

**STATE OF CALIFORNIA**  
**Budget Change Proposal - Cover Sheet**  
 DF-46 (REV 10/20)

<b>Fiscal Year</b> FY 2022-23	<b>Business Unit</b> 4260	<b>Department</b> Health Care Services	<b>Priority No.</b>
<b>Budget Request Name</b> 4260-194-BCP-2022-A1		<b>Program</b> 3960	<b>Subprogram</b> 3960010

**Budget Request Description**  
 California Medi-Cal Enterprise Systems Modernization

**Budget Request Summary**

The Department of Health Care Services requests 5.0 permanent positions and limited term (LT) contract expenditure authority of \$20,794,000 (\$2,721,000 General Fund (GF); \$18,073,000 Federal Fund (FF)) in fiscal year (FY) 2022-23, \$14,214,000 (\$2,886,000 GF; \$11,328,000 FF) in FY 2023-24, and \$1,007,000 (\$205,000 GF, \$802,000 FF) in FY 2024-25 and ongoing to support information technology modernization projects.

<b>Requires Legislation</b> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	<b>Code Section(s) to be Added/Amended/Repealed</b>	
<b>Does this BCP contain information technology (IT) components?</b> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i>	<b>Department CIO</b> Chris Riesen	<b>Date</b> 4/1/2022

**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.*

<b>Prepared By</b> Jessica Bogard	<b>Date</b> 4/1/2022	<b>Reviewed By</b> Erika Sperbeck	<b>Date</b> 4/1/2022
<b>Department Director</b> Michelle Baass	<b>Date</b> 4/1/2022	<b>Agency Secretary</b> Kimberly Chen for Mark Ghaly, CalHHS Secretary	<b>Date</b> 4/1/2022

**Department of Finance Use Only**

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

<b>PPBA</b>	<b>Date submitted to the Legislature</b>
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## Analysis of Problem

### A. Budget Request Summary

The Department of Health Care Services (DHCS) requests 5.0 permanent positions and limited term (LT) contract expenditure authority of \$20,794,000 (\$2,721,000 General Fund (GF); \$18,073,000 Federal Fund (FF)) in fiscal year (FY) 2022-23, \$14,214,000 (\$2,886,000 GF; \$11,328,000 FF) in FY 2023-24, and \$1,007,000 (\$205,000 GF, \$802,000 FF) in FY 2024-25 and ongoing to support information technology (IT) modernization projects.

This funding request supports activities for the following approved projects and efforts: 1) California Automated Recovery Management (CalARM) solution's design, development, and implementation, 2) Behavioral Health Modernization (BHM) solution design and project readiness assessment as part of the Project Approval Lifecycle, and 3) FY 2022-23 will continue to utilize the resources approved for Medi-Cal Enterprise Systems Modernization strategy and architecture planning in developing/refining the modernization approach, architecture, roadmap, and a modernization product/module portfolio.

A summary of LT contract dollars being requested in FY 2022-23:

Product/Effort	Duration	Contract Amounts
CalARM	2-Year	\$12,790,000
MES Modernization Support (Engineering/ DevOps/ Organizational Change Management/ Oversight)	2-Year	\$2,125,000
BHM	1-Year	\$1,425,000
MES Modernization Strategy and Architecture Planning	2-Year	\$3,402,000
<b>Total</b>		<b>\$19,742,000</b>

A summary of positions being requested in FY 2022-23 and ongoing:

Division	Positions
Enterprise Technology Services (ETS), Information Security:	<ul style="list-style-type: none"> <li>1.0 Information Technology Specialist III (ITS III)</li> </ul>
Medi-Cal Enterprise Systems Modernization Division (MESMD):	<ul style="list-style-type: none"> <li>1.0 Information Technology Manager I (ITM I)</li> <li>2.0 ITS III</li> <li>1.0 ITS II</li> </ul>

### 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. DHCS also administers the state's Behavioral Health and other programs for Californians. DHCS partners with counties to enroll Medi-Cal beneficiaries and work with other state departments on related programs for vulnerable Californians such as CalWORKs, CalFresh, Covered California, and In-Home Supportive Services. DHCS and its partners use a myriad of often patchwork and outdated systems to administer about \$125 billion annually to deliver vital health care services to about 14 million, or one in three, Californians in Medi-Cal.

Over time, the Medi-Cal beneficiary population has shifted from the fee-for-service delivery model to the managed care delivery model. Currently, more than 83 percent of Medi-Cal beneficiaries are in managed care and this number continues to grow. To keep pace with these service delivery changes, and to improve outcomes and resource efficiencies, for the

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past two years, DHCS has changed its modernization approach from focusing on individual IT systems to focusing on the entire Medicaid Enterprise System, where Medicaid Management Information System (MMIS) and Eligibility and Enrollment (E&E) systems efforts are handled in coordination as MES. This approach aligns with CMS' Medicaid Information Technology Architecture (MITA) framework. MES Modernization efforts have transitioned to the new enterprise approach of focusing on project scope linkage with enterprise business drivers. More broadly, this shift to a MES Modernization approach has enabled DHCS resources to support the portfolio of efforts within MES Modernization. Execution of the approach utilizes an Agile based system development methodology.

