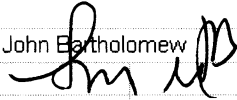
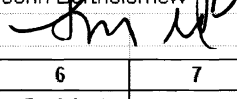


STATE OF COLORADO FY 2009-10 BUDGET REQUEST CYCLE: DEPARTMENT OF HEALTH CARE POLICY AND FINANCING

Schedule 13 Change Request for FY 2009-10 Budget Request Cycle											
Decision Item FY 2009-10 <input checked="" type="checkbox"/>		Base Reduction Item FY 2009-10 <input type="checkbox"/>			Supplemental FY 2008-09 <input type="checkbox"/>			Budget Amendment FY 2009-10 <input type="checkbox"/>			
<b>Request Title:</b>		Provider Web Portal Reprocurement									
<b>Department:</b>		Health Care Policy and Financing			<b>Dept. Approval by:</b>		John Bartholomew 		<b>Date:</b>		October 31, 2008
<b>Priority Number:</b>		DI-15			<b>OSPB Approval:</b>				<b>Date:</b>		10-21-08
		1	2	3	4	5	6	7	8	9	10
		Prior-Year Actual FY 2007-08	Appropriation FY 2008-09	Supplemental Request FY 2008-09	Total Revised Request FY 2008-09	Base Request FY 2009-10	Decision/ Base Reduction FY 2009-10	November 1 Request FY 2009-10	Budget Amendment FY 2009-10	Total Revised Request FY 2009-10	Change from Base (Column 5) FY 2010-11
	Fund										
<b>Total of All Line Items</b>	<b>Total</b>	0	24,094,147	0	24,094,147	23,489,449	350,514	23,839,963	0	23,839,963	350,514
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	0	5,499,078	0	5,499,078	5,382,396	87,629	5,470,025	0	5,470,025	87,629
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	1,881,903	0	1,881,903	1,833,613	0	1,833,613	0	1,833,613	0
	CFE/RF	0	100,328	0	100,328	100,328	0	100,328	0	100,328	0
	FF	0	16,612,838	0	16,612,838	16,173,112	262,885	16,435,997	0	16,435,997	262,885
<b>(1) Executive Director's Office; (C) Information Technology Contracts and Projects, Information Technology Contracts*</b>	<b>Total</b>	0	24,094,147	0	24,094,147	23,489,449	350,514	23,839,963	0	23,839,963	350,514
	FTE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	GF	0	5,499,078	0	5,499,078	5,382,396	87,629	5,470,025	0	5,470,025	87,629
	GFE	0	0	0	0	0	0	0	0	0	0
	CF	0	1,881,903	0	1,881,903	1,833,613	0	1,833,613	0	1,833,613	0
	CFE/RF	0	100,328	0	100,328	100,328	0	100,328	0	100,328	0
	FF	0	16,612,838	0	16,612,838	16,173,112	262,885	16,435,997	0	16,435,997	262,885

\*Prior to the reorganization of the Department's budget in the FY 2008-09 Long Bill HB 08-1375, funding for the Medicaid Management Information System contract was appropriated in Long Bill Group (1) Executive Director's Office; Medicaid Management Information System Contract.

**Non-Line Item Request:** None

**Letternote Revised Text:** None

**Cash or Federal Fund Name and COFRS Fund Number:** FF: Title XIX

**Reappropriated Funds Source, by Department and Line Item Name:** N/A

**Approval by OIT?** Yes:  No:  N/A:

**Schedule 13s from Affected Departments:** N/A

**CHANGE REQUEST for FY 2009-10 BUDGET REQUEST CYCLE**

Department:	Health Care Policy and Financing
Priority Number:	DI-15
Change Request Title:	Provider Web Portal Reprocurement

**SELECT ONE (click on box):**

- Decision Item FY 2009-10
- Base Reduction Item FY 2009-10
- Supplemental Request FY 2008-09
- Budget Request Amendment FY 2009-10

**SELECT ONE (click on box):**

Supplemental or Budget Request Amendment Criterion:

- Not a Supplemental or Budget Request Amendment
- An emergency
- A technical error which has a substantial effect on the operation of the program
- New data resulting in substantial changes in funding needs
- Unforeseen contingency such as a significant workload change

Short Summary of Request:

This request is for \$350,514 in total funds to fund the reprocurement of the web portal contract in FY 2009-10.

