
POLICY LEVEL

PL-P4 PAY1 Replacement Feasibility Study

PLACEHOLDER

RECOMMENDATION SUMMARY TEXT

The Health Care Authority (HCA) requests funding in the 2016 Supplemental to conduct a feasibility study to replace the 40-year-old mission-critical computer system named PAY1. This placeholder-funding request will be updated with the availability of current market costs.

PACKAGE DESCRIPTION

The Department of Personnel (DOP) originally developed the PAY1 system in 1975 for the state's personnel and payroll system. Basic insurance benefits functionality was added in 1984 since benefits administration was a minor function within DOP. In 1988, the HCA was formed as its own agency and assumed the benefits administration role for the state. Significant modifications were made to the PAY1 system to handle full benefits administration not only for state employees but also for higher education and retirees at that time.

The PAY1 system is a mainframe-based system that was coded in an antiquated business programming language (first introduced in 1959) called the Common Business-Oriented Language, or COBOL. The system is a complex installation of hardware and software that requires highly specialized maintenance and technical support. Business rules are embedded in computer programs, which often result in duplicate business rules residing in multiple places. The number of programmers with COBOL experience is rapidly declining; they either have retired or are nearing retirement age.

The HCA's Public Employees Benefits (PEB) Division still uses the PAY1 system to administer medical, dental, life and long-term disability (LTD) for approximately 360,000 covered lives. Over the past 30 years, computer technology, business operations and customer information needs have changed dramatically. The PAY1 system lacks the flexibility to keep up with federal mandates (such as the play or pay provision of the Affordable Care Act), legislative directives (such as tobacco-use and spousal surcharges) and self-service capability. Instead of being able to modify the system in response to mandated changes, PEB is often forced to develop work-around processes (sometimes manual). Shadow systems are being used to supplement the system's inadequacy and to support policy makers in decision-making.

The proposed replacement feasibility study will include, but is not limited to:

- Business requirements;
- Options available with associated costs;
- Recommended option that is the best fit.

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FISCAL DETAILS/OBJECTS OF EXPENDITURE

	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
1. Operating Expenditures:			
Fund 001-1 GF-State	\$ -	\$ -	\$ -
Fund 001-2 GF-Federal	\$ -	\$ -	\$ -
Fund 001-7 GF-Private/Local	\$ -	\$ -	\$ -
Fund 001-C GF-Federal Medicaid Title XIX	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -

	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
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	\$ -	\$ -	\$ -
G - Travel	\$ -	\$ -	\$ -
J - Capital Outlays	\$ -	\$ -	\$ -
N - Grants, Benefits & Client Services	\$ -	\$ -	\$ -
Other (specify) -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -

	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
4. Revenue:			
Fund 001-2 GF-Federal	\$ -	\$ -	\$ -
Fund 001-7 GF-Private/Local	\$ -	\$ -	\$ -
Fund 001-C GF-Federal Medicaid Title XIX	\$ -	\$ -	\$ -
Fund 418-1 HCA Admin Account	\$ -	\$ -	\$ -
Fund 19A-1 Medical Fraud Penalty Account- State	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -

NARRATIVE JUSTIFICATION

WHAT SPECIFIC PERFORMANCE OUTCOMES DOES THE AGENCY EXPECT?

This request will document the deficiencies of using a 40-year-old computer system in the ever-changing health care industry, explore options for an automated system to better support the business and make a thoughtful recommendation for a benefits administration computer software.

PERFORMANCE MEASURE DETAIL

Activity Inventory

H004 HCA Public Employee Benefits

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

Yes, the HCA's mission is to provide high quality health care through innovative health policies and purchasing strategies. Benefits administration is a key function within core process 1 (CP1), *Facilitating Access to High Quality Services*, of the HCA's Fundamentals Map.

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

Yes, this request will yield a thoughtful recommendation for a system to administer employee benefits. Since almost all of the Results Washington goals require state employees to meet the desired results, having an accurate system to track these employees' benefits will increase productivity.

