

TO: The Honorable Senator Alan Bates, Co-Chair
The Honorable Representative Nancy Nathanson, Co-Chair
Joint Ways and Means Human Services Subcommittee

FROM: Jim Scherzinger, DHS Chief Operating Officer
Suzanne Hoffman, OHA Chief Operating Officer

SUBJECT: Response to questions asked during the DHS/OHA Central and Shared Services presentation to the Subcommittee on April 3 and 4, 2013.

DATE: April 16, 2013

Thank you for the opportunity to provide information about the Department of Human Services' and Oregon Health Authority's Central and Shared Services to your committee. The following are responses to the questions committee members asked during our presentation. Each question listed below is identified by a number and a corresponding response.

- 1. Senator Bates: Have you looked into rebonding? Can you provide detail on how much interest you pay and provide assurance that this is reviewed consistently? (in relation to the OHA G/F Debt Service budget for Oregon State Hospital Replacement Project- OSHRP)**

Funding for the financing of state capital assets is managed through the Department of Administrative Services, Capital Finance Office. With approval and oversight by the Oregon State Treasurer, this office is responsible for all bond issuance and associated debt management administration. A memo from the DAS Capital Finance Manager further explains the processes, and administrative oversight this office fulfills. (See Attachment A.) Additionally a schedule of the interest paid on all outstanding bonds/debts associated with the OSHRP is attached as Attachment B.

2. Senator Bates: What were the administrative costs/percentages of DHS prior to splitting into two agencies?

The Total Fund legislatively approved budget of DHS in the 2009 – 2011 biennia, was \$15.87 Billion, with \$3.215 Billion of State General Fund support. The former Administrative Services Division of DHS (which is the most comparable to the current structure of DHS/OHA Shared Services Budget) represented \$562.36M, or 3.5% of the Total Fund Budget. General Fund support in the 09-11 budget for Administrative Services was \$236.85M or 7.4% of the Agency's General Fund. In the 13-15 Governor's Balanced Budget, the Central, Shared Services, and State Assessments Budget Total Fund is \$993.85M and represents 3.9% of the combined Agency Total Fund Budgets. The General Fund support in these combined areas is \$337.32M and represents 7.7%. As was presented in the Central/Shared Services PowerPoint presentation, almost \$144M of the 2013-15 budget in OHA Central represents the Health Information Exchange and Office of Health Policy Research. Budget charts representing the combined agencies budgets are included as Attachment C.

3. Senator Bates, Senator Steiner-Hayward: Now that the Transformation Center has been established, how does OHA engage all the necessary voices (regarding use of Electronic Medical Records) and what outreach is being planned to bring all this together?

Please see response (Attachment D) from Dr. Jeanene Smith, OHA Chief Medical Officer outlining the Business Planning Processes for the Health Information Exchange.

4. Senator Steiner-Hayward: Do you have information regarding staff turnover now that you have made these changes in the organization?

Like many state agencies, OIS is facing ever-increasing workload obligations without having sufficient staff to meet them. In the 2011-13 biennia, OIS executed several efforts to provide better service and implement innovative ideas and new methods of working together.

2011-13 OIS service, staff improvement efforts

- OIS Management System – operational transformation gives each staff member a direct line of sight from their work to OIS and agency mission and goals.
 - *Aligns with new DHS and OHA management systems*
- On-line training and workshops open to all OIS staff.
 - *Oracle University training*

- *SharePoint training*
- New opportunities through rotations or temporary assignments.
 - *OIS Temporary Assignment Program (OTAP) gives staff opportunity to advance career skills*
 - *OTAP volunteer staff are supporting Modernization/Health Insurance Exchange IT and Oracle Infrastructure projects*
- Implemented Enterprise Architecture practice.
 - *Trained interested OIS staff as certified enterprise architects*
 - *OIS architects will be embedded in projects to help design IT solutions to Design*

DHS/OHA and OIS implementing improvements

These efforts are reinforced by ongoing DHS and OHA staff improvement efforts and opportunities:

- DHS and OHA Management Systems
- Training and education
- Core Values training
- Cultural diversity, inclusivity
- Leadership programs, development
- Manager training on recognizing and encouraging excellence
- Mentoring programs
- Developmental opportunities

5. Senator Bates: Can you provide us a white-paper outlining the Strategic Investment Opportunities for the DHS/OHA Infrastructure and the Modernization requests? See attached whitepaper responses (Attachment E) from Carolyn Lawson, OHA/DHS CIO.

