

ANALYSIS

Item 87: Department of Consumer and Business Services Workers' Compensation IT System

Analyst: Ben Ruef

Request: Increase Other Funds expenditure limitation by \$1,024,877 and approve two limited-duration positions (0.50 FTE) for the advancement of the Workers' Compensation IT system modernization project.

Analysis: In 2019 the Workers' Compensation Division, part of the Oregon Department of Consumer and Business Services (DCBS), created a Modernization Program to provide strategic leadership and oversight for process, system, and application improvements. This program is taking an agency wide look at business processes and systems to determine which projects will create the greatest value to agency's stakeholders and customers.

Based on recommendations from the Joint Interim Committee on Information Management and Technology (JLCIMT) the agency received an increase of \$1.7 million Other Funds budget limitation in the 2019-21 legislatively adopted budget to hire a permanent program manager and contract IT support to work on the initial work required for the business case and stage-gate certification including a program road map. During the 2019-21 biennium, the agency received stage-gate 1 certification and worked with an IT contractor (Deloitte) to develop the architectural design and a program roadmap.

The 2021-23 legislatively adopted budget included an increase of \$481,565 Other Funds and two permanent positions to continue building on the modernization effort. The agency has made progress developing a program roadmap and initiated the following four process improvement projects:

- Streamline communication to injured workers and employers
- Allow insurers to receive reports electronically
- Develop internal cross-training plans and collaboration tools
- Allow electronic document submission via existing we portal

These four process improvement projects gathered information, created documentation, and provided recommendations and lessons learned to prepare the program for the larger component projects.

Currently, DCBS is working towards stage-gate 2 certification from the Department of Administrative Services Enterprise Information Services for the first major project. This project will implement the main system foundation that will serve as the base for four future projects (functional modules) and implement electronic claim reporting under the latest national industry standard. The four component projects are business-functional modules that support the division's various program areas. The main system will be an off-the-shelf software solution with customer relationship management (CRM). CRM is a software system that allows stakeholders to manage and update their own information with appropriate security accesses. The main system expected to include the following components:

- Application framework platform, based on CRM
- Integration platform with management of application programming interfaces
- Security
- Identity and access management

- Contact and case management
- Database management
- Persistent storage
- Business rules engine
- Stakeholder portals
- User interface and experience
- Online forms and electronic signatures
- Workflow management
- System maintenance and development
- Knowledge management
- Mobile support

Stage-gate 2 certification for the main system foundation project is anticipated before January 1st, 2023. Initial project implementation will require a year-long request for proposal (RFP) process as well as project planning and change management preparation. The RFP process is expected to begin in Summer 2023, with the goal of system implementation beginning in Summer 2024. Completion of this project is currently programed for the end of 2025.

DCBS' \$1,024,877 Other Funds request includes \$867,096 for contracted professional services and \$157,781 for two limited-duration positions. Contracted professional services includes information technology services, quality managements services, and Department of Justice RFP contract review. The two limited-duration positions include a Project Manager (Operations and Policy Analyst 3 - 0.25 FTE) and a Change Management Analyst (Operations and Policy Analyst 3 - 0.25 FTE). Funding for this request comes from the Workers' Compensation Premium Assessment fund balance. Funding for work beyond 2021-23 will be addressed as part of the 2023-25 budget request process.

Recommendation: The Legislative Fiscal Office recommends that the Emergency Board increase Other Funds expenditure limitation for the Oregon Department of Consumer and Business Services by \$1,024,877 and authorize the establishment of two limited duration positions (0.50 FTE) for the Workers' Compensation IT system modernization project.

95
Department of Consumer and Business Services
Heath

Request: Increase Other Funds expenditure limitation by \$1,024,877 and establish two limited duration positions (0.50 FTE) to continue project planning for a replacement of the Department of Consumer and Business Services' (DCBS) Workers' Compensation Division's core information system.

Recommendation: Approve the request, with the following modification increase Other Funds expenditure limitation by \$1,024,877, but instead of establishing two limited duration Operations and Policy Analyst 3 positions, establish one limited duration Operations and Policy Analyst 3 (0.25 FTE) and one limited duration Information Systems Specialist 7 (0.25 FTE).

Discussion: DCBS requests \$1.0 million Other Funds expenditure limitation and two limited duration positions (0.50 FTE) to continue project planning to modernize the Workers' Compensation Division's IT system. This is a multi-biennia effort through which DCBS plans to undertake a series of five IT projects to modernize the numerous disparate subsystems involved in workers' compensation administration. The first project will be for a core information system for the program.

Planning for the overall program began in 2017 and has been ongoing since that time. DCBS received resources for this effort in both 2019-21 and 2021-23:

Biennium	Other Funds	Positions
2019-21	\$1,692,685	Program Manager and contracted services
2021-23	\$485,565	Data Architect, IT Systems Analyst

The Department used contracted planning funding approved during 2019-21, to develop a roadmap for DCBS' modernization effort. Working with DCBS staff, the consultants identified a proposed program architecture, program goals and design principles, high-level business requirements, and a program implementation and data migration plan. In addition, the program manager, data architect and IT systems analyst positions have been hired.

