

STATE OF CALIFORNIA
Budget Change Proposal - Cover Sheet
 DF-46 (REV 02/20)

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|--|------------------------------|---|------------------------------|
| Fiscal Year FY 2020-21 | Business Unit 4260 | Department Health Care Services | Priority No. |
| Budget Request Name 4260-193-BCP-2020-MR | | Program 3960 | Subprogram 3960010 |

Budget Request Description

The Department of Health Care Services requests expenditure authority of \$11,152,000 (\$1,115,000 General Fund (GF); \$10,037,000 Federal Fund (FF)) in fiscal year (FY) 2020-21 to continue the existing modernization effort for the Federal Draw and Reporting (FDR) project. The proposal includes provisional language to allow an augmentation of up to a maximum of \$1,115,000 (\$1,115,000 GF), contingent upon satisfactory progress of milestones associated with the FDR Product Roadmap, product adoption and the roadmap change management processes.

Budget Request Summary

Medi-Cal Enterprise System Modernization: Federal Draw and Reporting Project

| | | |
|--|---|-------------|
| Requires Legislation <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | Code Section(s) to be Added/Amended/Repealed | |
| Does this BCP contain information technology (IT) components? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i> | Department CIO | Date |

For IT requests, specify the project number, the most recent project approval document (FSR, SPR, S1BA, S2AA, S3SD, S4PRA), and the approval date.

Project No.

Project Approval Document:

Approval Date:

If proposal affects another department, does other department concur with proposal? Yes No

Attach comments of affected department, signed and dated by the department director or designee.

| | | | |
|----------------------------|-------------|-------------------------|-------------|
| Prepared By | Date | Reviewed By | Date |
| Department Director | Date | Agency Secretary | Date |

Additional Review: Capital Outlay ITCU FSCU OSAE CALSTARS Dept. of Technology

| | |
|----------------------------|---|
| PPBA Laura Ayala | Date submitted to the Legislature 5/14/2020 |
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Analysis of Problem

A. Budget Request Summary

The Department of Health Care Services (DHCS) requests expenditure authority of \$11,152,000 (\$1,115,000 General Fund (GF); \$10,037,000 Federal Fund (FF)) in fiscal year (FY) 2020-21 to continue the existing modernization effort for the Federal Draw and Reporting (FDR) project. The proposal includes provisional language to allow an augmentation of up to a maximum of \$1,115,000 (\$1,115,000 GF), contingent upon satisfactory progress of milestones associated with the FDR Product Roadmap, product adoption and the roadmap change management processes.

In order to realign the funding resources due to the transition of the MEDS Modernization project from Office of Systems Integration (OSI) to DHCS, this request includes a Baseline Budget Adjustment (BBA) to adjust expenditure authority for DHCS, OSI, and Department of Social Services (CDSS) under the MEDS Modernization Project Multi-Departmental Team's BCP (0530-302-BCP-2019-A1) for FY 2020-21 through FY 2022-23. This adjustment eliminates the previously approved funding for the MEDS Mod effort effective July 1, 2020.

B. Background/History

In partnership with the federal Centers for Medicare and Medicaid Services (CMS), DHCS is California's single state agency responsible for administering the federal Medicaid program, known as Medi-Cal in California. DHCS partners with counties to enroll Medi-Cal beneficiaries and with other state departments on related programs for vulnerable Californians such as CalWORKS, CalFRESH, Covered California (Affordable Care Act) and In-Home Support Services. DHCS and its partners use a myriad of often patchwork and outdated systems to administer more than \$100 billion annually to deliver vital health care services to about 13 million or one in three Californians on Medi-Cal.

To improve outcomes and resource efficiencies, CMS, DHCS and the California Health and Human Services Agency (CHHSA) are changing their approach from focusing on individual IT systems to focusing on the entire Medicaid Enterprise, where Medicaid Management Information System (MMIS) and Eligibility and Enrollment (E&E) systems efforts are handled in coordination as MES. The California Medicaid Management Information System (CA-MMIS) Modernization, Medi-Cal Eligibility Data System (MEDS) Modernization and California Behavioral Health Data Systems Modernization (CBHDSM) projects, as currently structured/scoped are not in alignment with this new enterprise approach (e.g., focus on project scope linkage with enterprise business drivers) and should be handled as part of this larger shift in approach to MES.

