



Oregon

Kate Brown, Governor

Department of Human Services

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January 22, 2016



The Honorable Senator Richard Devlin, Co-Chair
The Honorable Representative Peter Buckley, Co-Chair
Joint Committee on Ways and Means
900 Court Street NE
H-178 State Capitol
Salem, OR 97301-4048

Dear Co-Chairs:

Nature of the Request

The purpose of this letter is to request Legislative approval for funding the Department's Integrated Eligibility Project, including the authorization for the sale of Capital XI Q Bonds and federal funding limitation, through June 30, 2017. The Department will request further funding to complete the Integrated Eligibility Project during the 2017 Legislative session, with project implementation planned for the end of 2018.

Agency Action

Background

The Department has received initial approval to utilize enhanced matching funds through the Centers for Medicare and Medicaid Services (CMS) for the replacement of Oregon's Non-MAGI Medicaid eligibility systems. The Department was previously approved for planning funds by the Oregon State Legislature and has completed initial Planning activities related to Non-MAGI Medicaid eligibility.

In August 2014, CMS told the Department it must use the Oregon Health Authority's OreONEligibility (ONE) system as the single eligibility determination system for Medicaid, a system transferred from the state of Kentucky. Additionally, Kentucky recently upgraded its system for eligibility determination for other human

service programs, thus providing transfer system functionality that could be leveraged for the benefit of the Department.

The Department has communicated with the federal agencies for the Temporary Assistance for Needy Families (TANF) and the Employment Related Day Care (ERDC) programs (Administration for Children and Families) and for the Supplemental Nutrition Assistance Program (SNAP - US Department of Agriculture Food and Nutrition Services) regarding the ability to utilize the enhanced funding available through the CMS A-87 funding exception to bring an integrated approach to the eligibility for SNAP, TANF, and ERDC within the ONE system.

Current Status

The Department has completed the following activities:

- Comprehensive alternatives analysis and business case, including a programmatic comparison between Kentucky and Oregon and onsite visit to Kentucky
- Identified preferred alternative: Implement Integrated Eligibility Determination into ONE system (using Kentucky's *benefind* system code as a transfer)
- Drafted project management foundational documents. Achieved Stage Gate 2 endorsement on January 14, 2016
- Special procurement for system integrator services (contingent on legislative approval of funding)
- Special procurement for quality assurance services for a contract that will be held by Office of the State CIO (contingent on legislative approval of funding)

Funding

Using the A-87 cost allocation funding exception process would result in approximately an 85% FF/15% GF match. The approximately 15% state match will be paid for with two sources – 1) the initial \$750,000 GF that was approved for the 2015-2017 biennium, and 2) Capital XI Q Bond proceeds from a Spring 2017 bond sale.

This investment allows the Department to potentially save an estimated \$40 million in General Fund versus doing the replacement of these additional systems after the enhanced funding expires on 12/31/2018.

The attached table 1 depicts the Department's controlled funding release request in support of this project which depicts the Funding Request and Expected Activities for Project Milestone Phases.

Positions

The Department needs 50 positions for the remainder of the 2015-2017 biennium to complete the total state project team needs. To meet this need, the Department generally expects to reallocate 15 previously funded permanent positions (10 OIS + 4 ITBS + 1 Other) in support of the Integrated Eligibility Project. In addition, the Department will use permanent position employees as subject matter experts in support of this project and is asking for 35 LD positions for the project to allow program to backfill the work of those individuals.

The attached Table 2 depicts the previously authorized positions for use in modernizing agency systems as well as the requested limited duration positions for the project through June 30, 2017.

Governance

The Department has begun discussions with the Oregon Health Authority leadership in support of a joint governance process for the ONE system in benefit of both agencies. Joint governance process will include prioritization of enhancement work, decisions with regard to a strategic roadmap of the future lifecycle of the system, and accountability for meeting state commitments in the system integrator contract.

While details are still being defined, OHA has agreed to name DHS' COO for Technology, Ms. Sarah Miller, as the contract administrator for the OHA ONE System Maintenance and Operations vendor contract. Ms. Miller will also act as the Project Director for the DHS Integrated Eligibility Project with direct responsibility for vendor management of the same system integrator.

