


Anthony Schlinsog



Presentation to the
Joint Committee on
Information Technology
Concerning the KEES Project

February 9, 2012



Presenters

- Carey Brown, OITS KITO Office
- Ben Nelson, SRS CIO
- Glen Yancey, KDHE CIO
- Anthony Schlinsog, Executive CITO



Question #1

Are we creating a health insurance exchange?



KEES Is Not A HIE

- No. The Kansas Enforcement Eligibility System is a system that will be used to determine the eligibility of Kansas residents to over 50 different current health or welfare programs and benefits.

~~CONFIDENTIAL~~



Question #2

Even though we aren't building a Health Insurance Exchange, did we add features "just in case" that would drive up project costs?



Scalable Architecture

- No. The system was designed to be scalable to handle system growth within the covered programs.
- Service Oriented Architecture
- Rules engine separate from the compiled code.



Question #3

Are we at where we need to be on the project?



Question #3

- Phase 1 is on schedule.
- 3 key decisions have just been finalized with regards to Phase 2 work:
 - Hosting Vendor
 - Hardware Platform
 - Oracle Licensing
- We held off signing the documents for a week while we discussed with KITO and steering committee.



Question #4

Is KEES going to deliver what the state actually needs?

Have we made the right decisions along the way?



Building on Work of Others

- Eligibility systems are well understood within KDHE and SRS.
- Building the Statement of Work (SOW) involved dozens of SMEs over months.
- The procurement and evaluation process lasted nearly a year and involved well over 100 individuals.
- Accenture has done this before.



Building on Work of Others

- We won't be able to move forward unless we trust the work that others did before us.
- I believe all the work leading up to now has set the project up for success.



Question #5

How much are we spending on KEES and where are the costs going?



Question #5

How much are we spending on KEES and where are the costs going?

	<i>KITO Reportable</i>	<i>Adjusted APD Reportable</i>
▪ Accenture Deliverable Payments-KDHE & SRS	\$44.2M	\$47.3M
▪ Accenture Monthly PMO Payments	\$5.3M	\$5.3M
▪ Accenture APSP COTS Software	\$5.3M	\$5.3M
▪ Facilities	\$3.7M	\$3.9M
▪ Production and Failover Hardware	\$9M	\$1.8M
▪ Development Environment		\$1.1M
▪ Document Conversion	\$3.0M	\$3.0M
▪ Contingency: Hardware-Software-Development-Conversion		\$6.73M
▪ Imaging Hardware-Software-Consulting	\$1.2M	\$1.78M
▪ KDHE PMO/Technical Contractors	\$6.1M	\$10.28M
▪ SRS PMO/Technical Contractors	\$6.4M	\$7.21M
▪ SRS Contact Center Telephony Equipment	\$1M	\$1M
▪ Oracle License Entitlements	\$3.4M	\$8.92M
▪ Salary and Benefits-KDHE & SRS	\$10.1M	\$16.6M
▪ KEES Project System Hosting-Business Continuity		\$7.4 M
▪ Training and Travel		\$2.63M
▪ Supplies and Miscellaneous expenses		\$1.23M
▪ MMIS, CHIPS and Other Compliance Costs		\$3.82M
▪ General Management Reserve		\$3.2M
Project Total	\$90.7M	\$139M



Question #6

What are the on-going costs relative to where we are today?



Question #6

What are the on-going costs relative to where we are today?

**Kansas Eligibility Enforcement System-
Design, Development and Implementation**
As of December 31, 2011-REVISED

Budget Report for KEES: Year 1 (July 26, 2011-June 30, 2012)

Salary/Fringe	Estimated year	Estimated YTD	Actual
K-MED Salary	\$2,504,624	\$978,439	\$584,093
K-MED OT	\$331,317	\$111,813	\$117,360
Average Salary	\$1,011,635	\$337,793	\$0
Average OT	\$131,805	\$50,692	\$0
Total	\$4,980,381	\$1,878,647	\$701,453

