

AGENDA**ASSEMBLY BUDGET SUBCOMMITTEE NO. 1
ON HEALTH AND HUMAN SERVICES****ASSEMBLYMEMBER TONY THURMOND, CHAIR****MONDAY, MAY 9, 2016****2:30 P.M. - STATE CAPITOL ROOM 444**

ITEMS TO BE HEARD		
ITEM	DESCRIPTION	
4260	DEPARTMENT OF HEALTH CARE SERVICES	
ISSUE 1	STAKEHOLDER PROPOSAL: MEDICAL INTERPRETERS	1
0530	CALIFORNIA HEALTH AND HUMAN SERVICES AGENCY OFFICE OF SYSTEMS INTEGRATION (OSI)	
4260	DEPARTMENT OF HEALTH CARE SERVICES (DHCS)	
4265	DEPARTMENT OF PUBLIC HEALTH (DPH)	
ISSUE 2	CALIFORNIA MEDICAID MANAGEMENT INFORMATION SYSTEM (CA-MMIS) SPRING FINANCE LETTER	3
ISSUE 3	MEDI-CAL ELIGIBILITY DATA SYSTEM MODERNIZATION OSI BUDGET CHANGE PROPOSAL	6
ISSUE 4	MEDI-CAL ELIGIBILITY SYSTEMS DHCS BUDGET CHANGE PROPOSAL	9
ISSUE 5	CALHEERS BUDGET CHANGE PROPOSAL	11
ISSUE 6	EWIC MANAGEMENT INFORMATION SYSTEM AND ELECTRONIC BENEFIT TRANSFER BUDGET CHANGE PROPOSALS (FROM THE OSI AND DPH)	13
ISSUE 7	DENTAL FISCAL INTERMEDIARY TURNOVER-TAKEOVER SPRING FINANCE LETTER	16

ITEMS TO BE HEARD

4260 DEPARTMENT OF HEALTH CARE SERVICES

ISSUE 1: STAKEHOLDER PROPOSAL: MEDICAL INTERPRETERS

PANELISTS

- **Joaquin Arambula**, MD, Member, California Latino Legislative Caucus
- **Guillermo Garcia Rodriguez**, Stakeholder, Oceanside, California
- **Rene Mollow**, Deputy Director, Health Care Benefits & Eligibility, Department of Health Care Services
- **Maricris Acon**, Principal Program Budget Analyst, Department of Finance
- **Amber Didier**, Fiscal and Policy Analyst, Legislative Analyst's Office
- **Public Comment**

PROPOSAL

The Latino Legislative Caucus and the American Federation of State, County and Municipal Employees AFL-CIO (AFSCME) request \$15 million General Fund in 2016-17 and ongoing to support the availability and reimbursement of in-person language interpreters for Medi-Cal beneficiaries receiving medical care.

BACKGROUND

AFSCME provided background on this proposal to the subcommittee explaining that language barriers in the health care setting can lead to problems including denial or delay of services, complications with medication management and underutilization of preventive services. Communication challenges can also limit clinicians' ability to understand the patient's condition and effectively provide treatment. AFSCME states that the quality of communication between patients and providers is strongly associated with providers' ability to deliver better and safer care for limited-English-proficient (LEP) patients.

AFSCME provides the following relevant statistics:

- An estimated 6 million Medi-Cal patients need access to an interpreter in order to understand their healthcare providers;
- 26 percent of Californians speak Spanish;
- 6 percent of physicians speak Spanish; and
- Nearly half of all Medi-Cal patients speak a language other than English.

AFSCME cites research done by Interpreting for California that documents hundreds of examples of people who have been harmed by language barriers in California hospitals and clinics, including at least five deaths, which they state may have been prevented with better communication between the patients and healthcare providers. Specifically, patients described how they were unable to provide consent to medical procedures, family members and even children were relied upon for medical interpretation but unable to fully understand the concepts and treatment, how procedures were delayed due to a lack of access to interpreters, and how they were unable to follow treatment plans because they were not communicated clearly.

The Department of Health Care Services (DHCS) states that federal Medicaid law requires interpretation services to be available to all Medi-Cal patients, and that the Medi-Cal program already is meeting the language access needs of beneficiaries. However, these interpretation services typically are not provided in-person by professional interpreters.

AFSCME highlights the availability of enhanced federal matching funds for interpretation services, however DHCS states that this enhanced match is not available through managed care, in which approximately 80 percent of Medi-Cal patients receive care, and that the federal reporting requirements associated with this enhanced federal funding are extremely complex.

