AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 1 ON HEALTH AND HUMAN SERVICES

ASSEMBLYMEMBER SHIRLEY N. WEBER, PH.D., CHAIR

WEDNESDAY, MARCH 12, 2014
3:00 P.M. - STATE CAPITOL ROOM 444

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ITEMS TO BE HEARD

0530   HEALTH AND HUMAN SERVICES AGENCY (HHSA)

Background. The primary mission of the Health and Human Services Agency (HHSA) is to provide policy leadership and direction to the departments, boards and programs it oversees, to reduce duplication and fragmentation among HHSA departments in policy development and implementation, to improve coordination among departments on common programs, to ensure programmatic integrity, and to advance the Governor's priorities on health and human services issues.

The HHSA accomplishes its mission through the administration and coordination of state and federal programs for public health, health care services, social services, public assistance, health planning and licensing, and rehabilitation. These programs touch the lives of millions of California's most needy and vulnerable residents. The HHSA states that it is committed to striking a balance between the twin imperatives of maintaining access to essential health and human services for California's most disadvantaged and at-risk residents while constantly pursuing ways to better manage and control costs.

The following departments and entities fall under the purview of the HHSA:

- Department of Aging

- Department of Child Support Services

- Department of Community Services and Development

- Department of Developmental Services

- Emergency Medical Services Authority

- Department of Health Care Services

- Department of Public Health

- Department of Rehabilitation

- Department of Social Services

- Department of State Hospitals

- Office of Statewide Health Planning and Development

- Managed Risk Medical Insurance Board

Fiscal Overview:

Fund Source	2012-13 Actual	2013-14 Projected	2014-15 Proposed	BY to CY Change	% Change
General Fund	**$2,568**	**$3,142**	**$3,115**	**(27)**	**(0.9%)**
Federal Trust Fund	1,685	4,333	3,643	(690)	(15.9)
Reimbursements	2,919	3,642	3,282	(360)	(9.9)
Internal Health Information Integrity Quality Improvement Account	-	25	25	-	-
California Health Information Technology and Exchange Fund	7,119	21,000	9,798	11,202	53.3
Office of Patient Advocate Trust Fund	2,110	2,731	2,741	(10)	(0.4)
Office of Systems Integration Fund	262,391	-	-	-	-
Central Service Cost Recovery Fund	839	819	849	30	3.7
California Health and Human Services Automation Fund	-	318,118	246,655	(71,463)	(22.5)
Total Expenditures	**$279,631**	**$353,810**	**$270,108**	**83,702**	**23.7%**
Positions	210.2	250.7	257.7	7.0	2.8

ISSUE 1: OFFICE OF HEALTH INFORMATION INTEGRITY (OHII)

The California Office of Health Information Integrity (CalOHII) requests the transfer of three investigator positions and their associated workload and responsibilities from the HHSA CalOHII to the Department of Public Health (DPH). The purpose of this transfer is to improve efficiency and increase productivity by combining the authority and resources of two programs charged with enforcing medical privacy violations. According to the Administration, this proposal would allow current DPH and CalOHII staff to conduct concurrent investigations of violations by health facilities and individuals and eliminate or reduce redundancy and inefficiencies.

The proposal requests the reduction of $306,000 in reimbursement authority. DPH has submitted a separate proposal to request an increase in expenditure and position authority to take over these activities. Corresponding trailer bill language accompanies these requests, as this transfer requires statutory changes.

In 2008, legislation was enacted to improve patient privacy laws and their enforcement. The resulting laws established two law enforcement responsibilities as follows:

Department of Public Health. Health and Safety Code Section 1280.15 requires health facilities, clinics, hospices, and home health agencies to prevent unlawful or unauthorized access to, and use or disclosure of, a patient's medical information. DPH, after investigation, may assess an administrative penalty of up to $25,000 per patient for a violation of these provisions, and up to $17,500 per patient for each subsequent occurrence. DPH may refer violations of this section to CalOHII for further follow-up enforcement actions.