ATTACHMENT A

STATE OF OREGON
DEPARTMENT OF ADMINISTRATIVE SERVICES

INTEROFFICE MEMO

DATE: April 10, 2013

TO: William J. Coulombe, Budget Director
Oregon Health Authority

FROM: Jack Kenny, Capital Finance Manager

SUBJECT: Bond Issuance Practices

You have asked for a high level overview of certain administration practices relative to financing of state capital assets – specifically the State Hospital. As you know, the Department of Administrative Services is responsible, with approval and oversight by the State Treasurer, for bond issuance and debt management administration.

Financing of capital assets for most state agencies is accomplished through issuance of Article XI-Q bonds (Certificates of Participation (COPs) were used prior to 2011). The maturity or length of time bonds are outstanding generally corresponds to the useful life of the assets (though our practice is to limit the period to no more than 32 years).

We typically schedule three XI-Q bond sales in a biennium. Our finance team continually monitors interest rates in the municipal bond market. If an opportunity exists to refinance existing debt at lower rates, we issue refunding bonds as part of a scheduled sale. If savings are significant and our workload permits it, we may issue refunding bonds outside normally scheduled sales. Any General Fund or Lottery Fund savings resulting from such refunding is reported to the Emergency Board or to the Joint Committee on Ways and Means. (See Treasurer press releases of June 12, 2012 and February 27, 2013 for discussion of refunding savings of \$60.8 million and \$45.2 million respectively for affected state bond programs).

There are limits to refunding tax-exempt municipal bonds however; the most significant of which is the “10-year call provision”. Most tax-exempt municipal bonds cannot be refunded within the first ten years after issuance.

If you have any questions or require additional information, feel free to contact me.

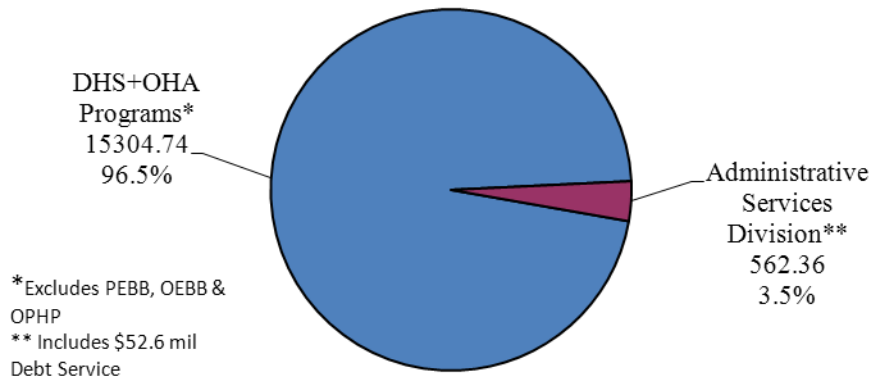
Attachment B: OHA Hospital Replacement Borrowings to date for Project Expenses

	Project Amount	True Interest Cost	
Hospital Construction			
COP 2007A	1,000,000	3.856%	
COP 2007B	13,277,227	4.202%	Competitive
COP 2008A	26,792,828	4.607%	
COP 2009A	36,319,267	4.690%	
COP 2010A	10,625,575	1.733%	
COP 2010B	103,301,276	3.881%	BABs- net of subsidy
XI-Q 2011J	74,377,896	4.083%	
XI-Q 2011M	35,445,049	3.498%	
XI-Q 2012H	20,205,873	3.603%	
	<u>321,344,991</u>		
Deferred Maintenance			
COP 2007B	1,948,185	4.202%	Competitive
COP 2008A	133,547	3.813%	
COP 2009A	498,033	2.840%	
COP 2010A	147,947	1.732%	
COP 2010B	314,484	2.896%	BABs- net of subsidy
	<u>3,042,196</u>		
Staffing			
COP 2007B	1,626,363	4.202%	Competitive
COP 2008A	749,622	3.465%	
COP 2009 A	523,233	2.180%	
COP 2009 C	1,427,541	3.850%	
COP 2010A	2,496,730	1.975%	
	<u>6,823,488</u>		
BHIP			
COP 2007B	889,424	4.202%	Competitive
COP 2008A	1,600,000	3.465%	
COP 2009 A	1,112,043	2.180%	
COP 2009 C	7,217,020	3.850%	
COP 2010A	9,312,416	1.975%	
XI-Q 2011M	3,767,377	0.941%	
	<u>23,898,281</u>		
Project total to date	<u><u>355,108,956</u></u>		