STAFF COMMENTS/QUESTIONS

The Subcommittee requests Assemblymember Arambula to present this proposal.

The Subcommittee requests DHCS to provide reactions to this proposal and respond to the following:

1. Do Medi-Cal beneficiaries currently have access to language interpretation by in-person professional interpreters?
2. Is it possible for DHCS to implement this proposal with a capped funding level, as is proposed?
3. Please describe the process for accessing an enhanced federal funding match for these services.

Staff Recommendation: Staff recommends holding this item open at this time.

**0530 CALIFORNIA HEALTH AND HUMAN SERVICES AGENCY OFFICE OF SYSTEMS
INTEGRATION
4260 DEPARTMENT OF HEALTH CARE SERVICES
4265 DEPARTMENT OF PUBLIC HEALTH**

**ISSUE 2: CALIFORNIA MEDICAID MANAGEMENT INFORMATION SYSTEM (CA-MMIS) SPRING
FINANCE LETTER**

PANELISTS

- **Karen Johnson**, Chief Deputy Director, Policy and Program Support, Department of Health Care Services
- **Sergio Aguilar**, Finance Budget Analyst, Department of Finance
- **Jamey Matalka**, Principal Program Budget Analyst, Department of Finance
- **Lourdes Morales**, Senior Fiscal and Policy Analyst, Legislative Analyst's Office
- **Amber Didier**, Fiscal and Policy Analyst, Legislative Analyst's Office
- **Public Comment**

PROPOSAL

The Department of Health Care Services (DHCS) requests one-year limited-term (LT) expenditure authority of \$3,428,000 (\$736,000 General Fund and \$2,692,000 Federal Funds). The resources will fund the equivalent of 24 positions to complete the following activities within DHCS' California Medicaid Management Information System (CA-MMIS) Division:

1. Conduct close out activities for Xerox State Healthcare's (Xerox) portion of the CA-MMIS system replacement project (SRP), including determining the disposition of legacy System Development Notices (SDNs) that were deferred as part of the SRP, and identifying salvageable assets;
2. Procurement of new Fiscal Intermediary (FI) contracts to conduct business operations of the legacy CA-MMIS system; and
3. Re-evaluate the procurement approach to replace the legacy system under new system replacement efforts.

BACKGROUND

DHCS is the single state agency responsible for the administration of California's Medicaid program, known as Medi-Cal, which provides health care for more than 13 million members. DHCS contracts with a FI to maintain and operate CA-MMIS, which is utilized by Medi-Cal to process approximately 230 million claims annually for payment of medical services provided to Medi-Cal members, resulting in over \$23.66 billion a year in payments to health care providers. The CA-MMIS Division is responsible for overseeing the Fee-For-Service FI contract and the ongoing maintenance and operation of CA-MMIS, as well the design, development, and implementation (DD&I) of a new system to replace CA-MMIS.

A Budget Change Proposal (BCP) for fiscal year (FY) 2007-08, authorized 17.0 LT positions to establish a team to develop a request for proposal (RFP) to procure a new FI to operate CA-MMIS, and to develop, design, and implement a new MMIS for California. Fifteen positions were authorized for DHCS and two positions were authorized for the California Department of Public Health (CDPH). Two positions were eliminated during budget reductions in 2008, leaving 15.0 positions; 13.0 in DHCS and 2.0 in CDPH. DHCS established the FI-MMIS Project Office to develop the RFP; the RFP was issued and a new FI contract was awarded.

A BCP for 2010-11 extended 11.0 of the LT positions and added an additional 23.0 LT positions, resulting in a total of 34.0 three-year LT positions to oversee DD&I of the replacement system. Due to delays in awarding the FI contract and acquiring business operations, these 34.0 positions were dedicated to overseeing the turnover/takeover of CA-MMIS from the incumbent vendor to the new FI. Xerox (formerly Affiliated Computer Services), assumed operation of CA-MMIS in October 2011. At that time, SRP planning began and the positions have been significantly allocated to the SRP since then. However, 8.0 positions were eliminated during budget reductions in 2012, leaving 26.0 positions. The 26.0 positions were extended for an additional three years as a result of a 2013-14 BCP.

The Xerox FI contract was structured to provide:

1. Business operational services (including Medi-Cal call center, provider outreach and training, maintaining the Medi-Cal provider manual, etc.);
2. Maintenance and operations of the mainframe and related sub-systems (claims processing and utilization review);
3. Technical services to make system changes to the legacy mainframe system (i.e. systems groups); and
4. Planning for and implementing the SRP of the existing CA-MMIS.