The CA-MMIS Modernization Approach previously received 32.0 permanent positions and 2.0 LT positions for EITS through the Budget Change Proposal (BCP) request: 4260-501-BCP-2017-MR and 4260-406-BCP-2018-MR. These positions and expenditure authority support the Med Compass Project, FDR project, Cal-ARM project, and the Claims Modernization Discovery effort.

- 4260-501-BCP-2017-MR, approved for 7.0 permanent positions and funding for consultants and hardware, software and hosting services for CA-MMIS modernization efforts. The requested expenditure authority for FY 2017-18 and ongoing is \$5,754,000 (\$575,000 General Fund and \$5,179,000 Federal Fund).
- 4260-406-BCP-2018-MR, approved for 17.0 permanent positions for FY 2018-19, 2.0 LT funded positions and multiyear funding for consultants and hardware, software and hosting services. 8.0 permanent positions were also approved to begin in FY 2019-20. Per BCP 4260-

Analysis of Problem

406-BCP-2018-MR, \$4,000,000 for FDR Project and \$4,549,000 for Cal-ARM Project are available in FY 2020-21.

- o Additionally, provisional language that may augment the amount appropriated up to a maximum of \$52,980,000, contingent on lessons learned or completion of milestones related to CA-MMIS modernization modules

The MEDS Modernization Project Multi-Departmental Team (previously managed by the OSI received one-time resources of \$21.2 million total funds in FY 2019-20 (0530-302-BCP-2019-A1), including funding for 27.0 four-year LT resources to continue the agency-wide efforts to modernize the outdated Medi-Cal Eligibility Data System (3.0 DHCS, 20.0 OSI, 4.0 CDSS. This funding provided continued support for staff resources equivalent to 24.0 existing LT positions and 3.0 new LT positions, as well as contractor and other resources. Effective January 1, 2020, management of further efforts to modernize the MEDS was transferred from OSI to DHCS, with the intention to absorb these efforts into the larger MES modernization. Effective July 1, 2020, the previously approved resources for this effort will no longer be funded.

Resource History

(Dollars in thousands)

| Program Budget | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
|-------------------------|----------------|----------------|----------------|----------------|----------------|
| Authorized Expenditures | 52,947 | 52,216 | 52,442 | 53,831 | 68,137 |
| Actual Expenditures | 47,846 | 51,271 | 50,033 | 53,270 | 60,528 |
| Revenues | N/A | N/A | N/A | N/A | N/A |
| Authorized Positions | 303.5 | 307.1 | 276.5 | 277.5 | 278.5 |
| Filled Positions | 274.6 | 283.1 | 249.2 | 260.2 | 256.9 |
| Vacancies | 28.9 | 24.0 | 27.3 | 17.3 | 21.6 |

Workload History

| Workload Measure | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
|---------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Deliverables | N/A | N/A | N/A | 303 | 265 |
| Issues and Risk Management Activities | N/A | N/A | N/A | 80 | 344 |
| Business Rules Validation | N/A | N/A | N/A | 9,750 | 9,365 |
| Business Requirements Validation | N/A | N/A | N/A | 13,553 | 3,634 |
| Test Scripts | N/A | N/A | N/A | 7,875 | 28,085 |

Analysis of Problem

| Workload Measure | 2014-15 | 2015-16 | 2016-17 | 2017-18 | 2018-19 |
|----------------------------------|----------------|----------------|----------------|----------------|----------------|
| Internal Trainings State | N/A | N/A | N/A | 48 | 70 |
| Develop & Deliver Training | N/A | N/A | N/A | 24 | 42 |
| Impediments Activities | N/A | N/A | N/A | 38 | 470 |
| MITA Business Areas Affected | N/A | N/A | N/A | 1 | 4 |
| Key decisions Written | N/A | N/A | N/A | 204 | 204 |
| Application Development Services | N/A | N/A | N/A | 90 | 100 |
| Technology Integration Services | N/A | N/A | N/A | 360 | 400 |
| Quality Code & Tools Services | N/A | N/A | N/A | 180 | 200 |
| Security Integration Services | N/A | N/A | N/A | 560 | 700 |
| Change Management | N/A | N/A | N/A | 450 | 500 |
| IT Support Services | N/A | N/A | N/A | 180 | 200 |