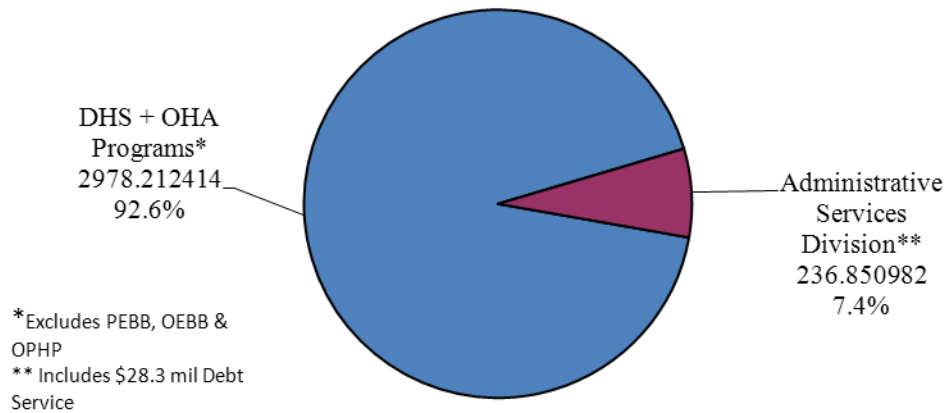
BAB= Build America Bonds

Attachment C

**Department of Human Services (DHS)
2009-11 Legislatively Approved Budget
Total Fund by Program Area
\$15,867.10 million**

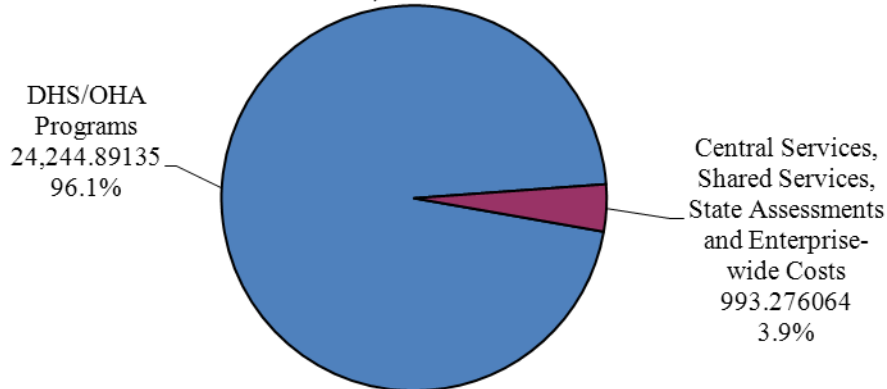


**Department of Human Services (DHS)
2009-11 Legislatively Approved Budget
General Fund by Program Area
\$3,215.06 million**

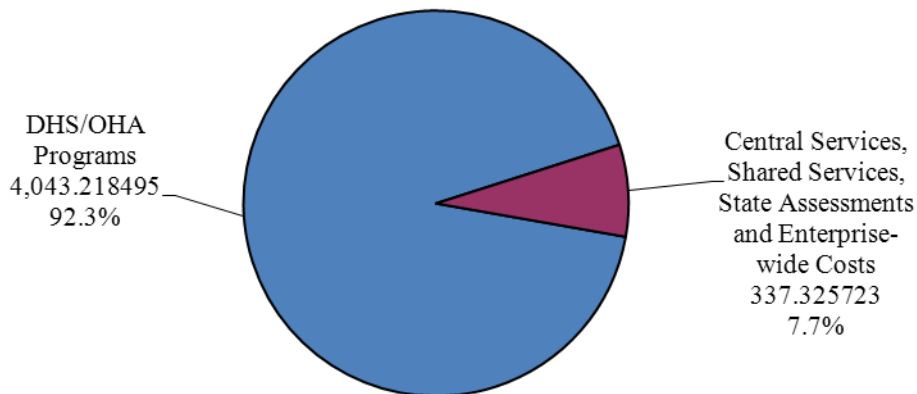


Attachment C continued

**Department of Human Services (DHS)
plus Oregon Health Authority (OHA)
2013-15 Governor's Balanced Budget
Total Fund by Program Area
\$25,238.17 million**