Background and Appropriation History:

The Health Insurance Portability and Accounting Act of 1996 (HIPAA), which became law on August 21, 1996, included provisions to address the need for developing a consistent framework for electronic transactions and other administrative issues. Through subtitle F of title II of Public Law 104-191, the Congress added to title XI of the Social Security Act a new Part C, titled Administrative Simplification. The purpose of this part is to improve the efficiency and effectiveness of the Medicare and Medicaid programs by encouraging the development of standards and requirements to enable the electronic exchange of certain health information.

Under part C of title XI, section 1172 makes any standard adopted applicable to: 1) health plans; 2) health care clearinghouses; and 3) health care providers who transmit any health information in electronic form in connection with a transaction covered by 45 CFR

Part 162. Based on this section of the Social Security Act, Colorado's Medicaid program is considered a covered health plan.

To comply with the provisions under HIPAA, the Department issued a request for proposals to design, develop, implement, monitor and maintain a web portal application. The web portal became operational in 2003 and provides a web application front-end for providers to submit HIPAA-compliant electronic transactions to and from the Medicaid Management Information System (MMIS), Colorado Benefits Management System (CBMS), and Business Utilization System (BUS). In addition to these services, the Department's medical assistance site workers also use the web portal for access to other Departmental computer systems.

The Department contracts with Affiliated Computer Services, Inc. to operate and administer the MMIS, but contracts with CGI Technologies and Solutions (CGI), Inc. to operate and manage the web portal. Under the contract with CGI, the contractor provides the following: 1) maintenance and support of web internet application; 2) web hosting costs and fees to support 500 concurrent users; and 3) 264 hours of change management activity to develop and implement new system changes. The Department's base appropriation for the web portal in FY 2007-08 was \$312,900 total funds (FY 2008-09, Budget Request, November 1, 2007, Volume 1, Page D.1-65).

As part of the Department's FY 2008-09 Budget Request, it submitted Decision Item #13 to request one-time funding in the amount of \$117,833 total funds to increase the number of pooled hours for change management and additional hardware and transmission capacity to increase the number of concurrent users from 500 to 700 (FY 2008-09, Budget Request, November 1, 2007, Volume 1, DI-13).

The Department's contract with CGI was extended an additional year to June 30, 2009. With the contract expiring, the Department would need to issue a request for proposals to procure a new contractor with a start date of July 1, 2009.

General Description of Request: This request is for \$350,514 in total funds to fund the reprocurement of the web portal contract in FY 2009-10.

Under the existing contract with CGI, the Department’s appropriation is divided among the following three service categories:

<b>Table 1: Contracted Web Portal Services Provided by CGI</b>		
<b>Item</b>	<b>Service category</b>	<b>Amount</b>
1	Web hosting services (servers, telecommunication lines, disaster recover)	\$126,450
2	Application maintenance (helpdesk activities and operations)	\$160,000
3	Change management (programming and system changes)	\$26,450
	Total Base Appropriation	\$312,900

During the contract term with CGI, the Department has not requested additional funding for inflationary increases in information technology services and equipment. As a result, the Department estimates that the reprocurement of the web portal contract in FY 2009-10 will require additional funding above the base appropriation of \$312,900.

**WEB HOSTING SERVICES**

The Department requests \$193,476 in total funds to fund web hosting costs under the reprocurement contract in FY 2009-10. This represents an increase of \$67,026 above the existing contracted amount of \$126,450 for web hosting. The increased cost of web hosting services represents the Department’s estimate of increased costs for information technology services and would bring the level of funding closer to current market pricing.