Due to the timing of the COVID-19 pandemic and its effect on employment (and thus revenues to pay for project work), DCBS decided to limit the request in the 2021-23 biennial budget to continue planning for the program. As the economy has improved and the results of previous planning work have been completed, DCBS has a clearer sense of the timelines needed to make more detailed budget requests and has more certainty about the revenue environment. The Department is now seeking to begin working on implementation of the Workers' Compensation core information system during the 2023-25 biennium.

Approval of this request will allow DCBS to begin its request for proposal and vendor selection process in early 2023, with the ultimate goal of system implementation beginning in Summer 2024. Under this timeline, project work on the core system would be completed by the end of calendar year 2025. If the request is not approved and the agency continues using existing budgeted resources, DCBS will continue developing business requirements and project planning work during 2021-23, and project implementation would be delayed, possibly until 2025-27.

The program effort is currently overseen under the joint Department of Administrative Services Enterprise Information Services (EIS) – Legislative Fiscal Office project oversight model. While the program as a whole, did receive Stage Gate 1 approval in 2018, Enterprise Information Services is treating this project separately for oversight purposes and the project is currently working on submitting Stage Gate 1 documentation. Achieving DCBS’ proposed timeline for the project will depend on the Department meeting the requirements of the oversight model.

The funding requested is proposed to be used as follows:

Position-Related Costs:

Project Manager	\$57,331
Change Management Analyst	\$57,330
Position-related Services and Supplies	<u>\$43,120</u>
Position-related Costs Subtotal	\$157,780

Contracted Services:

Independent Quality Management Contractor	\$261,882
IT Project Manager - Contractor	\$295,953
Business Analyst – Contractor	\$251,181
Attorney General Fees	<u>\$58,080</u>
Services Subtotal	\$867,096

Total **\$1,024,877**

DCBS is requesting two limited duration Operations and Policy Analyst 3 (OPA 3) positions for six months each. The positions will serve as a project manager and a change management analyst for the core information project. The project manager will manage project planning activities, project schedule and project scope. The change management analyst will develop an organizational change management strategy, perform gap analyses, identify training needs, and develop internal and external communications strategies. For the project manager position, EIS recommends an Information Systems Specialist 7 position rather than an Operations and Policy Analyst 3 position, to ensure DCBS can recruit for the skills it will need from such a position. The ISS 7 costs \$61,227 for the final six months of 2021-23, \$3,897 more than the OPA 3. The Chief Financial Office recommendation anticipates DCBS will be able to absorb the costs within the Services and Supplies budget it has requested, keeping the total Other Funds expenditure limitation increase recommended the same.

Costs for the independent quality management contractor assume six percent of costs over the lifespan of the project (preliminarily estimated at approximately \$57 million). The estimate was then spread across the project timeline assuming the services would begin January 1, 2023. Costs for the contracted IT project manager and business analyst are based on hourly rates listed in contracts the Department of Administrative Services – Enterprise Information Services holds with vendors; the estimates assume 1,050 hours of work starting January 1, 2023, equivalent to approximately one person dedicated full-time for six months. Costs for Attorney General fees assume 40 hours worked per month for six months times the standard hourly rate of \$242 per hour.

DCBS’ request includes both a contracted project manager and a project manager staff position. DCBS believes both positions are necessary with the contracted role serving as the lead project manager and the staff position providing backup. This staffing model has been used by other significant modernization efforts in the state. Separate from the two project management roles, the existing program manager position approved by the Legislature in 2019, will focus on managing the five disparate project and planning efforts.

While the ultimate source of revenues to pay for this request will come from the Workers' Compensation Premium Assessment (WCPA), DCBS will rely on fund balances in the Consumer and Business Services fund to fund this request in 2021-23. The WCPA is an annually determined assessment levied on top of workers' compensation premiums employers pay. The rate for 2022 is 9.8 percent of premium for most employers. Given that rate setting will happen before this request can be heard by the Emergency Board, the expenses related to this request will not be built into the WCPA rate for 2023. Funding for this request is considered one-time in nature. DCBS has a request pending for additional planning and project funding as part of its Agency Request Budget, and additional expenditure limitation needed in 2023-25, may be addressed there.

Legal Reference: Increase Other Funds expenditure limitation established by chapter 503 Oregon Laws 2021, section 1 (2), by \$1,024,877 for the Department of Consumer and Business Services, Workers' Compensation Division, for the 2021-23 biennium.



Oregon

Kate Brown, Governor

Department of Consumer and Business Services

350 Winter St. NE

P.O. Box 14480

Salem, OR 97309-0405

503-378-4100

www.dCBS.oregon.gov

August 22, 2022

Senator Peter Courtney, Co-Chair
Representative Dan Rayfield, Co-Chair
Joint Emergency Board
900 Court Street NE
H-178 State Capitol
Salem, OR 97301

Dear Co-Chairs:

Nature of the Request

The Department of Consumer and Business Services (DCBS) requests approval for two limited-duration positions and authority to contract for information technology professional services (total request \$1,024,877 Other Funds).

