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# MEMORANDUM

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**To:** Joint Legislative Committee on Information Management and Technology

**From:** Robert L. Cummings, Principal Legislative Analyst (IT)  
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**Date:** February 12, 2016

**Subject:** Department of Human Services' Integrated Eligibility Determination Project  
LFO Analysis and Recommendations

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**Agency Request:** The Department of Human Services (DHS) has submitted a request to the Joint Committee on Ways and Means for funding (\$47.9 million total funds) for the Integrated Eligibility Determination (IE) Project. With this request, project funding in the 2015-17 biennium would be \$55.4 million total, which represents about 43% of the overall estimated project cost of \$130 million total funds. Based on current federal match estimates, about 85% of costs would be covered by federal dollars; DHS is requesting that \$7.5 million of the state share be supported by Article XI-Q Bonds. If approved, the state share for the project in the 2017-19 biennium would be about \$15 million (includes debt service on the 2015-17 bonds). The agency's 2015-17 request also includes 35 limited duration positions through the end of the biennium.

DHS estimates that the project will take 33 months to execute, with completion estimated by the end of 2018. Ongoing maintenance and operational costs for an estimated 10-15 year system lifespan have not been estimated at this time.

The purpose of this request is to provide the implementation resources needed to transfer Kentucky's human service eligibility determination functionality to Oregon where it will be integrated with the recently installed OregONEligibility System (ONE); this software was also transferred from Kentucky. With this additional functionality, ONE will be able to also determine eligibility for:

- Non-MAGI Medicaid (categorical eligibility for Aged, Blind, and Disabled populations);
- Supplemental Nutrition Assistance Program (SNAP);
- Temporary Assistance for Needy Families (TANF); and
- Employment Related Day Care (ERDC).

## **A. LFO Analysis**

In August 2015, DHS was told by the federal Centers for Medicare and Medicaid Services (CMS) that it must use ONE as its single eligibility determination system for all Medicaid programs. In 2015, ONE was implemented by the Oregon Health Authority (OHA) to perform Modified Adjusted Gross Income (MAGI) Medicaid eligibility determinations. In addition to developing a MAGI Medicaid eligibility system, the state of Kentucky also upgraded its systems for eligibility determination for other human services programs, thus providing transfer system functionality that potentially could be leveraged for the use and benefit of similar programs in Oregon. DHS's decision to move forward with the

integration of Kentucky's recently enhanced eligibility determination systems into OHA's ONE System, is driven by the following business and financial factors:

- Eligibility is not an optional business service - eligibility determination is a key business function for both DHS and OHA. Whether it is done manually, automated, or via a mixed set of manual automated processes, it must be done to serve a large portion of both DHS and OHA clientele.
- Lower costs - initiating a project to implement an automated solution now, will result in lower costs for Oregon. Each federal agency pays a different share of the costs for systems changes. There is a temporary federal policy in place that will allow Medicaid to pay a greater portion of the federal cost of the proposed project through December 2018, thus reducing the state's financial participation by as much as \$40 million to get the same functionality. In order to take advantage of the existing funding waiver, DHS must begin work on this Integrated Eligibility project no later than Spring 2016.
- Good business fit - DHS believes that Kentucky's Benefind System is a good fit for Oregon because the two states' human service programs are very similar. In addition, while OHA was implementing ONE during 2015, Kentucky continued to enhance its Kynect System (the transfer source for ONE) for cross-program human service eligibility determination. Transferring an already completed and integrated solution to meet Oregon's additional eligibility needs makes good business and financial sense to DHS management.
- Support of HB 2219 (2015) - the proposed solution will help advance policy objectives of this legislation which is focused on moving towards a single streamlined application for human services programs. Oregonians will be able to go to a single source to express their circumstances and request benefits within the same system the two agencies will be using to determine eligibility and authorize services.

Over the past several months, DHS project staff have worked closely with the Office of the State Chief Information Officer (OSCIO) to develop the required Joint State CIO/Legislative Fiscal Office (LFO) Stage Gate Review artifacts for Stage Gate #1 and #2. DHS submitted its request for Stage Gate #2 endorsement to OSCIO on December 4, and then resubmitted documents based on the initial feedback from OSCIO on December 16, 2015. DHS received OSCIO Stage Gate #2 endorsement on January 14, 2016. The documents that DHS submitted to OSCIO regarding Stage Gate #2 included:

- Cover letter for Stage Gate #2 resubmission;
- IE Determination Project Charter Revised v1.1;
- IE Determination Business Case v1.1;
- IE Project Budget Schedule Estimate v1.1;
- IE Project Initial Risk Assessment v1.1;
- IE Determination IRR v1.1; and
- IE Determination Project Enterprise Architecture Impact Assessment.