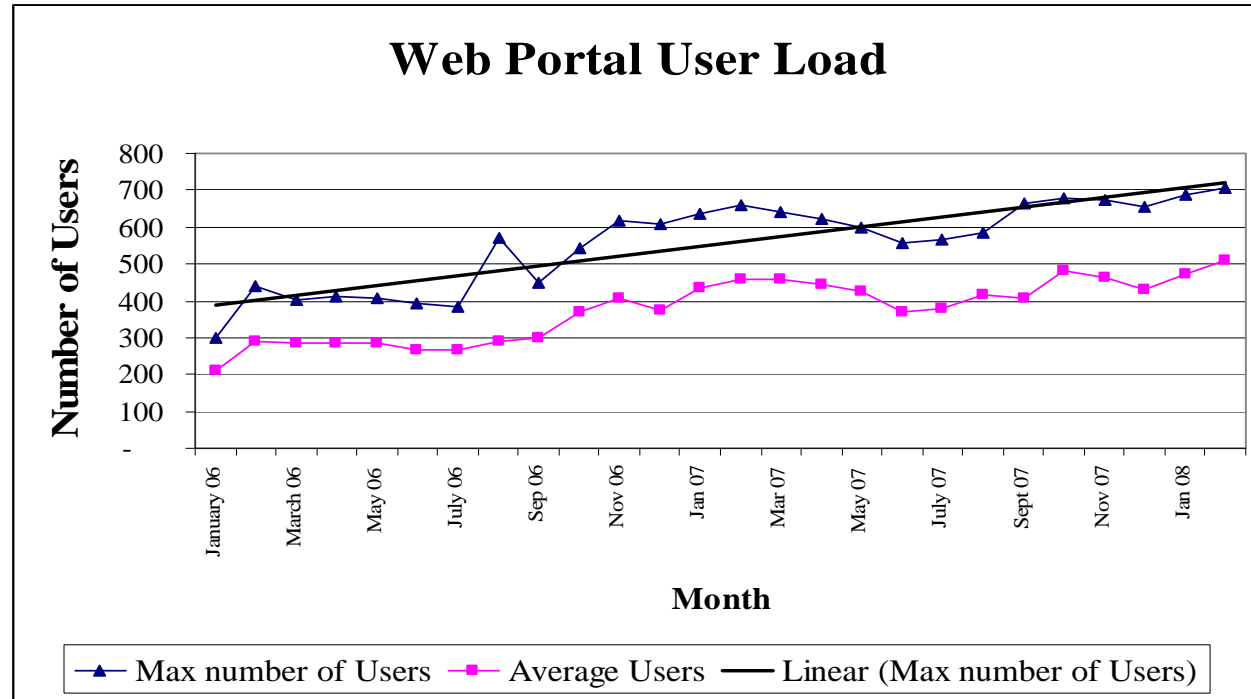
In addition to the inflationary increase for web hosting services, the Department is requesting additional funding for leasing hardware, and increased user capacity.

**Leasing Hardware**

The Department requests \$83,828 in total funds to lease the necessary hardware to support the web portal system rather than purchase new hardware to replace that which the Department currently owns. The existing hardware has been in use since the inception of the contract with CGI and is now outdated in function, speed, capacity and reliability. The amount requested is based on cost estimates obtained from CGI as well as from the Division of Information Technology at the Governor's Office of Information Technology for additional servers to support the current volume of users as well as the anticipated growth in user volume.

**User Capacity**

The Department also requests \$28,800 to fund increased telecommunication bandwidth to accommodate up to 1,000 concurrent users. During FY 2007-08, the number of simultaneous users continued to increase due to higher awareness of the web portal and the efficiencies it affords in processing claims. In addition to medical providers, the web portal is used by county coordinators, medical assistance sites, single entry point personnel, Benefit Utilization System and Systematic Alien Verification for Entitlements (SAVE) users.



From the graph above, it shows that the maximum number of users accessing the web portal is approaching 700 as of February 2008. If the trend in the maximum number of users continues to increase, as shown by the linear regression line, then the Department could exceed 1,000 concurrent users accessing the web portal by July 2009.