Individual modernization projects previously received funding through budget augmentations including the following, with additional detail below: 4260-501-BCP-2017-MR, 4260-402-BCP-2018-MR, 4260-406-BCP-2018-MR, 4260-308-BCP-2019-A1, 4260-193-BCP-2020-MR, and 4260-052-BCP-2021-GB. The positions and expenditure authority approved in these BCPs support the MedCompass project, Federal Draw and Reporting (FDR) project, CalARM project, BHM project, the Claims Modernization effort, and Modernization Strategy and Architecture planning.

- 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 GF and \$5,179,000 FF).
- 4260-402-BCP-2018-MR approved resources to strengthen fiscal oversight of the Mental Health Services Act, the Medi-Cal Mental health Managed Care Program and for the planning effort for BHM. The approved expenditure authority for FY 2021-22 and ongoing is \$4,045,000 (\$1,042,000 Mental Health Services Fund (MHSF), \$1,502,000 GF and \$1,501,000 FF).
- 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 4260-406-BCP-2018-MR, \$4,000,000 for FDR Project and \$4,549,000 for CalARM Project are available in FY 2020-21.
  - 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.
- 4260-308-BCP-2019-A1 approved the reappropriation of expenditure authority of \$2,053,000 (\$808,000 GF, \$1,245,000 FF) in FY 2019-20 to cover the planning costs of the BHM project.
- 4260-193-BCP-2020-MR, approved funding for the FDR project. The requested expenditure authority for FY 2020-21 is \$11,152,000 (\$1,115,000 GF; \$10,037,000 FF).
- 4260-052-BCP-2021-GB, approved funding for the FDR, CalARM, BHM project and Modernization Strategy and Architecture. The request is a LT expenditure authority of \$22,279,000 (\$4,016,000 GF; \$18,263,000 FF) in FY 2021-22 and \$1,275,000 (\$128,000 GF; \$1,147,000 FF) in FY 2022-23.

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### Resource History (Dollars in thousands)

#### Enterprise Technology Services and Medi-Cal Enterprise Systems Modernization Division

\*Enterprise Technology Services was reorganized during FY 2020-21, and three new divisions were created; (1) Business Operations Technology Services Division, (2) Information Technology Strategy Services Division and (3) Medi-Cal Enterprise System Modernization. At this time resource history table information is not available for this division.

#### Workload History

<b>Workload Measure</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>
Backlog Items Identified (new product requirements)	N/A	N/A	60	2,200	3,450
Backlog Items Resolved	N/A	N/A	38	860	1,040
Defects Identified	N/A	N/A	1	190	514
Defects Resolved	N/A	N/A	1	140	253
Business Requirements Validation <sup>2</sup>	N/A	N/A	2,900	3,630	5,570
Test Scripts <sup>3</sup>	N/A	N/A	7,875	28,080	40,400
Issues and Risk Management Activities	N/A	N/A	80	340	350
Medicaid Information Technology Architecture (MITA) Business Areas Affected	N/A	N/A	1	2	2
Change Management	N/A	N/A	450	500	550
Procurement Activities <sup>4</sup>	N/A	N/A	300	350	600
System Security Plans	N/A	N/A	40	40	40
Technical Recovery Plans	N/A	N/A	40	40	40
Monthly Security Oversight Meetings	N/A	N/A	20	20	20

<sup>1</sup> The figures in this table represent the combined historical workload efforts of the FDR, CalARM, MedCompass, BHM, and Claims Modernization projects.

<sup>2</sup> The increases in Backlog Balance is the result of increased requirements from the programs as they identify additional requirements and product expectations.

<sup>3</sup> Changes in Test Script workloads is reflecting the ongoing MedCompass Maintenance and Operations (M&O) activities, and the ramping up of FDR implementation activities, anticipated development activities for CalARM.

<sup>4</sup> Procurement Activities have been steadily increasing, and reflects the ongoing workload associated with annual software purchases, amending existing contracts, and bringing on new contractors to assist with the development and implementation of the FDR, BHM, MedCompass, and CalARM projects.

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### C. State Level Consideration

DHCS and CMS are focused on building modern technology to support the delivery of Medicaid (Medi-Cal) services in California. Medi-Cal is a complex and critical set of services that are delivered to one in three Californians, so is the technology that supports it. Additionally, DHCS has statewide responsibility for behavioral health (mental health and substance use disorder) services. Many of the systems that support DHCS and its programs today were built over many decades, based upon needs defined at the time of their development and are not based on modern architecture approaches to building efficient, flexible technology. The current system technology limitations have contributed to DHCS' challenges in implementing current and future business needs. Business needs have arisen from recent policy priorities and changes that are intended to address changing health needs influenced by evolving social and economic factors.