LFO was provided copies of the above documents, on January 11, 2016 and has not yet completed its subsequent Stage Gate #2 "LFO Review" on these Stage Gate #2 deliverables. LFO was officially notified of OSCIO Stage Gate #2 endorsement on February 8, 2016.

In addition to working closely with OSCIO on Stage Gate #2 related documentation requirements, DHS project management has also worked closely with three federal agency funding partners and has provided the following documents to them (documents were provided to LFO on January 11, 2016):

- IE Advanced Planning Document (APD) - December 2015 Final to Feds; and
- Oregon 2016 CMS prior APD Approval Letter.

In November and December of 2015, DHS completed a high-level alternatives analysis and associated business case comparing the eligibility capabilities of the recently upgraded Kentucky eligibility system and the automated eligibility determinations capabilities still needed by the state of Oregon. The state of Kentucky's enhanced eligibility software was determined to be a good match for integration into Oregon's ONE System. In early January 2016, DHS collaborated with OSCIO, the Department of Administrative Services (DAS) Procurement Services unit, and the Department of Justice (DOJ) to put out a special procurement on behalf of DHS in support of the IE Project. DHS believed that it was in the best interests of the state of Oregon for it to proceed directly in contract negotiations with Deloitte Consulting for Systems Integrator (SI) services and with Public Knowledge for independent quality assurance (QA) work. Both of these vendors performed similar roles on the recently completed ONE project. DHS's position was supported by both DAS and DOJ and the special procurement was approved on December 30, 2015. After seven days, without protest, the terms of the special procurement became actionable. There were no protests to the special procurement and it closed on January 7, 2016. DHS and OSCIO have agreed that OSCIO will hold the contract for and oversee review and acceptance of all deliverables related to independent QA services for the project.

It is important to note that LFO oversight staff were not directly involved in a majority of the above Stage Gate #2-related work done from November 2015 to January 2016. LFO has not reviewed the documents that were developed and provided to OSCIO in early December (and LFO on January 11, 2016), and while the LFO was aware of discussions related to the additional use of state of Kentucky software and Deloitte Consulting as a System Integrator for the IE Project, LFO has not been directly involved, or participated directly in any of the recent major decisions (and associated justifications) by the executive branch process, including use of the firm Public Knowledge for quality assurance.

DHS is currently in the final stages of selecting its dedicated business leaders for the IE Project - the Self-Sufficiency Programs (SSP) and Aging and People with Disabilities (APD) units will both commit an executive decision-maker 50% time to the project to lead the business team. Business leads for SSP and APD have been identified. A project director for the IE (Non-MAGI) project has been appointed, and the single agency project sponsor has been identified. The IE Project steering committee has been expanded to include both program and operational representatives from affected DHS program areas.

With respect to the required Stage Gate #3 foundational documentation, the IE Project team had initially hoped to provide Stage Gate #3 materials to OSCIO prior to the 2016 session. However, more recently IE Project management has proposed to hold off submitting Stage Gate #3 documentation until after the Fit/Gap Phase of the IE Project to allow for a more accurate project schedule and budget to be developed. The IE Project management team is proposing that legislative approval of the project and its funding be granted "pending the Stage Gate #3 endorsement" (and subsequent LFO Review), which would not occur until well after the 2016 session is over. The IE Project management team would like to start post Stage Gate #3 execution work (i.e. design, development, test, implement, etc.) for the IE Project in July 2016. In order to do so, they would need funding approval of the project (or at least sufficient scheduled expenditure limitation to allow the IE Project team to continue work on Stage Gate #3 artifacts and requirements), prior to its formal completion of all requirements for Stage Gate #3 and the completion of the OSCIO's endorsement, LFO's post-stage

gate review, and LFO's readiness-ability assessment. It is difficult to say at this time whether all the required Stage Gate #3 foundational documentation and reviews can be done between the end of the 2016 legislative session and the desired July 2016 "execution phase" start date.

