

Economic Services Administration

060 - M2 - FH - REPLACING ANTIQUATED PAYMENT SYSTEM

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

Budget Period: 2017-19

SUMMARY

The Social Services Payment System (SSPS) no longer meets the business needs of the Economic Services Administration (ESA), Children’s Administration (CA), and the Department of Early Learning (DEL) the only remaining customers. ESA requests \$8,372,000 (\$8,312,000) GF-State in the 2017-19 Biennium to secure a new payment system with more rigorous reporting, enhanced analytics for overpayment and fraud detection, and to better meet the needs of the provider community. A similar request is included for CA – 010 – M2 – FH – Replacing Antiquated Payment System.

PROBLEM STATEMENT

SSPS is a 40-year-old mainframe-based authorization and payment processing system that has not kept pace with changing technology and business needs. It is written in Common Business Oriented Language (COBOL), an antiquated programming language, which is not easy to update. General lack of maintenance has led to deterioration of the current system.

Provider invoices are submitted by phone or by mail, limiting DSHS’ ability to track and audit provider payments. This has contributed to overpayments and underpayments, which take time and resources to correct and frustrate the provider community.

System costs and risks of operating SSPS continue to increase. In 2016, Aging and Long-Term Support Administration (AL TSA) and Developmental Disabilities Administration (DDA) completed their move from SSPS to Provider One, leaving only CA and ESA to cover the cost of SSPS and the Unisys mainframe contract.

Each month, SSPS processes \$22 million in payments to social service providers, including 520,670 payments to foster homes, adoptive parents, child care providers and other providers of critical client services. Failure of SSPS could jeopardize the operations of a mission-critical child welfare system and could disrupt service delivery to vulnerable clients.

PROPOSED SOLUTION

New payment and authorization vendors are cloud-based and offer improved business services and new features, such as data analytics, reporting, mobile applications and rigorous fraud detection and elimination measures.

ESA requests \$8,372,000 (\$8,312,000 GF-State) in the 2017-19 Biennium to secure a vendor-based system that will generate payments to providers who deliver services to the most vulnerable families and children. Ongoing costs are estimated to be \$5.6 million GF-State per year based on a cost per transaction fees. ESA’s estimates include the cost impacts related to this project for DEL. DEL costs include 0.5 FTE on an ongoing basis beginning in FY18 at a cost of \$50,000 per year as well as one-time costs in FY18 and FY19 of \$300,000 per year for interface development, testing, system work and expert project management. If this package is funded, the requested funds that support DEL should be appropriated directly to DEL.

CA, ESA and DEL participated in a workgroup convened by the Office of the Chief Information Officer, which came to a recommendation to pursue a joint procurement for a new payment system.



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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If funding is provided, DSHS and DEL will coordinate a joint procurement that will allow for the movement of all payments to the new system toward the end of Fiscal Year 2019. The purchase of a new payment system supports an enterprise approach to payment that will create efficiencies in scale.

The estimated cost is based on a Request for Information (RFI) conducted by CA in 2016. The actual cost may vary depending on the selected vendor. The draft implementation timeline is in the table below.

Replace Social Service Payment System Timeline

SFY 2018												SFY 2019												SFY 2020											
1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12
Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19	Apr-19	May-19	Jun-19
1. Receive Funding in 2017-19 budget (July 2017)																																			
2. DSHS Issues Request for Proposals																																			
3. Select Bidder (Nov 2017)																																			
4. Sign Contract with Bidder (Jan 2018)																																			
												5. Implement new payment vendor (Jan 2019)																							
												6. Transition all payments from SSPS to new system.																							
												One-time Implementation Costs												Ongoing Maintenance and Operations											

EXPECTED RESULTS

Eligible clients will continue to receive critical client services; and social service providers will receive payment for provided services.

By funding this request, DSHS will acquire a vendor with a modernized payment system with features that will improve customer service and accountability for clients and providers, including:

- Data analytics to reduce overpayments and improve auditing;
- Reporting features and improved management tools;
- Mobile applications for easier provider invoicing; and
- Rigorous fraud detection and elimination measures.

If this request is not funded, DSHS and DEL will continue to use the SSPS payment system, with limited business features and frequent overpayment risks that waste critical service dollars and cause frustration for service providers.