**Department of Human Services (DHS)
plus Oregon Health Authority (OHA)
2013-15 Governor's Balanced Budget
General Fund by Program Area
\$4,380.54 million**



ATTACHMENT D

Oregon Health Information Exchange Business Planning Process, Spring, 2013

Oregon continues to make progress on implementing Health Information Exchange (HIE) services as anticipated within the strategic and operational plans approved by the federal Office of the National Coordinator for Health Information Technology (ONC) in December 2010. Oregon has recently initiated, as discussed with ONC, a targeted effort to develop a business plan for Oregon's next phase of HIE. In particular, Oregon has engaged consultant Patricia MacTaggart from George Washington University to work with state leadership and staff, Oregon's new Medicaid Coordinated Care Organizations (CCOs), and other key stakeholders to establish a business plan framework for Oregon's Phase 2 HIE services.

Oregon's business plan framework will lay out a plan for Oregon's next stage of statewide HIE to support our Triple Aim goals of better coordination of care, reduction of costs, and improved health for Oregonians, through Oregon's Health System Transformation efforts. In particular, Oregon has implemented new CCOs under an unprecedented 1115 waiver and significant financial support from CMS. With support from Oregon's recently announced CMS CMMI State Innovation Model grant, Oregon will work to accelerate and spread the coordinated care model beyond the Medicaid population to public employees, Medicare, and private payers. Oregon's Phase 2 HIE Business Plan framework will seek to support these efforts with the right level of HIE services, and will align with the activities envisioned under Oregon's State Innovation Model Grant as well as Oregon's HIT Trailblazer efforts.

To date Oregon has developed various components of the needed HIE infrastructure, such as the infrastructure for point-to-point secure messaging (DIRECT) for referrals and other use cases to push data from one entity to another. Oregon's current HIE infrastructure is funded through our federal ONC State HIE Cooperative Agreement. Oregon has implemented the infrastructure required to support the Medicaid EHR Incentive Program payments to providers through MAPIR, which leverages a Medicaid funded cross-state approach. Oregon has also identified public health infrastructure needs that support the public health Meaningful Use requirements that providers must meet to be eligible for EHR incentive payments and is in the process of finalizing an Health Information Technology Implementation Advanced Planning Document Update (HIT-I-APDU) to submit to CMS for funding.

Oregon's approach to developing a Phase 2 HIE Business Plan framework is to work with stakeholders to identify what next steps will be most productive for providers, patients, CCOs, and the state with the emphasis on what they need, for example: sharing patient-level data to assure continuity of care between physical and behavioral health; integrating information from providers often without an EHR, such as dental and long

term care; and/or assuring more consistent, efficient quality measurement and reporting. Oregon's stakeholder process will identify and prioritize the information needs that will determine what HIE infrastructure will be required, and of that infrastructure, what is the state government role to provide and what should be facilitated at the local and/or provider level.

Scope of Phase 2 Stakeholder Process:

Oregon seeks to establish a business plan framework for Oregon's Phase 2 HIE services through a stakeholder process. This effort is consistent with Oregon's Strategic and Operational Plan that envisions a Phase 2 of HIE services, pending critical decisions on the scope and timing, governance and financing – questions that Oregon's Health Information Technology Oversight Council (HITOC) have wrestled with in preparing Oregon's Strategic and Operational Plan. Scope includes:

- Development of a multi-year business plan that lays out Oregon's next efforts ("Phase 2") to provide the critical HIE services necessary to support to Oregon's Health System Transformation, in particular:
 - Exchange of clinical, patient information for care delivery, care coordination, and other state purposes such as supporting public health objectives;
 - Exchange of clinical information for quality reporting and accountability purposes, and
 - Focus on supporting Medicaid CCOs and Medicaid providers while considering implications for the spread of the CCO model to other payers.
- Oregon's Phase 2 business plan will address questions of governance, technical infrastructure, technical and business operations, policy and legal elements, finance, and consumer/provider/payer engagement.