IE Project management has completed the Joint State CIO/LFO Stage Gate Review work required for Stage Gates #1 and #2, but has not as yet provided a proposed list (and schedule) of foundational project management documents to be developed to meet the Stage Gate #3 key project requirements needed for the mandatory OSCIO and LFO Stage Gate #3 endorsements, reviews, and readiness-ability assessments. These key deliverables (and quality control reviews of each) include, at a minimum:

1. Detailed Project Management Plan (including 15+ sub-plans);
2. Detailed Updated Business Case;
3. Detailed Updated Project Charter;
4. Finalized Updated Project Estimates;
5. Detailed Updated Project Schedule (integrated with level of effort);
6. Detailed Updated Finalized Project Cost Plan;
7. Detailed Project Scope Statement;
8. Finalized RFP/SOW/Contract;
9. Finalized Updated Requirements Document (including traceability matrices);
10. Finalized Fit-Gap Document;
11. Finalized Detailed Controlled Funding Release Plan;
12. Finalized Quality Control Reviews of items #1-10;
13. OSCIO Stage Gate #3 Endorsement; and
14. "LFO Review" and Readiness-Ability Assessment (post Stage Gate #3).

## **B. LFO Recommendations**

LFO recognizes the importance of the DHS IE Project and the tight timeframes that the federal government has established for taking advantage of its federal funding policy waiver. However, one of the key lessons learned from other similar projects was the importance of following appropriate project "stage gate" steps, and to not allow arbitrarily set federal deadlines (with promises of funding) to compress projects into too short of a time-frame. Based upon LFO's analysis and review of the current status of the IE Project and the materials submitted to date, LFO recommends incremental, conditional approval of the agency's request assuming the funding, spending authority, and personnel resources are made available to DHS by the Joint Committee on Ways and Means. LFO further recommends that a plan be developed to unreschedule the requested expenditure limitation and, DHS be required to request and receive the Department of Administrative Services (DAS) Chief Financial Office (CFO), OSCIO, and LFO approval that a portion, or all of the remaining unrescheduled expenditure limitation, be rescheduled for the agency use to initiate and complete project planning and execution activities. LFO further recommends that in support of any rescheduling expenditure limitation request, that DHS undertake the following actions:

- Clearly document progress on the remaining outstanding Stage Gate #3 foundational documentation on the IE Project, and develop a detailed plan and schedule for completing all required documents (and quality control reviews).
- Regularly report to OSCIO and LFO on the progress on the foundational documentation and quality control reviews of each. If adequate progress is not observed by both OSCIO and LFO, DHS may be requested to report to interim legislative committees.

- Provide all key documents to OSCIO, LFO, and to the QA vendor (for quality control reviews, which must be completed prior to the OSCIO’s Stage Gate #3 endorsement).
- Work with OSCIO and LFO to finalize a mutually agreeable detailed incremental controlled funding release plan that is initially based upon completing all remaining foundational documentation deficiencies and Stage Gate #3 requirements prior to beginning the “execution” phase of the project.
- Work jointly with OSCIO, and LFO, to develop a long-range plan and budget documenting by whom, and how the newly implemented system will be supported and operated once installed. In particular, this plan should include details on how the new system would be transitioned to state support and operations staff, including any necessary training plans and related activities required to transfer the necessary business, maintenance, and support knowledge from Deloitte support staff to state support staff.
- Regularly report project status to OSCIO and LFO throughout the project’s lifecycle.
- Continue to follow the Joint State CIO/LFO Stage Gate Review Process.
- Hire, appoint, or contract for a qualified project manager with experience in planning and managing programs and projects of this type, scope, and magnitude.
- Work with OSCIO to obtain independent quality management services via an OSCIO established contract. The contractor shall:
  - Directly report to the OSCIO which will be responsible for the review, approval, and payment for all quality assurance and quality review deliverables.
  - Conduct an initial risk assessment and respond to OSCIO, LFO and DHS feedback.
  - Perform quality control reviews on the key IE Project deliverables including the detailed business case, individual cost benefit/alternatives analysis documents, and foundational project management documents as appropriate.
  - Perform ongoing, independent quality management services as directed by OSCIO.
- Provide both OSCIO and LFO with copies of all QA vendor deliverables.
- Work with OSCIO and LFO to conduct a formal readiness/ability assessment at Stage Gate #3 to validate readiness and ability to proceed to the execution phase of the project. Legislative approval to proceed with the IE Project will be dependent upon OSCIO and LFO concurrence that DHS is both ready and able to initiate project execution activities.
- Utilize the Office of the State CIO’s Enterprise Project and Portfolio Management (PPM) System as it is deployed for all project review, approval, and project status and QA reporting activities throughout the life of the IE Project.
- Complete a formal “project close out” report upon completion of all project phases.

- Motion on the LFO recommendations

### **C. Final IT Subcommittee Action**

Transmit the JLCIMT recommendations to the Human Services Subcommittee of the Joint Committee on Ways and Means.