CalOHII. Health and Safety Code Division 109 (Sections 130200 through 130205) established CalOHII to ensure the enforcement of state law mandating the confidentiality of medical information and to impose administrative fines for the unauthorized use of medical information. Upon receipt of a referral from DPH, CalOHII may assess an administrative fine against any person or provider of health care, for any violation of this division. CalOHII may also recommend further action be taken by various agencies or entities to impose administrative fines, civil penalties, or other disciplinary actions against persons or entities that violate state confidentiality of medical information laws.

Since 2009, DPH and CalOHII have established and maintained two distinct enforcement programs, one focusing on medical privacy violations by health facilities and the other focusing on violations by healthcare providers and other individuals. The Licensing and Certification (L&C) Program of DPH is primarily responsible for regulating licensed healthcare facilities and ensuring their compliance to minimum standards of care and patient safety requirements. Since 2009-10, the number of deliberate breaches reported by healthcare facilities has nearly tripled and is expected to further increase.

Currently, licensed health facilities, clinics, hospices, and home health agencies report breaches of patients' confidential medical information to the L&C Program. DPH conducts an investigation into the breach and may assess an administrative penalty for substantiated violations against the reporting entity. When a violation is substantiated, DPH refers the violation to CalOHII for enforcement actions against individuals and other involved entities. This requires subsequent visits to the facilities by these investigators, resulting in additional travel time and costs. CalOHII conducts its own investigation after DPH, often requiring interviews with the same individuals questioned by DPH. Furthermore, because CalOHII may only conduct an investigation after the DPH's referral, time lapses occur that often make it difficult for CalOHII to locate and contact individuals including victims, witnesses and subjects of violations. Finally, separate administrative and legal resources are necessary to support both functions. The administration states that this proposal would improve efficiency by eliminating redundant investigations and related travel, improving timeliness, and by consolidating administrative and legal resources.

PANEL

- Elaine Scordakis, Assistant Director, Office of Health Information Integrity

    1. Please provide a brief overview of this proposal.

    2. Please confirm the cost-neutral nature of this request as it works in tandem with the DPH BCP.

- Department of Finance

- Legislative Analyst's Office

- Public Comment

Staff Recommendation:

Staff recommends approval of this BCP as budgeted, with placeholder trailer bill language, and any necessary modifications to the language to be worked out between staff and the administration in the trailer bill process.

0530 HHSA, OFFICE OF SYSTEMS INTEGRATION (OSI)
5180 DEPARTMENT OF SOCIAL SERVICES

Background.   The HHSA is the largest state agency, with direct oversight of 13 departments and other entities. With an estimated cost of $1.8 billion to complete projects in progress, the HHSA also has one of the largest and most complex information technology (IT) project portfolios in the state. Some of the largest projects include (1) the Los Angeles Eligibility, Automated Determination, Evaluation, and Reporting Replacement System, which replaces an existing automated welfare system, (2) California Medicaid Management Information System, which processes payments to Medi-Cal fee-for-service providers, and (3) Child Welfare Services–New System, which modernizes Child Welfare Services' case management system.

Office of Systems Integration. The Office of Systems Integration (OSI), an office of the Secretary, was established in 2005 to provide, under contract with HHSA departments, project management, oversight, procurement, and support services to a portfolio of large, complex, and high criticality health and human services IT projects. (Outside HHSA, departments are responsible for their own project management, unless project management services are contracted out to a third–party vendor.) Although there is collaboration between the Office of the Agency Information Officer (OAIO) and OSI, typically OSI begins its project management role once the strategic planning is competed by OAIO. Given OSI expertise, departments inside and outside HHSA have requested OSI's technical assistance for their IT projects. In other cases, at–risk projects have been referred to OSI by HHSA or the Department of Technology. The OSI's funding and staffing is project–specific. Therefore, OSI does not have the ability to redirect staff resources to provide technical assistance to projects not under contract with OSI. Rather, it needs to obtain reimbursement and position authority on a project–by–project basis. The OSI indicates that given barriers to securing reimbursement authority, discussed further below, OSI has not accommodated requests or referrals for technical assistance in the past.