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

Employing agencies (state, higher education, K-12 and political subdivisions) that use the PAY1 system to enter enrollment information agree that the HCA needs to look into the feasibility of replacing the PAY1 system. The agency funding rates would need to be adjusted to generate the revenue to fund this request.

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

No other alternatives were explored; the HCA does not maintain a workforce that can produce a feasibility study in-house.

WHAT ARE THE CONSEQUENCES OF NOT ADOPTING THIS PACKAGE?

In the very near future, the PAY1 system will no longer support PEB's business. This could mean that there will be too many shadow systems to supplement PAY1's inadequacies; and that these shadow systems would be bigger the PAY1 itself. The PAY1 system will be unable to comply with federal mandates, legislative directives and self-service capability.

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?

None

EXPENDITURE AND REVENUE CALCULATIONS AND ASSUMPTIONS

REVENUE CALCULATIONS AND ASSUMPTIONS:

The HCA assumes that the funding for this request will come from the State Health Care Authority Administration Account (aka the PEB Administration Account or Fund 418).

EXPENDITURE CALCULATIONS AND ASSUMPTIONS:

Expenditures reflect contractor resources needed by the HCA to successfully complete a feasibility study for the replacement of the PAY1 system.

DISTINCTION BETWEEN ONE-TIME AND ONGOING COSTS:

The feasibility study will be a one-time cost.

BUDGET IMPACTS IN FUTURE BIENNIA:

While the feasibility study itself will be a one-time cost, the outcome of the study's recommendations may have budgetary impacts in future biennia if those recommendations lead to a system replacement decision package request.

POLICY LEVEL

PL-P4 PAY1 Replacement Feasibility Study

PLACEHOLDER

Information Technology Addendum

Information Technology Addendum

Recsum Code and Title: PL-P4 PAY1 Replacement Feasibility Study

Brief Description: The Health Care Authority (HCA) requests a placeholder-funding in the 2016 Supplemental to conduct a feasibility study to replace the 40-year-old mission-critical computer system named PAY1. This placeholder-funding request will be updated with the availability of current market costs. The proposed replacement feasibility study will include, but is not limited to business requirements, options available with associated costs and recommended option that is the best fit.

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 HCA’s Public Employees Benefits (PEB) Division has been using the PAY1 system to administer medical, dental, life and long-term disability (LTD) insurance since it became an agency in 1988. The process of enrollment and reporting life event changes are completely paper based. It is anticipated that the feasibility study will yield a recommendation for a system that will not only be paperless but will also provide immediate answers to questions regarding the status of benefits.

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.)

The primary reason why the HCA is requesting for funding a feasibility study is to make sure that the study is done correctly. HCA does not have any experienced staff that can conduct and produce a creditable feasibility study of this magnitude.

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.)

The HCA expects nothing less than 100 percent customer-facing component to be a part of the standard software of the recommended solution from the feasibility study.

***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.)**

The HCA anticipates that the recommended solution will be amenable to open data that meets the State of Washington Office of the Chief Information Officer (OCIO) policies and procedures.

***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.)**

The HCA will make sure that PEB is the primary driver of this feasibility to ensure that their business goals and requirements are captured accurately. This will be a critical determining factor in helping find the right solution.

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.)

The Security Section within Enterprise Technology Services of the HCA will be involved during the feasibility study. The HCA will ensure that the recommended solution from the feasibility study will meet or exceed the OCIO or WaTech security policies and procedures.

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.)

The HCA will consult with OCIO and WaTech before the recommended solution is officially documented so that the solution identified is aligned with the OCIO and WaTech strategy.

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.)

The HCA expects that mobile services and capabilities are part of the standard software of the recommended solution from the feasibility study.

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.)

Application Programming Interface will be a key component of the recommended solution. The benefits administration system interfaces with the 8 major state payroll systems and other business partners. These interfaces are done via file exchange with varying proprietary formats. The ideal solution standardizes these varying formats into a common communication protocol.

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.

There is no revenue with this feasibility study or any anticipated revenue with the recommended solution.

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.

There is no cost reduction with the feasibility. It is not known at this time whether the recommended solution will result in any cost reductions.

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.

There is no federal or grant funding available for this feasibility study.