The SRP was scheduled to be completed by June 30, 2016, which is when the 26.0 positions are due to expire. However, a number of significant delays occurred in the delivery of the SRP. Eventually, Xerox determined it could not deliver a new system. On October 13, 2015, Xerox notified DHCS that it would not be completing the SRP. Subsequently, Xerox entered into negotiations with DHCS on terms and conditions of a settlement to terminate its contractual obligation to fully implement the SRP.

On March 21, 2016, Xerox and DHCS finalized a settlement agreement outlining the terms and conditions for Xerox to suspend all SRP activities, which include but are not limited to DD&I, project management, transition, integration, and testing. The settlement agreement includes compensation for the state costs incurred by the state for the SRP. In order to move forward with the SRP project closure, and initiate a new SRP project DHCS must identify salvageable assets and re-evaluate the procurement approach to replace the legacy system. The CA-MMIS Division has developed plans to: close out the Xerox portion of the system replacement project; move forward with procurement of new contracts for FI business operations services; and re-evaluate the procurement approach to replace the legacy system.

STAFF COMMENTS/QUESTIONS

The Subcommittee requests DHCS to present this proposal and to respond to the following:

1. What are the lessons learned for the state from the experience with this contract?
2. In what ways did the state manage this contract well?
3. Please describe the new modular approach that DHCS intends to pursue going forward.

Staff Recommendation: Staff recommends holding this item open.

ISSUE 3: MEDI-CAL ELIGIBILITY DATA SYSTEM MODERNIZATION OSI BUDGET CHANGE PROPOSAL

PANELISTS

- **Cynthia Tocher**, Deputy Director, Office of Systems Integration
- **Guadalupe Manriquez**, Staff Finance Budget Analyst, Department of Finance
- **Phuong La**, Staff Finance Budget Analyst, Department of Finance
- **Lourdes Morales**, Senior Fiscal and Policy Analyst, Legislative Analyst's Office
- **Amber Didier**, Fiscal and Policy Analyst, Legislative Analyst's Office
- **Public Comment**

PROPOSALS

This proposal requests a total of 18.0 new permanent positions and \$3.7 million in total funds (for DHCS), and \$5.4 million in expenditure authority for OSI, to provide dedicated staffing and resources for the Agency-wide planning effort for a Medi-Cal Eligibility Data System (MEDS) Modernization Project. The positions and funding being requested is specified by department (OSI, DHCS, and DSS) in the following chart:

	Positions Requested	Funding	Explanation of Funding
OSI	13.0	\$5,427,686	<ul style="list-style-type: none"> • Expenditure authority for reimbursements from DHCS • \$2.9 million in Medi-Cal Local Assistance funding for contracts • \$2.5 million from \$3.7 million BCP
DHCS	3.0	\$3,714,808	<ul style="list-style-type: none"> • \$2.5 million to OSI • \$1.2 million for DHCS & DSS
DSS	2.0	\$249,000	<ul style="list-style-type: none"> • Includes \$224,000 in FF from DHCS and \$25,000 in GF.
TOTAL	18.0	\$6,654,473	<p>This is the total project cost made up of:</p> <ul style="list-style-type: none"> • \$3.7 million in this BCP for DHCS; and • \$2.9 million in Medi-Cal Local Assistance <p>Of the \$6.6 million:</p> <ul style="list-style-type: none"> • \$5.4 million goes to OSI. • \$1.2 million is for DHCS and DSS (\$224,000).

BACKGROUND

Since 1983, DHCS has maintained the current MEDS system to support key programmatic functions both internally and externally for its critical partners. Today the system is used for a variety of eligibility, enrollment and reporting functions specific to Californians receiving Medi-Cal benefits. MEDS and its related subsystems have been designed over many years to capture client information from a variety of different sources. Key stakeholders that manage the beneficiary eligibility data include the three consortia (LEADER, C-IV, and CalWIN) representing all 58 counties, State and Federal partners, and Covered California. MEDS also serves as the "system of record" and houses eligibility information for numerous publicly subsidized health care and human services programs. Programs managed within the DHCS leveraging the system include Every Woman Counts, Child Health and Disability Prevention, Breast and Cervical Cancer Treatment, Family Planning Access Care and Treatment, and Cancer Detection. Programs managed within the CDSS leveraging the system include California Work Opportunity and Responsibility to Kids (CalWORKS), CalFresh (Supplemental Nutritional Assistance Program), Cash Aid Program for Immigrants, In-Home Supportive Services (IHSS) and Refugee Cash Assistance. In addition to the State managed programs, multiple programs at the local level also leverage the system such as the County Medical Services Program (CMSP), County Welfare and Tribal Temporary Assistance for Needy Families. MEDS data is also used in a wide variety of administrative functions and purposes such as accounting, reporting, legislation and budget development and research. Access to the MEDS database is currently provided to over 35,000 distinct end-users in the administration of the State's health and human services programs.