Action Requested

The Department is requesting the following funding for the remainder of the 2015-2017 biennium.

- \$47,361,985 total fund limitation through the end of the biennium, including:

- \$7,500,000 in Capital XI Q Bonds to fund the project through the end of the biennium. This builds in a contingency bond amount of \$1,170,579 in case the project moves quicker than anticipated or the federal match rate changes to a lower rate. Any excess bond proceeds would be carried over for use in 2017-19 if not used in 2015-17.
 - Note: The Department has been previously authorized \$750,000 in General Funds for this project. These funds will be part of the overall estimated state fund match of \$7,079,421 for non-bondable activities such as initial planning for the project.
- \$90,000 in cost of issuance limitation
- \$40,282,563 in additional federal fund limitation through the end of the biennium.
- 35 limited duration positions through the end of the biennium

Legislation Affected

See attachment A for legislation affected in 2015-17. The Department will return at the 2017 Legislative Session and provide additional updates to this committee and request at that time the additional funding and position authority to complete this project.

If you have questions or concerns, please contact Sarah S. Miller, 503-378-6561 or, sarah.s.miller@dhsosha.state.or.us.

Sincerely,



Clyde K. Saiki
DHS Interim Director

Enclosures

cc: Dani Ledezma, Governor's Office
Ken Rocco, Legislative Fiscal Office
Laurie Byerly, Legislative Fiscal Office
George Naughton, Department of Administrative Services
Tamara Brickman, Department of Administrative Services

**Table 1:
Controlled Funding Release Request for 2015-2017**

Date	Project Milestone	Funding Requested	Expected Use of Funds
Activities for 7/1/2015 – 3/31/2016	Implementation and planning activities towards Stage Gate 2 approval (Stage Gate 2 approval received 1/14/2016)	(90%FF/10%GF) \$497,528 TF \$447,775 FF \$ 49,753 GF	<ul style="list-style-type: none"> • Identify and evaluate alternatives <ul style="list-style-type: none"> - Other States - Kentucky Program Comparison - Site Visits • Establish Governance and Review Lessons Learned • Complete Project Management Foundational Documents <ul style="list-style-type: none"> - Business Case and Alternatives Analysis - Project Charter - Information Resource Request - Project Budget and Schedule Estimate - Architectural Assessment - Project Risk Assessment • Determine Procurement Strategy and Complete Special Procurement Activities for System Integrator and Quality Assurance Vendors • Code Transfer from Kentucky
Activities for 4/1/2016 – 9/30/2016	Fit/Gap Assessment and Stage Gate 3 Approval	(85%FF/15%GF) \$11,003,242 TF \$ 9,352,755 FF \$ 700,247 GF \$950,239 BF (BF= Capital XI Q Bond Proceeds)	<ul style="list-style-type: none"> • Negotiate Contracts for Fit/Gap Phase with System Integrator and Quality Assurance Vendors • Establish Agency Directives for Business Interpretation of Fit/Gap • Plan and Execute Fit/Gap Process Resulting in: Identified Requirements, Fit and Gaps, Proposed Design Approach for Gap Filling in Design, Development and Implementation (DDI), Especially for Application Software Configuration Changes and Interfaces • Project Management Foundational Documents for Stage Gate 3 <ul style="list-style-type: none"> - Updated Project Charter - Project Management Plan - Statement of Work for Fit/Gap - Updated Enterprise

Date	Project Milestone	Funding Requested	Expected Use of Funds
			Architecture Assessment - Independent Risk Assessment and Quality Control Reviews - Business Readiness Assessment • Negotiate Contracts for Design, Development and Implementation (DDI) Phase with System Integrator and Quality Assurance Vendors. Start Date Dependent Upon Stage Gate 3 Approval
Activities for 10/1/2016 – 6/30/2017	Design, Development and Testing Begins	(85%FF/15%GF) \$35,861,215 TF \$30,482,033 FF \$ 5,379,182 BF (BF= Capital XI Q Bond Proceeds)	• Design Technical and Business Processes • Develop/Build Technical and Business Processes • Test Technical and Business Processes