Expenditure	Estimated year	Estimated YTD	Actual
K-MED Travel	\$131,000	\$73,514	\$75,377
Average Travel	\$51,471	\$20,368	\$20,761
K-MED Equipment	\$2,400	\$1,200	\$0
Average Equipment	\$51,471	\$21,600	\$0
K-MED Supplies	\$21,154	\$7,501	\$10,190
Average Supplies	\$3,600	\$800	\$0
Oracle Software	\$3,116,509	\$3,110,309	\$2,556,153
K-MED Other	\$79,847	\$15,419	\$35,176
Total	\$3,929,985	\$3,299,840	\$2,606,774

Accouture	Estimated year	Estimated YTD	Actual
K-MED Accouture	\$25,233,632	\$11,929,343	\$2,481,300
Average Accouture	\$9,669,843	\$4,318,023	\$1,915,711
Total	\$4,959,475	\$16,277,948	\$4,200,024

Other Contracts	Estimated year	Estimated YTD	Actual
K-MED Other Contracts	\$12,334,293	\$3,813,637	\$956,164
Average Other Contracts	\$1,103,331	\$45,731	\$0
Total	\$13,467,586	\$4,212,577	\$956,164

Total	Estimated year	Estimated YTD	Actual
Salary/Fringe	\$4,980,381	\$1,878,647	\$701,453
Expenditure	\$3,929,985	\$3,299,840	\$2,606,774
Accouture	\$4,959,475	\$16,277,948	\$4,200,024
Other Contracts	\$13,467,586	\$4,212,577	\$956,164
Total	\$17,337,427	\$23,669,002	\$8,464,415

Actual Cost Breakdown

Salary/Fringe: \$584,093

Other Expense: \$296,544

Other Contracts: \$956,164

Accouture: \$2,481,300

Salary/Fringe: \$584,093

\\KSP0211\Shared\Project Management\Active Projects\AS TOE\Financial\2012\Budget Report\2012 Budget Report.rpt
Budget Report
1/25/2012



Question #7

Why are we placing hardware with a vendor in another state other than Kansas?



Hosting Decision

- KPMG was engaged to evaluate hosting options.
- OITS, Accenture, 3rd parties and other agencies were considered.
- KPMG recommended Accenture and the KEES Steering Committee unanimously agreed to award hosting to Accenture.



Hosting Decision

- Hosting of the KEES system was an option already listed in the contract with Accenture.
- KPMG made additional recommendations to hosting contract.
- Hardware selection was made to allow a more straight forward separation from Accenture if our relationship with Accenture were to sour.



Question #8

How does this affect IT consolidation, main frame costs and future viability of the mainframe?



Mainframe Costs

- Estimates show KAECSSES-AE uses approximately 2% of MIPS but 25% of mainframe DASD.
- Exit should result in a manageable and scalable reduction in mainframe costs with no un-due burdens on other agencies.
- Nothing in-consistent with IT consolidation initiatives.



Question #9

What is happening to existing applications?



Question #9

- KEES will implement next generation of Integrated eligibility and benefits administration.
- Replacement of:

KAECSE-AE	Kan-Pay	KSCares
EATSS	Top	LIEAP
TANF	SNAP	Refugee Assistance
General Assistance	Funeral Assistance	Work Program
Child Care Subsidy	CFE (Payment only)	
Medicaid	CHIP	



Question #10

Is our Oracle licensing sufficient?

Did we procure unnecessary licenses? (1,000,000 users?)

Are they needed if we don't implement an exchange?



Question #10

Is our Oracle licensing sufficient?

- New Oracle agreement converts all existing licenses to unlimited server processor licenses.
- KEES has 3 Years to add any additional hardware:
 - Tune KEES system to maximize performance.
 - Meet client growth projections.
 - Meet performance and SLA requirements.

Did we procure unnecessary licenses? (1,000,000 users?)

- No. To purchase an unlimited user license, Oracle set the number at 1M.
- New Oracle license metric is not based on the number of end users but on the performance capacity of the server platform.
- Server specifications have been engineered using current KDHE and SRS caseloads with projected growth over 5 years.
- KEES Service Delivery Model will increase the number of end users by encouraging customer self service and community based NGO participation.
- Reduced State FTE required to manage eligibility programs.

