

MAINTENANCE LEVEL 2

M2-ML ProviderOne SSAE-16 Audit

RECOMMENDATION SUMMARY TEXT

The Health Care Authority (HCA) requests \$300,000 (\$79,000 GF-State) in the 2016 Supplemental to contract for additional Statement on Standards for Attestation Engagements No. 16 (SSAE-16) audits to comply with the State Auditor’s Office’s (SAO) requirements.

PACKAGE DESCRIPTION

The SSAE-16 Service Organizations is a widely recognized auditing standard developed by the American Institute of Certified Public Accountants (AICPA). The SSAE-16 audit is a process by which an independent accounting firm assesses a service organization’s controls relevant to the security, availability, and processing integrity of the system and the privacy or confidentiality of the information and system processes. The audit requires the service organization to demonstrate that they have adequate controls and privacy/security safeguards in place for hosting and processing data. The Service Organization Control (SOC) report, which includes the independent accounting firm’s opinion, is issued at the conclusion of the SSAE-16 audit.

The ProviderOne contract currently includes a requirement for SSAE-16 audits and production of a SOC 2 Type II Report every two years; each bi-annual review includes a six-month review timeframe. The SAO has notified the HCA of required modifications to the timeframe. The HCA will amend the ProviderOne contract to require an annual SSAE-16 audit that covers a twelve-month review period. This funding requested shall cover the cost of an amendment to the ProviderOne contract to add this requirement.

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FISCAL DETAILS/OBJECTS OF EXPENDITURE

	FY 2016	FY 2017	Total
1. Operating Expenditures:			
Fund 001-1 GF-State	\$ 13,000	\$ 66,000	\$ 79,000
Fund 001-C GF-Federal Medicaid Title XIX	\$ 37,000	\$ 184,000	\$ 221,000
Total	\$ 50,000	\$ 250,000	\$ 300,000
	FY 2016	FY 2017	Total
2. Staffing:			
Total FTEs	-	-	-

	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
3. Objects of Expenditure:			
A - Salaries And Wages	\$ -	\$ -	\$ -
B - Employee Benefits	\$ -	\$ -	\$ -
C - Personal Service Contracts	\$ -	\$ -	\$ -
E - Goods And Services	\$ 50,000	\$ 250,000	\$ 300,000
G - Travel	\$ -	\$ -	\$ -
J - Capital Outlays	\$ -	\$ -	\$ -
N - Grants, Benefits & Client Services	\$ -	\$ -	\$ -
Other (specify) -	\$ -	\$ -	\$ -
Total	\$ 50,000	\$ 250,000	\$ 300,000
	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
4. Revenue:			
Fund 001-C GF-Federal Medicaid Title XIX	\$ 37,000	\$ 184,000	\$ 221,000
Total	\$ 37,000	\$ 184,000	\$ 221,000

NARRATIVE JUSTIFICATION

WHAT SPECIFIC PERFORMANCE OUTCOMES DOES THE AGENCY EXPECT?

The SSAE SOC 2 Type II Report provides evidence regarding the design and operating effectiveness of controls as they relate to security, processing integrity, confidentiality and privacy of the ProviderOne system. Technological changes and high-profile healthcare security breaches have heightened the need for the HCA to monitor and demonstrate the confidentiality, integrity and accuracy of the ProviderOne system. In addition, the SAO is requiring more frequent SSAE-16 reporting to ensure that the HCA is properly monitoring these requirements. If proper safeguards are not in place, the HCA's Medicaid clients and providers are at increased risk for breach of personally identifiable health care records and the HCA is at risk of high costs associated with responding to data breaches.

PERFORMANCE MEASURE DETAIL

Activity Inventory

H003 HCA Information Technology

IS THIS DECISION PACKAGE ESSENTIAL TO IMPLEMENT A STRATEGY IDENTIFIED IN THE AGENCY'S STRATEGIC PLAN?

Yes. This request funds necessary compliance activities that will ensure the viability of the Medicaid program.

DOES THIS DECISION PACKAGE PROVIDE ESSENTIAL SUPPORT TO ONE OR MORE OF THE GOVERNOR'S RESULTS WASHINGTON PRIORITIES?

Yes. This request supports the Governor's key guiding principal for *Efficient, Effective and Accountable Government* by controlling expenditures, creating more transparency in the health system, and making better use of information technology. ProviderOne currently uses industry standard tools and architecture such as business rules engine and best of breed commercial off the shelf (COTS) products while complying with federal regulations such as 42 CFR Part 455 subpart E. This ProviderOne upgrade ensures alignment with industry standards including the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and HIPAA transaction standards.