Office of the Agency Information Officer. Legislation enacted in 2007 vested broad responsibilities to improve the governance and strategic planning of IT with an agency Chief Information Officer. The HHSA's Chief Information Officer was established as the Office of the Agency Information Officer (OAIO), an office of the Secretary. It is charged with (1) overseeing the IT portfolio of HHSA departments, (2) ensuring that all HHSA departments are in compliance with state IT policy, and (3) developing an "enterprise architecture"—the organization of IT infrastructure to reflect integration, consolidation, and standardization of requirements. Historically, the OAIO has not had dedicated staff outside of the Chief Information Officer; instead, its functions have been performed primarily through the sporadic redirection of staff from various CHHSA departments.

Below is a table of major active IT projects under HHSA/OSI's jurisdiction, with total project cost identified.

HHSA Active IT Project Portfolio Summary (Major Projects) Department	IT Project Name	Total Cost
Department of Social Services (DSS)/OSI	LEADER Replacement System (LRS)	$472,373,213
Department of Health Care Services (DHCS)	CA Medicaid Management Information System (CA-MMIS)	$458,591,056
CalHEERS		$416,332,107
DSS/OSI	Child Welfare Services New System Project (CWS-NS)	$351,800,000
Department of State Hospitals (DSH)	Personal Duress Alarm System (All facilities: Atascadero (ASH), Coalinga (CSH), Metropolitan (MSH), Patton (PSH)) PDAS	$47,888,223
DHCS	Health Insurance Portability and Accountability (HIPAA) II	$30,777,467
DSH	Automated Staff Scheduling Information Support Tool (ASSIST)	$8,903,016
DSS	County Expense Claim Reporting Information System (CECRIS)	$7,740,594
DPH	California Immunization Registry (CAIR) 2.0	$6,996,699
DSH	Active Directory Restructuring (AD)	$2,210,380

Subcommittee Request for Overview Document. The Subcommittee has made a request for the HHSA and OSI to provide a comprehensive display of all human services automation projects, at both of the annual January and May budget releases, with information including the following:

- Project status
- Total Annual Funding (federal, GF, county, reim., other)
- Vendor
- Notable budget/cost/contract changes
- State staffing (authorized, filled, location)
- Budget requests
- Position changes/requests
- Notable issues

The Legislative Analyst's Office (LAO) has been asked to assist with facilitating the preliminary construction of this display for readability, transparency, and completeness. The first version of this resource will be presented at the outset of these issues in the hearing by the HHSA and OSI.

OVERVIEW PRESENTER

- Shell Culp, Chief Deputy Director, Office of Systems Integration

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ISSUE 1: OFFICE OF THE AGENCY INFORMATION OFFICER (OAIO)

The HHSA requests 3.0 permanent positions and $431,000 in reimbursement authority to provide dedicated staffing for the establishment of formalized governance, project assessment and strategic enterprise architecture functions within the Office of the Agency Information Officer (OAIO).   These positions include 2.0 Data Processing Manager IIIs (DPM III) and 1.0 Senior Information Systems Analyst (Sr.ISA). One DPM III will function as the Governance Liaison and Project Assessment Manager and the other will function as the Strategic Enterprise Architect. The Sr. ISA will function as the Governance Support and Project Assessment Analyst under the direction of the Governance Liaison and Project Assessment Manager. The requested resources will greatly enhance information technology planning throughout the CHHSA by dedicating resources to prioriting IT investments through early assessments and ensuring maximum investment in interoperable, highly adaptive systems that can be leveraged throughout the Agency.

The administration states that the positions will be filled in July 2014 and program implementation will begin immediately thereafter. Priorities for each program will be developed during the fall. By the end of 2014 the structure of the programs will be defined, key stakeholders identified, initial operating processes documented, draft templates created and the governance committee members will have convened.

Specifically, this request is to facilitiate three agency–wide programs located in OAIO.

- **Strategic Enterprise Architecture Program.** The strategic enterprise architecture program would set the IT strategic vision for CHHSA and ensure proposed IT projects under the agency align with HHSA's strategic vision. The program would also foster the development of flexible technologies that facilitate information sharing across HHSA departments. In other words, the building of systems with similar structures so they can communicate with each other is encouraged.