Are they needed if we don't implement an exchange?

- The State is seeking program cost predictability while facing uncertainty.
- Changes in program eligibility rules driving growth.
- Medicaid and CHIP enrollment projected to grow 60% over the next 10 years.**

**Source: Congressional Budget Office, Letter to House Speaker, March 20, 2010. www.cbo.gov/ftpdocs/113xx/doc11379/AmendReconProp.pdf



Question #11

What are the key milestones of the project?

- Presumptive Eligibility
- Customer Eligibility Portal
- Eligibility Pilot
- Eligibility Operations
- SRS Programs Convert



Question #12

What can we do to assure agencies are handling the high risks of such a large project?

- State Senior Leadership is engaged with the Project
 - Agency Secretaries
 - Executive Branch CITO
 - KEES Project Directors
- There is a robust Project Management Team
 - 2 KDHE employees
 - 3 SRS employees
 - 2 external contracted managers
 - 3 Accenture managers
 - All but 2 of these have been involved since the Project Start



Question #12

What can we do to assure agencies are handling the high risks of such a large project? (cont'd)

- The Project's Decision Making Authority is Documented, not Assumed
 - The more significant a decision is, the higher in the structure it must go
- There is an extensive Statement of Work, detailing responsibilities at a granular level
- Independent Validation & Verification are engaged



Question #13

How are the agencies working together?

- Both agencies are fully engaged in the project
- Both agencies realize this project IS their future
- Project Governance is shared
- There is A SINGLE Contract
- There is A SINGLE Project Plan
- Accenture, KDHE, and SRS staff have been relocated and are living together in ONE place.



Question #14

Do we have state staff that really understand everything in the project?

- No single person knows everything, the project is too large to do this
- HUNDREDS of people are involved in the project
- We have augmented state & Accenture staff with contractor resources
- Agencies beyond just SRS and KDHE are participating



Question #15

Can we ensure a smooth implementation?



Question #15

- Teams have been established to plan this at start of project
 - Two Activities
 - Communications
 - Enterprise Readiness
- Activities by Phase
 - Analyze – Key Impacts examined to develop Readiness Assessment Report as guide
 - Communication Plan and Updates
 - Skills Assessment and Role Mapping
 - Readiness Outreach
 - Readiness Deploy
- Stakeholder Meetings



Question #16

Are system back-ups and disaster recovery covered?



Question #16

- Two independent state of art systems: one primary, one backup
- Systems are located in state of art hosting facilities
- Primary system is located in Virginia
- Backup system is located in California
- Systems have 24x7 remote monitoring
- Disaster Recovery Plan
- Business Continuity Plan



Question #17

How are we going to handle SOA
with legacy applications?

*Service-oriented
architecture*



Question #17

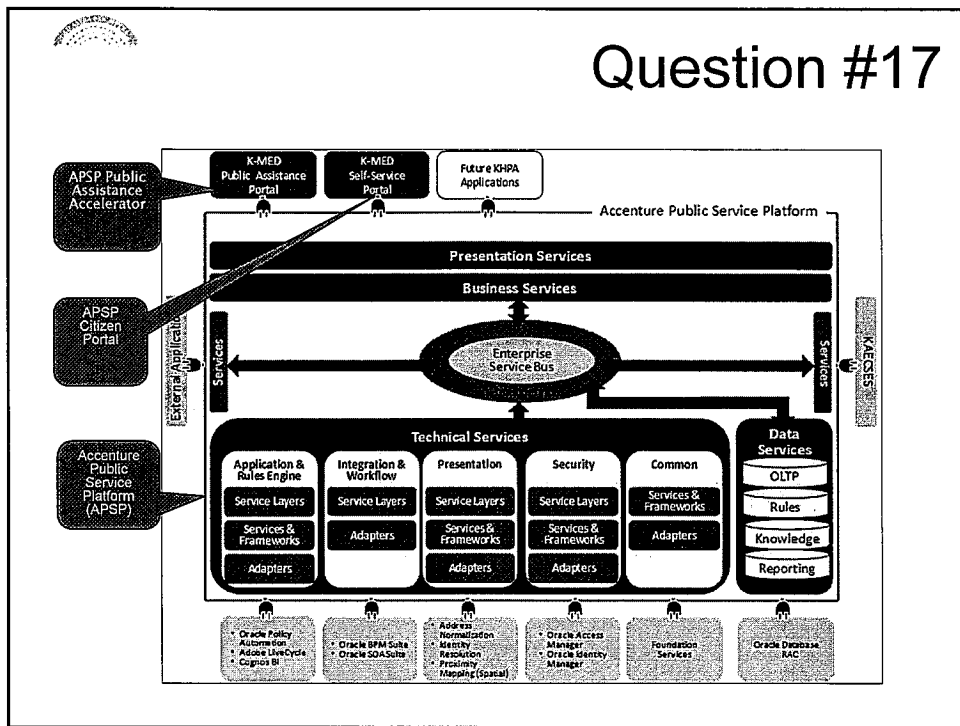
- Major Interfaces expected
- SRS
- KDOR
- KDHE
- KDOL
- KDOA*
- JJA*
- KDOE
- KDOC*
- Social Security Administration*
- Department of Homeland Security*
- Veterans Administration*