WHAT ARE THE OTHER IMPORTANT CONNECTIONS OR IMPACTS RELATED TO THIS PROPOSAL?

This audit ensures proper safeguards are in place, which protects the HCA's Medicaid clients and providers from increased risk of breach of personally identifiable health care records. Assurance that our system is protected lowers the HCA's risk of the high costs associated with responding to data breaches.

WHAT ALTERNATIVES WERE EXPLORED BY THE AGENCY, AND WHY WAS THIS ALTERNATIVE CHOSEN?

The HCA has not considered other alternatives for implementing the SSAE-16 Audit. The HCA has been notified by the SAO that there is an obligation to conduct this audit.

WHAT ARE THE CONSEQUENCES OF NOT ADOPTING THIS PACKAGE?

If proper safeguards are not in place, the HCA's Medicaid clients and providers are at increased risk for breach of personally identifiable health care records and the HCA is at risk of high costs associated with responding to data breaches. Without increased SSAE-16 audit frequency, the SAO will likely perform more extensive and detailed testing during future reviews and may issue negative disclaimers on future statewide financial statements, indicating that the ProviderOne system is not audited with sufficient frequency to assure that adequate internal controls are in place.

WHAT IS THE RELATIONSHIP, IF ANY, TO THE STATE CAPITAL BUDGET?

None

WHAT CHANGES WOULD BE REQUIRED TO EXISTING STATUTES, RULES, OR CONTRACTS TO IMPLEMENT THE CHANGE?

A Change Order and resulting amendment to the ProviderOne contract with Client Network Services Incorporated (CNSI) will be required for the system enhancements.

EXPENDITURE AND REVENUE CALCULATIONS AND ASSUMPTIONS

REVENUE CALCULATIONS AND ASSUMPTIONS:

Revenue assumes that the SSAE-16 Audit will qualify for 73 percent federal financial participation (FFP) for operations.

EXPENDITURE CALCULATIONS AND ASSUMPTIONS:

The HCA plans to only use existing staff resources to implement this project. An amendment to the contract with CNSI will be executed for the increased frequency of SSAE-16 audits of ProviderOne.

DISTINCTION BETWEEN ONE-TIME AND ONGOING COSTS:

This request includes one-time costs of \$50,000 (\$13,000 GF-S) in fiscal year 2016 and \$250,000 (\$66,000 GF-S) in fiscal year 2017. Ongoing costs are \$150,000 (\$39,000 GF-S) each year beginning in fiscal year 2018.

BUDGET IMPACTS IN FUTURE BIENNIA:

Future budget impacts are \$300,000 (\$79,000 GF-S).

MAINTENANCE LEVEL 2

M2-ML ProviderOne SSAE-16 Audit

Information Technology Addendum

Information Technology Addendum

Recsum Code and Title: ProviderOne SSAE-16 Audit

Brief Description: The Health Care Authority (HCA) requests \$300,000 (\$79,000 GF-State) to contract for additional Statement on Standards for Attestation Engagements No. 16 (SSAE-16) audits to comply with the State Auditor's Office requirements.

If this investment includes the use of servers, do you plan to use the state data center?

Yes No, waiver received No, waiver not received Does not apply

Business Transformation – This set of criteria will be used to assess IT proposals supporting business changes to improve services or access to information for agency customers or citizens.

Business process improvement: Primary goal of the proposal is to transform an agency business process. This criterion will be used to assess the transformative nature of the project.

(INTENT: Incent agencies to take transformative projects that may include risk.)

The SSAE SOC 2 Type II Report provides evidence regarding the design and operating effectiveness of controls as they relate to security, processing integrity, confidentiality and privacy of the ProviderOne system. Technological changes and high-profile healthcare security breaches have called attention to the heightened business need for the HCA to monitor and demonstrate the confidentiality, integrity and accuracy of the ProviderOne system.

Risk mitigation: Primary goal is to mitigate risks associated with transformative initiatives. This criterion will be used to determine if the initiative provides adequate resources to mitigate risks associated with a transformative initiative. Risk planning may include budgeting for independent quality assurance, organizational change management, training, staffing, etc.

(INTENT: Drive business value by encouraging risk taking that is well managed.)