- **Governance Program.** A committee established through the governance program would be responsible for reviewing IT projects to identify opportunities for multiple departments with similar IT needs to leverage a single system. The committee would encourage collaboration and partnership across departments to facilitate data sharing and adoption of common standards and solutions across HHSA.

- **Project Assessment Program.** The project assessment program would advise and collaborate with HHSA departments during the early initiation and planning phases of a project to ensure that the best practices are incorporated into project plans. The OAIO would also assess if projects are appropriately resourced and if timelines and cost projections are accurate.

Collectively, these programs are intended to enhance HHSA's ability to provide oversight and advisory services to HHSA departments so that projects are best

positioned to succeed. While one of the requested permanent positions would focus on strategic enterprise architecture, the remaining two positions would share responsibility for governance and program assessment, with one position taking a management role while the other position taking a staff analyst role. The requested positions would replace the redirected staff used sporadically in the past.

HHSA is also requesting to add provisional language to Item 0530-001-9745 that would exempt augmentations to reimbursements within this Item from Section 28.50 and requires the Finance Director to provide written notice to the legislature within 30 days when the increase to Reimbursements exceeds $200,000. With this exemption, augmentations to reimbursements above $200,000 could be done without the 30 day period currently required for review and possible action by the Joint Legislative Budget Committee.

Top Priorities for New Staff. According to the Administration, the top five initial priorities for the requested positions and formalized governance structure are:

1. Create an IT strategic plan for HHSA and its departments – To ensure development of flexible IT solutions which eliminates silos and fosters interoperability and data sharing.

2. Review IT projects - Identify opportunities for multiple departments with similar IT needs to leverage a single system fostering collaboration and reuse.

3. Prioritize initiatives - Ensure the highest programmatic goals are the focus.

4. Collaborate with departments (once the project concept is approved) – Ensure alignment with project management best practices and CHHSA goals.

5. Review of projects (prior to Feasibility Study Report approval) - Verify that projects are appropriately resourced and if timelines and cost projections are accurate.

LAO Findings and Recommendations. The LAO finds that (1) the OAIO has limited capacity for IT strategic planning, (2) that additional strategic planning could eliminate duplicative projects, improve system interoperability, and lead to enhanced customer services, and (3) additional guidance during the planning phase could improve project success and potential cost savings. Consequently, the LAO supports the concept of the proposal; however, it recommends that the three positions be approved on a three-year limited-term basis and that a status report to the Legislature on the effects of the proposal be required. Additionally, the LAO does not recommend approval of the proposed budget bill provisional language as it finds that the exemption does not address what appears to be delays in the Administration's own internal review processes.

- John Wordlaw, Assistant Secretary, Health and Human Services Agency
- Gretchen Hernandez, Agency Information Officer, Office of the Agency Information Officer, HHSA

    1. Please provide a brief overview of this proposal.

    2. Please describe the top priorities to be accomplished through this proposal.

    3. What is the administration's response to the LAO's finding that the proposed budget bill provisional language does not address what appears to be delays in the administration's internal review processes for augmentations to OSI's budget?

- Lourdes Machado, Legislative Analyst's Office

- Department of Finance

- Public Comment

Staff Recommendation:

Staff recommends holding this issue open. If the Subcommittee decides to approve this request in any form, staff recommends consideration of Supplemental Report Language to provide timely information to the Legislature on the net results and benefits to IT systems from this investment

ISSUE 2: CASE MANAGEMENT, INFORMATION AND PAYROLLING SYSTEM (CMIPS II)

This Budget Change Proposal (BCP) requests to align the OSI spending authority with the CMIPS II System roll-out and transition to Maintenance and Operations (M&O) in both the current year and in 2014-15. This would mean an increase in 2013-14 of $115,000 in OSI spending authority and a corresponding increase in DSS Local Assistance of $2.9 million. For 2014-15, this BCP requests a decrease of $33.7 million in OSI spending authority, which includes authority for 10.0 new permanent state staff and a corresponding decrease of $36.7 million in CDSS Local Assistance.