Approach/Timeline:

Oregon proposes a multi-step stakeholder process:

- Feb-May: Initial input from individual meetings with internal and external stakeholders to define the top priorities for HIE to support delivery of care in Oregon
- June: Development of a straw model for "Phase 2" HIE based on initial stakeholder input
- June-August: Convening an executive-level task force and CIO-level workgroup of key stakeholders to review straw model and make recommendations to state leadership
- August (estimated): Draft framework for Phase 2 HIE Business Plan
- September (estimated): Pursue applicable federal funding, by submitting: Oregon's Phase I to Phase II Plan to ONC, update to Oregon's State Medicaid Health IT Plan, and HIE-I-APD

Contacts:

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ATTACHMENT - E

DHS/OHA Infrastructure Strategic Investment Opportunity

April 11, 2013

Topic: What will the DHS/OHA Computer and Network Infrastructure Investments POP really mean to staff, caseworkers and clients “at ground level?”

Current DHS and OHA IT “foundation” – outdated and inadequate

DHS and OHA rely heavily on technology to provide services to clients and fulfill agency missions. But the current agency IT “infrastructure” – hardware, network infrastructure and mobile communication devices – doesn’t adequately support current or future IT needs.

The situation negatively impacts agency clients, staff and partners:

- Manual processes and slow computer response time reduce staff productivity and because processes take longer, fewer clients get service and have less time with caseworkers.
- Outdated technologies cost the state more money to support and have a greater risk of failure.
- Outdated hardware and low bandwidth impede innovation and are unable to support agency modernization efforts, Cover Oregon, CCOs and other future technology solutions.
- Clients, staff and partners get frustrated trying to communicate or share information and data.
- There are limited options for new solutions or service coordination – new technology and functionality require a more modern environment.

What the POP would provide to DHS and OHA

The DHS/OHA Computer and Network Infrastructure Investments POP focuses on current and ongoing agency needs for improved, updated IT “infrastructure” capabilities for better client and partner services and improve staff effectiveness and efficiency:

- **Update outdated computers that cannot support new technologies**

Many of the computers and laptops used by our 11,400 DHS/OHA staff are too old to support current needs. And the situation continues to deteriorate as new applications are developed to improve service and efficiencies, like modernization of Medicaid and SNAP eligibility. This also impacts less-recognized strategies like reduced paper use from automated processes.

It costs more to support older computers. The agency must purchase multiple versions of a software product. It's difficult if not impossible to implement cost-saving strategies to standardize applications or integrate data and applications that would support benefit programs.

How the POP supports this need: The POP would help DHS and OHA replace old, outdated agency computers and IT assets within standard timeframe prescribed by the Oregon Department of Administrative Services.

- **Improve bandwidth network for information, data sharing with clients, partners**

The current network infrastructure is insufficient and will also not support ongoing agency services and improvements.

Staff can't use productivity tools like teleconferencing, because it slows down computer response for the entire office. And the situation will only get worse as Modernization efforts are rolled out in conjunction with Health Systems Transformation and the Health Insurance Exchange.

How the POP supports this need: This POP would ensure updates to DHS and OHA facility infrastructures to support current and new network solutions.

- *"Ground level" example: Project improves field office bandwidth, clients services*

DHS and OHA network infrastructure had not been updated since about 2001, but technology improvements and needs continued to increase.

By 2011, 80% of DHS/OHA field office locations did not have adequate bandwidth to support current agency needs. Staff experienced extreme slowness logging in or accessing business applications, reducing productivity.

Over 2012 and 2013, OIS conducted a project to improve bandwidth at 14 offices statewide that were experiencing the most issues. Locations included offices in Klamath Falls, Ontario, La Grande, Grants Pass, North Bend as well as the metropolitan Eugene, Salem, Portland and Beaverton areas.