** The modernization efforts started in FY 2017-18*

C. State Level Consideration

This proposal supports: 1) the Department's Strategic plan and mission to provide access to affordable, integrated, high-quality health care; 2) DHCS's alignment with Medicaid Information Technology Architecture (MITA). DHCS has restructured to consolidate its IT responsibilities to strengthen the organization's ability to support the delivery of services to programs and beneficiaries through improved technology. DHCS programs are intertwined and dependent upon technology and it is critical that the programs not only rely upon the technology to support their needs, but can reliably utilize technology to advance their goals and objectives. FDR is one of many projects under the modernization umbrella and serves to demonstrate the effectiveness of a more modern method for system modernization that can be applied to DHCS' future modernization efforts.

D. Justification

To successfully continue modernizing the technology that supports DHCS and the Medi-Cal program's FDR functions, it is critical the State increase the FDR project's contractor resources to perform the design, development, and implementation activities associated with the FDR product increments needed by FDR business areas in FY 2020-21. Like other efforts to modernize DHCS' aging Medi-Cal Enterprise Systems (MES) environment, the FDR project is employing an incremental approach to implementing modernized system components. The funding included in this request to support additional contract resources for the FDR project will ensure critical components of modernized FDR system functionality are developed and implemented timely as needed by the Medi-Cal and other DHCS programs.

In January 2020, CMS approved effort and funding for FDR, Cal-ARM and Claims Modernization projects as described in the MES Implementation Advanced Planning Document Update (IAPDU) (August 2019). This BCP requests increased funding to support the expenditure authority to continue design, development and implementation for FDR project.

The design, development, and implementation approach being used with the ongoing FDR project will serve to demonstrate the effectiveness of this more modern method for system modernization that can be applied to DHCS' future MES modernization efforts.

Analysis of Problem

Contractual Services (\$11,152,000)

To support the increasing and specialized workload associated with the MES FDR modernization project, funding for a variety of contract services is being requested.

FDR Modernization: \$11,152,000 (\$1,115,000 GF; \$10,037,000 FF)

New appropriation of \$1,115,000 GF and \$10,037,000 FF in FY 2020-21 for FDR to continue with Design, Develop and Implement activities for FDR.

Without adequate resources, DHCS will be unable to execute and maintain ongoing modernization efforts for DHCS' FDR business services, and retain required federal funding. This would delay implementation of the complete MES FDR system component and business process changes mandated by CMS and requested by the programs. It would hinder the DHCS' ability to perform essential, mandated functions. Every area of DHCS will be adversely affected, from program functions and administrative management to IT and project management services. Approval of this request will help the State maintain enhanced Federal Funding to DHCS' programs.

E. Outcomes and Accountability

FDR Modernization: The goal of the FDR project component of the overall MES modernization effort is to improve the existing accounts payable business service by automating the manual processes, adding ad hoc reporting capabilities necessary to conduct financial analysis, integrating and reconciling data with other state accounting systems and improving the CMS reporting capabilities. The FDR solution will replace the existing CMS 64 system.

DHCS is following agile methods for the FDR system development. This means the FDR team designs, builds, and tests individual features and components of system in two-week sprints based on a prioritized backlog of work. In order to demonstrate business value early and gain feedback from users, the system is being built incrementally. The first version of the application that DHCS expects to put into production use – a minimum viable product (MVP) -- will provide end-to-end processing for Managed Care invoices consisting of invoice, receipt, and draw processing, including associated system administration, form printing and critical reports.

