emmett W. Hanger, Jr., 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 350. D.1. of the 2016 Appropriation Act (Act) provides funding to the Department of Social Services to modernize its eligibility information systems. Item 350.D.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 350.D.3. 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

A report of the
Department of Social Services
Commonwealth of Virginia

Semi-Annual Report on Eligibility Systems Modernization

January 2017

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 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 1.1 million applications since its inception. 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.

DSS split Program Migration Project implementation into two phases, with the first phase focused on statewide implementation of the balance of the Medicaid program, central printing, and document management and imaging. This phase of the project was completed September 2015.

The federal Food and Nutrition Service (FNS) requires SNAP technology changes to be implemented through a pilot process. DSS worked closely with FNS to pilot the SNAP application process in 10 localities from April 25, 2016 through July 31, 2016. The 10 pilot agencies continued to process SNAP application in VaCMS until October 3, 2016 when all localities started to use VaCMS to process SNAP applications. DSS will convert the remaining public assistance program cases from the ADAPT legacy system into VaCMS in the first quarter of 2017.

The majority of the contract costs to date are eligible for 90/10 federal funding. Total expenditures through September 2016 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 $138,174,252 ($114,161,251 NGF and $24,013,001 GF). Payments of $97,096,056 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 $17.9 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 2017

Report Mandate

Item 350 of the 2016 Appropriation Act:
D.1. Out of this appropriation, $4,100,000 the first year and ~~$5,005,061~~ *$7,131,072* the second year from the general fund and $50,727,496 the first year and ~~$10,172,218~~ *$18,949,130* 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 division, the Division of Enterprise Systems (DES) to manage the projects and administer the contract. In addition to project management, the DES 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. Since implementation, VaCMS has been used to process over 1.1 million 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 as well as 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.

DSS split the Program Migration Project implementation into two phases, with the first phase focused on statewide implementation of the balance of the Medicaid program, central printing, and document management and imaging. This phase of the project was completed September 2015. DSS converted the remaining Medicaid program cases from the ADAPT legacy system to VaCMS in the summer of 2016. The federal Food and Nutrition Service (FNS) requires SNAP technology changes to be implemented through a pilot process. DSS worked closely with FNS to complete all planning and testing requirements for approval to pilot SNAP in 10 localities. On April 14, 2016, DSS recommended and FNS concurred that the SNAP pilot would begin April 25, 2016. DSS piloted the SNAP components in VaCMS as well as TANF functionality in preparation for the October 3, 2016 statewide implementation of taking all new applications through VaCMS. Since October 2016, applications for all public assistance programs are received and processed through VaCMS, and DSS is preparing to convert the remaining existing cases from the ADAPT legacy system into VaCMS in the first quarter of 2017.

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 2016, total expenditures for the three projects are $138,174,252 ($114,161,251 NGF and $24,013,001 GF). Payments of $97,096,056 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 $17.9 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 2016 for all three projects:

Category of Expenditure	Total Expenditures (Federal/State)
VDSS Internal Staff	$16,262,328
Services (Deloitte Consulting, LLP)	$97,096,056
Software Tools	$9,549,265
Hardware	$8,381,509
Maintenance	-
Training	$65,925
Contingency	-
Administrative expenditures such as supplies, office equipment, rent, telecommunications, etc.	$6,283,425
Travel reimbursement for local DSS employees to participate in system testing	$535,717
TOTAL EXPENDITURES	$138,174,252

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 September 2016, there have been 14 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
#12	Testing Augmentation	$331,200
#13	Medicaid, SNAP, and TANF System Changes	$3,721,478

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 through #13 have been partially implemented as of September 2016.

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 and ensure better system functionality , the Program Migration project schedule has been revised to extend to March 2017, to allow additional time for conversion of existing cases from the ADAPT legacy system into VaCMS.

Significant funding has been committed for modernization of the current eligibility and enrollment systems. Total expenditures through September 2016 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 $138,174,252 ($114,161,251 NGF and $24,013,001 GF).