Question #17

- KEES COTS Package (APSP) is built on SOA
- APSP has service bus architecture
- KEES has Interface team with some of best contractor and state personnel
- All attempts will be made to take legacy interfaces as is and translate to Service Bus

Question #17



Question #18

Who owns the software when we are done?



Question #18

- Accenture Owns APSP COTS Package
- KEES Has Licensed APSP
- KEES Has Been Granted Unlimited License to C4 Software
- Code Developed By Federal Funds Remains within the Federal Domain
- Federal Policy Similar to Kansas ITEC Policy 1500



Question #19

Do we know the full scope of Accenture hosting?



Question #19

- Hardware is dedicated to only KEES
- Software on KEES hardware is authorized by State KEES governance
- As KEES is expanded to include other state programs/agencies, KEES governance will approve, oversee, and fully document systems



Question #20

Who is watching out for the State's interests?



Who *Isn't* Watching?

- Project Managers with SRS & KDHE
- ISG STA Project Managers
- KITO Office Within OITS
- CIOs from SRS & KDHE
- Extensive Governance Structure
- Dozens of Business SMEs
- CMS Gate Review Process
- IV&V: System Engineering Services
- Accenture Has Own QA Staff



Question #21

Address the Federal Gate Review Process along with Dates and Scope.



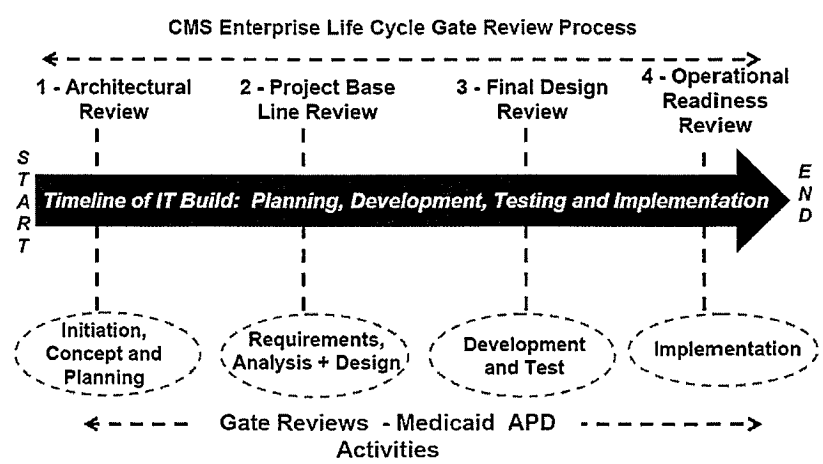
Question #21

Centers For Medicare and Medicaid Enterprise Life Cycle (ELC) Gate Review Process Description

- The ELC will help unify systems development activities.
- State gate reviews will be used by CMS to monitor progress and to make "go or no-go" determinations
- Each State gate review is conducted by a team of critical partners including:
 - Medicaid
 - Centers for Medicare and Medicaid Services-State project leads
- A major emphasis for each State gate review is placed on:
 - Progress along a continuum
 - Identification of all risks that may cause a problem in the future
 - Successful completion and achievement