DHCS explains that supporting this system on outdated technology, with a declining workforce of those skilled in the technology, has created significant risk to the DHCS and its partners. In addition, federal rules were released that require states to modernize their eligibility determination systems to meet the standards of the Medicaid Information Technology Architecture (MITA) to maintain enhanced Federal Financial Participation (FFP). As a result, in 2014-15, the DHCS requested and was authorized 16.0 two-year limited term (LT) positions to support planning activities. In an effort to minimize the impact to the State General Fund, the DHCS also submitted a Planning Advanced Planning Document (PAPD) to the US Department of Health and Human Services Centers for Medicare and Medicaid Services (CMS) requesting 90% FFP. The CMS did not approve the PAPD until September 2014. The delay resulted in the DHCS not completing the hiring of the 16 positions until January 2015. The September 2014 CMS approval also resulted in delayed procurement of software tools needed to automate the business rules extraction from the legacy MEDS.

Other challenges that have had an impact on the planning schedule include the expansion of the number of MEDS components to be modernized and a significant policy change at the State level. The need for additional MEDS components to be modernized was discovered upon initial analysis conducted of the MEDS architecture. Initially the scope was nine components, which subsequently grew to 17 subsystems/applications within the universe of the legacy system.

The significant policy change occurred on July 1, 2015, when the California Department of Technology implemented a Stage/Gate Model for IT Project Approval that consists of four stages and gates. Each stage requires specific deliverables and approvals prior to moving into the next stage. The four stages take a project from concept through contract award which ultimately results in formal project approval. This approval process was not known in 2014-15 and therefore was not built into the original planning schedule estimate. The 16.0 approved LT positions continue to work on the business rules extraction (BRE) and documentation of the current MEDS environment. However, based on all of these environmental factors the planning efforts now are anticipated to continue into 2017.

These positions include a variety of Project Management (PM), technical and program resources necessary to ensure that the modernized system is designed not only to be technically sound, but to best facilitate a health and human services system that can most effectively meet the needs of the client. These positions represent the core planning team and associated programmatic liaisons identified through PM best practices to conduct functions within the Project planning phase. This request is intended to address lessons learned from past large-scale Information Technology projects by utilizing best practices, initiating proper planning up-front and ensuring that stakeholders/partners are actively engaged and participating from the beginning. The requested resources will be critical in ensuring a unified strategy for the Project that is clearly defined in the planning stage and executed through subsequent procurement and project lifecycle phases.

STAFF COMMENTS/QUESTIONS

The Subcommittee requests the OSI to present this proposal and respond to the following:

1. Please describe how the OSI proposes to structure the planning process in order to ensure a successful procurement process and replacement system.
2. With any large IT project, how does the OSI maximize the benefit to the state of being California, home to Silicon Valley?

Staff Recommendation: Staff recommends holding this item open at this time.

ISSUE 4: MEDI-CAL ELIGIBILITY SYSTEMS DHCS BUDGET CHANGE PROPOSAL**PANELISTS**

- **Karen Johnson**, Chief Deputy Director, Policy and Program Support, Department of Health Care Services
- **Rene Mollow**, Deputy Director, Health Care Benefits & Eligibility, Department of Health Care Services
- **Guadalupe Manriquez**, Staff Finance Budget Analyst, Department of Finance
- **Lourdes Morales**, Senior Fiscal and Policy Analyst, Legislative Analyst's Office
- **Amber Didier**, Fiscal and Policy Analyst, Legislative Analyst's Office
- **Public Comment**

PROPOSAL

DHCS requests \$3,683,000 (\$1,788,000 General Fund and \$1,895,000 Federal Funds) to support the ongoing policy and system initiatives as required by the various federal and state statutory requirements of the Affordable Care Act (ACA). The DHCS divisions impacted by this request are the Medi-Cal Eligibility Division (MCED) and the Enterprise Innovations and Technology Services Division (EITS).

The resources requested include three-year limited term funding of \$3,047,000, expenditure authority of \$636,000, and 4.0 permanent positions within EITS: 1.0 Staff Programmer Analyst; 1.0 Senior Programmer Analyst; 1.0 Senior Information Systems Analyst; and 1.0 Staff Information Systems Analyst.

