

Policy Level

PLACEHOLDER

PL-BC PEB Eligibility Requirements

Agency Recommendation Summary Text

The Health Care Authority (HCA) requests \$540,000 in the 2017-2019 biennium to conduct a feasibility study to replace the 40-year-old mission-critical computer system that administers PEBB benefits named PAY1. This placeholder- request will be updated with the availability of current market costs.

Fiscal Summary

Operating Expenditures	FY 2018	FY 2019	FY 2020	FY 2021
Fund 418-1 HCA Admin	\$540,000	\$0	\$0	\$0
Total Cost	\$540,000	\$0	\$0	\$0

Staffing	FY 2018	FY 2019	FY 2020	FY 2021
FTEs	0.0	0.0	0.0	0.0

Revenue	FY 2018	FY 2019	FY 2020	FY 2021
Fund 418-1 HCA Admin	\$540,000	\$0	\$0	\$0
Total Revenue	\$540,000	\$0	\$0	\$0

Object of Expenditure	FY 2018	FY 2019	FY 2020	FY 2021
Obj. C – Contracts	\$540,000	\$0	\$0	\$0

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 within the next two to three years and bill at a high rate.

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 42 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 (often manual at a high expense).

Shadow systems are being used to supplement the system's inadequacy and to support policy makers in decision-making. Many private employers and higher education institutions are building modern Human Resource Management Systems (HRMS) and those systems need to connect to Pay1. Building these connections to a 42-year old system is an enormous effort and is costly to construct and maintain.

Finally, the age of the system presents a cyber-security risk to the HCA and the state. A system built in the 1970s is not prepared for the cyber-security challenges of our time. The HCA is not able to guarantee the security of the data within this system and this is a severe risk to the state and our members.

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

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Decision Package Justification and Impacts

Performance Measure Detail:

Activity Inventory

H004 HCA Public Employees Benefits

What specific performance outcomes does the agency expect?

The study will document the deficiencies of using a 42-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 benefits administration computer software.

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

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

than the PAY1 itself. The PAY1 system will be unable to comply with federal mandates, legislative directives and self-service capability and will not be able to guarantee the security of the data in it.

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 is \$25,000 per month.

The HCA would like to use the feasibility study to determine if there is a benefits administration system that would cost less than \$1 million per year to replace its PAY1 system.

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.

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

Expenditure, FTE and Revenue Assumptions, Calculations and Details:

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

Impacts to Communities and Other Agencies

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

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

Does this request have:

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

Not applicable

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.)

2017-2019 Biennium 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	FY 2018	FY 2019	FY 2020	FY 2021
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 type="checkbox"/>	No <input checked="" 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 type="checkbox"/>	No <input checked="" 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.