**Table 2:
 Position Plan for 2015-2017**

For the prior Modernization Project, the Department originally requested 27 positions for OIS, and 14 positions for DHS program (later to be named ITBSU). The legislature ultimately funded 40 permanent positions for OIS and 15 permanent positions in the 2013-15 budget. These positions initially focused on the primary Modernization Project work of Oregon Benefits Online (OBO) and Case Management Online (CMO). However, as part of the Department’s holistic modernization approach to systems, the positions also began to work on additional initiatives such as implementing SharePoint and Electronic Data Management System (EDMS).

As the OBO and CMO work closed without meeting the original goals for implementation, the OIS staff were diverted to support additional modernization efforts, the implementation of new systems necessary to be fill a gap identified by the Department during modernization efforts (such as CAP/CAPI), and support the Oracle infrastructure. Twenty-two of the original 40 OIS positions are now dedicated to supporting the ONE Infrastructure that will be used by IE. An additional 10 of these positions will be reallocated in service to the Integrated Eligibility Project. The remaining staff continue to work within the Department, but position usage has changed

over the last several years due to other related efforts to increase efficiency and eliminate legacy systems.

ITBSU has 15 positions supported through the modernization funding, who assist work around changes and maintenance of systems that the Department had hoped to eliminate through modernization, the other modernization goals of EDMS, and the ongoing work associated with new initiatives such as the Department of Labor time capture system. Four of these positions will be reallocated in service to the Integrated Eligibility Project.

The final permanent position in support of the project is the DHS COO for Technology position in the DHS Director’s Office.

Personnel Costs associated are for the positions necessary to provide the services for this project to be implemented. Modernization-related permanent positions are being reallocated to the project. The remaining staff necessary to support the project will be filled primarily with existing permanent employees and the limited duration positions will be used to backfill operational needs in program. In order to be successful, the Department cannot allow the legacy system not to operate and meet changing demands over 30 months, while the Department bring on this new system.

Date	Project Milestone	Total Positions	Position Type & Status
Activities for 7/1/2015 – 3/31/2016	Implementation and planning activities towards Stage Gate 2 approval (Stage Gate 2 approval received 1/14/2016)	7 positions <ul style="list-style-type: none"> • 4 permanent • 3 LD 	<ul style="list-style-type: none"> • 1-OPA 4 (Permanent) • 2-OPA 3 (Permanent) • 1-PM 3 (Permanent) • 2-PEM G (2 positions 0.5FTE each LD) • 1-OPA4 (LD)

Date	Project Milestone	Total Positions	Position Type & Status
Activities for 4/1/2016 – 9/30/2016	Fit/Gap Assessment and Stage Gate 3 Approval	28 positions to support these activities <ul style="list-style-type: none"> • 9 permanent • 19 LD 35 total positions	<ul style="list-style-type: none"> • 1-PEM H (.75FTE Permanent) • 1-PEM F (Permanent) • 1-Fiscal Analyst (Permanent) • 4-ISS 8 (Permanent) • 2-ISS 7 (Permanent) • 1-PM3 (LD) • 2-PM2 (LD) • 1-PAS3 (LD) • 12-OPA3 (6 positions 1.0FTE each + 6 positions 0.5FTE each LD) • 1-PEMF (LD) • 1-PEME (LD) • 1-ISS8 (0.5FTE LD)
Activities for 10/1/2016 – 6/30/2017	Design, Development and Testing Begins	15 positions to support these activities <ul style="list-style-type: none"> • 2 permanent • 13 LD 50 total positions	<ul style="list-style-type: none"> • 1-ISS5 (Permanent) • 1-OPA4 (Permanent) • 1-PM2 (LD) • 4-TDS2 (LD) • 8-OPA3

Attachment A – Legislation Affected.