BACKGROUND

In a continued effort to improve and enhance the multifaceted eligibility and enrollment components of the ACA for both administrative users and consumers in California, DHCS, in collaboration with Covered California (Covered CA), sponsored a 24 Month Roadmap to prioritize and reprioritize business initiatives and policy goals of the ACA within the California Healthcare Eligibility, Enrollment and Retention System (CalHEERS). The 24 Month Roadmap is a rolling timeline and ongoing effort to prioritize functionality over the course of a 2-year period. The requested resources are needed in anticipation of the continuous workload resulting from the 24 Month Roadmap initiative and policy changes required under the ACA and state legislation.

In 2012-13, DHCS obtained 12.0 2-year LT positions (3.0 MCED/9.0 EITS) to support the planning, design, development, implementation, and ongoing maintenance of the Medi-Cal eligibility and enrollment system changes and integration with the California Health Benefit Exchange and county eligibility consortia systems.

In 2014-15, the 12.0 positions were extended for another 2-year term. These positions were extended for another 2-year term due to delays in federal regulations, policy guidance and state policy decisions, which caused significant scope and functionality delays in the timelines. EITS continued system integrations and MCED continued work on State legislation, State Plan Amendments, instructions for county partners, the Modified Adjusted Gross Income (MAGI) Medicaid eligibility rules for incorporation into CalHEERS, Medicaid eligibility determination procedures, and outreach to the residents of California.

In 2014-15, in conjunction with the implementation of CalHEERS, DHCS began the implementation of ABX1 1, Chapter 3, Statutes of 2013. The legislation authorizes DHCS to implement Medicaid provisions of the ACA, including the implementation of the new "adult group" in California; the transition of the Low Income Health Program (LIHP) beneficiaries to Medi-Cal; the use of the MAGI methodology; simplifications to the annual renewal and change in circumstances processes for Medi-Cal beneficiaries; the use of electronic verifications of eligibility criteria both at initial application and redeterminations of eligibility; and performance standards for DHCS, Covered California, and the Statewide Automated Welfare Systems (SAWS). DHCS received 8.0 2-year LT positions in the 2014-15 budget.

These resources are set to expire June 30, 2016. However, DHCS states that resources are needed in anticipation of the continuous workload resulting from the 24 Month Roadmap initiative and functionality expected to be implemented in the next few years reflecting policy changes required under the ACA and state legislation. DHCS also states that current resources for both MCED and EITS (staff/contractors) are fully engaged in activities associated with ACA policy implementation and the impacts to CalHEERS, the SAWS, LEADER Replacement (LRS), Medi-Cal Eligibility Data System (MEDS), and the interfaces between all systems. Additionally, MCED is responsible for the development of 16 regulatory packages over the next several years and accompanying policy guidance which continues to impact technology solutions for DHCS.

STAFF COMMENTS/QUESTIONS

The Subcommittee requests DHCS to present this proposal and respond to the following:

1. Please describe the most up-to-date (recent) version of the 24 Month Roadmap.
2. Is there an accessible detailed accounting of all of the on-going difficulties with CalHEERS, proposed solutions, future planned improvements, and timeline?

Staff Recommendation: Staff recommends holding this item open at this time.

ISSUE 5: CALHEERS BCP**PANELISTS**

- **James Duckens**, Deputy Director, Office of Systems Integration
- **Rene Mollow**, Deputy Director, Health Care Benefits & Eligibility, Department of Health Care Services
- **Guadalupe Manriquez**, Staff Finance Budget Analyst, Department of Finance
- **Phuong La**, Staff Finance Budget Analyst, Department of Finance
- **Lourdes Morales**, Senior Fiscal and Policy Analyst, Legislative Analyst's Office
- **Amber Didier**, Fiscal and Policy Analyst, Legislative Analyst's Office
- **Public Comment**

PROPOSAL

The OSI requests an increase of \$8,007,327 in expenditure authority and 2.0 permanent positions in 2016-17 related to the transfer of 58.0 Project staff to OSI from Covered California.

The increase of \$8,007,327 is to support the continued activities of the California Healthcare Eligibility, Enrollment and Retention System (CalHEERS). Of this amount, \$7,742,125 is continued funding for the transfer of 58.0 Project staff positions from Covered California to OSI and the remaining \$265,201 is for new administrative positions. The costs will continue to be reimbursed by Covered California and the Department of Health Care Services (DHCS).

BACKGROUND

With the passage of the federal Affordable Care Act (ACA) in March 2010, states were 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. California enacted legislation (Chapters 655 and 659, Statutes of 2010 (Perez & Alquist)) that created a State-based health benefit exchange known as the California Health Benefit Exchange (Covered California). Covered California and the DHCS established the CalHEERS Project to develop an automated solution to meet the requirements of the ACA.