Bandwidth "throughput" – the amount of work a computer can process in a given time – has increased between 3 and 12 times the original capability in the offices with upgrades. Log in times have decreased significantly and

staff aren't experiencing reboot issues making office staff more productive and effective.

OIS continues to work on improvements and will upgrade another 72 offices by June 30.

Budget efficiencies of the improvements

Prior to the field office improvements, it cost DHS/OHA approximately \$272,000 per month to provide bandwidth to all agency locations statewide.

The bandwidth project will increase the overall DHS/OHA capabilities by four times, or 400%. This increase will add \$90,000 per month to the network bill – about a 33% increase.

- **Give staff more options to work remotely, from anywhere at anytime**

DHS/OHA staff and partners need improved mobile computing for more convenient, fast access “in the field” to programs and data. Mobile capabilities help staff and partners work together across geographic boundaries and share information and data more quickly and efficiently. Technologies like mobile computing/phones and video conferencing enables staff and partners to be more efficient and give them more time to focus on the people we serve.

How the POP supports this need: The POP would provide additional hardware such as conference room equipment and video cameras to support remote conferencing capabilities.

- *“Ground level” example: Secure iPhones help caseworkers convert recording to text field workers*

OIS has already begun replacing current BlackBerry inventory with secure Apple iPhone technology. The iPhones add abilities such as remote access to agency applications and video conferencing.

Caseworkers “in the field” are already reaping the benefits of the new capabilities. They're able to record case notes which the phone then translates into text. The file can be emailed to their desktop for processing. These and other mobile capabilities help staff and partners work together across geographic boundaries and spend more time with clients etc. Apple technology will also provide staff with remote workflow and workload management.

What the POP would do for our clients, partners and staff

For our clients

- Provide faster, improved client services, eligibility determination process at field offices

- Clients get the time they need/more time with their caseworker.
- It's easier to communicate or share information with DHS/OHA.

For our partners and staff

- Enable staff and partners to provide more time and focus on the people we serve.
- Give staff and partners improved mobile computing “in the field” for more convenient, fast access to programs and data.
- Help staff and partners work together across geographic boundaries, share information and data more quickly and efficiently.

Additional background information

Desktop and laptop computers

DHS currently has 1,990 desktop and laptop computers that will not support standard DHS applications. This occurred because all computer replacement funds were removed from the 2011-13 budgets. As DHS develops new applications to improve service and make work more efficient – including high profile efforts like modernization of Medicaid and SNAP eligibility and less recognized strategies like reducing the use of paper – the situation is getting worse. These older systems also cannot support new versions of standard software – such as Windows 7 and Office 2010. So DHS is often using older versions. Some of these will soon no longer be supported by their manufacturer. In addition, supporting different versions of software increases support costs hinders integration of data and applications that would benefit programs, and reduces our ability to implement cost-saving strategies to standardize applications.

Current DHS plan: DHS has evaluated the business requirements and assessed its current computer inventory. Based on that analysis and an analysis of the prices of various levels of computers, it established a standard for replacement computers that gives DHS and OHA the “biggest bang for the buck considering the business requirements”. It also developed a plan to replace the obsolete systems. The plan allocates newly acquired computers to the user experiencing the highest need and “cascades” that user’s computer to other users until an identified obsolete computers is retired.

DHS currently has plans to replace 948 of the obsolete systems at a cost of \$1.2 million total funds (\$600,000 General Funds). Replacing the remaining 1,042 obsolete computers in DHS would cost about \$1.3 million (\$650,000 General Fund).

Bandwidth

Due to budget freezes and expanding use of technology, many DHS offices have inadequate network bandwidth. As a result, workers experience moderate to extreme slowness doing normal work activity and, in some cases, cannot use tools like

teleconferencing without slowing down work processes in the rest of the office. As DHS rolls out Modernization in conjunction with Health System Transformation and the Health Insurance Exchange, this experience will get worse.

Current plan

DHS conducted a pilot project that completed bandwidth upgrades in 25 offices that were experiencing extreme slowness. Based on the pilot, DHS established a base minimum standard of 100Kpbs per workstation. Based on that standard, DHS identified 86 offices that were short of the standard and developed a plan to increase bandwidth in these offices to the minimum standard, doing the most deficient offices first.