DEPARTMENT OF HUMAN SERVICES (DHS)			
2015-17 February 2016 IE Project Limitation request			
APPROPRIATION AND LIMITATION ADJUSTMENTS			
PROGRAM	PROPOSED LEGISLATION/ SECTION	FUND	REBALANCE ADJUSTMENTS
Central			
Services/PDS/SAEC	ch 760, 1(1)	General	-
	ch 760, 2(1)	Other	7,590,000
	ch 837, 116	Other - SB 5507	-
	ch 760, 3(1)	Federal	40,282,563
		Total	47,872,563

2015 - 2017									
Cost Category	July - Sept 2015	Oct-Dec 2015	Jan-Mar 2016	Apr-June 2016	July-Sept 2016	Oct-Dec 2016	Jan-Mar 2017	Apr-June 2017	2015-2017
Personnel and S&S	94185	152,192	251,151	897,034	1,016,708	1,083,201	1,177,336	1,295,578	5,967,385
IT professional services	0	0	0	2,342,500	6,372,000	8,283,900	9,286,000	11,110,200	37,394,600
Software & Hosting	0	0	0	0	375,000	2,875,000	375,000	375,000	4,000,000
Total	94,185	152,192	251,151	3,239,534	7,763,708	12,242,101	10,838,336	12,780,778	47,361,985
Total Federal Portion (90% for 7/1/15-3/31/2016 and estimating 85% for 4/1/2016-6/30/2017)	84,767	136,973	226,036	2,753,604	6,599,152	10,405,786	9,212,585	10,863,661	40,282,563
Total State Portion (10% for 7/1/15-3/31/2016 and estimating 15% for 4/1/2016-6/30/2017)	9,419	15,219	25,115	485,930	1,164,556	1,836,315	1,625,750	1,917,117	7,079,421