Covered California and the DHCS acquired Accenture, LLP, as a prime vendor to develop the CalHEERS solution that supports the implementation of a statewide health care exchange and designated the OSI to provide oversight services during the implementation and system stabilization of the CalHEERS solution.

It is proposed that OSI not only continue to provide oversight services for the design, development, implementation and operation/maintenance of the Project, but that the OSI responsibilities increase to include full day-to-day Project Management (PM) of the Project staff and activities. As a result, these responsibilities will be transferred from Covered California to OSI. These additional duties also require increased administrative support related to the transfer of the Project positions.

STAFF COMMENTS/QUESTIONS

The Subcommittee requests the OSI to present this proposal and describe the overall condition of CalHEERS.

Staff Recommendation: Staff recommends holding this item open at this time.

**ISSUE6: EWIC MANAGEMENT INFORMATION SYSTEM AND ELECTRONIC BENEFIT TRANSFER
BUDGET CHANGE PROPOSALS****PANELISTS**

- **Kurtis Knapp**, Deputy Director, Office of Systems Integration
- **Connie Mitchell**, Deputy Director, Center for Family Health, Department of Public Health
- **Christine Nelson**, Chief, Women, Infants & Children Division, Center for Family Health, Department of Public Health
- **Kimberly Harbison**, Staff Finance Budget Analyst, Department of Finance
- **Phuong La**, Staff Finance Budget Analyst, Department of Finance
- **Lourdes Morales**, Senior Fiscal and Policy Analyst, Legislative Analyst's Office
- **Amber Didier**, Fiscal and Policy Analyst, Legislative Analyst's Office
- **Public Comment**

PROPOSALS**eWIC MIS Project (OSI)**

OSI is requesting \$4.1 million in Fiscal Year 2016-17 expenditure authority and 19.6 permanent positions for the new Women, Infants and Children (WIC) Management Information Systems (eWIC MIS) Project. The California Department of Public Health (DPH), as the single State entity responsible for the federally-funded WIC Program, is proposing to contract with the OSI to assume management of the eWIC MIS Project including completing the system acquisition and managing the project through successful completion of statewide implementation. DPH will fund the project with 100% federal funding and is submitting a separate BCP (described below) to request the necessary appropriation authority.

In addition, because completion of the eWIC MIS project is a critical component of meeting the federal mandate for California to issue WIC food benefits via Electronic Benefit Transfer (EBT) by October 1, 2020, DPH intends to redirect some existing positions and funding to OSI in the current year to begin their work.

eWIC Electronic Benefit Transfer and MIS Project (DPH)

DPH requests to redirect 3.0 permanent positions to the OSI and increase federal fund expenditure authority by \$5.78 million for fiscal year 2016-17 to replace Women, Infants and Children Program (WIC) paper checks with an electronic debit card, and replace the current WIC Management Information System (WIC MIS) with a United States Department of Agriculture (USDA) approved, Electronic Benefits Transfer (EBT)-ready Management Information System (MIS). The total request for the project is \$39 million (\$7.9 million for EBT and \$31.1 million for the MIS) over 5 years.

BACKGROUND**e-WIC MIS Project (OSI)**

The USDA Special Supplemental Nutrition Program for WIC is a federally-funded nutrition education and supplemental food program established in 1972 under Public Law 92-433. The DPH administers the WIC Program in California, contracting with 84 local agencies throughout California (in all 58 counties) to provide WIC services at over 650 sites, with approximately 1.4 million participants served on a monthly basis.

The federal Healthy, Hunger-Free Kids Act of 2010 requires all states to migrate from a WIC paper-based food benefits delivery system to an EBT system by 2020. Without an EBT system automating WIC benefits by October 1, 2020, California will not be in compliance with federal law, which may jeopardize millions of dollars in federal funding for the California WIC Program. The DPH performed a detailed analysis that revealed the current WIC MIS was outdated and not EBT-compliant; therefore, the DPH received both federal and State approvals to begin the procurement to solicit bids and contract for the services of a design, development, and implementation systems integrator. This prime contractor will make modifications to the transfer system, test, install, train users, and rollout the new EBT-ready WIC MIS statewide. The DPH also contracted with the CSI (via an interagency agreement) to leverage the new California EBT Services Contract to automate the issuance of WIC food benefits via the California EBT system.

