

Economic Services Administration

060 - M2 - FF - ESAR ARCHITECTURAL DEVELOPMENT

Agency Submittal: 11-2017-19-YR Agency Req

Budget Period: 2017-19

SUMMARY

All Washington residents who apply for Medicaid benefits or enrollment in a Qualified Health Plan depend on Economic Services Administration's (ESA) Automated Client Eligibility System (ACES) to facilitate their eligibility determination. A technology architecture assessment of the ACES complex performed by an Independent Verification and Validation (IV&V) vendor in 2015 identified technical risks and issues that must be addressed in order to ensure that the ACES infrastructure will remain stable and support future modernization. ESA requests \$24,028,000 (\$2,403,000 GF-State) to address the IV&V recommendations and strengthen the foundation of the ACES complex in preparation for federally funded modernization.

PROBLEM STATEMENT

The 20 year-old ACES system is facing a sharp increase in maintenance and operation (M&O) costs as the availability of staff and contractors with the knowledge and skills necessary to maintain legacy systems retire. The ACES M&O team must address production problem reports on a daily basis, and due to the aging legacy architecture of the ACES complex, there are known security vulnerabilities that cannot be corrected. In addition, ACES is at risk for becoming out of compliance with state and federal information technology (IT) standards.

A technology risk assessment conducted between April 2015 through August 2015 by an IV&V vendor identified several risks and issues related to the soundness of the ACES complex infrastructure and included recommendations for addressing them.

Addressing the IV&V recommendations by completing the foundational work now will allow Washington to continue to take advantage of the 90 percent enhanced federal funding provided by the Center for Medicare and Medicaid Services (CMS) for the modernization of eligibility and enrollment systems.

Funds in the amount of \$13,565,238 (\$1,356,523 GF-State) for the ES and ACES Remediation (ESAR) Architectural Development project were requested through the 2016 Supplemental budget and were placed in the newly created Information Technology (IT) Projects Investment Pool. As required to obtain the funds, ESA submitted an IT Investment Submission Document to Washington Technology Solutions (WaTech) which was approved on October 26, 2015. WaTech did not certify the project until April 15, 2016. This delay in funding prevented the timely procurement of a Quality Assurance consultant and additional contracted project staff and will result in the project being underspent by approximately \$9,000,000 (\$900,000 GF-State) in Fiscal Year 2017 (FY17). This request for \$24,028,000 (\$2,403,000 GF-State) includes the unspent \$9,000,000 (\$900,000 GF-State).

Despite the delays described above, the project continued to make progress in the planning, prioritization and implementation of the IV&V recommendations and expects to have the following completed by June 30, 2017:

- Continuation of data reduction and cleansing efforts
- Creation of a to-be schema and database model
- Documentation of the as-is ACES complex data model



DSHS VISION

People are healthy • People are safe • People are supported • Taxpayer resources are guarded

DSHS MISSION

To transform lives

DSHS VALUES

Honesty and Integrity • Pursuit of Excellence • Open Communication • Diversity and Inclusion • Commitment to Service

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- Procurement of a systems integrator to re-host the ACES mainframe to a modern platform
- Procurement of a vendor to reverse engineer and fully document the legacy code
- Implementation of IV&V recommended rules governance and change management processes

PROPOSED SOLUTION

ESA intends to redesign the ACES complex by taking full advantage of modern technologies and capabilities for managing and reporting eligibility information. These redesign efforts will be strategically planned to ensure the resulting solution for managing eligibility information supports the long-term needs of ESA and its stakeholders.

The first phase of the ACES complex redesign will include the procurement of a systems integrator to migrate the legacy mainframe to a modern platform.

During the ESAR Architectural Development planning phase, several options for implementing the IV&V recommendations were developed, researched and analyzed for presentation to the ESAR Steering Committee. In response to the IV&V recommendations, the decision was made to focus on core, foundational work that will support the longevity and sustainability of the ACES complex while allowing ESA to accomplish the following:

- Eliminate data replication between databases
- Reduce obsolete code and data
- Simplify database architecture and improve data integrity
- Achieve compliance with CMS Seven Standards and Conditions

Funding will pay for the state, eligibility vendor, and additional contracted staff necessary to continue the data reduction strategy, implementation of a test environment and the planning and implementation of code changes in support of ACES complex modernization.

EXPECTED RESULTS

DSHS/ESA expects the following outcomes as a result of ESAR Architectural Development:

1. A simplified system architecture as recommended by IV&V as a prerequisite for modernization
2. Architectural modernization that will meet enterprise architecture and federal compliance standards
3. In-house knowledge and skills necessary to support the longevity and sustainability of the ACES complex
4. Re-hosting off of the mainframe to a modern platform that will substantially reduce maintenance and operations costs and result in a payback period of as little as one year for this part of the investment
5. Reverse engineering of legacy code for full documentation in order to plan and execute the migration to a modern rules engine and to upgrade 20-year old Common Business Oriented Language (COBOL) code to a modern language suitable for the new platform and modern web-enabled development

Although, there will be no change to the system output and no impact to clients, citizens or other agencies services; this modernization effort will enable and ensure clients and citizens access through any type of media and cloud technology today and in the foreseeable future.

If ESAR Architectural Development is not funded, the IV&V technical assessment recommendations will not be addressed and a proper foundation for future modernization will not be established. Additionally, the ACES complex would not meet CMS Seven Standards and Conditions and would lose the opportunity for 90/10 federal matching funds, would delay its path to modernization and would require greater budget requests as industry costs go up.