As DHCS completes its first iteration of developing a modernization strategy and approach, and a governance model based on business priorities, MES efforts to deliver enterprise services that meet DHCS priorities will begin in FY 2022-23. This will continue to enable the modernization of DHCS systems that supports California's critical health care delivery programs. If California does not modernize these systems, risk related to continued delivery of critical health services in California will continue to increase. In addition, the inability to implement program changes timely and the likelihood of critical systems failure, resulting in significant outages that impact beneficiaries, will continue to increase. Therefore, it is imperative that California modernize these systems to strengthen the foundation of a key component of California's health care delivery system.

### D. Justification

The critical technology that supports the State of California health care programs' (Medi-Cal, Behavioral Health, etc.) ability to support Californians, the MES, is a fragile patchwork of systems that struggles to meet business needs, react timely to changing state and federal requirements, and is inefficient and unnecessarily costly to maintain. These issues hinder the State of California health care programs from being able to deliver health services in modern ways that, for example, utilize data to understand local population needs and allow beneficiaries to have better access to services and their health care information. Much of the current systems were built during a time when the main method used for delivering services was a fee-for-service model. However, over time, major shifts have occurred such that over 80 percent of the Medi-Cal beneficiary population is covered through the managed care plan service delivery model and this shift continues to grow. MES Modernization needs to take in to account the recent and future planned changes in its service delivery model.

The MES Modernization effort was put in place to drive the transformation of DHCS IT to address the challenges (e.g., hard to maintain legacy technology, inability to update or create new business rules by business users, lack of full alignment with the MITA framework, etc.) related to the DHCS' programs ability to support the delivery of health care services. DHCS is requesting funding to plan and implement the strategic transformation of DHCS IT to a modern, sustainable, and enterprise-focused MES environment. The MES Modernization team is currently delivering on the business needs of the Financial Management Division (FMD), Third-Party Liability and Recovery Division (TPLRD), and Behavioral Health program. As DHCS develops the MES Modernization roadmap, creates the MES portfolio, and establishes the MES Modernization governance structure in FY 2021-22, the MES Modernization team will start development activities for modernization work efforts that get approved via the business-driven governance and identified on the MES Modernization roadmap.

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DHCS is requesting 5.0 permanent positions and contract resources to support current and future modernization projects. Federal funding for these resources will be supported by the Medicaid and Children's Health Insurance programs, and is reflected in the split of costs between the General and Federal funds.

### **Modernization (5.0 permanent positions)**

1.0 Information Technology Manager I (ITM I)

3.0 Information Technology Specialist III (ITS III)

1.0 Information Technology Specialist II (ITS II)

Below are the high-level descriptions of the positions being requested to support MES Modernization efforts.

The requested resources are required to continue to build a team of state staff responsible for working alongside contract resources so that the state will have the capacity and technical skills necessary to take ownership of current and future modernization efforts. These resources will assist with the planning, procurement, security, support, development and implementation of improvements for FDR, BHM, CalARM, and future MES Modernization products.

For the CalARM project as we onboard a solution vendor and a Digital Support Services vendor will require state leadership to apply lessons learned through the FDR project and support the CalARM SaaS solution through design, development and implementation (DDI) activities. Additionally, as BHM prepares to transition from PAL stage gate process to DDI, DHCS will assign a dedicated Project Manager and Product Manager/Owner to manage and deliver on BHM project objectives.

The MESMD state team is being organized based on a modern approach to developing and maintaining products, rather than being organized into traditional project silos. While some resources may have specific product assignments during a phase of work, most will have enterprise responsibilities that span both products and projects. This approach will best support the long-term effort of modernizing the MES.

Due to the sensitivity of California's beneficiaries, DHCS must be diligent in protecting the data that our systems stores. DHCS must include the Information Security Office (ISO) to ensure the safe keeping of this information as the ISO will provide information security oversight for the MESMD modernization activities. The ISO requests a permanent full-time resource to provide information security oversight and security architecture for the MESMD modernization activities. This position will provide information security oversight, security governance, and security architecture for the systems modernization within DHCS. As the subject matter expert (SME), they are responsible for security oversight and providing information security expertise to the MESMD and the DHCS' programs, assuring administrative policies, procedures, and the appropriate technical controls are implemented in compliance with Federal and state information security laws and regulations.

- 1.0 ITM I:
  - 1.0 ITM I (MES Modernization/CalARM QA Manager) provides automated and manual Quality Assurance leadership in an agile and cloud environment. This position will specialize in technical leadership in the areas of Quality Assurance. Responsibilities include implementing and enforcing standards and best practices throughout the CalARM project as well as MESMD and across project efforts. Responsible for the planning, management, and execution of technical

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vision related developing and operating continuous testing and process automation within their discipline. This resource will initially focus on CalARM during the project duration and continue for other MES Modernization efforts.