The administration states that the requested budget adjustment in 2013-14 reflects the critical need for additional infrastructure resources in support of implementation activities. The net decrease in OSI spending authority and DSS Local Assistance for 2014-15 reflects the scheduled completion of system implementation and the commencement of on-going costs for the Maintenance and Operations (M&O) phase of Case Management, Information and Payrolling System II (CMIPS II).

To support ongoing CMIPS II support functions, this BCP includes $98,000 for temporary help in 2013-14 and $1.7 million in 2014-15 for new state staff and for temporary help. The additional funding and staff will provide the necessary resources to support CMIPS II M&O objectives consistent with SPR #6.

The DSS, as the entity managing the In Home Supportive Services (IHSS) Program for the State of California, contracted with the OSI to manage the CMIPS II contract to design, develop, maintain, and operate the replacement system for legacy CMIPS. The CMIPS II system is used to administer the IHSS programs for the CDSS and all 58 counties. The system's enhanced automation will improve the integrity of program support for all the program initiatives, which includes the IHSS program transition to managed care. As the CMIPS II Project transitions to the M&O phase the CDSS will take a lead role in the management of the CMIPS operations, in partnership with the OSI.

DSS Request. Correspondingly, DSS budget requests a total of 6.0 permanent positions and $.8 million ($.4 million GF) in funding to support the CMIPS II project in its maintenance and operations (M&O) phase. This proposal has a corresponding reduction to its Local Assistance budget as it was originally budgeted within OSI. DSS will assume the lead role for the service and support activities that were formerly outsourced. Duties in this role include system enhancements, inputting of legislatively mandated changes, validation and testing, data extraction, research, analysis, and reporting. CMIPS II will provide monthly and quarterly system updates during the M&O period that will necessitate DSS oversight, leadership, support and approval.

Competitive procurement for CMIPS II to replace the legacy CMIPS, which started in 1979, was conducted in 1997. There were many delays and interruptions, resulting in the Request for Proposal (RFP) for the system being released for bid in April 2005. The

contract was awarded to Hewlett Packard, formerly EDS, in March 2008. Development commenced and in July 2012, Merced and Yolo counties began implementation of CMIPS II. San Diego County joined in September 2012, eight additional counties implemented in March 2013 and Los Angeles County implemented in September 2013. The final counties implemented November 2013, concluding the Design, Development and Implementation (DD&I) phase with associated conclusion activities into 2014.

The display below shows the total effects of the interrelated fiscal changes.

Activity	2013-14 Budget Act	2013-14 Proposed Budget	2013-14 Current Year Request	2013-14 Budget Act	2014-15 Proposed Budget	2014-15 Budget Year Request
OSI Staff	$2,417,178	$2,497,136	$79,958	$2,417,178	$3,655,025	$1,237,847
Other	$1,611,898	$1,629,891	$17,993	$1,611,898	$2,060,328	$448,430
CMIPS II Prime Contract	$50,469,008	$50,469,008	$0	$50,469,008	$27,675,000	($22,794,008)
CFCO/CCI Legislation	$8,000,000	$8,000,000	$0	$8,000,000	$0	($8,000,000)
State Support Contracts	$7,176,907	$7,194,008	$17,101	$7,176,907	$2,620,280	($4,556,627)
Interfaces	$1,662,490	$1,662,490	$0	$1,662,490	$1,662,490	$0
Facilities	$403,000	$403,000	$0	$403,000	$403,000	$0
OSI Cost	**$71,740,481**	**$71,855,533**	**$115,052**	**$71,740,481**	**$38,076,123**	**($33,664,358)**
County Staff	$6,613,131	$6,613,131	$0	$6,613,131	$0	($6,613,131)
County Travel	$120,240	$120,240	$0	$120,240	$120,240	$0
Data Center Services	$6,670,107	$9,465,689	$2,795,582	$6,670,107	$10,220,787	$3,550,680
CDSS Cost	**$13,403,478**	**$16,199,060**	**$2,795,582**	**$13,403,478**	**$10,341,027**	**($3,062,451)**
Total Local Assistance	**$85,143,959**	**$88,054,593**	**$2,910,634**	**$85,143,959**	**$48,417,150**	**($36,726,809)**
Local Assistance General Fund	$42,992,980	$44,462,689	$1,469,709	$42,992,980	$24,447,977	($18,545,003)
Local Assistance Other Funds	$42,150,979	$43,591,904	$1,440,925	$42,150,979	$23,969,173	($18,181,806)
State Operations Cost	**$1,457,000**	**$1,457,000**	**$0**	**$1,457,000**	**$1,909,686**	**$452,686**
State Operations - DHCS	$97,000	$97,000	$0	$97,000	$0	($97,000)
State Operations - CDSS	$1,360,000	$1,360,000	$0	$1,360,000	$1,909,686	$549,686
Total CMIPS II Budget	**$86,600,959**	**$89,511,593**	**$2,910,634**	**$86,600,959**	**$50,326,836**	**($36,274,123)**