Background

The Workers' Compensation Division, part of DCBS, has made a significant investment to transform business processes and implement modern technology to better serve customers. This effort will enhance the workers' compensation system by increasing regulatory efficiency, reducing regulatory burdens, improving data quality and analysis, and delivering services in support of the division's mission.

The division created a Modernization Program in 2019 to provide strategic leadership and oversight for process, system, and application improvements. Instead of focusing on individual technology projects, the division is taking a broader, program-level approach. This includes reviewing and documenting current state business processes and applications that affect multiple parts of the agency. The program received Stage Gate 1 program endorsement from Enterprise Information Services in December 2019.

In 2020, the agency contracted for professional services to provide a strategic roadmap for a multi-year modernization effort. The consultant identified solution architecture requirements for the program, high-level program goals and design principles, high-level business requirements, and a proposed implementation and migration plan. However, the program had some unanticipated delays due to the pandemic, including concerns about revenues impacted by the economy. Thus, the agency's 2021-23 budget request was limited to two permanent information management technology positions to support current systems and help plan for modernization projects, but did not include more resources until the status of revenues was better known. This has placed the program out of sync with the traditional budget cycle.

The division is in the process of getting Stage Gate 2 endorsement from Enterprise Information Services for the first planned project. This project will implement the main system foundation that will serve as the base for four future projects (functional modules) and implement electronic claim reporting under the latest national industry standard.

With Stage Gate 2 approval, there will be an extensive, year-long, request for proposal (RFP) process necessary to determine the full cost to implement the main system foundation, including if the solution is a commercial off-the-shelf solution or a custom-built application. The program will also need to do extensive project planning and change management to prepare the division for the project. The agency does not have the current capacity or expertise to conduct this work without additional resources. Without this support, the program would need to delay the start of the first project to 2025.

The program is committed to aligning with the State of Oregon's Diversity, Equity, and Inclusion (DEI) Action Plan. Both the program and the RFP for the first component project will require outreach to a significant number of internal and external stakeholders. The division will conduct this outreach through a DEI lens, including a focus on underserved and underrepresented communities, and will continue to provide opportunities for affected stakeholders to provide input throughout the planning and implementation process, including program funding.

This request includes limited-duration positions and contracted information management technology professional services to support and manage the RFP process, plus support the internal work necessary to start the first project in 2024. The request also includes initial expenses for required quality assurance management services and Department of Justice expenses for RFP contract review.

DCBS requests Emergency Board approval for the following:

1. Starting Jan. 1, 2023, establish two limited-duration positions (\$114,661 personnel services costs, plus \$43,120 service and supply costs), with the intent they will be made permanent in the 2023-25 agency budget request:
 - **Project manager** (Operations and Policy Analyst 3 – OAS C0872 AP, SR 30). This position will manage component project planning activities, collaborate with the contracted services information technology project manager to develop and modify project plans, identify and update risks, and manage the project schedule and scope effectively. This position will also assist with resource management and vendor management.
 - **Change management analyst** (Operations and Policy Analyst 3 – OAS C0872 AP, SR 30). This position will develop and execute an organizational change management strategy to support the Modernization Program effort, assist with gap analysis and create an intervention strategy for identified gaps, identify training needs, and develop an internal communication plan to prepare and support all levels of our organization to manage and accept the change. This position will also help with external stakeholder outreach and communications.

2. Grant the agency \$547,134 in expenditure limitation to contract for information technology professional services starting Jan. 1, 2023. The agency's 2023-25 budget request will include continuation of these contracted services into the next biennium.
 - **Information technology project manager.** This contracted position will help with additional technical requirements gathering, draft technical plans and project documents, assist with RFP development, and act as a subject matter expert for technology implementations. This position will also collaborate with the program project manager to develop and modify plans, identify and update risks, and manage the project schedule and scope effectively.
 - **Business analyst.** This contracted position will gather and refine business requirements, assist with use case development and documentation, work with business users on questions related to business processes and requirements, help with team implementation readiness assessments, and assist with RFP development.
3. Grant the agency \$261,882 in expenditure limitation to contract for independent quality management services, which are required for large technology projects. The services include foundational planning, artifact review, and quality and risk management services for all project phases. The initial cost is estimated at 6 percent of total program/project cost of approximately \$54 million. These ongoing costs will also be requested in the agency's 2023-25 budget and will be ongoing through the implementation and closure of project five (about the end of 2028).
4. Grant the agency \$58,080 in expenditure limitation for anticipated Department of Justice legal costs for RFP contract review.

Action Requested

DCBS respectfully requests that the Emergency Board approve our request to increase Other Funds limitation by \$1,024,877 for the 2021-23 biennium.

Legislation Affected

Approval of this request will increase Other Funds expenditure limitation by \$1,024,877 established by Chapter 503 Oregon Laws 2021, Section 1, Subsection 2 for the Department of Consumer and Business, Workers' Compensation Division.

Sincerely,



Andrew R. Stolfi
Director