Work accomplished in the FY 2019-20

- Onboarding of the FDR engineering and software development contractor
- Approval of the Product Roadmap for FDR
- Design and development for the October 2020 release (Minimum Viable Product (MVP))
- Testing and validation of the FDR product for the October 2020 release

Work planned in the FY 2020-21

- Continued testing and validation of the FDR product for the October 2020 MVP release
- MVP Release in October 2020
- Integrate existing CAPMAN data directly into FDR processing
- Generate full financial data set needed for reports required by CMS
- Fully transition users from legacy draw system to FDR

Analysis of Problem

Projected Outcomes

| Workload Measure | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 |
|---|---------|---------|---------|---------|---------|---------|
| Deliverables | 280 | 300 | 320 | 350 | 400 | 450 |
| Business Rules Validation | 10,000 | 11,000 | 12,000 | 13,000 | 14,000 | 15,000 |
| Business Requirements Validation | 4,550 | 5,570 | 6,000 | 6,530 | 7,100 | 7,630 |
| Test Scripts | 33,700 | 40,441 | 48,530 | 50,100 | 52,000 | 53,750 |
| Impediments Activities | 565 | 678 | 812 | 812 | 812 | 812 |
| Issues Management Activities | 340 | 400 | 450 | 500 | 575 | 625 |
| Risk Management Activities | 50 | 100 | 125 | 150 | 175 | 200 |
| MITA Business Areas Affected | 6 | 7 | 7 | 7 | 7 | 7 |
| MITA Business Processes Affected | 75 | 75 | 75 | 75 | 75 | 75 |
| Key decisions Written | 245 | 294 | 352 | 375 | 400 | 425 |
| Application Development Services | 110 | 120 | 130 | 140 | 150 | 160 |
| Technology Integration Services | 440 | 500 | 550 | 600 | 650 | 700 |
| Quality Code & Tools Services | 220 | 250 | 300 | 325 | 400 | 450 |
| Security Integration Services | 840 | 1,000 | 1,200 | 1,300 | 1,400 | 1,500 |
| Change Management | 550 | 600 | 650 | 725 | 800 | 850 |
| IT Support Services | 220 | 300 | 325 | 350 | 375 | 400 |
| Federal and State Oversight | 200 | 200 | 200 | 200 | 200 | 200 |
| Updates to Integrated Information Architecture Document or Standard | 150 | 150 | 150 | 150 | 150 | 150 |
| Updates to Integrated Business Architecture Document or Standard | 150 | 150 | 75 | 75 | 75 | 75 |
| User Acceptance Test Scripts Developed, Maintained, Run | 24,000 | 26,000 | 28,000 | 30,000 | 31,000 | 32,000 |
| Procurement Duties | 400 | 500 | 600 | 700 | 700 | 700 |
| Transition Activities | 800 | 820 | 850 | 850 | 900 | 950 |
| Modular Implementation | 3,400 | 3,750 | 4,000 | 4,250 | 4,500 | 4,750 |
| Modular Maintenance | 1,580 | 1,580 | 1,580 | 1,580 | 1,580 | 1,580 |
| Program Consults | 550 | 600 | 650 | 700 | 750 | 775 |

F. Analysis of All Feasible Alternatives

Alternative 1: Approve requested expenditure authority of \$11,152,000 (\$1,115,000 GF; \$10,037,000 FF) in FY 2020-21 to continue the existing modernization project for the Federal Draw and Reporting (FDR) project.

Analysis of Problem

Pros

- Provides necessary resources to fund the continuance of the existing FDR modernization project.
- Supports the transformation of DHCS' IT Operations in alignment with the modernized technology.
- Allows DHCS to drive standardization of the overall MES solution from an enterprise-wide perspective.
- Maintains enhanced federal financial participation.

Cons

- Increases costs to the General Fund.

Alternative 2: Re-direct existing staff to meet the needs of the current modernization projects, transformation of DHCS' IT Operations, and administrative support for the MES modernization.

Pros

- Does not increase State personnel costs.
- Does not increase the number of State staff.
- No increased costs to the General Fund.

Cons

- Does not provide sufficient resources to support the ongoing and future needs of the MES FDR modernization effort.
- Reduces staff in other critical DHCS areas.
- Delays the ability of DHCS to drive the overall MES solution from an enterprise-wide perspective.
- Jeopardizes the ability to maintain continued enhanced Federal Funding Participation.