The new eWIC MIS must be fully operational in California before WIC food benefits can be issued via EBT. In its June 2015 eWIC MIS Project Status Report, the California Department of Technology gave the Project an overall rating of "Yellow" (which indicates a project is slipping). This report also identified other possible delays that will likely cause the Project to slip even further behind schedule. With the approaching federal deadline of October 1, 2020, the DPH needs to leverage the OSI's expertise by contracting with the OSI, via an interagency agreement, to have the OSI manage the Project. This would include the OSI assuming responsibility for completing the procurement; entering into a contract with the successful system integrator; managing design, development, testing, pilot, and statewide implementation activities; being responsible for contract and financial management; and providing other needed services. DPH will fund the Project with 100 percent federal funding and is submitting a separate BCP to request the necessary appropriation authority.

In addition, because completion of the Project is a critical component of meeting the federal mandate for California to issue WIC food benefits via EBT by October 1, 2020, DPH intends to redirect some existing positions and funding to the OSI in the Current Year to begin their work on the Project. Some of this funding will be used by the OSI to administratively establish positions and obtain consultant services.

eWIC Electronic Benefit Transfer and MIS Project (DPH)

WIC provides nutrition services and food assistance to low-to-moderate income families for pregnant and postpartum women, infants, and children up to their fifth birthday. In addition to the categorical eligibility requirement, participants must be at or below 185 percent of the federal poverty level. WIC services include nutrition education, breastfeeding support, assistance with finding health care and other community

services, and paper checks for specific nutritious foods that are redeemable at WIC authorized vendors throughout the state. In 2014, WIC participants redeemed approximately \$1 billion worth of WIC food paper checks (also known as "food instruments") at over 4,000 WIC-authorized vendors throughout the state.

On December 13, 2010, the President signed into law the Healthy, Hunger-Free Kids Act of 2010 that amended provisions of the Child Nutrition Act of 1966 (42 U.S.C. 1771 et seq.) and included a mandate that all WIC state agencies implement EBT systems by October 1, 2020. Currently, WIC is supported by WIC MIS, which is a real-time mainframe system fully implemented in 1996. Over the past 17 years, WIC MIS has been primarily maintained by DPH's Information Technology Service Division (ITSD), and has been extensively modified and its mainframe platform upgraded. The WIC MIS core application is augmented by two auxiliary systems, the Vendor WIC Information Exchange and the WIC Information Exchange, as well as numerous non-integrated supplemental technical tools such as Microsoft Excel and Access files. WIC MIS has a number of limitations that include: system-wide adaptation challenges; it is not a single integrated system; it is not web-enabled; and, it only supports 36 to 59 percent of existing WIC business processes. Even with the addition of auxiliary systems and supplemental tools, WIC's operational and strategic needs, as well as the USDA mandates for minimal automation and data collection, are not included in the current system. The current WIC MIS lacks the core requirements for it to be 100 percent EBT ready in time for WIC to meet the USDA mandate that all states implement EBT by October 1, 2020.

DPH estimated that almost 24,000 hours of custom programming would be required to make the current WIC MIS ready for EBT and this was not considered a feasible or efficient solution. The in-depth analysis conducted to determine the feasibility of an MIS replacement resulted in the decision to transfer to a federally approved, operational WIC Universal MIS-EBT Interface compliant MIS system that includes technology to support local WIC agencies, state administration, vendor management, and state and federal reporting components. In order to implement EBT, WIC needs a new MIS, which will be a USDA-approved system.

DPH began planning for EBT through a USDA planning grant in April 2012 and conducted an analysis of the viable alternatives, which concluded the best EBT option is an online, outsourced solution. In addition, EBT will be implemented in parallel with its MIS replacement project. The Feasibility Study Report approval for EBT and the MIS replacement project was secured from the California Health and Human Services Agency in August 2014, and from the California Department of Technology in November 2014.

STAFF COMMENTS/QUESTIONS

The Subcommittee requests the OSI and DPH to present these two eWIC proposals.

Staff Recommendation: Staff recommends holding these items open at this time.

ISSUE 7: MEDI-CAL DENTAL FISCAL INTERMEDIARY TURNOVER-TAKEOVER SLF**PANELISTS**

- **Rene Mollow**, Deputy Director, Health Care Benefits & Eligibility, Department of Health Care Services
- **Laura Ayala**, Finance Budget Analyst, Department of Finance
- **Amber Didier**, Fiscal and Policy Analyst, Legislative Analyst's Office
- **Public Comment**

PROPOSAL

DHCS requests three-year expenditure authority of \$2,052,000 (\$514,000 General Fund and \$1,538,000 Federal Funds) to support the equivalent of 7.0 three-year limited-term positions and contractual services to address workload related to the conversion of the current Medi-Cal Dental Fiscal Intermediary. DHCS is presently securing two contracts, one for the dental Administrative Services Organization (ASO) and one for the dental California Dental Medicaid Management Information System (CA-MMIS) Fiscal Intermediary (FI) services. These resources are necessary to perform the turnover-takeover efforts of the FI and ASO from the current vendor.