Position Classification	Start Date	End Date	Planned Activities	FTE Percentage	Permanent or Limited Duration
Operations & Policy Analyst 4	7/1/2015	2/28/2016	Project Director	50%	Limited Duration (New)
Operations & Policy Analyst 4	7/1/2015	12/31/2018	Business Analyst	100%	Permanent (ITBSU Modernization Supported)
Operations & Policy Analyst 3	7/1/2015	12/31/2018	Business Analyst	100%	Permanent (ITBSU Modernization Supported)
Operations & Policy Analyst 3	7/1/2015	12/31/2018	Business Analyst	100%	Permanent (ITBSU Modernization Supported)
Project Manager 3	8/15/2015	12/31/2018	Technical PM	100%	Permanent (OIS Modernization Supported)
Principal Executive/Manager G	1/1/2016	12/31/2018	APD Business Manager	50%	Limited Duration (New)
Principal Executive/Manager G	1/1/2016	12/31/2018	SSP Business Manager	50%	Limited Duration (New)
Principal Executive/Manager H	4/1/2016	12/31/2018	Project Director	75%	Permanent (Existing Department Positon)
Principal Executive/Manager F	4/1/2016	12/31/2018	PMO Manager	100%	Permanent (OIS Modernization Supported)
Project Manager 3	4/1/2016	12/31/2018	Business PM	100%	Limited Duration (New)
Project Coordinator 2	4/1/2016	12/31/2018	Resource/Deliverable/R-I-D Mgmt	100%	Limited Duration (New)
Project Coordinator 2	4/1/2016	12/31/2018	Change cntrl/State schedule/ESC support	100%	Limited Duration (New)
Fiscal Analyst 2	4/1/2016	12/31/2018	Finance/Budget/Licensing	100%	Permanent (OIS Modernization Supported)
Public Affairs Specialist 3	4/1/2016	12/31/2018	Communications	100%	Limited Duration (New)
Operations & Policy Analyst 3	4/1/2016	12/31/2018	APD Policy Analyst	50%	Limited Duration (New)
Operations & Policy Analyst 3	4/1/2016	12/31/2018	APD Policy Analyst	50%	Limited Duration (New)
Operations & Policy Analyst 3	4/1/2016	12/31/2018	APD Policy Analyst	50%	Limited Duration (New)
Operations & Policy Analyst 3	4/1/2016	12/31/2018	SSP Policy Analyst	50%	Limited Duration (New)
Operations & Policy Analyst 3	4/1/2016	12/31/2018	SSP Policy Analyst	50%	Limited Duration (New)
Operations & Policy Analyst 3	4/1/2016	12/31/2018	SSP Policy Analyst	50%	Limited Duration (New)
Operations & Policy Analyst 3	4/1/2016	12/31/2018	Business Analyst	100%	Limited Duration (New)
Operations & Policy Analyst 3	4/1/2016	12/31/2018	Business Analyst	100%	Limited Duration (New)
Principal Executive/Manager F	4/1/2016	12/31/2018	Business Readiness Manager	100%	Limited Duration (New)
Principal Executive/Manager E	4/1/2016	12/31/2018	Technical Manager	100%	Limited Duration (New)
Operations & Policy Analyst 3	4/15/2016	12/31/2018	Operations APD	100%	Limited Duration (New)
Operations & Policy Analyst 3	4/15/2016	12/31/2018	Operations APD	100%	Limited Duration (New)
Operations & Policy Analyst 3	4/15/2016	12/31/2018	Operations SSP	100%	Limited Duration (New)
Operations & Policy Analyst 3	4/15/2016	12/31/2018	Operations SSP	100%	Limited Duration (New)
Info Systems Specialist 8	4/15/2016	12/31/2018	APD/SSP Interfaces	100%	Permanent (OIS Modernization Supported)
Info Systems Specialist 8	4/15/2016	12/31/2018	Data Conversion	100%	Permanent (OIS Modernization Supported)
Info Systems Specialist 8	7/1/2016	12/31/2018	Interfaces	100%	Permanent (OIS Modernization Supported)
Info Systems Specialist 8	7/1/2016	12/31/2018	Security Vulnerability Assessment	50%	Limited Duration (New)
Info Systems Specialist 8	9/1/2016	12/31/2018	Testing	100%	Permanent (OIS Modernization Supported)
Info Systems Specialist 7	9/1/2016	12/31/2018	Testing	100%	Permanent (OIS Modernization Supported)
Info Systems Specialist 7	9/1/2016	12/31/2018	Testing	100%	Permanent (OIS Modernization Supported)
Info Systems Specialist 5	1/1/2017	12/31/2018	Incident/Change/Release Mgmt	100%	Permanent (OIS Modernization Supported)
Operations & Policy Analyst 4	1/1/2017	12/31/2018	UAT Test Lead	100%	Permanent (ITBSU Modernization Supported)
Project Manager 2	1/1/2017	12/31/2018	Testing	100%	Limited Duration (New)
Training & Development Specialist 2	3/1/2017	12/31/2018	Trainer APD	100%	Limited Duration (New)
Training & Development Specialist 2	3/1/2017	12/31/2018	Trainer APD	100%	Limited Duration (New)
Training & Development Specialist 2	3/1/2017	12/31/2018	Trainer SSP	100%	Limited Duration (New)
Training & Development Specialist 2	3/1/2017	12/31/2018	Trainer SSP	100%	Limited Duration (New)
Operations & Policy Analyst 3	3/1/2017	12/31/2018	Lean Leader APD	100%	Limited Duration (New)
Operations & Policy Analyst 3	3/1/2017	12/31/2018	Lean Leader APD	100%	Limited Duration (New)
Operations & Policy Analyst 3	3/1/2017	12/31/2018	Lean Leader SSP	100%	Limited Duration (New)
Operations & Policy Analyst 3	3/1/2017	12/31/2018	Lean Leader SSP	100%	Limited Duration (New)
Operations & Policy Analyst 3	3/1/2017	12/31/2018	Tech Writer APD	100%	Limited Duration (New)
Operations & Policy Analyst 3	3/1/2017	12/31/2018	Tech Writer APD	100%	Limited Duration (New)
Operations & Policy Analyst 3	3/1/2017	12/31/2018	Tech Writer SSP	100%	Limited Duration (New)
Operations & Policy Analyst 3	3/1/2017	12/31/2018	Tech Writer SSP	100%	Limited Duration (New)