**CONTRACT MAINTENANCE**

The Department requests \$244,810 in total funds to fund contract maintenance under the reprourement contract for FY 2009-10. This amount represents an increase of \$84,810 above the existing contracted amount for contract maintenance costs of \$160,000.

In addition to the inflationary increase for contract maintenance services, the Department is requesting additional funding for the contractor's helpdesk support personnel.

**Helpdesk support**

The Department anticipates web portal user numbers to increase from 700 to 1,000 concurrent users over the next three years. With the increase in the number of users, the Department estimates that helpdesk call volume would also increase. The current contract provides for limited helpdesk services with call overflow being transferred to the Department. Some of the calls received by the Department include assistance to providers in loading claims data information, security administration training, and assisting billing agencies in adding new trading partner identifiers to their systems. Due to the complexity of assistance needed by new providers, these calls may require up to 45 minutes to resolve.

In order to support the anticipated increase in call volume from new providers, the new web portal contract should include additional resources to respond to provider calls as well as training service requests. The current web portal helpdesk consists of 0.5 FTE (employed by CGI) but would be augmented by an additional 1.5 FTE to assist in the development and delivery of ongoing training sessions and training materials for medical providers, Department staff, and the Department's fiscal agent, Affiliated Computer Services. The Department estimates the additional helpdesk support would cost \$36,000.

### **CHANGE MANAGEMENT**

As part of the reprocurement of the web portal contract, the Department requests \$76,500 in total funds to provide 500 hours of change management activity. Change management funding provides for the required programming and systems development changes necessary to implement requirements mandated by new legislation. The existing contract provides funding for 264 hours of change management activity. With this level of funding for change management activity, the Department continues to carry over uncompleted system enhancement projects from one fiscal year to the next. At the end of FY 2007-08, 14 change management requests were deferred due to lack of funding. Given the complexity of each system enhancement and the difficulty in estimating the number of hours to complete each project, the Department typically runs out of available pooled hours to complete all necessary and requested system enhancements. Delays in completing system enhancements affect the web portal's functionality and continuous availability to the provider community.

#### **Consequences if Not Funded:**

If the additional request for funding is not approved, then the Department risks a failed reprocurement of the web portal contract and compromises the continued operation, maintenance and enhancement of the web portal. Moreover, it will become difficult for the Department to allocate the demands imposed by legislative mandates and programs under the existing appropriation. Additionally, the web portal must undergo changes when required by the Centers for Medicare and Medicaid Services to support the Medicaid Management Information System and without adequate funding future changes would not be addressed in a timely manner. If the number of concurrent users continues to increase as the Department anticipates, then the capacity of the web portal could be compromised causing system failure. Finally, if providers experience continued difficulty in processing and receiving payment for services provided to the Department's clients, then more providers may refuse service to Medicaid clients.



Calculations for Request:

<b>Summary of Request FY 2009-10</b>	<b>Total Funds</b>	<b>General Fund</b>	<b>Federal Funds</b>
Total Request	\$350,514	\$87,629	\$262,885
(1) Executive Director's Office; (C) Information Technology Contracts and Projects, Information Technology Contracts	\$350,514	\$87,629	\$262,885

<b>Summary of Request FY 2010-11</b>	<b>Total Funds</b>	<b>General Fund</b>	<b>Federal Funds</b>
Total Request	\$350,514	\$87,629	\$262,885
(1) Executive Director's Office; (C) Information Technology Contracts and Projects, Information Technology Contracts	\$350,514	\$87,629	\$262,885

<b>WEB HOSTING</b>		
<b>Table 2: Projected Increase for Web Hosting Costs Using the Base Contract Amount of \$126,450</b>		
<b>Fiscal Year</b>	<b>CIO Magazine Tech Poll</b>	<b>Estimated Funding Using Yearly Increases from CIO Tech Poll</b>
2003-04	6.2%	\$134,290
2004-05	7.5%	\$144,361
2005-06	9.2%	\$157,642
2006-07	6.5%	\$167,890
2007-08	7.4%	\$180,230
2008-09	7.4%	\$193,476

Using the estimated yearly increases from the CIO Tech Poll, the Department estimates that the reprourement of these services would cost approximately \$193,476 under current market conditions.