Technological changes and high-profile healthcare security breaches have heightened the need for the HCA to monitor and demonstrate the confidentiality, integrity and accuracy of the ProviderOne system and mitigate risks associated with potential breaches. If proper safeguards are not in place, the HCA's Medicaid clients and providers are at increased risk for breach of personally identifiable health care records and the HCA is at risk of high costs associated with responding to data breaches.

Customer-facing value: Add value in short increments. This criterion will be used to determine if the initiative provides “customer-facing value” in small increments quickly to drive agile strategy.

(INTENT: Drive agencies to producing value more quickly and incrementally.)

If proper safeguards are not in place, the HCA’s Medicaid clients and providers are at increased risk for breach of personally identifiable health care records and the HCA is at risk of high costs associated with responding to data breaches.

Open data: New datasets exposed. This criterion will be used to assess if the initiative will increase public access to searchable, consumable machine-readable data from agencies.

(INTENT: Drive agencies to make more data available to citizens. We also value making data available internally for better decision making.)

N/A. This investment does not address public access to data.

Transparency/accountability: Project is clear, measurable, and immediate. This criterion will be used to assess if the initiative specifies the following: (1) Are the goals articulated? (2) Are performance outcomes identified, quantified and measurable?

(INTENT: Award more points for better project and outcome performance measures.)

This investment addresses the need for HCA to provide increased auditing and more frequent SSAE-16 reporting to ensure that the HCA is properly monitoring ProviderOne vendor system controls. The audit reports will provide HCA with quantifiable results and allow corrective action as required.

Technology Strategy Alignment – This set of criteria will be used to assess the alignment of the request to the larger technology strategy of the state.

Security: Improve agency security. This criterion will be used to assess the improvements to the overall security posture for an agency.

(INTENT: Award additional points to projects where intent is to improve the security across an agency.)

This request addresses the need for an independent accounting firm to assess the ProviderOne vendor’s controls for security, availability and processing integrity of the system and the privacy or confidentiality of the information and system processes. This audit requires the ProviderOne vendor to demonstrate that they have adequate controls and privacy/security safeguards in place. This enhances the agency’s overall security strategy and is an additional safeguard against security risks.

Modernization of state government: Cloud first. This criterion will be used to assess if the initiative will result in replacing legacy systems with contemporary solutions that drive our cloud-first strategy.

(INTENT: Drive agencies to look more intently at leveraging cloud-based solutions.)

N/A. This investment addresses the need for an independent assessment of an existing system and does not add/enhance system functionality.

Mobility: New mobile services for citizens. This criterion will be used to assess the contribution of the initiative to support mobile government services for citizens and a mobile workforce.

(INTENT: Drive agencies to look for ways to deliver results and services that are accessible to citizens from mobile devices. While we also value mobility for employees, we place greater value on mobility for citizens.)

N/A. This investment addresses the need for an independent assessment of an existing system and does not add/enhance system functionality.

Interoperability: Adds value in six months. This criterion will be used to determine if the initiative provides a technology system or software application that distributes, consumes or exchanges data.

(INTENT: Drive agencies to acquiring and/or developing systems that are interoperable across the state enterprise.)

N/A. This investment addresses the need for an independent assessment of an existing system and does not add/enhance system functionality.

Financial – This set of criteria will be used to assess the initiative’s financial contribution, including the extent the initiative uses other fund sources, reduces cost for the state, or captures new or unrealized revenue.

Captures new or unrealized revenue: This criterion is calculated based on the amount of new or unrealized revenue captured by the end of the 2017-19 biennium as a proportion of total investment. To get the full points in this category, projects must capture at least five times the amount of the investment by the end of the 2017-19 biennium.

This investment addresses financial and privacy/security risks associated with ProviderOne by establishing a requirement for a regular independent audit of the ProviderOne vendor’s controls. While the investment does not capture new revenue, it guards against the loss of revenue that would come from the need to address security or privacy breaches.

Reduces costs: This criterion is calculated based on the amount of cost reduction by the end of the 2017-19 biennium as a proportion of total investment. To get the full points for this criterion, projects must reduce costs by at least two times the amount of the investment by the end of the 2017-19 biennium.

N/A. This investment does not include any cost reduction assumptions.

Leverages federal/grant funding: This criterion is to calculate the degree in which projects are funded by federal or grant dollars. Projects that are fully funded by federal or grant sources receive full points.

This investment takes advantage of available 73 percent federal funding for ProviderOne Operations and Maintenance.