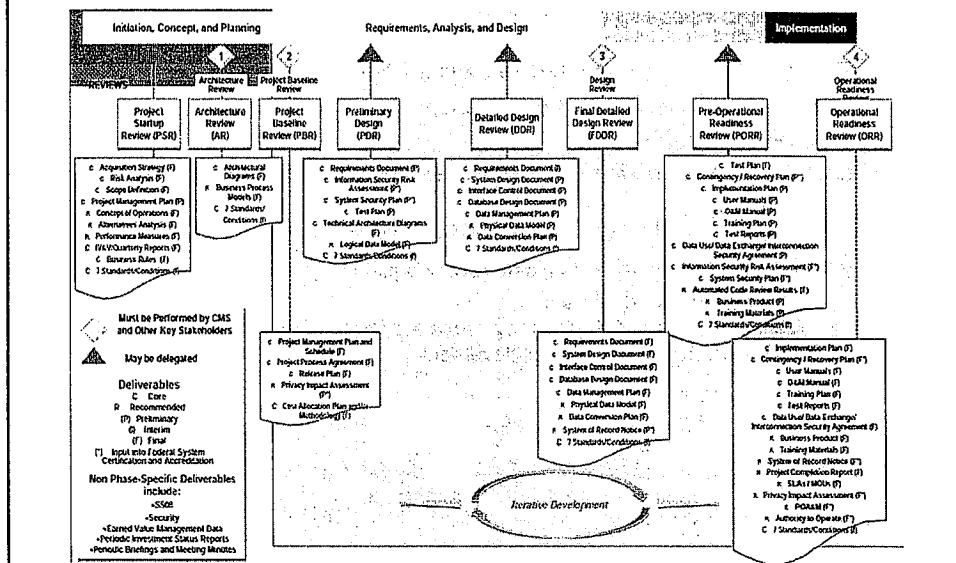


Question #21



Question #21

KEES Enterprise Life Cycle Gate Review Components



Question #21

KEES Project Enterprise Life Cycle Gate Review Schedule

- Preliminary Design Review (PDR)** February 2012
Includes: System Security Plan, Test Plan(s), Requirements Traceability Matrix, Logical Data Model, Data Use Agreement(s), and Technical Architecture diagrams.
- Final Detailed Design Review (FDDR)** May 2012
Includes: System Design Document, interface Control Document, Database Design Document, Physical Data Model, Data Management Plan, and Data Conversion Plan.
- Pre-Operational Readiness Review (PORR)** 4th Quarter 2012
Includes: Contingency Plan, Inter/Intra Agency Agreements, Test Case Specification, Implementation Plan, User Manuals, Operations and Maintenance Manuals and Training Plan.
- Operational Readiness Review (ORR)** Summer 2013
Includes: Contingency Plan, Inter/Intra Agency Agreements, Test Case Specification, Implementation Plan, User Manuals, Operations and Maintenance Manuals and Training Plan.



Question #22

Folks are gun-shy from UIM project. Any similarities or differences?

Major POSITIVE differences

- COTS transfer from 2 previous vs. unique design
- Built on a defined architecture vs. an assemblage of products
- Contractor is highly experienced in these specific systems vs. just generally knowledgeable in techniques being used
- The project is the contractor's "line of business" vs. just an(other) engagement
- Contractor has experience in Very Large Systems vs. mixed bag of experience
- Contractor has own internal IV&V vs. none
- More traditional implementation vs. Agile development
- Clear deadline dates vs. cloudy finish expectations
- Agency staff committed vs. lukewarm support
- Exhaustive SoW vs. generalized responsibilities
- Much larger and more stable project management staff
- Deliverables-based payments vs. primarily Tim & Materials
- Highly Structured project vs. fluid subjective goals



Question #22

Folks are gun-shy from UIM project. Any similarities or differences? (cont'd)

Major NEGATIVE differences

- Deadline date is critical and has high impacts
- Continuing External questioning of project costs resources and attention

Major POSITIVE similarities

- Senior-most agency managers supportive
- Change Management recognized as critical to success

Major NEGATIVE similarities

- Big gap between "as is" and "to be" technologies
- Business Process Re-engineering critical to success



Question #23

What are the ramifications if the project fails? Penalties?