**Table 3: Estimated Funding Needed to Procure Web Hosting Services for FY 2009-10**

<b>Item</b>	<b>Amount</b>
Estimated reprocurement cost for hosting services.	\$193,476
Increased telecommunication bandwidth to support up to 1,000 concurrent users.	\$28,800
Estimated hardware leasing costs.	\$83,828
Total estimated reprocurement costs for web hosting services.	\$306,104
Existing funding for web hosting services	\$126,450
Additional funding needed for reprocurement (\$306,104 minus \$126,450)	\$179,654

The estimated amount for hardware leasing costs were developed using costs from the Governor's Office of Information Technology, Division of Information Technology's need for additional servers. The estimated cost for additional bandwidth in the amount of \$28,800 consists of \$14,400 for increased bandwidth to increase the number of concurrent users from 500 to 700 and \$14,400 to fund the cost to increase the number of concurrent users from 700 to 1,000. The Department requested as part of Decision Item #13 \$14,400 for additional user bandwidth and it is assumed that this cost would be needed as continuation funding rather than one-time funding. The Department also assumed the cost to increase user bandwidth from 700 to 1,000 would cost the same amount.

**CONTRACT MAINTENANCE**

**Table 4: Projected Increase for Contract Maintenance Costs Using the Base Contract Amount of \$160,000**

<b>Fiscal Year</b>	<b>CIO Magazine Tech Poll</b>	<b>Estimated Funding Using Yearly Increases from CIO Tech Poll</b>
2003-04	6.2%	\$169,920
2004-05	7.5%	\$182,664
2005-06	9.2%	\$199,469
2006-07	6.5%	\$212,435
2007-08	7.4%	\$228,049
2008-09	7.4%	\$244,810

<b>Table 5: Estimated Funding Required to Procure Contract Maintenance Services for FY 2009-10</b>	
<b>Item</b>	<b>Amount</b>
Estimated reprocurement costs for contract maintenance.	\$244,810
Continuation funding for 0.5 FTE helpdesk support requested in Decision Item #13.	\$12,000
Estimated additional funding for 1.0 FTE helpdesk support to answer higher call volume from increased number of concurrent users.	\$24,000
Total estimated reprocurement costs for contract maintenance.	\$280,810
Existing funding amount for application maintenance.	\$160,000
Additional funding needed for reprocurement (\$280,810 minus \$160,000).	\$120,810

Using the estimated yearly increases from the CIO Tech Poll, the Department estimates that the reprocurement of contract maintenance services would cost \$244,810 under current market conditions. As for funding for helpdesk support, the Department requested one-time in the amount of \$12,000 for an additional 0.5 FTE for the CGI helpdesk as part of Decision Item #13, but needs this cost for continuation funding to help support the user helpdesk. With the number of concurrent users increasing, the Department estimates an additional 1.0 FTE will be needed for the CGI helpdesk to handle the anticipated higher call volume. The estimated cost for the additional 1.0 FTE was assumed to be double the amount requested for 0.5 FTE in Decision Item #13.

<b>CHANGE MANAGEMENT</b>		
<b>Table 6: Projected Increase for Change Management Using the Base Hourly Rate of \$100</b>		
<b>Fiscal Year</b>	<b>CIO Magazine Tech Poll</b>	<b>Estimated Funding Using Yearly Increases from CIO Tech Poll</b>
2003-04	6.2%	\$106
2004-05	7.5%	\$114
2005-06	9.2%	\$125
2006-07	6.5%	\$133
2007-08	7.4%	\$143
2008-09	7.4%	\$153

<b>Item</b>	<b>Amount</b>
Estimated hourly reprourement rate for change management activity.	\$153
Total number of hours needed for change management activity.	500
Estimated cost for 500 hours of change management activity (500 hours * \$153 per hour).	\$76,500
Existing funding amount for change management.	\$26,450
Additional funding needed for reprourement (\$76,500 minus \$26,450).	\$50,050

Using the estimated yearly increases from the CIO Tech Poll, the Department estimates that the reprourement of these services would cost approximately \$153 per hour under current market conditions. The Department estimates that 500 hours of change management activity would be needed in the new web portal contract.