- 3.0 ITS IIIs:
  - 1.0 ITS III (Sr. Technical Product Manager for MDE) provides technical leadership for infrastructure, pipelines, cloud services and developer services in an agile and cloud environment. Each position will provide specialized technical leadership in the areas of Engineering, Quality Assurance and Solution Architecture for the MDE which includes infrastructure, pipelines, cloud services and developer services. Responsibilities include implementing and enforcing standards and best practices throughout the MESMD Factory for the areas specified. Responsible for the planning, management, and execution of technical vision related to developing and operating cloud infrastructure, continuous integration and process automation within the MESMD Factory and MDE.
  - 1.0 ITS III (Sr. Technical Product Manager for Enterprise Services) provides technical leadership for Enterprise level services such as data mesh, business rules engines and other applications/services for use by stream aligned teams in an agile and cloud environment. This position will provide specialized technical leadership in the areas of Application Programming Interface (API) development, Quality Assurance and Solution Architecture with focus on Enterprise Services. Responsibilities include implementing and enforcing standards and best practices throughout the engineering teams related to the use and ingestion of Enterprise Services in applications. Responsible for the planning, management and execution of technical vision related to developing and operating of the Enterprise Services.
  - 1.0 ITS III (Information Security Architect) responsible for oversight of delivery functions across the domains of Systems Engineering, Software Engineering, and IT Project Management within MES Modernization. The ITS III will be responsible for developing, maintaining, and delivering the models, frameworks, principles, and design patterns that are used to plan, design, and implement MES Modernization solutions in the DHCS enterprise. This role will be responsible for:
    - Solution designs that enforce security best-practices for current and future state security architectures for the MES Modernization efforts.
    - Implementation of industry leading practices around cybersecurity risks and Cloud security for MES Modernization efforts.
    - The design, architecture and implementation of security principles, policies, controls, and procedures to design, architect, and implement systems with the focus on protecting the assets within the MES Modernization effort.
    - Hardware/software standards, bridging the gap between business needs and business systems, portfolio management, and rules for integrating MES Modernization activities with outside programs.
    - Design and develop security policies, standards, and procedures for MES Modernization effort.
    - Support security aspects of business and IT initiatives by assisting in architecture, design, implementation, deployment, and operational

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transition of innovative and secure technology solutions for MES Modernization effort.

- Evaluate security controls employed by on premise, cloud service and other third party providers in order to protect DHCS' information assets as part of the MES Modernization effort.

The ITS III, Information Security Architect will work collaboratively with the CISO, Chief Information Officer and Chief Technology Officer, MES Modernization leadership, enterprise project and portfolio management, enterprise architects, and other technology teams to align security, applications, and technology portfolios to the goals of the MES Modernization and departmental initiatives. The ITS III will be responsible for compliance with regulations such as the State Administrative Manual (SAM), Health Insurance Portability and Accountability Act (HIPAA), National Institute of Science and Technology (NIST) Special Publication (SP) 800-53, California Information Security Office requirements and mandates, and the Medicaid Information Technology Architecture (MITA).

- 1.0 ITS II
  - 1.0 ITS II (CalARM Scrum Master) provides support to the scrum team in using Agile methodology and scrum practices. Coaches the scrum and development teams in self-organization and removal of impediments while coaching the scrum team on removing impediments. Help the scrum and development teams to identify and fill in blanks in the Agile framework and coaches the scrum team achieve higher levels of scrum maturity. This resource will initially focus on CalARM during the project duration and continue for other MES Modernization efforts.

### **Contract Services (\$19,742,000)**

To support the increasing and specialized workload associated with MES modernization efforts, LT funding for a variety of contract services is being requested for FY 2022-23.

*MES Modernization Support: 2-year LT - \$2,125,000 (\$270,000 GF, \$1,855,000 FF)*

The current MES Modern Development Environment (MDE) effort has proven that the Cloud, DevOps and Agile methodologies can work as intended and support successful applications development. As MDE moves from supporting a single application (FDR) to multiple applications (FDR, CalARM, Interoperability, Population Health Management, Enterprise Data Warehouse and more) the need arises for MDE to coordinate across multiple projects. MDE contract is setup for developing, operating, researching and implementing the development platform, tools and the ongoing advancement of the cloud agile and DevOps practices but does not include resources for ensuring compliance of each project to these standards. Each project is responsible for implementing the changes to stay in compliance for their unique implementation but doing so without supporting services can put contracts and business goals at risk. As new tools, platform changes, standards are adjusted the MES Modernization Support services will focus on helping projects ingest, track and implement these advancements without putting their project/contract or business case at risk. In practice, for projects that go into Maintenance and Operations (M&O) such as FDR there is still a need to keep the application in compliance with MDE standards as they advance. For projects like CalARM the proposed solution from the prime vendor indicates using MDE services such as development pipelines for configurations/customizations/integration and this would allow us to ensure the compliance to the MDE for their unique solution. For new projects such as interop, population health, and



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enterprise data warehouse we will need to onboard those projects to the MDE's standards and practices in development and through M&O.

The Organizational Change Management (OCM) contract will plan, execute and support the transformation of DHCS, both Program and IT, knowledge, skills and abilities, including the transition of culture, process and operational approach. DHCS is requesting funding for MES Modernization Support as a cross-organizational and product agnostic team of resources with specialized skills, to meet our minimum obligations with ongoing FDR, CalARM, and MedCompass plans and commitments.

