

Analysis
Department of Human Services
Integrated Eligibility Project

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Request: Authorize \$7,500,000 in Article XI-Q bonding authority; increase Other Funds expenditure limitation by \$7,590,000; increase Federal Funds expenditure limitation by \$40,872,563; and establish 35 limited duration positions for the Integrated Eligibility Project.

Recommendation: Approve the request contingent on statewide decisions regarding the allocation of bond proceeds and with conditions outlined under the “Detailed Recommendations” section of this analysis.

Analysis: The Department of Human Services (DHS) has submitted a budget request for the Integrated Eligibility (IE) information technology project. In HB 5026 (2015), the agency’s primary 2015-17 budget bill, DHS received \$750,000 General Fund (\$7.5 million total funds) for initial planning to improve eligibility determination systems for non-MAGI (Modified Adjusted Gross Income) Medicaid programs. These programs primarily serve clients in the DHS Aging and People with Disabilities and Intellectual and Developmental Disabilities programs.

As anticipated when the planning funds were approved, the agency is now providing a project update and making a request for additional funding. Since the 2015 session, several things have occurred to influence the project plan:

- The Oregon Health Authority (OHA) transferred and configured Kentucky’s Affordable Care Act-compliant system to meet Oregon’s MAGI Medicaid eligibility determination needs. The system is called OregonONEligibility or “ONE” and was successfully implemented on December 15, 2015.
- To be eligible for enhanced funding (90% federal share, 10% state share), the Centers for Medicare and Medicaid Services (CMS) told the state it must use ONE as the single eligibility determination system for all Medicaid programs.
- Since Kentucky had expanded its Medicaid eligibility determination system to include other human services programs, a DHS team went to Kentucky to observe the system in operation and compare programs. The state also obtained Kentucky’s systems code.
- DHS requested approval from the appropriate federal agencies regarding the availability of funding usable for these non-Medicaid programs, such as the Supplemental Nutrition Assistance Program. With approved cost allocation, enhanced funding from CMS, and project completion by the end of 2018, the federal government would cover about \$40 million in project costs that would have otherwise been the state’s responsibility.

With these developments, the agency’s current project proposal is that ONE will be enhanced to support eligibility determinations for DHS Non-MAGI Medicaid programs, plus the Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), and Employment Related Day Care (ERDC) programs. Using ONE, applicants will fill out a single

application for multiple programs; OHA using that information for MAGI Medicaid eligibility and DHS using it for Non-MAGI Medicaid, SNAP, TANF, and ERDC eligibility.

The project is not new in terms of vision; for almost a decade DHS has been working toward automating manual processes, consolidating/replacing eligibility systems (many of which were designed and built in the 1970s and 1980s), and providing online application capability. Initial efforts began with work around self sufficiency program systems and morphed into projects that developed user tools and attempted to delve into system integration. Some of this work was suspended or set aside while DHS and OHA, which share information technology resources and some funding streams, focused on development and implementation of ONE while continuing to complete eligibility determinations for OHA programs.

The funding request is for \$47.9 million total funds; when coupled with the previously authorized planning money, project funding for the 2015-17 biennium would be \$55.4 million total funds. This 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 proceeds from 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.

Integrated Eligibility Funding (in millions)	General Fund	Other Funds	Federal Funds	Total Funds
2015-17 Legislatively Adopted Budget	\$0.8	\$0.0	\$6.8	\$7.5
2016 Session Request	\$0.0	\$7.6	\$40.3	\$47.9
2015-17 Total	\$0.8	\$7.6	\$47.0	\$55.4
	State Share	\$8.3	15%	
	Federal Share	<u>\$47.0</u>	<u>85%</u>	
	Total	\$55.4	100%	

The staffing component of the request is for 35 limited duration positions, primarily consisting of project managers and operations/policy analysts. These resources would supplement permanent employees (information technology, fiscal, policy, management) that are located in both DHS and OHA; some of these resources had been previously approved for work on other system improvement initiatives and the ONE project.

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

On February 12, 2016, the Joint Legislative Committee on Information Management and Technology (JLCIMT) reviewed the project and recommended incremental, conditional approval of project assuming the associated funding and personnel resources are approved. While DHS received Stage Gate #2 (Detailed Business Case and Initial Project Plan) endorsement from the Office of the State Chief Information Officer (OSCIO) on January 14, 2016, the Legislative Fiscal Office (LFO) has not yet completed its review of the State Gate #2 deliverables. This is primarily due to delayed receipt of the

documents by LFO; both DHS and OSCIO have indicated that this oversight will not be repeated in the future.

The agency's project plan estimates receiving Stage Gate #3 (Detailed Project Plan and Approval to Proceed with Design/Build) concurrently while still completing some tasks and foundational documents that are normally finalized before Stage Gate #3 is typically approved. The JLCIMT recommendation includes a checkpoint for agreement between LFO and OSCIO before the agency begin the execution stage of the project. That recommendation also addresses several expectations regarding Stage Gate #3 requirements.

Detailed Recommendations

The Legislative Fiscal Office recommends the following be included in the budget reconciliation bill during the 2016 session, if the use of Article XI-Q bonds are approved for the project by the Joint Ways and Means Subcommittee on Capital Construction:

1. Increase Other Funds expenditure limitation by \$7,590,000 to allow spending of bond proceeds on the project and for associated cost of issuance.
2. Increase Federal Funds expenditure limitation by \$40,282,563 for project costs.
3. Establish 35 limited duration positions (15.83 FTE).
4. Request the Department of Administrative Services (DAS) unschedule the augmented expenditure limitations pending agreement between the DAS Chief Financial Office, OSCIO, and LFO regarding the rescheduling of funding consistent with direction in the JLCIMT recommendations.

The Legislative Fiscal Office also recommends the adoption of the JLCIMT recommendations for the project dated February 12, 2016.