Additional Background.   This BCP coincides with the CMIPS II Implementation Management Plan for CMIPS II deployment. CMIPS II implementation began on July 30, 2012 and will continue through December 2013. CMIPS II M&O will start the following month in January 2014. The temporary help, legal consultant, and additional data center services storage capacity will be implemented in 2013-14 upon release of the Governor's Budget. Additional state positions for 2014-15 will be filled as soon as possible after the Budget Act is enacted. Given the need to ensure the transition of knowledge from consultants and county staff to State staff, CMIPS II plans to begin recruitment activities for these positions as soon as possible to fill the positions in July and August 2014.

Completed Project Milestones

Milestone Phase	End Date
Design, Development and Implementation (DD&I)	
• Project Initiation Phase	Oct 2008
• System Requirement Validation Phase	Dec 2008
• General System Design Phase	Apr 2009
• Detailed System Design Phase	Jul 2009
• Coding and Documentation Phase	Jan 2010
• System Test and Evaluation Phase	Jun 2012
• Pilot Phase	Sept 2012
○ Pilot 1 go-live	Jul 2012
○ Pilot 2 go-live	Sep2012
• Group #1 go-live (8 Counties)	Mar 2013
• Group #2 go-live (22 counties)	May 2013

Overall Project Schedule

Phase	Planned Start Dates	Planned Finish Dates
Design, Development and Implementation (DD&I)		
Project Initiation Phase	Apr 2008	Oct 2008
System Requirement Validation Phase	Aug 2008	Dec 2008
General System Design Phase	Sep 2008	Apr 2009
Detailed System Design Phase	Oct 2008	Jul 2009
Coding and Documentation Phase	Dec 2008	Jan 2010
System Test and Evaluation Phase	May 2009	Jul 2012
Pilot Planning and Operation Phase	**Oct 2009**	**Oct 2012**
Pilot County Rollout (CDSS, Yolo & Merced)	Jul 2012	Aug 2012
Pilot County Rollout (San Diego)	Sep 2012	Oct 2012
System Implementation	**Jul 2012**	**Dec 2013**
• Group #1 – 8 Counties	Mar 2013	Apr 2013
• Group #2 – 22 Counties	May 2013	Jun 2013
• Group #3 – 1 County	Sep 2013	Oct 2013
• Group #4 – 24 Counties	Nov 2013	Dec 2013
System Maintenance and Operations (M&O)	**Jan 2014**	**Apr 2015**

PANEL

- John Logan, CMIPS II Project Director, Office of Systems Integration
- Eileen Carroll, Deputy Director, Adult Programs Division, Department of Social Services

    1. Please provide a brief overview of this proposal.

    2. Are there any aspects of these proposals that were not envisioned as part of the Advance Planning Document or overall project plans that the Legislature should be made aware of?

- Legislative Analyst's Office

- Department of Finance

- Public Comment

Staff Recommendation:

Staff recommends holding these BCP requests open.