### Contract Services:

- MES Modern Development Environment \$1,706,000
- MES Modernization Organizational Change Management \$125,000
- MES Modernization CDT Oversight \$294,000

California Automated Recovery Management (CalARM): 2-year LT - \$12,790,000 (\$1,624,000 GF, \$ 11,160,000 FF)

DHCS will complete the procurement of a Software-as-a-Service vendor in FY 2021-22 for CalARM's detailed design, development and implementation activities. DHCS is requesting funding for the CalARM project to continue with design, development and implementation activities in FY 2022-23.

### Contract Services:

- CalARM Solution Software-as-a-Service vendor \$10,396,000
- CalARM Digital Support Services \$1,600,000
- CalARM Independent Validation and Verification \$500,000
- CalARM CDT Oversight \$294,000

Behavioral Health Modernization (BHM): 1-year LT - \$1,425,000 (\$181,000 GF, \$1,244,000 FF) annually

Since, Stage 1 Business Analysis (S1BA) was approved in October 2016, there was a need to revisit the business needs and outcomes documented in the S1BA. Due to the updates to the S1BA, the S2AA was delayed and not completed as planned in June 2021. This also delayed the start of Stage 3 Solution Design (S3SD) activities. S2AA is now planned to complete by April 2022 and activities for S3SD start in May 2022, delivering the S3SD document along with other required state and federal IT project approval documents. Therefore, DHCS is requesting funding for S3SD activities of the BHM project.

### Contract Services:

- Consulting Services \$1,275,000
- CDT Oversight \$150,000

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MES Modernization Strategy and Planning: 2-year LT - \$3,402,000 (\$432,000 GF, \$ 2,970,000 FF)

DHCS continues the development of DHCS' MES Modernization Strategy, which will include, but not be limited to, the development of an MES Modernization approach, MES Modernization roadmap, MES Modernization product/module portfolio, MES Modernization governance structure, initial understanding of cost and timeframes, and related MES Modernization management functions that cover risk management, issue management and other standard project management processes. The scope of the MES Modernization Strategy will be inclusive of the existing CA-MMIS systems and subsystems, along with the other systems that support the Medi-Cal Enterprise. MES Modernization will follow an incremental approach to product development and delivery. This will require an incremental approach to Strategy and Planning. While the initial Strategy and Planning will reveal sufficient understanding to get started, Strategy and Planning will be evolutionary throughout the entire modernization effort. Rather than identifying a specific plan that will outline and describe all details for the modernization work, we will incrementally plan for work in our near future. For example, requirements change, leadership changes, legislation changes, the needs of recipients evolve, healthcare delivery methods change, technology changes. Our Strategy and Planning efforts will be long-term and liquid in nature in order to support the many evolutionary components of the business we support. This multi-year effort will develop these deliverables iteratively with increasing granularity and precision, and in such a way as to substantiate this large and complex modernization effort.

### **E. Outcomes and Accountability**

The goal of the MESMD is to establish a permanent, experienced and functional IT organization that is capable of, and responsible for, modernizing legacy business processes (in partnership with program), infrastructure and systems with current technologies that support current and future business needs. The expectation is that this transformed IT organization will continue to maintain current viability of the new systems, ensuring that modernization efforts continue over time. DHCS has established the MES Modernization organization capable of modernizing all systems within DHCS.

Contract resources will complement state staff in order to meet workload and/or delivery date requirements. DHCS will continue implementation of the CalARM solution, complete S3SD and submit the IAPD for BHM, initiate development of Enterprise Services based on the MES Modernization Roadmap and Governance decisions. MES Modernization organization implements modern agile processes and will work to transform how IT operates in this new environment within DHCS. As part of this, the department will provision, configure and implement a current and viable set of tools and processes that will become the factory used for all MES Modernization product development efforts.

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### Projected Outcomes

Workload Measure	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27
Backlog Items Identified	3,960	3,960	3,960	3,960	3,960	3,960
Backlog Items Resolved	3,960	3,960	4,950	4,950	4,950	4,950
Defects Identified/Triage	990	990	990	990	990	990
Defects Resolved	990	990	990	990	990	990
CMS Certification and Quarterly Reporting	990	990	990	990	990	990
Issues and Risk Management Activities	990	990	990	990	990	990
Test Scripts	1,980	1,980	1,980	1,980	1,980	1,980
Release Management	990	990	990	990	990	990
Implementation Activities	990	990	990	990	990	990
Change Management	1,980	1,980	1,980	1,980	1,980	1,980
Procurement Activities	1,980	1,980	1800	1800	1800	1800
System Security Plans	160	160	160	160	160	160
Technical Recovery Plans	160	160	160	160	160	160
Monthly Security Oversight Meetings	40	80	80	80	80	80

## F. Analysis of All Feasible Alternatives

**Alternative 1:** Approve 5.0 permanent positions and contract expenditure authority of \$20,794,000 (\$2,721,000 GF; \$18,073,000 FF) in FY 2022-23, \$14,214,000 (\$2,886,000 GF; \$11,328,000 FF) in FY 2023-24, and \$1,007,000 (\$205,000 GF, \$802,000 FF) in FY 2024-25 and ongoing to continue support of critical modernization efforts. These positions will provide additional state leadership necessary to help guide the modernization work and will provide state resources to work together with contract resources to ensure the domain knowledge developed will remain with long-term state resources. New roles of Product Managers, Scrum Masters, Testing, Procurement, Architecture, and Security support are required to help provide detailed state product prioritization and direction from the state to the vendors and for the state to ensure vendor activities are following the new agile processes being established as part of the development factory.

