



January 27, 2012

The Honorable Richard Devlin, Co-Chair
The Honorable Peter Buckley, Co-Chair
The Honorable Dennis Richardson, Co-Chair
Joint Committee on Ways and Means
900 Court Street NE, H-178
Salem, OR 97301-4048

Re: HIX-IT Project Update – HB 5053 (2011) Budget Note

Dear Co-Chairpersons:

NATURE OF REQUEST

The Oregon Health Authority (OHA) requests receipt of this briefing for the Health Insurance Exchange Information Technology (HIX-IT) project as required by the budget note to House Bill (HB) 5053.

AGENCY ACTION

Background

As we described in our October 24, 2011 letter to the Legislative Fiscal Office (LFO), Oregon is one of seven states selected for an "Early Innovator" Information Technology (IT) grant. Oregon's grant of just over \$48 million to implement the technology needed to support Oregon's HIX-IT is complemented by nearly \$7 million in Medicaid funds for a total of approximately \$55 million in federal funding for building the technology platform.

The Oregon Health Insurance Exchange Corporation's board-approved Business Plan will be submitted to the Legislature for review and approval in February 2012, and is not included in the scope of this report on the HIX-IT project.

Progress Since Last Report

Considerable progress has been made in the two months since the last report; we completed our detailed design and successfully passed our third federal gate review. Federal partners from the Center for Consumer Information and Insurance Oversight (CCIIO) within the Centers for Medicare and Medicaid Services (CMS) were on-site November 16 - 17 for an in

depth interactive review of our entire design. Our federal partners were delighted with the technical application, the level of quality, and the potential for re-use by other states in our design. They gave Oregon very high marks, saying that our design was among the best they had seen across the nation.

The project continues to make steady progress on staffing. We currently have 33 limited duration state staff on board toward our plan of 81 limited duration for a fully staffed project. While we would like this to proceed more quickly, this does represent a steady ramp-up trend from 21 in November to 29 in December, to 33 state staff on board today. Although the recruitment pace was slower during the holiday period, the caliber of our recruits has been very high and our attrition very low. In addition to state staff, we have 39 contractors on board providing a total of 72 project members working together on-site. An important point is that all key project roles necessary to begin construction are now staffed.

The contract amendment for the Quality Assurance (QA) vendor, MAXIMUS, has been approved and they are scheduled to deliver their second report February 21, 2012.

The HIX-IT project is developing the Exchange IT solution using an iterative process that breaks down system development into three week cycles. At each three week interval, the system is assessed by business partners who provide feedback that is incorporated into subsequent iterative builds. We have completed five, three week iterative cycles (or builds) on schedule. The first five iteration cycles were primarily focused on setting up infrastructure to prepare us for the execution phase of the project. We are managing the prioritization of requirements for each iterative build in tight collaboration with the HIX Corporation and our DHS and OHA agency partners.

We began iteration six on schedule January 17 entering the "construction" phase of the project. This iteration begins actual building of the Oregon Health Insurance Exchange because it is the first that will contain functions that system users will experience.

As expected, new areas of work and cost have emerged and we have gotten verbal agreement from our federal partners to increase their funding of the Oregon project accordingly. One area work is due to new federal requirements including new financial management guidelines. In addition to extra effort, this will likely mean we have to purchase additional components of the Oracle suite. We also now have a more complete understanding of our Oregon requirements as we've finished detailed design work. We now know that technical integration is more complex than we had originally thought due to the user interface design, for example. The detailed design process also revealed that the amount of Medicaid work is significantly greater than what we had originally planned for.

It should be noted that when the initial funding was granted, we stated that there were large areas of uncertainty with regard to scope and requirements. This was understood by our federal partners and they advised us to request additional funding if needed as we got more information. Accordingly, we have prepared a supplemental request to CCIIO for our Early

Innovator (EI) grant and we are updating our Medicaid request to CMS as well. We have been given verbal approval for these increased requests. If the additional federal funding were not approved, scope and scale of the Insurance Exchange technology project would be adjusted, but we would still be able to complete the project.

In summary we are requesting:

1. A supplement of \$11.8 million to our EI grant from CMS / CCIO. This would represent a total of \$60 million from CCIO.
2. An additional \$20 million from CMS / Medicaid. This would represent a total of \$26 million from Medicaid.

This means the total new project budget would be \$86 million. For this work the Medicaid costs are matched 9:1.

The supplemental EI grant funds would not require a state match. There is no expectation that Oregon continue funding these additional activities or positions at the end of the funding period. With approval of this budget request, the state would utilize \$2.6 million of already budgeting funds earmarked for Medicaid system modernization and the federal (CMS) share of the project work would be \$84.3 million.

Project Risks

- Scope – some areas of scope are still not fully clarified. As the project moves into the construction phase, use cases will be used to clarify the remaining undefined scope (e.g., financial management software, oversight & reporting federal guidance, and external interfaces) in the iterative process.
- System Integrator (SI) Request for Proposal (RFP) - It is imperative to begin SI work on 1) developing interfaces to external federal and local systems that will integrate with the Exchange for income verification, plan submission, etc., and 2) transfer of data from existing systems to the Exchange. The current estimate to have the SI resources on board is April 2012. We are planning to leverage the state's master service provider (MSP) contract with Covendis for the SI procurement.
- Additional risks and mitigation measures were identified in the November report to LFO. These measures are still in place but not repeated here.

Next Steps

Oregon has committed to demonstrating a working build of a baseline system in a production environment to our federal partners in March 2012. This is part of the federal gate review process.

We will release a Request for Proposal (RFP) for a System Integrator (SI) to build the external interfaces between the Exchange and other federal and local systems. We plan to have the SI resources on board and working by April 2012.

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ACTION REQUESTED

The Oregon Health Authority (OHA) requests receipt of this briefing for the Health Insurance Exchange IT project as required by the budget note to HB 5053.

LEGISLATION AFFECTED

None.

Sincerely,



Carolyn Lawson
Chief Information Officer

CC: Linda Ames, Legislative Fiscal Office
Sheila Baker, Legislative Fiscal Office
Blake Johnson, Department of Administrative Services
Kate Nass, Department of Administrative Services