Alternative 3: Do not approve of any of the resources being requested.

Pros

- Will not increase the number of State staff.
- Will not increase State personnel costs.
- Does not increase the costs to the General Fund.

Cons

- Does not provide the resources necessary to support the ongoing and future needs of the MES FDR modernization effort.
- May lead to failure of the existing FDR modernization projects due to insufficient staffing.
- Does not allow for DHCS to drive the overall MES solution from an enterprise-wide perspective.
- Jeopardizes the ability to maintain continued enhanced Federal Funding Participation.

G. Implementation Plan

The timeline for acquisition of resources and the assignment of initial is as follows:

Proposed Timeline

First half of FY 2020-21 (July 1 through December 31, 2020)

Analysis of Problem

- Continue development and implementation of solution to ultimately replace legacy CMS 64 system for Federal Draw and Reporting.

Second half of FY 2020-21 (January 1 through June 30, 2021)

- Continue implementation of solution to replace legacy CMS 64 system for Federal Draw and Reporting.

H. Supplemental Information

The request includes one-time expenditure authority of \$11,152,000 (\$1,115,000 GF; 10,037,000 FF) in FY 2020-21 to continue the existing modernization project for FDR.

I. Recommendation

Alternative 1: Approve requested expenditure authority of \$11,152,000 (\$1,115,000 GF; \$10,037,000 FF) in FY 2020-21 to continue the existing modernization project for the Federal Draw and Reporting (FDR) project.

Without adequate resources, DHCS will eventually be unable to execute and maintain the FDR modernization effort, improve business services, and retain required federal funding. This would delay implementation of system and business process changes mandated by CMS and requested by the programs.

J. Proposed Budget Act Provisional Language

Add Provision to Item 4260-001-0001:

0001—General Fund

- (1) (a) The amount appropriated in Schedule (1) of this item may be augmented up to a maximum of \$1,115,000 for project activities related to Federal Draw and Reporting (FDR) upon approval by the Department of Finance, in consultation with the Department of Technology. The approval shall consider verified satisfactory progress of milestones associated with the FDR Product Roadmap, product adoption and the roadmap change management processes.

K. BCP Fiscal Detail Sheet

BCP Title: Medi-Cal Enterprise System Modernization: Federal Draw and Reporting Project

BR Name: 4260-193-BCP-2020-MR

**Budget Request
Summary**

Operating Expenses and Equipment
5340 - Consulting and Professional Services -
External

Total Operating Expenses and Equipment

Total Budget Request

Fund Summary

Fund Source - State Operations
0890 - Federal Trust Fund

Total State Operations Expenditures

Total All Funds

Program Summary

Program Funding
3960010 - Medical Care Services (Medi-Cal)

Total All Programs

| | FY20 | | | | | |
|---|------------|-----------------|------------|------------|------------|------------|
| | CY | BY | BY+1 | BY+2 | BY+3 | BY+4 |
| Operating Expenses and Equipment 5340 - Consulting and Professional Services - External | 0 | 10,037 | 0 | 0 | 0 | 0 |
| Total Operating Expenses and Equipment | \$0 | \$10,037 | \$0 | \$0 | \$0 | \$0 |
| Total Budget Request | \$0 | \$10,037 | \$0 | \$0 | \$0 | \$0 |
| Fund Summary | | | | | | |
| Fund Source - State Operations 0890 - Federal Trust Fund | 0 | 10,037 | 0 | 0 | 0 | 0 |
| Total State Operations Expenditures | \$0 | \$10,037 | \$0 | \$0 | \$0 | \$0 |
| Total All Funds | \$0 | \$10,037 | \$0 | \$0 | \$0 | \$0 |
| Program Summary | | | | | | |
| Program Funding 3960010 - Medical Care Services (Medi-Cal) | 0 | 10,037 | 0 | 0 | 0 | 0 |
| Total All Programs | \$0 | \$10,037 | \$0 | \$0 | \$0 | \$0 |