As of March 8, OIS completed 14 of these upgrades and 25 were in progress, leaving 47 to be completed by the end of June.

Although these upgrades involve some capital costs, most of the increased cost is in the ongoing monthly charge. Because we are so close to the end of the biennium, almost all the cost will fall in the 2013-15 biennium. The State Office of the COO, Improving Government Team, and Enterprise Technology Services Utility Board are sponsoring significant initiatives to reduce the ongoing cost of bandwidth. These efforts are important to make bandwidth costs sustainable and to set a foundation for development and use of more effective tools to support workers to achieve better, more consistent outcomes as efficiently as possible.

Increasing bandwidth will also be necessary as V-con (Video Conferencing) needs increase.

OIS DHS/OHA Strategic Investment Opportunity -Modernization

April 11, 2013

Topic: What will (the IT improvements in) the DHS/OHA Modernization POP really mean to staff, caseworkers and clients “at ground level?”

IT supporting DHS/OHA modernization

The original DHS Modernization effort to automate eligibility and payment functions has expanded to include modernization of approaches used by both DHS and OHA to perform work and delivery health and human services in Oregon. The new scope also connects service delivery transformation to technology re-engineering and replacement.

OIS provides focus on technology

The 2013-15 DHS/OHA Modernization Policy Option Package supports ongoing and expanded modernization efforts for both agencies.

The technology focus of the POP is on providing innovative, more efficient technology systems that streamline work processes, reduce paperwork and manual processes giving

staff more time with clients and community partners. Data interoperability will improve service coordination across programs and service systems and improve program integrity.

As the DHS and OHA IT services provider, OIS is focused on these modernization components:

- **Support client access to services online, by phone**

As technologies advance, people expect to be able to access information and services online or by phone eliminating the need to drive to a field office.

Modernization will facilitate online and telephone services giving clients easy 24/7 access to information and services. Self-service options preserve client dignity and help them feel they have more control over their self-sufficiency.

Automated services will also support field staff. New efficiencies will free up more time for office staff/case managers to serve customers and meet with clients.

Online services will also provide improved collaboration between clients, staff and partners.

- **Reduce complexity, increase system supporting interoperability**

DHS and OHA still use many old computer systems that were developed over the past 30 years. These old “legacy systems” are unable to share information with other systems, cannot support changing business requirements or state/federal mandates. IT staff must devote a majority of time for fixes and maintenance. System changes are complex and expensive and they don’t provide adequate security.

Innovative, more efficient technology systems are needed to improve DHS/OHA health and human services. Technology solutions will help reduce manual processes and support more collaboration between internal and external partners and stakeholders.

Outdated, unsupported legacy systems will be reduced, improving

Updating legacy systems will help consolidate business functionality and reduce enterprise IT complexity.

- **Automate and streamline workflow and processes**

Because DHS and OHA still mostly operate on systems designed and implemented in the 1970s and 1980s, there are still many manual and paper-driven processes. Staff must enter information and data manually into multiple systems. Clients must often negotiate multiple systems which contain duplicate information.

New, innovative and more efficient technology systems will streamline work processes and field office operations.

Automating streamlined business and workflow processes will improve business efficiency, and field office operations. Manual processes and paperwork will be reduced, giving staff more time with clients and community partners.

What the POP would do for our clients, partners and staff

For our clients

- Services provided online (Web)
 - *More access to DHS and OHA information and services – case status and benefit applications, electronic forms, case status updates.*
 - *WiApply for eligibility, self-sufficiency services, medical assistance.*
- Services offered by telephone
 - *Access benefits information, much like checking your bank balance*
 - *Update personal and eligibility information. Other info*
- Services available online and by telephone help cut down the need for clients to drive to a field office.
- Give them the time they need/more time with their caseworker.

For our partners and staff

- Improved data security
- More automated process, less paperwork
- Online access to centralized information on eligibility, ability to generate/retrieve automatic notice to clients, electronic forms and documents.
- Online and by phone, can check on client appointments, access automated information.
- Enable staff and partners to provide more time and focus on the people we serve, reduce wait in field offices.
- Give staff and partners improved mobile computing “in the field” for more convenient, fast access to programs and data.
- Help staff and partners work together across geographic boundaries, share information and data more quickly and efficiently.