<b>Item</b>	<b>Service category</b>	<b>Existing contract amount</b>	<b>Estimated reprourement costs</b>	<b>Additional Funding Needed</b>
1	Web hosting services.	\$126,450	\$306,104	\$179,654
2	Application maintenance and help desk support.	\$160,000	\$280,810	\$120,810
3	Change management.	\$26,450	\$76,500	\$50,050
	<b>Total</b>	<b>\$312,900</b>	<b>\$663,414</b>	<b>\$350,514</b>

Assumptions for Calculations:

The Department used the data provided by the CIO Magazine Tech Poll to estimate the yearly increases for information technology services. The editors of CIO Magazine poll Chief Information Officers from a broad cross-section of industries, including non-computer/communications related manufacturing, state or local government, finance, technology services, health care, and legal services to estimate IT related budget expenditures over the next 12 months after the poll. The poll is conducted quarterly during the calendar year. To align the projected budget increases with the State fiscal year, the Department used the results of the third-quarter poll to estimate the Department's fiscal year IT expenditures for the web portal.

**Table 9: Estimated IT Expenditures for Web Portal Reprocurement by Contract Year**

<b>Fiscal Year</b>	<b>CIO Magazine Tech Poll</b>
2003-04	6.2%
2004-05	7.5%
2005-06	9.2%
2006-07	6.5%
2007-08	7.4%*
2008-09	7.4%*

\*Note: The CIO Magazine Tech Poll was discontinued after 2006 thereby requiring the Department to estimate FY 2007-08 IT budget increases using the average from the previous four polling results. For FY 2008-09, the Department assumed the same percentage increase as FY 2007-08.

Impact on Other Government Agencies:     None.

Cost Benefit Analysis:

<b>FY 2009-10 Cost Benefit Analysis</b>	<b>Benefit</b>	<b>Cost</b>
<b>Request</b>	The Department avoids a failed reprocurement of the web portal contract and maintains continuity of services thereby ensuring providers receive timely payments for services provided to the Department's clients. The State of Washington's Medicaid Office procured a web portal contract similar to the Department's web portal contract in 2003. The FY 2007-08 appropriations for the State of Washington's web portal contract was \$1,300,000 total funds. The Department's requested total appropriation for FY 2009-10 of \$663,414 is \$636,586 less than the State of Washington's web portal contract.	\$350,514 Total Funds which includes \$87,629 General Fund.
<b>Consequences if not funded</b>	No additional General Fund expenditure for web portal reprocurement.	If additional funding is not approved the Department will have a failed reprocurement of the web portal contract causing additional administrative expenses to reissue the requests for proposals and evaluating submitted proposals as well as the delayed implementation of needed system upgrades and user capacity. If the number of concurrent users continues to increase as anticipated, then online availability of the web portal would be comprised.

Implementation Schedule:

<b>Task</b>	<b>Month/Year</b>
RFP Issued	November 2008
Contract written	March 2009
Contract awarded/signed	May 2009
Transition period	June 2009
Start-Up Date	July 2009

Statutory and Federal Authority:

25.5-4-105, C.R.S. (2008) *Nothing in this article...of this title shall prevent the state department from complying with federal requirements for a program of medical assistance in order for the state of Colorado to qualify for federal funds under Title XIX of the social security act and to maintain a program within the limits of available appropriations.*

§1903 (a) of the Social Security Act [42 U.S.C. 1396b] *From the sums appropriated therefore, the Secretary ...shall pay to each State which has plan approved under this title, ... (3) an amount equal to—*

*(B) 75 per centum of so much of the sums expended during such quarter as are attributable to the operation system (whether such system are operated directly by the State or by another person under a contract with the State...*

Performance Measures:

Increasing funds for the procurement of the Web Portal contract would help the Department achieve its performance measure in FY 2009-10 Strategic Plan to “sustain claims system processing timelines to meet requirements and increase system user satisfaction.”