STAKEHOLDER IMPACT

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Stakeholders will be kept apprised of all ESAR project activity through regular communication adhering to project management best practices. ESA does not anticipate any customer-facing changes as a result of the ESAR project.

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Program Contact: Dianna Wilks, (360) 725-4524

OTHER CONNECTIONS

Performance Outcomes/Important Connections

1. Does this DP provide essential support to one or more of the Governor's Results Washington priorities?

Goal 4: Healthy & Safe Communities - Healthy People - Provide access to good medical care to improve people's lives.

2. The decision package meets the following DSHS' strategic objectives:

5.7: Improve systems architecture in support of ESA business needs.

3. Identify other important connections or impacts below. (Indicate 'Yes' or 'No'. If 'Yes' identify the connections or impacts related to the proposal.)

a) Regional/County impacts? No

b) Other local government impacts? No

c) Tribal government impacts? No

d) Other state agency impacts?

Yes, for integration testing purposes only, the Health Benefit Exchange and the Health Care Authority will be minimally impacted.

e) Responds to specific task force, report, mandate or executive order?

Yes. At ESA management's request, an IV&V vendor conducted a technology architecture assessment of the ACES complex from April through August 2015. The resulting assessment identified risks, and corresponding recommendations. ESAR Architectural Development will implement these recommendations.

f) Does request contain a compensation change or require changes to a Collective Bargaining Agreement? No

g) Facility/workplace needs or impacts? No

h) Capital budget impacts? No

i) Is change required to existing statutes, rules or contracts? No

j) Is the request related to litigation? No

k) Is the request related to Puget Sound recovery? No

l) Other important connections? No

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4. Please provide a detailed discussion of connections/impacts identified above.

N/A

Alternatives/Consequences/Other

5. What alternatives were explored by the agency, and why was this alternative chosen?

ESA considered moving forward with ESAR Phases 2 and 3 as planned, and funded in the 2015-17 Biennium budget. However, this option was not selected because of the risks to critical systems if findings from the IV&V technology architecture assessment are not addressed.

6. How has or can the agency address the issue or need within its current appropriation level?

No, ESA does not have funding within its current appropriation level to pay for the modernization of the ACES complex. ESA's base funding covers M&O, which includes problem reports and policy changes.

7. Does this decision package include funding for any IT-related costs (hardware, software, services, cloud-based services, contracts or IT staff)?

No

Yes (Include an IT Addendum)

Fiscal Detail**060 - M2 - FF - ESAR Architectural Development**

Operating Expenditures	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
001-1 General Fund-State	1,182,000	1,221,000	0	0
001-C General Fund-Medicaid	10,633,000	10,992,000	0	0
Total Cost	11,815,000	12,213,000	0	0
Staffing	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
FTEs	10.3	12.3	0.0	0.0

Performance Measure Detail

Activity:	Incremental Changes			
	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
Program: 060				
F078 Program Support	0	0	0	0
No measures submitted for package				

Object Detail

	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
A Salaries and Wages	859,000	1,033,000	0	0
B Employee Benefits	302,000	359,000	0	0
E Goods and Other Services	10,493,000	10,701,000	0	0
ED Rentals and Leases – Land and Buildings	63,000	75,000	0	0
G Travel	4,000	4,000	0	0
J Capital Outlays	60,000	0	0	0
P Debt Service	3,000	4,000	0	0
TZ Intra-agency Reimbursements	31,000	37,000	0	0
Total Objects	11,815,000	12,213,000	0	0

DSHS Source Detail**Overall Funding**

Operating Expenditures	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
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Fund 001-1, General Fund-State**Sources Title**

0011 General Fund State	1,182,000	1,221,000	0	0
Total for Fund 001-1	1,182,000	1,221,000	0	0

Fund 001-C, General Fund-Medicaid**Sources Title**

19UD Title XIX Admin (90%)	10,633,000	10,992,000	0	0
Total for Fund 001-C	10,633,000	10,992,000	0	0
Total Overall Funding	11,815,000	12,213,000	0	0

Information Technology Addendum

Recsum Code and Title **060-M2-FF-ESAR Architectural Development**

Part 1: Itemized IT Costs

Please itemize any IT-related costs, including hardware, software, services (including cloud-based services), contracts (including professional services, quality assurance, and independent verification and validation) or IT staff. Be as specific as you can. (See Chapter 12.1 of the OFM Operating Budget Instructions for guidance on what counts as “IT-related costs.”)

Information Technology Items in this DP (insert rows as required)	FY 2018	FY 2019	FY 2020	FY 2021
IT State Staff	1,386,000	1,589,000		
Existing Vendor Costs	7,740,000	7,935,000		
Independent Verification & Validation Services	852,000	852,000		
Quality Assurance Services	351,000	351,000		
Project Management Services	1,486,000	1,486,000		
Total Cost	11,815,000	12,213,000		

Part 2: Identify IT Projects

1. Does this decision package fund the development or acquisition of a new or enhanced software or hardware system or service? Yes
2. Does this decision package fund the acquisition or enhancements of any agency data centers? (See OCIO Policy 184 for definition.) No

2017-19 Biennial Budget
Department of Social and Health Services

3. Does this decision package fund the continuation of a project that is, or will be, under OCIO oversight? (See OCIO Policy 121.) Yes

If you answered “yes” to any of these questions, you must complete a concept review with the OCIO before submitting your budget request. Refer to Chapter 12.2 of the Operating Budget Instructions for more information.