ISSUE 3: COUNTY EXPENSE CLAIM REPORTING INFORMATION SYSTEM (CECRIS)

This BCP requests 1.0 two-year limited-term position and $130,000 in spending authority for the Office of Systems Integration (OSI) to provide procurement and acquisition subject matter expertise to DSS on the County Expense Claim Reporting Information System (CECRIS) project. This Senior Information Systems Analyst (Sr. ISA) position will be funded through an interagency agreement between OSI and DSS. In line with the approved SPR, the Sr. ISA position will assist CDSS with soliciting a vendor to perform procurement activities for this project. The position will also be the subject matter expert on the state procurement and contract processes, and will provide leadership to DSS in all phases of the Acquisition Life Cycle process for the CECRIS project during the interagency agreement. These services will include the acquisition of the vendor to be the technical writer of the RFP and to develop the requirements and evaluation criteria for the System Developer.

Background. DSS is responsible for the oversight and administration for a variety of programs, including In-home Supportive Services, Child Welfare Services, Community Care Licensing, Disability Determinations, and Welfare to Work. DSS administrative duties include managing the County Expense Claim (CEC) and County Assistance Payment Reimbursement (CA 800) processes that distribute over $7 billion annually in state and federal funds. The administration states that because the existing CEC and CA-800 systems and their supporting business processes had gone beyond their functional capacity, DSS developed a Feasibility Study Report (FSR) to determine the viability of replacing the existing systems. The FSR was approved by the Department of Finance on December 31, 2007 but funding was delayed until FY 2011-12 due to the state's unprecedented financial crisis. Given the long delay, DSS submitted a Special Project Report (SPR) that the California Department of Technology (formally the California Technology Agency) approved. This SPR noted that CDSS would be contracting with OSI for assistance with procurement and contracts processes. The CDSS Local Assistance 2013 May Revision Estimate identified project fund needs of $134,000 for 2012-13 and $356,000 for 2013-14, which included services to be provided by OSI through an interagency agreement. This funding was adopted in the 2013 Budget Act. The Premise also noted a three-month delay in the procurement phase of the project as of May 2013.

The administration states that the successful implementation of the CECRIS project will benefit California's most vulnerable residents who depend daily on the social services provided by CDSS in conjunction with the 58 counties. Continued funding for these programs is dependent on the state's ability to ensure that payments are made timely and accurately in accordance with federal costs allocation requirements and that federal reporting requirements are being met.

PANEL

- Matt Schueller, Budget Officer, Office of Systems Integration
- Nola Niegel, Chief, Project, Oversight, and Strategic Technologies Branch, Department of Social Services

    1. Please provide a brief overview of this proposal.

    2. Please describe the top priorities to be accomplished through this proposal.

- Legislative Analyst's Office

- Department of Finance

- Public Comment

Staff Recommendation:

Staff recommends holding this BCP open.

ISSUE 4: CALIFORNIA HEALTHCARE ELIGIBILITY, ENROLLMENT AND RETENTION SYSTEM (CALHEERS)

This Budget Change Proposal (BCP) requests a decrease in Office of Systems Integration (OSI) reimbursement authority in 2014-15, in the amount of $32,060,149. This decrease is in line with the project schedule and reflects the completion of development and implementation (D&I) and the beginning of operation and maintenance (O&M).

An increase of $5,746,167 is also required in 2013-14, which the administration states will be requested separately via a Section Letter. This increase in 2013-14 is only required for OSI reimbursement authority and is merely a result of activities being shifted across fiscal years. The total project costs do not change over what was previously approved in the May 2013 California Healthcare Eligibility, Enrollment and Retention System (CalHEERS) Project As-Needed Implementation Advance Planning Document Update (IAPDU).

These changes in reimbursement authority are required for OSI to provide project management services for the design, development, implementation and operation/maintenance for CalHEERS and are consistent with the July 2013 CalHEERS Annual Implementation Advance Planning Document Update, which was recently submitted to the Center for Medicaid Services. These costs will be reimbursed by the Health Benefit Exchange Board (HBEx), the Department of Health Care Services (DHCS), and the Managed Risk Medical Insurance Board (MRMIB).