BACKGROUND

From 1966 to 1972, all claims for dental health care services rendered to Medi-Cal recipients were paid by a single FI and the state assumed full responsibility for costs. In 1973, with passage of the Waxman-Duffy Act, the State Legislature provided the opportunity for the State of California to explore the possibility of delivering dental care on a prepaid, at risk basis (for services and administrative cost).

Under the provisions of the Waxman-Duffy Act, which became effective January 1, 1974, the State entered into a four (4) year pilot project with California Dental Services, a.k.a. Delta Dental Plan of California, to provide dental care services on a prepaid, at-risk basis. Legislative action allowed the State to extend the pilot project leading to the first of several competitively bid contracts, under a prepaid, at-risk model. Since awarding the first contract to Delta Dental, it has subsequently prevailed as the incumbent contractor.

In 2011, Delta Dental was again selected as the awardee for the dental fee-for-service (FFS) contract which included both FI and ASO responsibilities on an at-risk basis. However, the Center for Medicare and Medicaid Services (CMS), upon review of the contract, determined the contract did not meet certain federal regulatory criteria and conditions as a MMIS related acquisition. CMS expressed significant concerns with the procurement of the 2011 contract structure and asked DHCS to modify the contracting delivery model or risk losing 75/25 federal financial participation (FFP) enhanced funding for MMIS activities. The main concerns identified by CMS are as follows:

- Non-compliance with Management Information System (MMIS) requirements;
- Use of an underwriting shared risk;
- Non-enforcement of Knox-Keene licensure requirements; and
- Use of a hybrid model of MMIS and administration within one contract with underwriting risk sharing.

DHCS notified Delta Dental that the 2011 contract award would not be approved by CMS and a re-procurement would be required. The current contract in place (which is an extension of the last fully executed contract from 2004 as approved by CMS) between DHCS and Delta Dental is set to expire on June 30, 2016.

DHCS is currently requesting approval for an additional extension of the current contract with Delta Dental to ensure a smooth one-year transition to the new ASO and FI contractors, and to allow enhanced FFP for MMIS activities during the re-procurement period leading up to the implementation of the new contracts on July 1, 2017. DHCS is also seeking federal approval of the Planning Advanced Planning Document (PAPD) for enhanced funding to procure the two new Contracts for the CD-MMIS FI services and the dental ASO. DHCS anticipates announcing the successful awardees in May 2016.

The selected FI contractor will be responsible for the turnover, operation, and eventual takeover of the California Dental Medicaid Management Information System (CD-MMIS) and for effective and efficient auto adjudication of claims and related documents. The selected contractor will take over the existing CD-MMIS and operate it to the satisfaction of State and federal regulations and requirements for FI services for Medi-Cal and other state health programs that provide dental services, programs that currently utilize CD-MMIS for dental claims, Treatment Authorization Requests (TARs) processing and other dental related services, including Medi-Cal, California Children's Services Program (CCS), the Genetically Handicapped Persons Program (GHPP) and Regional Center consumers.

The selected ASO Contractor will operate with the dental FI Contractor using the existing CD-MMIS. The ASO contractor will be responsible for the administrative functions that consist of monitoring and maintaining systems related to the operations portion of providing services to Medi-Cal beneficiaries. Those responsibilities include TAR and Adjudicated Claim Service Lines (ACSL) processing, maintaining the Telephone Service Center (TSC), and providing outreach efforts to both maintain and increase utilization.

The turnover and takeover of the existing FI and ASO responsibilities, managing two separate contracts for FI and ASO functions once the new contracts have been awarded, and overseeing the relationship between the existing and new FI and ASO vendors so that collaboration is achieved to best support the dental program is new workload that cannot be absorbed within existing resources, according to DHCS. The requested resources will be located within the MDSD, Office of Legal Services (OLS), and Enterprise, Innovation, and Technology Services (EITS) - via managed resources.

STAFF COMMENTS/QUESTIONS

The Subcommittee requests DHCS to present this proposal, and to describe how DHCS will seek to use these new contracts as opportunities to improve dental care within Medi-Cal.

Staff Recommendation: Staff recommends holding this item open at this time.