Question #23

What are the ramifications if the project fails? Penalties?

- *Accenture Contract Performance Guaranty/Bond: "The Contractor shall file with the Director of Purchases a performance guaranty/bond in the amount of \$2,000,000. The guaranty shall be released upon the completion of this contract subject to total or partial forfeiture for failure to adequately perform the terms of this contract. If damages exceed the amount of the guaranty, the State may seek additional damages."*
- *Payment Retainage: 10% payment retainage for all deliverables completed on time. 15% payment retainage for the remainder of the contract if any two deliverables are received after their due date or in such poor quality that the State declares them unacceptable; 20% payment retainage for the remainder of the contract if any three deliverables are received after their due date or in such poor quality that the State declares them unacceptable.*

Contractor Liquidated Damages: For defects not corrected within 5 days

- *Self Service Portal Accuracy: \$100 per day each occurrence.*
- *Conversion Accuracy: \$100 per day each occurrence.*
- *Presumptive Eligibility Accuracy: \$100 per day each occurrence.*
- *Eligibility Accuracy: \$100 per day each occurrence.*



Question #23

What are the ramifications if the project fails? Penalties?

Contractor Liquidated Damages: Contractor failure to perform

- *Case Record Management*: \$250.00 per business day for each business day the Contractor remains non-compliant.
- *User Support*: \$250.00 per business day for each business day the Contractor remains non-compliant.
- *Key Personnel*: After 60 days-\$1000 per business day position unfilled. \$1000 per business day for each business day the Contractor is past the thirty (30) calendar days required notification of termination or transfer of any designated Key Staff.
- *Contractor Staffing*: \$500.00 per business day per occurrence each business day after sixty (60) calendar days which a minimum staffing level position remains unfilled by a qualified person.
- *Reports or Data Delivery*: \$500.00 per business day for each business day that each report or data delivery is late.
- *Deliverables*: \$250.00 per business day for each business day that the Contractor remains non-compliant with the provisions of the Quality Assurance Review Process.
- *Misc Contractor Non-Compliance*: \$500 per working day per occurrence after the due date until the non-compliance is corrected.



Question #23

What are the ramifications if the project fails? Penalties?

Contractor Liquidated Damages: Contractor failure to perform

- *System Unavailability*: \$1,000 for each calendar day of each occurrence.
- *Response Time*: \$500 per calendar day that the response times do not meet performance standards.
- *Implementation Phase I*: \$1,000 per business day that Implementation Phase I remains incomplete after March 30, 2012.
- *Interfaces*: \$10,000 per business day that interface designs and standards remain incomplete and unpublished to State agencies and KHPA business partners after August 1, 2012.
- *Conversion*: \$10,000 per business day that conversion file designs and standards remain incomplete and unpublished to State agencies and KHPA business partners after August 1, 2012.
- *Operational Readiness*: \$10,000 per business day that Operational Readiness Testing begins after six (6) weeks prior to the scheduled Implementation Phase 2 go-live date.



Question #24

What are the ramifications if the project is cancelled?



Question #24

What are the ramifications if the project is cancelled?

- State may be obligated for Federal participation monies already spent.
- Error rates remain very high. Kansas 2010 Payment Error Rate was 10%.
- Fraud Detection difficult.
- No value gained from \$9M spent to date for RFP, Project start up, Oracle License entitlements.
- Eligibility determination and case management processes remain paper based and manual.
- Initial eligibility decisions and eligibility status updates require multiple layers of review.
- Continued reliance on State FTE to learn complex rules and do the work.
- No ability to provide services through local community partners.
- No constituent Self Service capability.
- Current systems will be difficult to modify to meet policy and process changes.
- Information to support decision making is either in multiple systems or doesn't exist in any system.
- System components exist in silos; not reusable.
- Cost containment difficult.
- Health and services outcomes difficult to evaluate.



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Conclusion

- Any questions...?