### Pros

- Modernize systems that support critical programs to deliver health care services.
- Supports flexibility and agility required to implement health care delivery improvements. The longer the implementation timeframes for improvements the greater the risk for a program failure.
- 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.
- Ensures enhance Federal Funding Participation.
- Ensures Federal compliance.

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### Cons

- Increases costs to the General Fund.
- Increase state staff.

**Alternative 2:** Approve QA Manager (1.0 ITM I) and Technical Product Managers (2.0 ITS IIIs) to provide state leadership necessary to help guide the modernization work, provide detailed state product prioritization and direction from the state to the vendors in meeting business and project needs. Provide additional contract funding in place of the remaining requested state staff to meet the needs of the current modernization projects for testing and implementation support for CalARM.

### Pros

- Reduces DHCS' total reliability on supporting CalARM project using contracted resources.
- Modernize systems that support critical programs to deliver health care services.
- Ensures enhance Federal Funding Participation.

### Cons

- Does not provide sufficient resources or the skills needed to support the ongoing and future needs of the MES modernization effort.
- Increases contract funding to support Modernization efforts.
- Increases costs to the General Fund.

**Alternative 3:** Re-direct existing staff to meet the needs of the current modernization projects, transformation of DHCS' IT Operations, and support for the MES modernization approach. In addition to re-directing staff, there will also be significant training and mentoring required as much of the current staff does not have the technical or agile process skills and experience required.

### 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 or the skills needed to support the ongoing and future needs of the MES modernization effort.
- Delays modernizing technology infrastructure that supports critical healthcare services. This ultimately increases the risk on the state given the direction around healthcare.
- Existing staff are currently tasked with operating the legacy systems or other mission-critical efforts within DHCS. Re-directing staff from these efforts for Modernization, will negatively impact the current work and delay/extend start and delivery dates for Modernization efforts.

## G. Implementation Plan

The timeline for acquisitions and the assignment of initial projects and activities is as follows:

## Analysis of Problem

### Proposed Timeline

First half of FY 2022-23 (July 1 through December 31, 2022)

1. Recruit and fill positions (Recruitment preparation starts before FY 2022-23 so as to complete recruiting and fill positions at the start of FY 2022-23).
2. CalARM project continues with design, development and implementation activities.
3. Start S3SD documentation for BHM and develop other required state and federal IT project documents.
4. Continue DHCS Modernization Strategy and Planning activities with development of MES Modernization Roadmap and Governance.

Second half of FY 2022-23 (January 1 through June 30, 2023)

1. CalARM project continues with design, develop and implementation activities.
2. Complete and submit S3SD and APDU for BHM to California Department of Technology (CDT) and CMS respectively.
3. Continue DHCS Modernization Strategy and Planning activities with development of MES Modernization Roadmap and Governance.

### H. Supplemental Information

Attachment A: Workload Standards

Attachment B: Fiscal Worksheet

### I. Recommendation

**Alternative 1:** Approve 5.0 permanent positions and LT contract expenditure authority of \$20,794,000 (\$2,721,000 GF; \$18,073,000 FF) in FY 2022-23, \$14,214,000 (\$2,886,000 GF; \$11,328,000 FF) in FY 2023-24, and \$1,007,000 (\$205,000 GF, \$802,000 FF) in FY 2024-25 and ongoing to continue the existing and future modernization projects, transform DHCS IT Operations in support of the modernized technology, and support MES modernization approach.

If California does not modernize its systems, the risk related to the continued delivery of critical health services in California will continue to increase. In addition, the likelihood of critical systems failing, resulting in significant outages that impact Medi-Cal beneficiaries will continue to rise. Therefore, it is imperative that California modernize these systems to strengthen the foundation of a key health delivery program. Without adequate resources, DHCS will eventually be unable to execute and maintain modernization efforts for DHCS, improve business services, and retain required federal funding. This would delay the implementation of system and business process changes mandated by CMS and requested by the programs. Additionally, without modernized systems and business processes, programs will need to continue to staff up in order to meet the needs of the growing California population needs. Improved systems and processes will provide for improved efficiencies, reducing the need for continued growth and the expense related to that growth.

