

Policy Level

PLACEHOLDER

PL-DA Pay1 System Replacement

Agency Recommendation Summary Text

The Health Care Authority (HCA) requests this placeholder in the 2018 Supplemental to fund the replacement of the 40-year-old Pay1 system. This placeholder request will be updated with the availability of current market costs. Funding this request will circumvent the need for \$9 million in one-time costs for coding changes to the Pay1 system necessary for the implementation of the School Employees Benefits Board (SEBB) Program as established by House Bill 2242.

Fiscal Summary

Operating Expenditures	FY 2018	FY 2019	FY 2020	FY 2021
Fund 418 HCA Admin				
Total Cost				
Staffing	FY 2018	FY 2019	FY 2020	FY 2021
FTEs				
Revenue	FY 2018	FY 2019	FY 2020	FY 2021
Fund 418 HCA Admin				
Total Revenue				
Object of Expenditure	FY 2018	FY 2019	FY 2020	FY 2021
Obj. C - Contracts				

Package Description

HCA received funding for \$540,000 to consult with One Washington within the Office of Financial Management (OFM), Office of the Chief Information Officer (OCIO) and other state agencies with statewide payroll or benefit systems to examine options for the replacement of the Pay1 system. One of the requirements of this funding is for HCA to prepare a report to the Governor and the Legislature on potential costs, benefits and feasibility of integrating the functions currently performed by Pay1 into an existing or new statewide system, as well for a stand-alone system.

In fall 2017, HCA procured a vendor to assist HCA in completing a feasibility study, which will then be reported to the Governor and Legislature. The study will consist of updating the business and system requirements document that were previously developed for a Pay1 replacement project. In addition to consulting with OFM, OCIO, and other state agencies, the selected vendor will also conduct a market analysis on possible replacement solutions.

The recommended solution will be provided when the study is complete. The document is expected to address concerns such as managing multiple benefits plans, efficient use and flexibility as the public employees and school employees benefits systems requirements grow and change in a cost effective manner.

Adam Aaseby, Enterprise Technology Services: 360.725.1241 or adam.aaseby@hca.wa.gov

Decision Package Justification and Impacts

Performance Measure Detail:

Activity Inventory

H004 HCA Public Employee Benefits

What specific performance outcomes does the agency expect?

HCA expects the new benefits administration system to be a robust modular application that will handle the volume and complexity of the state's and school's employee and retiree benefits without failure and be adaptable enough to accommodate future growth and changes.

HCA has a benefits administration system for the 370,000 people covered by the employing agencies (state, higher education, K-12 and political subdivisions).

Effective January 1, 2020, HCA will also have the responsibility of administering benefits for approximately 300,000 employees and dependents of school districts and educational service districts.

What alternatives were explored by the agency and why was this option chosen?

This request is to replace a 40-year-old computer system in the ever-changing health care industry. This will better support the business and the benefits administration requirements.

The study, currently funded and underway, will examine the alternatives and make a recommendation for replacement of the Pay1 system based on the alternatives available and the state's system requirements.

What are the consequences of not funding this request?

Due to the age of the Pay1 system and the archaic code it uses, it is only a matter of time before a catastrophic failure prevents the Pay1 system from supporting the business needs of the state. This will result in the state being unable to meet its obligations to administer benefits for its employees, including higher education and K-12. It would take more time and money to bring in a replacement in those conditions than funding it in a timely manner. This interruption of service to the members who rely on the system for their health care and other insurance programs would be unacceptable. There is also the possibility of legal repercussions from individual employees and/or bargaining units.

How has or can the agency address the issue or need in its current appropriation level?

The agency's current operating budget for the Pay1 system is \$1.2 million per year. The expense is broken out into two main categories:

- **People:** The current system support team consists of five contracted staff. The average cost of the five contractors is \$95 per hour. Contractors are being used because programmers with COBOL skills who are looking for permanent jobs are practically non-existent.
- **Operations:** The system operates in a mainframe environment that is housed at Washington Technology Solutions (WATech). The average monthly bill for Pay1 charges is \$25,000 per month.