STAKEHOLDER IMPACT

This request is an essential operational function to pay providers for services to children and families in the child welfare system and in subsidized child care.

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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 5: Efficient, Effective & Accountable Government - Customer Satisfaction and Confidence - 1.1 Increase customer services.

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

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

5.3: The quality of and access to accurate, timely, and reliable fiscal data for ESA customers will improve.

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. The Department of Early Learning is piloting a time and attendance system for child care providers that would ultimately connect to the new payment system. As the agency that establishes statewide child care policy, and makes payments for Seasonal and Homeless child care, DEL has a keen interest in any new payment system related to child care.
- e) Responds to specific task force, report, mandate or executive order? Yes, this funding request is consistent with the recommendations from the Time Capture, Payroll and Payment Procurement Workgroup, required under (Second Engrossed Substitute House Bill 2376, Section 149(2)).
- 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.

This will be a joint procurement that will ultimately cover payments for ESA, CA, and DEL. Additional funding will be needed to move child care payments to the new system. For additional information, see 010-M2-FH Replacing Antiquated Payment System in Children's Administration for additional information.

Alternatives/Consequences/Other

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

DSHS explored migrating to ProviderOne; however, that is a Medicaid system and not an option for CA or ESA. CA looked at procuring a system solely for CA payments. However, child care payments must remain on the same payment system due to collective bargaining requirements.

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

If funding is not provided for this request, the remaining customers of SSPS will either have to live with an increasingly fragile and aging payment system or move resources from either field staff or services to clients to pay for a new system.

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 - FH - Replacing Antiquated Payment System**

Operating Expenditures	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
001-1 General Fund-State	3,438,000	4,874,000	4,404,000	4,404,000
001-2 General Fund-Federal	23,000	25,000	26,000	26,000
001-C General Fund-Medicaid	6,000	6,000	7,000	7,000
Total Cost	3,467,000	4,905,000	4,437,000	4,437,000

Staffing	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
FTEs	6.7	6.4	6.4	6.4

Performance Measure Detail

Activity:	Incremental Changes			
	<u>FY 2018</u>	<u>FY 2019</u>	<u>FY 2020</u>	<u>FY 2021</u>
Program: 060				
F120 CSD Field Support Services	0	0	0	0
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	481,000	445,000	0	0
B Employee Benefits	204,000	192,000	0	0
C Professional Service Contracts	2,721,000	4,211,000	4,437,000	4,437,000
E Goods and Other Services	39,000	36,000	0	0
G Travel	2,000	2,000	0	0
P Debt Service	2,000	2,000	0	0
T Intra-agency Reimbursements	18,000	17,000	0	0
Total Objects	3,467,000	4,905,000	4,437,000	4,437,000

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	2,303,000	3,266,000	1,981,800	1,981,800
GFS2 General Fund State TANF Moe	1,135,000	1,608,000	2,422,200	2,422,200

Total for Fund 001-1 **3,438,000** **4,874,000** **4,404,000** **4,404,000**

Fund 001-2, General Fund-Federal

Sources Title

E61L	Food Stamp Program (50%)	23,000	25,000	26,000	26,000
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<i>Total for Fund 001-2</i>		23,000	25,000	26,000	26,000
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Fund 001-C, General Fund-Medicaid

Sources Title

19UL	Title XIX Admin (50%)	6,000	6,000	7,000	7,000
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<i>Total for Fund 001-C</i>		6,000	6,000	7,000	7,000
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<i>Total Overall Funding</i>		3,467,000	4,905,000	4,437,000	4,437,000
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Information Technology Addendum

Recsum Code and Title **060-M2-FH-Replacing Antiquated Payment System**

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
Integration Staff (including DEL FTE costs)	425,000	425,000	50,000	50,000
Purchase and Implementation	1,401,000	1,401,000	0	0
S3P Licenses	30,000	0	0	0
Independent Verification & Validation	30,000	50,000	0	0
External Quality Assurance	250,000	63,000	0	0
Total Cost	2,136,000	2,106,000	50,000	50,000

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? (Answer Yes or No) Yes
2. Does this decision package fund the acquisition or enhancements of any agency data centers? (See OCIO Policy 184 for definition.) (Answer Yes or No) No

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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.) (Answer Yes or No) 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.