Project management services for which OSI will be reimbursed continue to include:

- Development and Implementation
  - State/Program Partner Personnel
  - Systems Integration Services
  - Interface Development
  - Project Management and Technical Support Services
  - OTech Services

- Operations and Maintenance
  - State/Program Partner Personnel
  - Systems Operations and Maintenance Services
  - Interface Maintenance
  - Project Management and Technical Support Services
  - OTech Services (costs to be determined)

Background. With the passage of the federal Affordable Care Act (ACA) in March 2010, states are required to either establish a health benefit exchange by January 2014 for the public to enroll in private and subsidized health insurance programs or rely on the federal government's exchange to provide these services. Implementation of the Act will improve affordability of coverage and the organization and transparency of the insurance marketplace. The Act provides federal tax credits to low to moderate-income people (133-400 percent of the federal poverty level) who do not receive employer provided health benefits.

California was the first state in the nation to enact legislation creating a health benefit exchange under federal health care reform (Chapters 655 and 659, Statutes 2010 (Perez & Alquist)). The California Health Benefit Exchange will help California consumers and small businesses shop for and buy competitive health insurance starting in 2014. The HBEx has established the CalHEERS Project to develop an automated solution to meet the requirements of the ACA.

The ACA also requires screening of all exchange applications for eligibility to Medicaid and the Children's Health Insurance Program (CHIP). In addition, the ACA requires the establishment of a single statewide web portal for Medicaid applicants. This portal can include referrals to the human services programs (e.g., Temporary Assistance for Needy Families (TANF)/California Work Opportunity and Responsibility to Kids (CalWORKs) and Supplemental Nutrition Assistance Program (SNAP)/CalFresh). The ACA's provisions, especially the Exchange, will significantly impact the three Statewide Automated Welfare Systems (SAWS)—LEADER, CalWIN, and C-IV—that currently determine eligibility for TANF/CalWORKs, SNAP/CalFresh, and Medicaid/Medi-Cal.

Composed of both state and consultant staff, the CalHEERS Project has acquired Accenture, LLP as a prime vendor to develop the CalHEERS solution that will support the implementation of a statewide healthcare exchange. The federally mandated implementation date of January 2014 requires a very aggressive schedule and increases the risks for a project of this size and impact to citizens. Because of its past successful experience with large-scale information technology (IT) project planning and development, the Office of Systems Integration (OSI) has been chosen by the HBEx to provide project management services during the design, development and implementation and system stabilization of the CalHEERS solution to help meet the federally mandated timelines and requirements. In order to provide adequate project management for the CalHEERS Project, OSI requires reimbursement from HBEx for the costs associated with these project management services.

The administration states that this proposal is consistent with current state law (Chapters 655 and 659, Statutes 2010) that requires the state to establish a health benefits exchange. The state and the federally mandated implementation date of January 2014 require a very aggressive schedule and increase the risk for a project of this size and impact to citizens. The proposed solution mitigates this risk by leveraging OSI's expertise in IT project management to implement the CalHEERS project.

This proposal has a significant effect on the operations of other state departments including the Department of Social Services which operates the SAWS systems, DHCS which operates the Medi-Cal program, MRMIB which operates the Healthy Families program, and the HBEx. The administration contends that without OSI's expertise, these departments may struggle to operate their existing programs and interface with the CalHEERS project under the constraints identified.

PANEL

- Karen Ruiz, Project Director, Covered California
- Cynthia Hayden, Assistant Project Director, Covered California
- Matt Schueller, Budget Officer, Office of Systems Integration

  1. How are the interfaces with SAWS and MEDS working? Are they complete? Are they functional? If not, by when and according to what plan?

  2. When do you expect to have the functionality deployed for automated verifications of residency?

  3. Please give us an update on the Medi-Cal backlog. What are the causes and the timeframe for resolution?

- Legislative Analyst's Office

- Department of Finance

- Public Comment

Staff Recommendation:

Staff recommends holding this BCP open.