HCA would like to replace the Pay1 system by implementing a new benefits administration system that would address all its needs and cost less than \$1 million per year to operate and maintain.

Provide references to any supporting literature or materials:

None

Base Budget

If the proposal is an expansion or alteration of a current program or service, provide information on the resources now devoted to the program or service.

This proposal neither expands nor alters current programs or services.

Expenditure, FTE and Revenue Assumptions, Calculations and Details:

Expenditures reflect contractor resources needed by HCA to successfully implement a replacement of the Pay1 system. The cost of this replacement will be determined by the outcome of the study's recommendations and may have budgetary impacts in future biennia.

Impacts to Communities and Other Agencies

Fully describe and quantify expected impacts on state residents and specific populations served.

The current Pay1 system is at risk for a catastrophic failure. A new system will reduce that risk or remove it entirely, allowing for uninterrupted service for the state and school employees health care and other programs. An industry standard benefit system would result in a more efficient operation that could easily interface with other modern systems. In addition, it will allow the state to more easily accommodate the growing and changing needs of the employee benefits.

Employing agencies (state, higher education, K-12 and political subdivisions) that use the Pay1 system to enter enrollment information agree that HCA needs to implement a replacement of the Pay1 system. The state funding rate may need to be adjusted to generate the revenue to fund this request.

What are other important connections or impacts related to this proposal?

Does this request have:

Regional/county impacts?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Other local government impacts?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Tribal government impacts?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>
Other state agency impacts?	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>

Does this request:


Have any connection to Puget Sound recovery?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Respond to specific task force, report, mandate or executive order?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Contain a compensation change?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Require a change to a collective bargaining agreement?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Create facility/workplace needs or impacts?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Contain capital budget impacts?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Require changes to existing statutes, rules or contracts?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Have any relationship to or result from litigation?	Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>

If “Yes” to any of the above, please provide a detailed discussion of connections/impacts.

The Pay1 system is the benefits enrollment system of record for PEB covered members. These members include employees of state agencies, higher education, some K-12 school districts, education service districts and employer groups (also known as political subdivisions). In addition, a few counties, local governments and tribal governments contract with PEB for their employees’ benefits package. The impact to these employers (state agencies, higher education, some K-12 school districts and education service districts and employer groups) would be a new way of interacting with PEB on administering benefits for their employees.

Information Technology (IT)

Does this request include funding for any IT-related costs, including hardware, software, services (including cloud-based services), contracts or IT staff?

- No
- Yes  Continue to IT Addendum below and follow the directions on the bottom of the addendum to meet requirements for OCIO review.)

2018 Supplemental Information Technology Addendum

Part 1: Itemized IT Costs

Please itemize any IT-related costs, including hardware, software, services (including cloud-based services), contracts (including professional services, quality assurance, and independent verification and validation), or IT staff. Be as specific as you can (See chapter 12.1 of the operating budget instructions for guidance on what counts as “IT-related costs”).

Information Technology Items in this DP <i>(insert rows as required)</i>	FY 2018	FY 2019	FY 2020	FY 2021
Item 1				
Item 2				
Total Cost				

Part 2: Identifying IT Projects

If the investment proposed in the decision package is the development or acquisition of an IT project/system, or is an enhancement to or modification of an existing IT project/system, it will also be reviewed and ranked by the OCIO as required by RCW 43.88.092. The answers to the three questions below will help OFM and the OCIO determine whether this decision package is, or enhances/modifies, an IT project:

Does this decision package fund the development or acquisition of a new or enhanced software or hardware system or service?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Does this decision package fund the acquisition or enhancements of any agency data centers? (See OCIO Policy 184 for definition.)	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
Does this decision package fund the continuation of a project that is, or will be, under OCIO oversight? (See OCIO Policy 121 .)	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>

If “Yes” to any of these questions, complete a concept review with the OCIO before submitting this budget request. Refer to chapter 12.2 of the operating budget instructions for more information.