## J. Workload Standards

**WORKLOAD STANDARDS**  
**Enterprise Technology Services**  
**MES Modernization Division**  
**1.0 Information Technology Manager I**  
**802-363-1405-xxx**  
**Permanent**

<b>Activities</b>	<b>Number of Items</b>	<b>Hours per Item</b>	<b>Total Hours</b>
Develops, implements, and manages processes to ensure that products meet required specifications for quality, function, and reliability prior to delivery.	200	2	400
Identifies and sets appropriate quality standards and parameters for products.	200	2	400
Communicates quality standards and parameters to QA team, product development team, and other appropriate staff.	200	2	400
Coordinates product testing processes.	100	2	200
Identifies and analyzes issues, bugs, defects, and other problems, particularly when problems recur in multiple products; recommends and facilitates solutions to these issues.	100	2	200
Reviews client, customer, and user feedback.	100	1	100
Maintains compliance with federal, state, local, and organizational laws, regulations, guidelines, and policies.	100	1	100
<b>Total hours worked</b>			<b>1,800</b>
<b>1,800 hours = 1.0 Position</b>			
<b>Actual number of Positions requested</b>			<b>1.0</b>

**WORKLOAD STANDARDS**  
**Enterprise Technology Services**  
**MES Modernization Division**  
**2.0 Information Technology Specialist III**  
**802-363-1415-xxx**  
**Permanent**

<b>Activities</b>	<b>Number of Items</b>	<b>Hours per Item</b>	<b>Total Hours</b>
Provides technical leadership in an agile and cloud environment.	150	3	450
Performs as the Technical Product Owner leading the Agile development team by working with stakeholders to create, prioritize a backlog and accept completed work.	150	3	450
Responsible for the planning, management, and execution of technical vision related developing and operating continuous integration and process automation.	150	2	300
Sets direction for networking/systems design, development workflows, release management processes, and continuous integration/delivery pipelines.	100	4	400
Evaluates and recommends new system technologies.	100	4	400
Develops and maintain expertise in use of automated tools for system design and implementation.	150	3	450
Develops and applies policies and procedures relating to system and application security including procedures by which access is authorized, enables, changes and withdrawn.	150	3	450
Develops, documents, and implements flexible, non-restrictive standards, policies, and procedures and ensures compliance for all system platforms and related systems.	100	4	400
Performs analysis, feasibility studies and comparisons leading to the acquisition and implementation of related software.	100	3	300
<b>Total hours worked</b>			<b>3,600</b>
<b>1,800 hours = 1.0 Position</b>			
<b>Actual number of Positions requested</b>			<b>2.0</b>

**WORKLOAD STANDARDS**  
**Enterprise Technology Services**  
**Information Security Office**  
**1.0 Information Technology Specialist III**  
**802-330-1415-xxx**  
**Permanent**

<b>Activities</b>	<b>Number of Items</b>	<b>Hours per Item</b>	<b>Total Hours</b>
Review MESMD Modernization project solution designs and ensure that enforcement of security best-practices are in implemented.	12	6	72
Review all designs, architecture and implementation of security principles, policies, controls, and procedures before implementation of systems with the focus on protecting the assets and data within the system.	24	18	432
Ensure Hardware/software standards are met	52	5	260
Ensure system designs developed meet security policies, standards, and procedures and work to mitigate any gaps.	52	16	832
Evaluate security controls employed by on premise, cloud service and other third party providers in order to protect DHCS' information assets.	52	4	208
<b>Total hours worked</b>			<b>1,804</b>
<b>1,800 hours = 1.0 Position</b>			
<b>Requested Positons</b>			<b>1.0</b>



**WORKLOAD STANDARDS**  
**Enterprise Technology Services**  
**MES Modernization Division**  
**1.0 Information Technology Specialist II**  
**802-363-1414-xxx**  
**Permanent**

<b>Activities</b>	<b>Number of Items</b>	<b>Hours per Item</b>	<b>Total Hours</b>
Guides and coaches the Scrum Team on how to use Agile practices and principles to deliver high quality products and services to our customers.	200	1	200
Gets team to a high performing level by recognizing areas of strength and improvement and employing appropriate coaching and development techniques.	200	1	200
Responsible for ensuring Scrum is understood and the team adheres to Scrum theory, practice, and guidelines.	300	1	300
Coaches the Scrum team in self-organization, cross-functional skillset, domain knowledge and communicates effectively, both internally and externally working within the Scrum team.	300	1	300
Works with Scrum Team, as well as internal and external stakeholders, to influence and drive decision making and support organizational project or product teams.	200	1	200
Resolves team impediments with other Scrum Masters to increase the effectiveness of the application of Scrum in the organization.	200	1	200
Contributes to the advancement and improvement of Agile practices within the organization.	200	1	200
Facilitates and supports all scrum events: Sprint Planning, Daily Scrum, Sprint Review, and Sprint Retrospective.	200	1	200
<b>Total hours worked</b>			<b>1,800</b>
<b>1,800 hours = 1.0 Position</b>			
<b>Actual number of Positions requested</b>			<b>1.0</b>

**K. BCP Fiscal Detail Sheet**

BCP Title: California Medi-Cal Enterprise Systems Modernization

BR Name: 4260-194-BCP-2022-A1

## Budget Request Summary

## Personal Services

Personal Services	FY22 Current Year	FY22 Budget Year	FY22 BY+1	FY22 BY+2	FY22 BY+3	FY22 BY+4
Positions - Permanent	0.0	5.0	5.0	5.0	5.0	5.0
<b>Total Positions</b>	<b>0.0</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>
Salaries and Wages Earnings - Permanent	0	585	585	585	585	585
<b>Total Salaries and Wages</b>	<b>\$0</b>	<b>\$585</b>	<b>\$585</b>	<b>\$585</b>	<b>\$585</b>	<b>\$585</b>
Total Staff Benefits	0	312	312	312	312	312
<b>Total Personal Services</b>	<b>\$0</b>	<b>\$897</b>	<b>\$897</b>	<b>\$897</b>	<b>\$897</b>	<b>\$897</b>

## Operating Expenses and Equipment

Operating Expenses and Equipment	FY22 Current Year	FY22 Budget Year	FY22 BY+1	FY22 BY+2	FY22 BY+3	FY22 BY+4
5301 - General Expense	0	30	20	20	20	20
5302 - Printing	0	10	10	10	10	10
5304 - Communications	0	10	10	10	10	10
5320 - Travel: In-State	0	15	15	15	15	15
5322 - Training	0	5	5	5	5	5
5324 - Facilities Operation	0	45	45	45	45	45
5340 - Consulting and Professional Services - External	0	19,742	13,207	0	0	0
5344 - Consolidated Data Centers	0	5	5	5	5	5
539X - Other	0	35	0	0	0	0
<b>Total Operating Expenses and Equipment</b>	<b>\$0</b>	<b>\$19,897</b>	<b>\$13,317</b>	<b>\$110</b>	<b>\$110</b>	<b>\$110</b>

Total Budget Request

Total Budget Request	FY22 Current Year	FY22 Budget Year	FY22 BY+1	FY22 BY+2	FY22 BY+3	FY22 BY+4
<b>Total Budget Request</b>	<b>\$0</b>	<b>\$20,794</b>	<b>\$14,214</b>	<b>\$1,007</b>	<b>\$1,007</b>	<b>\$1,007</b>

Fund Summary

Fund Source

Fund Source	FY22 Current Year	FY22 Budget Year	FY22 BY+1	FY22 BY+2	FY22 BY+3	FY22 BY+4
State Operations - 0001 - General Fund	0	2,721	2,886	205	205	205
State Operations - 0890 - Federal Trust Fund	0	18,073	11,328	802	802	802
<b>Total State Operations Expenditures</b>	<b>\$0</b>	<b>\$20,794</b>	<b>\$14,214</b>	<b>\$1,007</b>	<b>\$1,007</b>	<b>\$1,007</b>
<b>Total All Funds</b>	<b>\$0</b>	<b>\$20,794</b>	<b>\$14,214</b>	<b>\$1,007</b>	<b>\$1,007</b>	<b>\$1,007</b>

Program Summary

Program Funding

Program Funding	FY22 Current Year	FY22 Budget Year	FY22 BY+1	FY22 BY+2	FY22 BY+3	FY22 BY+4
3960010 - Medical Care Services (Medi-Cal)	0	20,794	14,214	1,007	1,007	1,007
<b>Total All Programs</b>	<b>\$0</b>	<b>\$20,794</b>	<b>\$14,214</b>	<b>\$1,007</b>	<b>\$1,007</b>	<b>\$1,007</b>

## Personal Services Details

## Positions

Positions	FY22 Current Year	FY22 Budget Year	FY22 BY+1	FY22 BY+2	FY22 BY+3	FY22 BY+4
1405 - Info Tech Mgr I (Eff. 07-01-2022)	0.0	1.0	1.0	1.0	1.0	1.0
1414 - Info Tech Spec II (Eff. 07-01-2022)	0.0	1.0	1.0	1.0	1.0	1.0
1415 - Info Tech Spec III (Eff. 07-01-2022)	0.0	3.0	3.0	3.0	3.0	3.0
<b>Total Positions</b>	<b>0.0</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>

## Salaries and Wages

Salaries and Wages	FY22 Current Year	FY22 Budget Year	FY22 BY+1	FY22 BY+2	FY22 BY+3	FY22 BY+4
1405 - Info Tech Mgr I (Eff. 07-01-2022)	0	118	118	118	118	118
1414 - Info Tech Spec II (Eff. 07-01-2022)	0	110	110	110	110	110
1415 - Info Tech Spec III (Eff. 07-01-2022)	0	357	357	357	357	357
<b>Total Salaries and Wages</b>	<b>\$0</b>	<b>\$585</b>	<b>\$585</b>	<b>\$585</b>	<b>\$585</b>	<b>\$585</b>

## Staff Benefits

Staff Benefits	FY22 Current Year	FY22 Budget Year	FY22 BY+1	FY22 BY+2	FY22 BY+3	FY22 BY+4
5150350 - Health Insurance	0	141	141	141	141	141
5150600 - Retirement - General	0	171	171	171	171	171
<b>Total Staff Benefits</b>	<b>\$0</b>	<b>\$312</b>	<b>\$312</b>	<b>\$312</b>	<b>\$312</b>	<b>\$312</b>

## Total Personal Services

Total Personal Services	FY22 Current Year	FY22 Budget Year	FY22 BY+1	FY22 BY+2	FY22 BY+3	FY22 BY+4
<b>Total Personal Services</b>	<b>\$0</b>	<b>\$897</b>	<b>\$897</b>	<b>\$897</b>	<b>\$897</b>	<b>\$897</b>